COMMERCE – GENERAL

1991

JULY — AUG.

Jonathan Beare planning to return to South Africa

Star 1/7/91

By Tom Hood

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CAPE TOWN — Dr Jonathan Beare, son of Durban business doyen Aaron Beare and a mastermind behind the emergence of soon-to-be listed Prefcor, will be returning to South Africa permanently after a number of years living abroad.

A family member confirmed last week that Dr Beare WAS expected to return permanently in May next year and expected to work closely with Prefcor.

He has been based abroad for many years, having built up a huge property empire in the US and Europe from a current base in Los Angeles.

It is believed the Dr Beare who has frequently travelled to SA on business over the past few years may settle in Cape Town.

Dr Beare is currently in the country but could not be reached for a comment.

Meanwhile, a flurry of activity has surrounded the fast-growing Durban-based Prefcor in the past few weeks.

In addition to Prefcor's an-

Dr Beare . . . may settle in the Cape

nounced plan to gain a JSE listing, interests in Sports International have been sold to Mark McCormack's International Management Group by chief executive Terry Rosenberg and a big turnaround has been reported by discounting subsidiary Game.

On Friday Game announced it expected a R6 million profit in the year to June 30 1991 comPared with a loss of R6,5 million last year.

The discounter was outlining plans to launch a 100 percent discount day draw in which all customers who buy goods one one day in July will be given full refunds for their purchases on that day.

The important role of powerful Swiss investor Eric Beyersdorf whose family has interests in European retailing emerged for first time only two weeks ago when Prefcor announced its JSE listing plan.

Mr Beyersdorf recently visited SA, where he WAS introduced to senior staff members. He will join Prefcor's board.

The financial press has commented on a superb return which the syndicate of investors has made on their Prefcor stake since the Beares group was bought out.

Owing partly to the improved financial rand, it reported that in dollar terms foreign shareholders could realise 4,5 times on some of their 1988 investment.

COMPANIES

Saficon counts on recovering lost ground

LIZ ROUSE

MOTOR group Saficon Investments' earnings should recover to 95c a share and the dividend rise to 24c from the past year's 53c a share and 14c respectively, chairman Sydney Borsook and CE Kurt Hipper forecast in the annual review.

Inadequate supplies of Mercedes-Benz and Honda, the group's flagship vehicles, knocked Saficon's performance in the past financial year.

To arrive at the forecast recovery in earnings, Saficon's board — one of the few to make precise forecasts — has assumed adequate supplies of new vehicles and that it will regain some of the market share lost during the past financial year.

It is also counting on little competition from the used car market and continued growth in its service and parts business.

Borsook and Hipper's forecast of 1992 earnings puts the group back to the 1988 earnings and dividend level. In that financial year earnings were 92c a share and the dividend amounted to 27c.

Saficon hit peaks in 1989 and 1990 when earnings a share were 147c and 149c a share respectively and dividends were 42c and 43c.

The group expects a R318m increase in turnover to R1,78bn in the year to March 1992, that new vehicle prices will increase 14% and that gross margins will be 0,5 percentage points lower than last year. Operating costs are expected to rise by 11%, the corporate tax rate to remain unchanged at 48%, net trading assets to increase by R38m and Boumat to achieve its forecast earnings.

In the year to March 1991, the group's turnover declined slightly to R1,46bn but operating profit fell 31,9% to R57,3m.

COMPANIES

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Foschini's stake in Etam deal kept secret for months

BDay 1/7/91 ANDREW GILL

FOSCHINI was committed as a 50% partner in the financing of the Etam acquisition as early as January this year but shareholders who were told about it were sworn to secrecy, UAL corporate finance executive director Tim Sewell said.

The group went public with plans to acquire a R131m equity stake in Oceana Investments to finance Oceana's hostile takeover bid for UK retailing chain group Etam last week.

Foschini and Oceana are both controlled by the Lewis family. Sewell said all major institutional shareholders in Foschini had been canvassed about the deal prior to the final sanctioning.

Foschini and Oceana director Mike Lewis said the secrecy was necessary because an element of surprise was essential as the bid was contested.

Foschini is to pump in between R131m and R153m in the form of an enlarged equity interest in Oceana. Oceana and UK investors have set up Oceana Retail Enterprises (ORE) on a 50/50 basis for the purpose of making the offer to Etam shareholders. Oceana will, however, have voting control in ORE.

Oceana will raise the capital with the issue of 16,7-million new shares to be underwritten by UAL.

Sewell said there was absolutely no truth in suggestions that Foschini was baling out Oceana in its bid.

Oceana had used most of its resources in buying the 28% stake it has in Etam and outside funds were needed to finance further share purchases, he said.

Lewis said from London the deal in no way benefited the Lewis family to the detriment of other shareholders.

He said the takeover attempt was going on as expected and they had not been surprised by any moves by the London Takeover Panel, with which they had been working in full consultation.

If the bid for the entire issued shares of Etam was unsuccessful it was likely that Oceana's listing in the UK would be terminated. While it was obviously preferable to be listed in the UK, another offshore listing could be attained, Newell said.

Analysts said the money being poured into the deal by Foschini, which was being financed in the medium term, could have an effect on the group's gearing and possibly adversely effect earnings in the short term.

Stock dividends are being paid in lieu of cash and would be easily liquidated, Lewis said.

The outcome of the bid was expected within the next five to six weeks.

Jo'burg has plan to bring back lost youth

B/Day 1/7/91 (30)

PETER GALLI

JOHANNESBURG could be in for a "big apple" flavour, with young people being attracted back to the CBD through an upmarket residential area.

This is the hope of city council planning and development committee chairman Eddie Magid.

"The timing has never been better for the continued development of the CBD," Magid says.

"I am determined to establish an upmarket residential component, and bring young people back to the central city," Magid says.

The Newtown development — between Kerk Street and the Market Theatre — is geared towards improving the downtown area through pedestrian walkways, sidewalk cafes, live entertainment and a new conference centre.

"Can you imagine anything better than strolling to work through this European-type setting?" says Magid.

Security and parking facilities will have to be improved, and steps are already being taken in this direction, he says.

Magid says an announcement on the conference centre will probably be made in the next few weeks.

CBD development worth more than R580m is in progress, and the conference centre, the new taxi terminuses and the Newtown development will cost a further R1,58bn, he says.

The acquisition of land for phase two of the Newtown Turbine Square Development is being negotiated at local authority level.

If successful, it will increase the office, retail and parking space in the area.

Backlash over group areas

Indians poised to sue for billions

Star 1/7/91 (30)

By Shirley Woodgate

South Africa's Indian community is investigating massive claims against the Government as compensation for alleged multimillion-rand losses incurred through forced removals under the Group Areas Act.

Ebrahim Kharsany, president of the Islamic Business Chamber, said the enforcement of the Act not only led to the destruction of established businesses, but also widespread expropriation of valuable properties.

He said most of the property was in the central business areas of towns and cities, and now occupied by white-owned organisations.

The Indian community aimed to approach the Government with two options: to sell land back to the original Indian owners at cost, and to subsidise the business activities of those who were ruined by forced relocation.

The Star talked to businessmen in the eastern and western Transvaal, and found the pattern repeated all over the province.

In Ermelo, the present all-white CBD was developed in the late 1900s by Indian shopkeepers who had pioneered the town, said Baboo Bagalia. "The Government expropriated all Indian property, offering well below market value.

"Some 28 thriving Indian businesses were forced into a slump as they were relocated 3 km outside the town to Cassim Park Plaza.

Heavy losses

"Today, the Indian businesses have been replaced by thriving white-owned shopping complexes."

Indians poised to sue for billions

Star 1/7/91 (30)

• From Page 1

the acquistion by Sorec (Schlesinger Organisation Real Estate Co) of Indian-owned properties on the site of the present Life Centre bounded by Commissioner, Market, Kort and West streets in Johannesburg.

"During the 1960s, after 90 percent of the Indian traders had sold up, executives of Sorec moved in on the last two traders operating from what was known as Barkly Arcade.

Faced with a flat refusal to sell, Sorec warned the traders they would seek Government intervention under the Group Areas Act.

(Sorec has since been taken over by Anglo American Properties.)

"I have no doubt they were serious. We were in a no-win situation. If we insisted on more money, the Group Areas Board would take 50 percent of the difference between its valuation and the selling price.

"We handed over, and relocated our businesses elsewhere. Life Centre went up and we have been forced to watch over the last 20 years how values in the area have soared more than tenfold. The Indian is generally a pacifist but we vowed we would see justice done one day."

Small men hold the big key

Star 1/7/91

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Dr Ben Vosloo, who today celebrates 10 years at the helm of the Small Business Development Corporation, was at the spearhead of moves that ushered budding black businessmen into the economic mainstream when he took the lead in breaking down apartheid barriers. He explains why he believes the small businessman can play a crucial role in the post-apartheid era.

AT THE dawn of a post-apartheid era, the main debate now centres on what kind of political model looks best suited to the new South Africa — and which economic route to follow.

On one side stand the champions of a market economy approach, with an emphasis on free enterprise, individual initiative, entrepreneurship and efficiency.

On the opposite side stand the supporters of a command economy approach, with a commitment to egalitarianism, welfare services and social security based on Government intervention and control.

There are also many combinations and permutations between the two extremes of the sort of fully democratic system practised in Switzerland and the totalitarian dictatorships that ruled much of Eastern Europe until the recent collapse of several communist regimes.

One major problem is the way the current debate is bedevilled by a lack of consensus on the precise meaning of key terms in the political lexicon.

For one person, "profit" means a reward for effective economic action; for many others it carries connotations of exploitation or privilege.

For some, "socialism" means solutions to end poverty; for others it raises the spectre of a failing and declining economy and widespread misery.

The irony of the situation is that the protagonists of socialism hold that central planning is necessary to achieve a better deal for the masses.

This is due to the fallacy of identifying the ideology of "separate development" with the economic system of "capitalism" in the minds of people in the large Third World periphery.

The majority of voters in the new South Africa are not likely to be easily persuaded that central planning and totalitarian government — albeit "democratic centralism" — are inherently hostile to the spiritual and material welfare of the man in the street.

Hence we must expect a battle for the minds of people between the forces of individual freedom and enterprise on one hand and supporters of socialist central economic planning on the other.

We at the Small Business Development Corporation believe that the natural mediators between these conflicting views are South Africa's entrepreneurs.

Men and women who are engaged in the small business sector of the economy tend to be true free marketeers, though few would actually give themselves that label.

It is largely only the entrepreneurs, with positive hands-on experience of a free market at work, who can act as a bridge between those South Africans who find they do not really see eye-to-eye.

And it is only here that emotional issues do not cloud concepts by attaching moral values to them. For your average entrepreneur, the critical question is not whether a concept is ideologically acceptable, but whether and how it works in practice.

Without job-creation and economic growth, our society will be condemned to impoverishment. Basic needs such as housing and better education and health services will fade out of reach.

Like most countries in today's world we are likely to continue running a mixed economy that combines free market features and some government intervention. But sharp questions will have to be asked about the nature of the mix — and the direction of the tilt.

In the final analysis it should be made clear that our hopes for the future do not lie in simplistic ideological rhetoric. They lie in a refocusing on the true nature of development at the grassroots level in towns, cities and regions.

Real economic development is a do-it-yourself process that can at best only be reinforced by sound economic policies.

It boils down to the rediscovery of the enterprising individual who creates job opportunities, who takes risks, who breaks new ground and who plays an innovative role in the economic life of a country.

The way to build a happy and prosperous nation does not lie in centralised bureaucratic planning and control but in unleashing the creative potential of the entire population.

The media in South Africa has a crucial role to play to ensure that the debate on our future political-economic order is an informed debate and that all the relevant facts and arguments are made known. □

Consumer boycott starts in Pietersburg (30)

Star 2/7/91

PIETERSBURG — The consumer boycott of white-owned businesses in Pietersburg began yesterday without any reported incidents, according to SAP liaison officer Captain Cas Jones.

Residents said the town was very quiet and a Consumer Boycott Committee spokesman said "the masses have responded well". He urged the community to show discipline.

The South African Communist Party in the region said it supported the boycott in Pietersburg and Potgietersrus.

The Potgietersrus boycott was launched after a Cosatu march was banned. — Sapa.

Violence eroding consumer confidence

By Blaise Hopkinson Star 2/7/91

CAPE TOWN — Severe violence in black townships has contributed to most whites in South Africa being pessimistic about the short-term future of the country, says the Bureau for Economic Research at the University of Stellenbosch.

In the results of its latest trade and commerce survey conducted in the second quarter the BER has found 58 percent of white consumers expect a deterioration.

Some 40 percent thought this would be slight while 18 percent were "extremely pessimistic" and expect a considerable deterioration.

"Continuing internal political tension, which manifests itself in severe violence in black townships, must undoubtedly be a contributing factor to this pessimistic scenario," the report says.

On the other hand, black consumers showed "relative optimism" in the survey.

White consumers are more optimistic about their personal financial position in the next 12 months and the confidence index of 102 is slightly higher than the 90 in the second quarter of 1990.

The BER forecasts the prime overdraft rate will be lower only towards the end of the year, which will have a negative impact on credit-financed consumer spending.

Salary and wage increases will be "more conservative" while the government sector will aim to keep salary increases in line with or below the lower expected inflation rate of around 13,7 percent.

Most respondents to the BER's survey believe it is the wrong time to buy durable goods like washing machines and furniture.

"A high tax rate furthermore erodes the personal disposable income of consumers, and this hesitant attitude towards durable spending is understandable," the report says.

Survey respondents in the motor trade believe the lacklustre performance of the second quarter will be repeated in the third quarter. This includes both new and used cars.

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Star 2/7/91

Muslim group seeks to sue Govt over rental loss

Pretoria Bureau

The Pretoria Muslim Congregation (PMC) is considering taking legal action against the Government for loss of potential rental from a white-owned shopping complex developed on Muslim-owned land.

"We had to lease out our land in 1977 for it to be developed — as under the Group Areas Act, we could not develop it ourselves. Had we been able to do so, we could have procured rentals," said Anver Carrim, a PMC member.

Since then, the Mosque Plaza shopping complex had been built next to the original mosque on the corner of Vermeulen and Queen streets — and the building's leaseholders were collecting R2 million a year in rentals.

Mr Carrim said his community now wished to purchase the lease, and could make in excess of R2 million in rentals because the current leaseholders had entered "bad business agreements".

"The company leasing the building took advantage of our situation. Without consulting us as the owners, it entered into a long-term agreement which entails paying an enormous amount for the use of a ramp on adjoining property.

"Now there is a bid by another large company to buy the lease. We insist that we must be given the first option to buy it, as we are the landowners," Mr Carrim said.

Big rent increases 'inevitable' when economic upturn arrives

(30)

By Frank Jeans Star 3/7/91

With substantial increases in commercial rentals inevitable on the back of the economic upturn confidently predicted for next year, tenants appear to be taking advantage now of incentives and other allowances to settle their accommodation requirements for the next five years.

This is the view of Les Weil, executive chairman of the JH Isaacs group.

In an overview of the property market, he says rents at present are on a plateau which means a decline in real terms and that both landlords and tenants perceive big rises in rents on economic recovery.

High rates

"The Witwatersrand market is displaying all the characteristics expected against a background of high interest rates and, in many cases, declining turnovers in real terms.

"These include lower rentals, lower prices and more space available — and the adverse effect of violence compounds the situation."

He sees many opportunities, however, which are not appreciated at present in the market place and when looking back in a few years, investors and tenants "might well bemoan their lack of action now".

Rents on a plateau ... Les Weil, executive chairman of the JH Isaacs group.

Looking at the retail sector, the JHI chairman says leading companies have displayed remarkable performance and increased market share.

"Smaller retailers are being squeezed by the majors on one side and the hawkers and street traders on the other.

"Space in well-established and well-located shopping centres remains in demand, but there is some stress evident in many other ventures.

"It is not surprising that investors are being particularly careful in researching new developments, bearing mind the changing trends in retailing, particularly in the informal sector."

Property units

Development of new centres, may be deferred until the economic upturn occurs.

The institutions will continue to be substantial buyers of direct property and property units.

With a general shortage of quality investments, it is likely that rights issues by unit trusts and variable loan-stock company will be vigorously supported, particularly in those trusts and companies which have well-established track records.

"The appearance of entrepreneurial private buyers of existing property is usually an indicator that the bottom of the property cycle is being reached and this can be expected in the next few months," says Mr Weil.

40 township businesses face blackouts

30 SOW 3/7/91

By Montshiwa Moroke

A further 40 businesses in Soweto, still owing more than R20 000 in service fees, face an electricity blackout from today, the council's public relations officer, Mojalefa Moseki, warned yesterday.

Mr Moseki said the list would be handed to the electricity department which would deliver the notices to the traders.

The businesses were situated throughout the township

Businesses which had their electricity supplies cut at the weekend were reconnected after they had made certain undertakings and after they had paid a R50 reconnection fee to the council.

"Traders who paid a deposit or part of the amount owed, and had signed an undertaking to pay the rest by a certain date but had failed to do so, would be prosecuted.

"The council has already processed some documents with a view towards getting a court order against those businesses which were suspended early last month and had failed to fulfil their undertakings," Mr Moseki added.

COMPANIES

Regrouped Metro one of the biggest

BDay 3/7/91 (30)

MARCIA KLEIN

THE restructured Metro Group, with annual sales of over R5bn, will be one of the largest distribution operations in SA.

The new group was formed following the takeover by the Premier Group of 70% of Tradegro's interest in Metro. Following the takeover, Metro was to raise about R142m to reduce borrowings, and it would then acquire the entire issued share capital of Score Foods.

Metro's new MD Carlos dos Santos — formerly the CE of the Score group — yesterday announced details of the restructured group, including its listing on the JSE as Metro Cash and Carry (formerly Metro Group).

The new group will comprise 208 Metro and Trador Cash and Carry operations, five Trade Centres, and six Builders Bucket outlets. They would continue to trade under these names at this stage, Dos Santos said.

Score Supermarkets will comprise the merged retail operations of Fairways Supermarkets and Score Supermarkets, with Score retail operations CE Chris Burgess as MD. Dos Santos said details of Score's structure would be issued next week.

He said the company had been divided into three operational divisions — Northern, Central and Southern — to manage "this new giant" more easily.

SBDC 'a world leader'

30 Own Correspondent 153A CT 3/7/91

JOHANNESBURG. — The Small Business Development Corporation (SBDC) had in many ways become a world leader in the field of small business support, the corporation's MD Ben Vosloo said here yesterday.

Vosloo was speaking on his return from a three-week business tour of Europe, during which he addressed the Milan Chamber of Commerce, attended a small business congress in Vienna and visited several business development organisations in Belgium, the Netherlands and Luxemburg.

"Small and medium entrepreneur (SME) development organisations in Europe were impressed with the SBDC's record over the past 10 years of having assisted 30 000 small business entrepreneurs with loans amounting to R1,1bn and in the process creating 280 000 jobs.

"Small business support trends in Europe confirm that the strategies implemented by the SBDC over the past 10 years have kept pace with the rest of the world, and in many respects the SBDC has become a leader in this field," said Vosloo.

He added: "With 99,36% of EC businesses employing less than 100 employees and 91,34 less than 10, it was clear that Europe was following in the footsteps of Japan, the world's most small-business-based economy".

The EC had clearly recognised the importance of the small and medium-sized sector as an efficient job creator and was targeting this sector with its business development initiatives.

The decrease in unemployment in EC countries — since the EC launched a development programme for SMEs in 1986 — was largely due to the performance of this sector, while large companies were actually increasing unemployment.

"It reaffirmed our belief at the SBDC that focusing business development strategies on the small business sector in SA is the most effective way of addressing our own unemployment," said Vosloo.

SBDC leads the field, says Vosloo

(30) B Day 3/7/91

THEO RAWANA

THE SBDC had in many ways become a world leader in the field of small business support, MD Ben Vosloo said in Johannesburg yesterday.

He was speaking on his return from a tour of Europe, during which he addressed the Milan Chamber of Commerce, attended a small business congress and visited business development organisations.

"Small and medium entrepreneur development organisations in Europe were impressed with the SBDC's record over the past 10 years of having assisted 30 000 small business entrepreneurs with loans amounting to R1,1bn and in the process creating 280 000 jobs.

"Small business support trends in Europe confirm that the strategies implemented by the SBDC over the past 10 years have kept pace with the rest of the world, and that in many respects the SBDC has become a leader in this field," Vosloo said.

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"It reaffirmed our belief at the SBDC that focusing business development strategies on the small business sector in SA is the most effective way of addressing our own unemployment," Vosloo said.

Pietersburg poised for indaba over boycott

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Star 4/7/91

By Dirk Nel
Northern Transvaal Bureau

PIETERSBURG — The business community of Pietersburg was bracing itself for a prolonged consumer boycott, and would take action to protect its interests, commerce leaders told The Star yesterday.

As the likelihood of talks with the boycott committee increased, Chamber of Commerce chairman Frank Greyling and Afrikaanse Sakekamer leader Ben de Jager ruled out revenge actions such as legal steps and retrenchments.

Mr Greyling welcomed the announcement by the boycott committee that it was considering the chamber's request for talks.

The two business organisations decided yesterday that they would continue to cooperate in exploring all possible ways to end the consumer boycott.

Mr de Jager said businessmen were under no illusions about the possible serious effects of the boycott and were organising themselves accordingly.

Several shops in Pietersburg reported record turnovers at the weekend, when consumers stormed the town to stock up in preparation for the boycott.

In addition, an evening carnival of shopping on Friday provided dealers with rich rewards, while buyers picked up unbelievable bargains.

Several shop-owners said the bonanza would help them to weather the first two weeks of the boycott. Yesterday the sakekamer held a well-attended meeting to inform businessmen on the latest boycott developments.

Meanwhile it was clear that many taxi owners were ignoring the boycott, by refuelling and purchasing vehicle accessories in Pietersburg. Hawkers also plied their trade, as usual, but the majority of commuters observed the boycott.

Supermarkets, furniture stores and outfitters appeared to be worst hit after the first three days of the boycott.

Shoplifting may cost stores R1-bn in '91

Shoplifting is at its highest level yet in South Africa, with retailers standing to lose more than R1 billion this year, the managing director of an electronic surveillance firm said in a statement on Tuesday.

During the past few months there had been a swing towards the theft of food, "and the situation is going to get worse", Bruce Craig said.

"People are stealing food because they are hungry.

He believed there would be a shift back towards stealing easily saleable non-edible goods to satisfy other needs such as rent, clothes and transport."

Small items, such as audio cassettes, were being traded for taxi fares, and bigger items were also being used for "barter" deals, he said.

"A major problem for retailers is that their security guards can easily be intimidated, no matter how many beefy guards are employed."

Another big problem for retailers was collusion between staff members to steal from their employers, especially from warehouses and during transportation of goods. — Sapa.

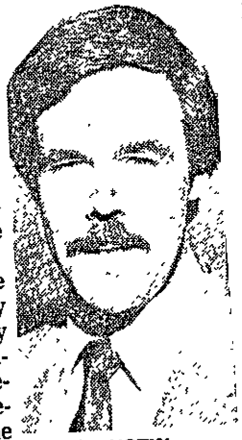
Shares lose 5% on Rusfurn shake-up

B1Day 4/7/91

(30)

MARCIA KLEIN

MARKET reaction to news of a major shake-up in furniture retailer Rusfurn saw the share losing 5c or 5% to close yesterday at 95c, testing May's year low of 90c.



● AUSTIN

Rusfurn said yesterday CE Geoff Austin had resigned and former banker Laurie Korsten was replacing him. It also proposed a rights offer to recapitalise the group.

Although the news was generally not well received by the market, analysts said in its defence that something had to be done to address Rusfurn's funding problem.

An analyst said Senbank — which is Rusfurn's main bank — was worried, and it "had to come in and do something".

Also, Senbank was one of the only institutions involved with Rusfurn which was big enough to underwrite a rights issue.

The amount to be raised has not been determined, but an analyst said the R100m which had been reported was "possibly very low".

Analysts said a problem with the rights offer was that quite a few investors — especially the institutions — might not follow their rights.

Unidev, which has a 22% stake in Rusfurn, was not expected to follow its rights. At a current price of 95c, an analyst said the rights issue may prove to be quite expensive for Senbank.

Although some shareholders would follow their rights because the share was relatively cheap, an analyst said others may not want to spend more on an investment that had not lived up to expectations.

Reaction to Austin's departure was mixed. Some analysts felt he was a good "hands-on" retailer, while others felt he should not have expanded the business at the rate that he did.

However, an analyst said the expansion of the business and of the debtors book was an incentive for the management target to be achieved in terms of the share incentive scheme, and a more realistic scheme — as has been proposed by Senbank — could lead to a tightening up of the business.

This could mean that in the short term Rusfurn would need to get its house in order in terms of financing and controls on the granting of credit. This contraction of the business would result in low growth in the short term.

With this in mind, analysts said the shake-up came at the worst time, with furniture sales dropping off sharply, and with expectations of a bad year for the furniture industry. Analysts expected a decline in earnings for the year to end-June.

Analysts said the disagreement between Austin and Senbank was either over him wanting to sell off assets, including Dion, or he may have been pushing to sell the debtors book to a consortium of banks and take it off the balance sheet.

Although the proposed recapitalisation of the group would help, this was a short-term solution. With debtors remaining on the balance sheet, the risk would remain and there was the possibility that Rusfurn could find itself with a similar funding problem a few years down the line, an analyst said.

B1Day 4/7/91

Dinette set to list on the JSE

ANDREW GILL

THE JSE is set for a new venture capital market listing on July 25 in the form of a company, Dinette Industries, that intends taking advantage of the growth market created by basic housing development.

The company will make "dinette" tables and chairs which will be sold into the low income market with demand emanating from government's planned housing development programme.

"This is not a luxury we are making," former Afcol director and chairman of Dinette Jack Cheskelson said last night. "We are selling a basic product to a low income mass market."

The only reason for the listing is to allow a 30% investment from foreign backers who would normally have to wait about six months to invest if it was a private company.

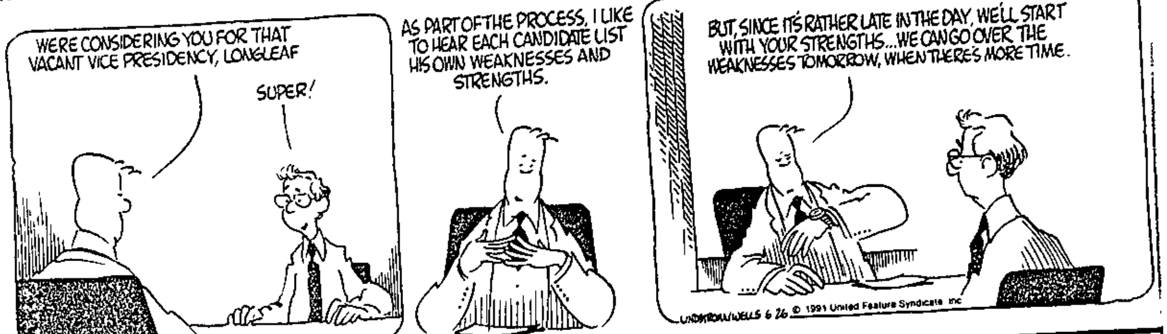
The company is to raise R2,9m in the issue in a private placing. More than R2,6m has already been raised from friends and relatives in SA and abroad.

Syfrets fund

SYFRETS Growth Fund's total return (capital plus income paid) for the past 12 months to June 1991 was 28,98%. The compound annual return was 33,64% for the three-year period ended June, not for the 12-month period as incorrectly stated in Business Day yesterday. The error is regretted.

EXECUTIVE SUITE

By William Wells and Jack Lindstrom



Shoplifters poised to pass R1bn mark

SHOPLIFTING was at its highest level yet in SA, with retailers standing to lose more than R1bn this year, an electronic surveillance firm MD said in a statement this week. B|Day 4|7|91.

During the past few months there had been a swing towards the theft of food, "and the situation is going to get worse", said Bruce Craig.

"People are stealing food because they are hungry and it is easier to steal than many other items, but it satisfies only one basic need."

He believed there would be a shift back to stealing easily saleable non-edible goods to satisfy other needs such as rent, clothes and transport. (30)

Small items, such as audio cassettes, were being traded for taxi fares and bigger items were also being used for "barter" deals, he said.

"A major problem for retailers is that their security guards can easily be intimidated, no matter how many beefy guards are employed," Craig said. — Sapa.

Lekoa businesses hard hit by electricity supply cuts

BDay 4/7/91 (30)

THEO RAWANA

SCORES of businesses in the Vaal Triangle's Lekoa township complex are being hard hit by last month's power switch-off.

Vaal Civic Association chairman Malik Madise said yesterday at least two Vaal Triangle butcheries had closed because of the switch-off imposed by the Lekoa City Council early last month.

Madise said businesses such as butcheries, fish and chip shops and dry-cleaners had been hardest hit since the cut in electricity supplies to the townships of Sharpeville, Sebokeng, Bophelong and Boipatong.

Negotiations

A seven-year-old rent and services boycott had built up a R240m debt, resulting in the council cutting power to 38 000 households on June 2, after a May 24 deadlock in talks with the civic association.

The council proposed that an interim flat rate of R41 be paid while negotiations to resolve the boycott continued. The civic association demanded a R30 tariff.

Urban affairs consultant Nigel Mandy said good progress was made on Tuesday when the Transvaal Provincial Administration and the civic association met again for talks. The civic association had accepted in principle that a basic electricity charge of R17,50, plus 12c a kW consumed, could be applied.

A working group had been appointed and the parties would meet again on July 12, Mandy said.

Sapa reports that Greater Soweto Town Council spokesman Mojalefa Moseki said yesterday Soweto businesses, in arrears with electricity accounts and threatened with switch-offs, had been given a temporary reprieve.

Moseki said the council had threatened to cut power to 40 businesses and local police stations by yesterday.

However, "as the cutting-off team was going into the township some people were queuing up to pay and we decided it would be unfair to cut off their electricity", he said.

The council would delay power cuts until it had processed final figures of who had paid. If traders were still reluctant to pay up, they would face possible court action and electricity blackouts.

Soweto businesses which had their electricity cut off at the weekend were reconnected this week after they paid reconnection fees and signed an undertaking to pay outstanding amounts.

OM buys 7 percent stake in Pep

Star 5/7/91

(30)

By Magnus Heystek

Old Mutual said last night it had acquired a stake of 6,6 percent in Pep Limited, which is considered to be the dominant clothing retailer in the lower-income end of market.

The deal is valued at R105 million.

The deal, done at the end of May, was at a price of R27 a share, which included the dividend.

Yesterday Pep was trading at R33 a share.

This means that, together with the recently declared dividend, Old Mutual can already show a return of 30 percent for its unit-trust holders, policyholders and pension funds.

Portfolios

The shares were bought from Pepkor, Pep's holding company.

They were allocated to the Investors' Fund, Old Mutual's general equity fund and to other portfolios.

At a purchase price of R27 per share Pep, was trading on a P/E ratio of 13,9, which is significantly lower than other retailing stores whose share prices stand at P/E multiples of 18 to 20 times.

Pep has a dominant share in the lower-income end of market segment and is also cash-based, with cash resources of R250 million.

Apart from Pep Stores, Pep Limited is also the holding company for Ackermans and Harties.

Customers

Ackermans is currently being repositioned to attract customers from the upper-lower and lower-middle class market segments.

Pep recently acquired control of Harties, which was started by the son of the original founder of Pep, Renier van Rooyen.

It is expected to generate increasing returns.

Shoplifting is at its highest level in SA (30)

SHOPLIFTING is at its highest level yet in South Africa, with retailers standing to lose more than R1 billion this year, according to an electronic surveillance firm managing director.

During the past few months there had been a swing towards the theft of food, "and the situation is going to get worse", Mr Bruce Craig said.

"People are stealing food because they are hungry and it is easier to steal than many other items, but it only satisfies one basic need."

He believed there would be a shift back towards stealing easily saleable non-edible goods to satisfy other needs such as rent, clothes and transport.

Small items such as audio cassettes were being traded for taxi fares and bigger items were also being used for "barter" deals, he said.

"A major problem for retailers is that their security guards can easily be intimidated, no matter how many beefy guards are employed," Mr Craig said. Sowetan 5/7/91

Another big problem for retailers was collusion between staff members to steal from their employers, especially from warehouses and during transportation of goods. - *Sapa*

RETAILING FM 5|7|91 (30)

CHECKMATE FOR TRADEGRO?

The recent decision to unbundle Tradegro has enhanced prospects that retail subsidiary Checkers will eventually be freed of its links to property company Coreprop, which holds the head leases on most of its trading locations, and listed as a separate entity on the JSE.

Blocking the sale of Checkers and Coreprop as separate entities is the fact that Coreprop holds the head leases on 52 properties — 38 of them Checkers trading locations. As head lessee it is responsible for the rentals on all of these properties until the leases expire. On average they have 15 years to run. Tradegro is the guarantor on at least 50% of Coreprop's leases, thus it must find someone to take over this responsibility before the separation of Checkers and Coreprop becomes practical.

Only then can Sankorp, which owns 73,6% of Tradegro's pyramid holding company, Tradehold, sell its interest and be released from direct management and control of its retail investments. It also intends selling its interests in Metro, Cashbuild and Premier.

Tradehold's reorganisation left Checkers, Coreprop and department stores Stuttafords and Greatermans as wholly owned subsidiaries of Tradegro. A management buyout is being considered for Greatermans and Stuttafords.

The ball, it seems, is in Coreprop's court. It must extricate Tradegro from its property ownership obligations within a year, in terms of a commitment made more than two years ago to leave Tradegro totally unencumbered. Coreprop MD George Skinner believes negotiations with institutions over the acquisition of the company's properties and leases could begin once the Tradegro unbundling dust settles.

Says Skinner: "We inherited most (10) of Checkers' low-productivity stores. Half of them are former Checkers Warehouses, and the remainder oversized superstores. They're all too big for their markets. Two will be replaced with new anchor tenants. The others will be scaled down in size and excess space let to chains like Game and Clicks, which have expressed an interest in three properties."

Coreprop, which in addition to its head leases is responsible for the management of eight other shopping centres, has in fact been scaling down its portfolio for some time. In 1986 the net worth of its portfolio was R220m, representing roughly 100 properties. Today it owns properties worth R40m (five shopping centres, three free-standing stores and several undeveloped commercial sites).

Says Skinner: "Most of this should be disposed of by the year-end, completing a controlled asset strip." This will leave a firm strong in management skills and small in property assets — and ripe for a much-mooted management buyout by Skinner and his associates.

Coreprop's annual rental obligation for head leased centres is estimated at about R50m. The total yearly rental collections administered by the company, including managed properties, amount to about R140m.

"About 80% of Coreprop's head leases are with 10 institutional investors and it would be logical for them to negotiate with Coreprop," Skinner says.

He says there are basically three options open to these institutions, which will be explored in the next six months. They include: taking equity in Coreprop on a quid pro quo basis in proportion to exposure; cancelling head leases on many of the profitable shopping centres and replacing them with negotiated management agreements — owners would then receive income through rental flows; or, giving the institutions performance guarantees in the shape of insurance policies which would result in upfront annuity payments or annual premiums.

"Each option would continue to guarantee a net income stream to the institutions. In the first and third cases the head leases would remain," says Skinner.

He adds that when they were inherited by Coreprop, 18 of the head leases were in difficulties. The problem leases have now been reduced to six — four of them Checkers centres — and he's confident that their difficulties will be resolved inside a year. None, he stresses, is too far gone to bring around to profitability in that time. In two centres vacancies are at about 30%, in four vacancies now stand at 10% and the rest of the portfolio has a vacancy factor of less than 2%, according to Skinner.

He emphasises that the Checkers head lease portfolio will make R500 000 profit in the year ahead, while the balance of the Coreprop head leases will take another year to achieve profitability.

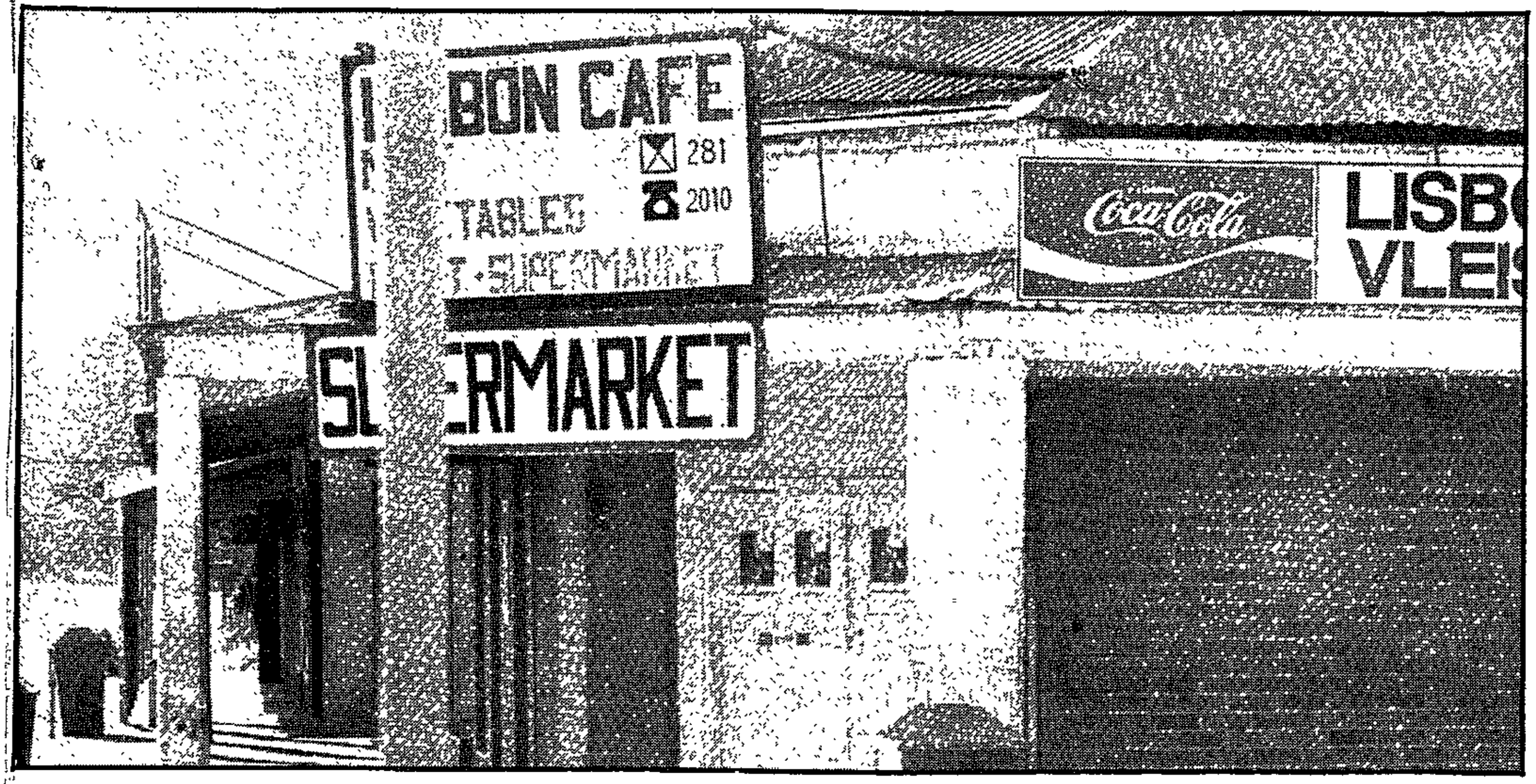
The lesson for retailers from Tradegro's head lease problem is not to mix property development and retailing — a lesson many large US groups, in particular, have learnt the hard way. For developers and landlords the lesson is that centres must first be justified by sound market research. Many of the Tradegro subsidiaries' head leases were entered into as a means of ensuring that finance for the centres could be secured. In a heavily overtraded retail market, in most instances institutions weren't exactly falling over themselves to put up the cash.

In the final analysis the priority, after financial security, from an investor's viewpoint is his relationship with the property management company and the performance of that company. Skinner believes Coreprop's relationship with investors is sound

continue

and the head leases should remain with Coreprop.

If Coreprop's management buyout proves unattractive to owners, it will be interesting to see who else enters the bidding. ■



One of the Messina shops closed due to the consumer boycott of white-owned businesses. The boycott was begun on June 1 in an effort to oust the Nancefield Council.

Tills to ring as Messina boycott lifts

30 Cipress 7/7/91

By ELIAS MALULEKE

WHITE business owners in Messina are sure to be all smiles tomorrow when the five-week consumer boycott is conditionally lifted.

The boycott has plunged some businesses into near bankruptcy, while others have been closed and workers have lost their jobs.

Consumer action started on June 1 to demand, among other things, the dissolution of the Nancefield Council, which was allegedly not serving the interests of the community.

However, the TPA informed the local ANC branch, the Messina Action Committee and the Messina Civic Association, that only the government could decide whether or not to disband the council.

The three parties held talks twice last week with the police, Messina Chamber of Commerce and the Nancefield Council in a vain bid to resolve the boycott.

The talks were initiated after several leaders of the ANC, MAC and Meca, who were detained when the boycott started, were released without being charged on June 14.

The boycott will be resumed after 15 days if two conditions are not met. These are:

■ That levies for the connection of electricity and sewerage pipes in Nancefield homes should be scrapped; and

■ All sacked workers should be re-employed.

In the meantime, the organisations said they would petition the State President and the Minister of Constitutional Development to scrap the local council.

One boycott ends, another goes on

Sowetan 9/7/91

(30)

By MATHATHA TSEDU

THE consumer boycott in Potgietersrus ended yesterday while in the nearby town of Pietersburg it continues.

The decision in Potgietersrus was taken at a meeting in the Mahwelereng community hall on Saturday, where the Consumer Boycott Committee reported the successes and failures of the 22-day action.

CBC spokesman Mr Tsoaledi Thobejane said local business had established an education programme for employers to teach them about labour laws.

The meeting resolved that the boycott be suspended and reviewed at the end of August.

In Pietersburg on Friday, a meeting of the CBC rejected out of hand an invitation to a meeting from the local chamber of commerce.

The boycott started in July and has brought the normally bustling Pietersburg city centre to a lily white town.

Boycott-hit shops lure blacks with bargains

Star 10/7/91

By Dirk Nel
Northern Transvaal Bureau (30)

PIETERSBURG — A spokesman for the Lebowa Chamber of Commerce yesterday dissociated his organisation from the 10-day Pietersburg consumer boycott, as organised commerce in the town stepped up its efforts to arrange talks with the boycott committee.

Shops in Pietersburg have been offering unprecedented discounts in their attempt to lure back black buyers. White shoppers were cashing in on the "suicide" prices for clothing and groceries when The Star visited supermarkets.

Although the effect of the boycott has been partially neutralised by the month-end shopping rush, some businessmen have expressed support for the idea of suing the boycott committee for losses suffered so far.

Chamber of commerce chairman Frank Greyling this week repeated his willingness to negotiate with the boycott committee and try to find solutions to their demands.

New vehicle sales for June off 7,5%

30

B/Day 10/7/91

MARC HASENFUSS

NEW vehicle sales for June were down 7,5% from the comparable period last year, National Association of Automobile Manufacturers of SA (Naamsa) figures showed yesterday.

Figures for June showed a 7,5% drop in combined new vehicle sales to 27 629 units compared with 29 861 in the same month last year.

For the six months to June, combined vehicle sales were 161 848 units, down almost 7,5% to 166 696 from the comparable period last year.

A Naamsa spokesman blamed the fall on the recession.

However, the spokesman pointed out some improvements were experienced in sales of cars, light and medium commercial vehicles when measured against the sales performance of these sectors in May.

May's passenger car sales hinted that the market had bottomed out, but June figures showed a 3,5% year-on-year decline to 18 016 (18 664) units.

Volkswagen SA spokesman Ronnie Kruger said the "psychological effect" of changes to fringe tax benefits and the additional 2,5% ad valorem duty on vehicles had increased resistance to buying.

This would stretch the recessionary period for the motor industry, he said.

Kruger said passenger car sales showed small vehicles were holding up well, with noticeable declines in the medium and large car markets.

Sales of new cars for the first half of the year at 104 614 units were running slightly above the 103 906 units sold in the same period last year, he said.

Econometrix's Tony Twine estimated the sales trend to be just below 17 500 units a month, which would annualise out at 208 000 for the year.

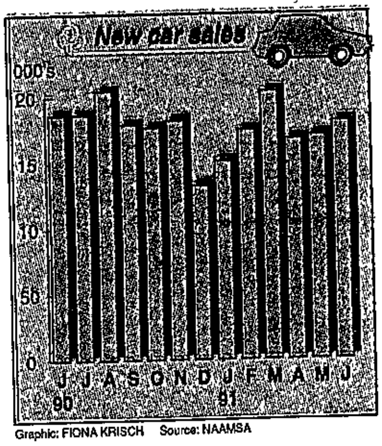
Manufacturers' initial forecasts ranged between 200 000 and 205 000 for 1991.

Worst hit during June were heavy commercial vehicles (HCV), which declined 33,5% to 474 (713) units. The sales figure was also well below May's 521 units.

Although Naamsa does not expect to release manufacturers' individual sales data this year, Toyota yesterday disclosed full details of its market share.

Toyota's market share for the first six months of 1991 was 29,1% of the total new car market.

Toyota accounted for 28,2% of passenger sales, 37,5% of LCV sales, 45,7% of MCV sales and 25% of the HCV market for the first six months.



Graphic: FIONA KRISCH Source: NAAMSA

Catching up in a boom town

BY THE END of last year, the Midrand Town Council had approved almost R400 million worth of building plans. Ten years earlier, the same council approved plans worth less than R2 million.

In 1981, Midrand's budget was R4 million, this year it is R106 million.

Spread over 193 sq km on either side of the Ben Schoeman highway between Pretoria and Johannesburg, with lots of open spaces inviting development, Midrand is undoubtedly the fastest-growing town in South Africa — possibly the fastest-growing in Africa, says David Hidden, chairman of the town's management committee.

Mr Hidden, a businessman, says Midrand can handle the expansion, as long as it is controlled. He advocates a proactive approach in planning development.

"The best way of controlling the development of Midrand is to plan ahead, as far as funding and strategic planning is concerned, and to take cognisance of what central Government and the rest of the country is doing," Mr Hidden says.

"For example, in Cape Town 10 000 people flood into the city every month — we have to plan for urbanisation at this rate.

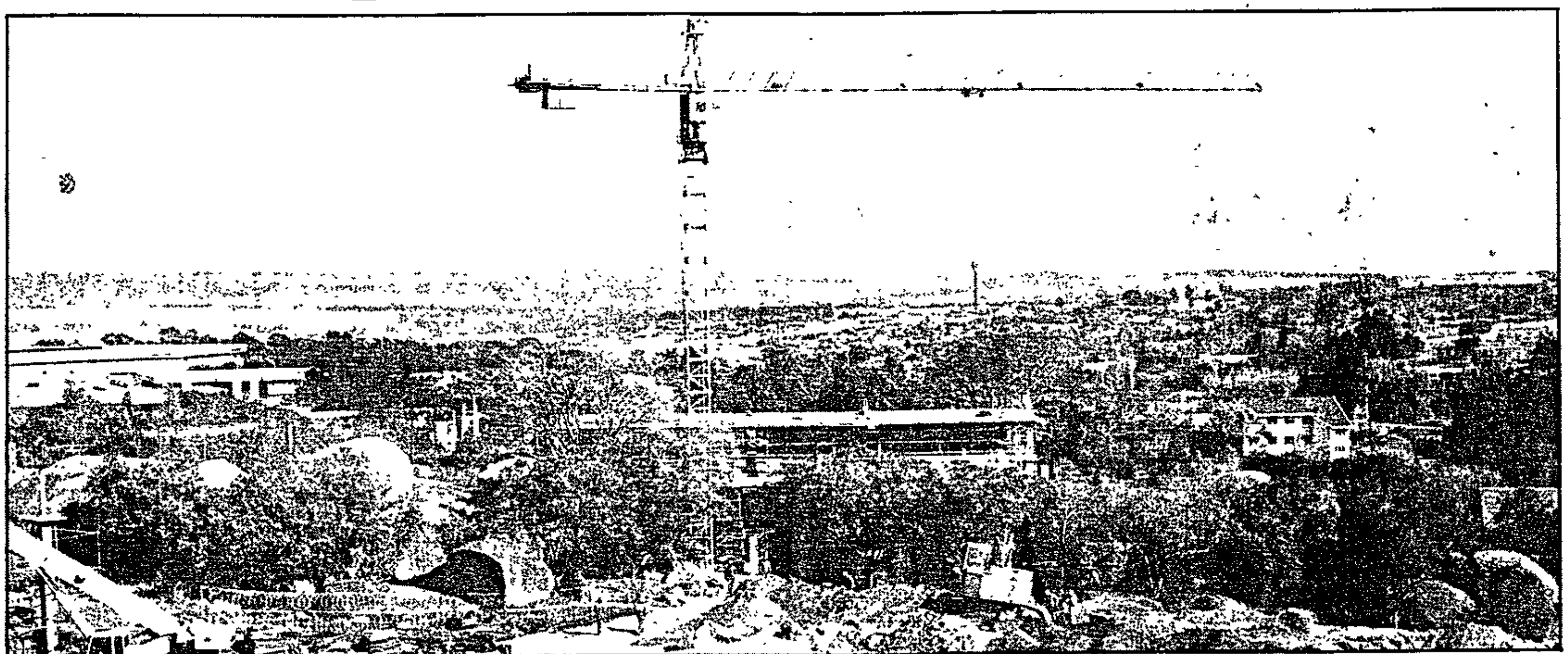
"What are we going to do if people start occupying the open tracts that are all over Midrand? We have got to plan," he says.

In the chairman's seat since the beginning of last month, Mr Hidden acknowledges that Midrand will need about R800 million in the next five years to pay for the infrastructure required to service developments.

So far R278 million has been invested in existing infrastructure. This is only 10 percent of what is needed, however, since most of the surrounding towns have about 90 percent of their infrastructure in place.

He is emphatic, though, that Midrand residents cannot be made to pay for this, and that creative methods will have to be used to raise the funds.

Midrand, previously a peri-urban area, was declared a town in 1981.



Up she goes . . . there's construction on virtually every Midrand street corner. The boulders are a town landmark which developers have undertaken not to touch. Picture: Karen Fletcher

Star 10/7/91 30

Midrand, halfway between Johannesburg and Pretoria, celebrates its 10th anniversary this year. Some say the town is booming, others say it is growing faster than finances allow. JACQUELINE MYBURGH reports.

Consisting mostly of rural holdings, the settlement of the town was based on two distinct areas of development: Halfway House and Olifantsfontein.

Five years ago, a guide plan was drawn up to direct the development of this fragmented town, and a revised structure plan this year is aimed at controlling the millions of rands worth of development springing up all over.

A number of factors have contributed to the sudden and fast growth of Midrand. Chiefly, it is because the town is exceptionally well located, halfway between two major cities, with easy access to the highway and railway line. Midrand also has its own airport, Grand Central.

The face of the town has changed radically in the past 10 years.

According to a group of town and regional planners called in to draw up the structure plan, "the town is no longer entirely a tranquil, semi-rural area remote from the realities of urban living".

They suggest a development approach which maintains a balance between the forces of development and the need to conserve.

The golden thread running through all Midrand planning policies is that it is a rural residential town, Mr Hidden says. "But we need business to pay for the development of the town."

Many people are apprehensive about Midrand's "so-called growth and development", says Margie Moore of the local newspaper, The Midrand Reporter.

Mrs Moore has lived in Midrand since 1963, when her parents bought an agricultural holding there.

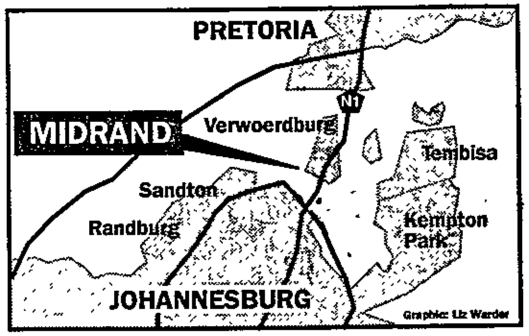
"The council is going to go bankrupt — we have a big deficit and they have not got the money to pay for the infrastructure," she says.

Mrs Moore believes that developers have "overdone the whole thing", and many offices in Midrand are standing empty.

Commercial development in Midrand has been so rampant that it has created an imbalance between commercial and residential development in the town.

Now there is a need to attract middle-income residents to Midrand, says Midrand Chamber of Commerce president Ian Lourens. Many people are under the impression that Midrand is an expensive town in which to buy, chiefly because the residential areas consist of agricultural holdings.

He says there is not enough housing stock available and that



residential development, alongside commercial development, should be stimulated.

Last year there were just less than 24 000 residents in Midrand, with 60 000 people working there.

The Midrand council, too, has a task to address a number of internal problems.

When this council took over 2½ years ago, "we inherited a real mixed bag", Mr Hidden says.

Bad management structures resulted in several ill-advised appointments, and currently only three departments have permanent heads — the rest are all "acting" because their predecessors had to leave as a result of mismanagement.

"The wrong people were hired. They were totally unqualified and their activities were uncontrolled," Mr Hidden says.

Roads, or the lack of them, are also causing some problems.

Mr Hidden says the town has lost at least three developments this year because of the poor access to the central business district.

The Transvaal Provincial Administration has planned a number of roads through and around Midrand. Although they may destroy the character of the town, they are important for easy access.

There are about 1 000 homeless families in Midrand, most of them squatting on land belonging to the House of Representatives in Rabie Ridge.

Mr Hidden says Midrand would like to buy a tract of land on a site-and-service basis for homeless people who work and live in Midrand.

Midrand and Tembisa, to the north-east of Midrand, are currently involved in talks with Kempton Park on the future of the three neighbouring towns.

Midrand is also represented on the Witwatersrand Metropolitan Chamber.

"There's a huge amount of talking going on, although some residents have indicated they are opposed to it," Mr Hidden says.

He believes it is just a matter of time before Pretoria, Midrand and Johannesburg become one centre — probably in five to 10 years

"This is a small window of opportunity, so we have to get cracking," he says. □

Half-year car sales show slight upward trend

Star 10/7/91

By Sven Lünsche 30

New car sales for the first six months of the year were slightly ahead of comparative sales in 1990.

The National Association of Automobile Manufacturers (Naamsa) said yesterday that in the first half of the year 104 614 new cars were sold, compared with 103 906 last year, representing an increase of 0,7 percent.

In June, car manufacturers sold 18 016 units, 3,5 percent less than in the corresponding month last year, but just over 1 000 units more than in May 1990.

However, total vehicle sales in the first half of the year at 161 848 units were over 5 000 units down on 1990 first half sales of 166 696 units.

Naamsa sid difficult trading conditions for the motor industry were expected to continue for the remainder of the year.

The fact that new vehicle sales in all four sectors recorded declines for the second successive quarter was indicative of the continued recession facing the industry, Naamsa said.

Some improvements had, however, been experienced in the sale of cars, light and medium commercial vehicles when measured against sales performance the previous month.

Sales of new light commercial vehicles, bakkies and minibuses in June amounted to 8705 units, a decline of 13,9 percent, compared with the corresponding month of 1990.

Compared with the previous month's sales, however , new light commercial vehicle sales showed a decrease of 266 units, or 3,2 percent.

Although sales in the medium commercial vehicle sector recorded a welcome improvement, compared with sales in June 1990 and May 1991, heavy commercial vehicle remained depressed.

Heavy commercial vehicle sales fell by a year-on-year rate of 33,5 percent in June, and for the first six months of the year by 24,6 percent, compared with the first half of 1990.

Jewellers cap retail sales with 22 pc rise

(30)

Finance Staff Star 11/7/91

Jewellers surpassed all other branches of the retail sector in the first quarter of the year.

Their sales, after adjusting for inflation, increased 22,3 percent over the same period of 1990.

By contrast, according to Central Statistical Service figures, department stores' turnover dropped by 7,5 percent in the same period — testimony to the ravages of 18 months of recession.

At constant 1985 prices, the value of sales by department stores dropped from R462,9 million in the first quarter of 1990 to R427,8 million in the first quarter of this year.

The glittering performance of the jewellery trade followed the scrapping in the 1990 Budget of the remaining 20 percent ad valorem tax on sales.

Callie Sasseen, chairman of the Jewellers Association, says: "The dropping of the tax made jewellery less expensive and had a big impact on the trade. Increased volume has far exceeded price increases.

"The public has become more jewellery-conscious and there has been a notable increase in the number of cash purchases by black people."

Food sellers

The CSS figures reflect the poor sales performance by grocers and other food sellers, among other sectors.

They recorded a real decline of 1,3 percent over the period, from R2,83 billion to R2,79 billion.

Alistair Lewis, trade marketing director of Integrated Business Information Systems, says: "Money is tight and volumes in all classes of foodstuffs are down."

Other sectors experiencing lower sales or only marginal improvements were: general dealers, down 0,1 percent; sports dealers (up 0,26 percent); chemists (up 0,39); bottle stores (up 0,4) and book shops and stationers (up 1,8 percent).

Several other sectors fared well, bearing out the opinion of analysts that the downturn has been patchy, hitting some sectors hard, others relatively lightly and others not at all.

For example, furniture dealers, benefiting from Government's 1990 relaxation of credit terms, bumped up their sales figures by 8,4 percent. However, their performance has deteriorated markedly since.

Dairies and dairy products retailers gained another 7,4 percent in sales, while clothing, fabric and shoe sellers added 5,4 percent.

Small business is here to stay

Sowetan 11/7/91

30

EVERY successful economy that is based upon free enterprise depends ultimately upon the entrepreneur. For it is the individual entrepreneur's drive, imagination and effort that creates wealth and makes an economic system that is dynamic, profit-based and innovative.

Over the previous decade there has been a remarkable turnabout in the status of the entrepreneur. Not very long ago the idea of the individual entrepreneur as the key actor in generating wealth was regarded as something of an historical curiosity, harking back to the early days of capitalism, and long since supplanted by large corporations and giant government departments that ran upon a diet of planning and control.

It is interesting to see how quickly that perception has given way to the idea of the entrepreneur as the principal actor in any successful economy. The emphasis has shifted from bureaucratic control to the importance of maximum individual freedom as the basis for economic success.

The natural habit of the successful entrepreneur is the competitive small and medium enterprise (SME) and comparative economic studies continue to show that it is the owner-managed small and medium firm that generates the majority of new jobs; and it is these firms that are the engine of economic growth.

FOCUS

Dr Ben Vosloo, the man at the helm of the Small Business Development Corporation, believes this is the time of the small businessman. Here he puts his case. Over the past 10 years the SBDC has granted loans of R1,1 billion to more than 30 000 small business entrepreneurs, creating 280 000 jobs in the process.

It is interesting to note that the SME phenomenon is not a passing phase within the large economies of the world. Small and medium enterprises have remained remarkably resilient and active within these economies and have not fallen prey to their larger brothers' acquisitive zeal.

Successful

With 99,36 percent of European Community businesses currently employing less than 100 employees and 91,34 percent less than 10 it is clear that Europe is following in the footsteps of Japan, the world's most successful example of a SME-based economy.

Since the EC launched an SME development programme in 1986, this sector has been largely responsible for the decrease in unemployment figures in the EC, while big businesses actually contributed to an increase in unemployment.

In my view small business will remain an integral feature of the economy. Changes in the basic conditions under which economic life is conducted in the modern world are busy creating a very favourable climate for small and medium businesses.

The first important development is information technology. At the flick of a switch one may gain sophisticated information about the market and indeed gain access to that market via the use of computers and information technology. You do not have to be a large corporation to have access to this technology, or to make use of it effectively.

To develop the business skills of potential entrepreneurs and equip them to use modern technology effectively, the SBDC has since 1985 introduced several short and relatively inexpensive training courses. A Mentor advisory programme has also been developed to utilise the skills and expertise of retired businessmen and women to advise and train entrepreneurs and their staff on their business premises. Currently 225 "mentors" are taking part in the countrywide programme, making business expertise very accessible to entrepreneurs.

Second in importance is the significance of market niches that offer something different from the standardised products resulting from mass production. It is small companies that have the flexibility to fill these market niches. It is the small firm that has the ability to adapt quickly to changed conditions, where big firms are often slow to move and suffer as a result.

Thirdly, the deregulation that has taken place in South Africa over the past few years favours small business. This is not only because the burdens of an over-regulated economy weigh disproportionately upon small business over big business, but also because commitment to competition reduces barriers to entering the market - which is very favourable to small business.

Reform

Finally, for all its weaknesses and needed reform, South Africa has a free enterprise system; and a free enterprise system holds out the most creative and dynamic force that any civilisation has ever discovered: the creative power of the free entreprising individual.

Potential entrepreneurs must take advantage of these opportunities. That depends on them studying different markets and searching out appropriate niches and acquiring the skills necessary to run a successful business.

Jo'burg approves plans worth R1bn

BIDay 11/7/91

(30)

TANIA LEVY

JOHANNESBURG has experienced sustained growth over the past three years with nearly R3bn worth of building plans approved.

Latest official figures indicated that Johannesburg was continuing to grow while development in other centres such as Durban and Pretoria had started to slow down, National Building Regulations specialist Glynn Price-Hughes said in an interview yesterday.

Price-Hughes said 5 992 residential and business plans worth R1bn had been approved in the financial year to end-June, compared with 5 092 plans with a value of R919m approved in the 1989/90 financial year. Plans worth R711m were passed the previous financial year.

Price-Hughes said although development was not increasing in real terms, the figures showed that interest in the city's development sector had been sustained.

The Johannesburg CBD had died when white residents and developers fled to the suburbs. But the city centre had been brought back to life in recent years by the increasing presence of people with buying power.

A natural population explosion, higher wages and the relaxing of the Group Areas Act had all contributed to renewing interest in CBD development by insurance firms, banks, pension funds and other large developers.

In terms of value, about 80% of plans approved in recent years were for commercial developments, the rest were residential.

There was a tremendous demand for rental accommodation in the city but developers were not confident that this type of development would be profitable, he said.

Price-Hughes said CBD development could be divided roughly into three areas: the west where development was dominated by Anglo American, the east where Old Mutual was the main player and the north, including Braamfontein which was predominantly Liberty Life turf.

Sanlam developments were dotted around the CBD, he said.

Chairman of the city council's town planning and development committee Eddy Magid said the R1,58bn of development which would take place in Johannesburg shortly was unprecendented in the history of SA.

Acquisitive Waltons buys Pac-King

Bus Day 11/7/91

LINDA ENSOR

CAPE TOWN — Office supplies and toy distributing group Waltons, which has budgeted a turnover of about R800m this year, has bought packaging company Pac-King from Anglovaal's Sheetmetals subsidiary for an undisclosed sum.

And other acquisitions were being considered, group chairman Frank Robarts said in an interview yesterday.

Pac-King manufactures and distributes packaging, string, twine, plastic bags, tape and wrapping paper and has branches in Cape Town, Durban and Johannesburg. Robarts said the group would like to open more branches in due course.

He said the acquisition, effective from end-June, expanded the range of office supplies provided by Waltons and was made possible by the improvement in the group's gearing which has dropped to its lowest level (48%) in five years.

Robarts said further improvements in gearing were expected by the end of the current year and the group would be cash flush very soon.

(30)

The group is making preparations for an export drive with the lifting of sanctions and will first focus on exports to the UK.

Heady days over for Morkels

B/Day 12/7/91. (30)

MARCIA KLEIN

MORKELS directors have forecast only moderate growth in fiscal 1992, after record results in the year to end-March in which earnings grew by 63,4%.

Management objectives for the current year are a sales increase of 2,5% to R275m, and a 5,3% rise in profits after tax to R10m.

Earnings are expected to increase by 5,5% to 25c a share, and gearing will come down by 6,2% to 120%.

Morkels, whose divisions include furniture and appliance retailer Morkels and sports equipment retailer Totalsports, increased its turnover by 31,2% to R268,3m and its profit after tax by 63,8% to R9,5m in what directors called "one of the most successful years in the company's history".

Chairman Rian Pauw said in the annual report that against the picture of "a nation in turmoil" in SA, the first year since the change of control of the company was one of solid achievement, exceeding all its objectives.

However, he said the current year would be "fraught with uncertainty", and earnings forecasts have been based on assumptions of difficult market conditions, marginal decreases at best in interest and inflation, and that consumer demand will not be affected by VAT.

He said "Morkels has, in the interests of full disclosure to shareholders, resisted the temptation to change its policy of full provision for deferred tax and to enter into schemes with banks to finance assets off balance sheet". This policy, the capitalisation of leased assets and increases in working capital required a large injection of additional capital.

With Morkel's shares trading at a discount to net asset value and a low price earnings ratio, Pauw said, raising equity would not have been in the long-term interests of shareholders. This resulted in increased borrowings to fund expansion, and in gearing peaking at 128%.

He said consumer demand, especially for credit, was unlikely to show growth in the year ahead, and the company "would do well to produce even marginal growth".

‘Business success on merit’ in the new SA

CT 12/7/91

By AUDREY D'ANGELO
Business Editor

IN the new SA black entrepreneurs and other business people will have to succeed on merit, Mofasi Lekota, executive director of the National African Chamber of Commerce (Nafcoc) said at the annual dinner of the Western Province African Chamber of Commerce (Wepcoc) yesterday.

Lekota stressed that injustices of the past would have to be righted through better education and training, the provision of more jobs and better communication between people of different race groups.

He urged employers to halt the present trend towards becoming more capital intensive and less labour intensive.

But he pointed that blacks would have to "plan for the challenges that will come with a post-apartheid society.

"We cannot continue to blame the evils of apartheid for our under-development.

"In a few years' time nobody will be listening to that justification and — worse — no one will give us sympathy on that basis.

"Apartheid was intrinsically evil, no question, and we are victims of that system. But we cannot afford to sit back and mourn our miseries for an indefinite period."

Lekota said Nafcoc would continue to call for affirmative action programmes to address inequities.

But, he continued, the success of affirmative action would depend on the level of response from black business people.

"Unless we are good and strive to be the best in whatever we are doing, unless we deliver in time and unless we dedicate ourselves, no amount of affirmative action will help.

"Our attitude towards work and perfection must change. A few years ago it made sense (at least, political sense), to slow down at work and arrive late on Monday morning because we all felt overworked and underpaid by the white Establishment.

"We used to find ways and means of cheating on the Receiver of Revenue whenever possible. That made political sense because we regarded it as some form of protest. 'No tax without representation,' we said.

"In a few years time we will be represented in Parliament and Mr Pasiwe there (Themba Pasiwe, president of Wepcoc) might be our Commissioner of Inland Revenue.

"The democratic Government will be budget-squeezed to pay for the provision of education, health care and housing. There will no longer be justification to evade tax.

"Without any excuse for failure and without justification for slow growth, the black business people will have to work harder than ever before to succeed. In that real world there will be no preferential treatment based on colour.

"It is during that time that true entrepreneurs will be separated from the chancers. It is during that time that creativity, self-discipline, quality and dedication will make the difference between success and failure."

Boycott debate

(30)

Sowetan 12/7/91.

By MATHATHA TSEDU

THE consumer boycott of white-owned shops in Pietersburg will be debated at a community meeting in Seshego on Sunday.

The meeting, convened by the local branch of the Azanian People's Organisation, will be addressed by members of the Consumer Boycott Committee spearheading the boycott.

An Azapo spokesman, Mr Thabo Montjane, said the meeting will update residents on the progress of the boycott and provide them with an avenue for input.

The boycott, started last week, has left Pietersburg virtually deserted.

The CBC is demanding the right to march in town, free political activity and the reinstatement of Sakkor workers.

FM 12/7/91 (30)

EDGARS FM 12/7/91

GAINING SHARE (30)

In line with its competitors in the credit market, Edgars Stores has enjoyed significant real earnings growth. It also continues to gain market share — penetration of the clothing, footwear and textiles market rose in the 1991 year from 15,5% to 16,8%.

Group MD George Beeton says the aim is to increase the market share held by the group's three major chains — Edgars, Sales House and Jet — to 20%. Footwear, menswear and home textiles, in particular, have been targeted for growth. Market share has been picked up without a significant change to the operating margin, which dropped fractionally from 14,5% to 14,3%.

There were some additional pressures on this predominantly credit business. Finance costs increased by 31% and the debtors book grew by 32%, though sales rose by a quarter. The stockturn, however, was lifted from 3,6 to 3,9. Expansion was cautious, with fixed

continue

Activities: *Retails clothing, footwear, textiles and accessories through credit and cash chains. Also has a clothing manufacturing interest.*
Control: *SA Breweries holds 65%.*
Chairman: *J M Kahn; MD: G H Beeton.*
Capital structure: *50m ords. Market capitalisation: R2,95bn.*
Share market: *Price: 5 900c. Yields: 1,9% on dividend; 5,0% on earnings; p:e ratio, 19,9; cover, 2,6 12-month high, 6 000c; low, 3 000c. Trading volume last quarter, 129 000 shares.*

Year to Mar	'88	'89	'90	'91
ST debt (Rm)	28,8	20,8	40,3	18,9
LT debt (Rm)	63	122	201	262
Debt:equity ratio ...	0,34	0,41	0,62	0,57
Shareholders' interest	0,40	0,38	0,34	0,35
Int & leasing cover .	6,1	8,6	6,4	6,0
Return on cap (%) .	21,4	25,0	26,0	26,0
Turnover (Rbn)	1,18	1,58	1,98	2,48
Pre-int profit (Rm) ...	138	210	288	353
Pre-int margin (%) ..	11,7	13,3	14,5	14,3
Earnings (c)	139	221	243	296
Dividends (c)	53,5	75	93	113
Net worth (c)	485	632	746	930

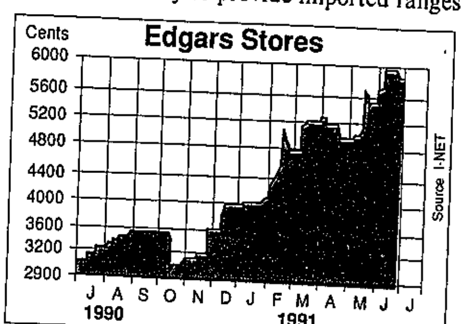
assets growing by just 14%. This enabled a welcome surge in group cash flow. Net financing required fell from R100m in the previous year to only R35m, after expenditure of R74m on investment activities.

Cash flow per ordinary share increased from 20,1c to 174,6c. Gearing has improved as a result.

Divisional profit breakdowns indicate the Edgars chain still takes the lion's share of both sales and attributable earnings. Its sales rose by 29% and earnings by 38%. It contributed 69% of sales, but more than 84% of earnings. In contrast, Sales House had virtually static earnings, with the operating margin slipping from 16,5% to 14,1%. Its share of group earnings has fallen from more than 19% to less than 16%. Bad debts of 4,6% are twice the level of the Edgars chain.

The cash chain, Jet, had a particularly bad year and its share of group earnings fell below 1%. High markdowns and stock losses dampened profit. Jet MD Donald Etheridge says the chain has proved unable to offer the right merchandise at the right time. In future it will concentrate mainly on "high-volume, core items" and ensure that the quality is upgraded. Etheridge turned Sales House around successfully, so prospects for Jet are encouraging.

Manufacturing arm Celrose has moved into exports, which now account for 15% of its output. This export production has earned the group duty-free permits, which have improved its ability to provide imported ranges



Edgars' Beeton ... *maintaining sales growth*

to its customer base.

Beeton says there have been further improvements in market share since the year-end and sales growth for June was in line with the 1991 financial year. Reduction in company tax should also boost the bottom line.

The share looks fully priced at R59, where the p:e is 19,9. Beeton argues, however, that Edgars is not overvalued relative to the Industrial sector. He points out there have been 22 quarters of consecutive earnings growth. It is a bad time to buy in the short term, but earnings growth will improve. In particular, a significant improvement in Jet's earnings should come through in the year to March 1993, if not this financial year. The share should retain its high rating. *Stephen Cranston*

FOOD PRICE INCREASES FM 12/7/91 30

WHO'S THE GUILTY PARTY?

Food prices continue to outpace inflation. The consumer price index (CPI) for May rose at an annualised 15,2%, but food prices jumped 17,5%, compared with May 1990. It was the same story the year before: the CPI rose 14,4% for the year through June 1990, but food prices soared 16,1%.

In fact, food prices have, on average, outstripped inflation for at least 15 years. The CPI grew by an average of 13,8% from 1975-1990, food by 14,6%.

With food making up 22,7% of the basket of goods used to compute the CPI, accelerating food prices underpin the stubbornly high inflation rate. Why does this keep happening and who is to blame?

Government also would like to know. Last week, the Cabinet appointed a five-member investigation committee led by Japie Jacobs, special economic adviser to the Finance Minister, and overseen by the Board of Trade & Industry.

Traditionally, farmers and agricultural control boards have been regarded as the villains. But the evidence does not support this. In the year through June 1990, food prices at the producer, or farm, level rose by 7,3%, barely half the CPI rate. Since 1975, the producer price index for food rose 11,7% a year, on average — more than two percentage points below CPI each year.

The other end of the food chain, supermarkets and other retailers, does not seem a likely suspect either. Margins are tiny and the market is fiercely competitive. So instead of farmers and food stores, fingers are pointing at the middlemen: transport and packaging companies, wholesalers, processors and others. Many of these firms have little or no competition, so when costs rise, they are free to raise prices at the same rate, or more.

Maize Board economist Johan Willemse says a distinction must be drawn between processed foods, which cost far more now than a decade ago because of more sophisticated consumer demands, and the continual push towards higher overall food prices.

"Foods obviously cost more prepacked and vacuum-sealed than raw. But sharp rises in overall food prices can be ascribed to factors such as transport, packaging and labour. One needs to investigate why price increases exceed the inflation rate."

Willemse adds that the high growth in profits by food, packaging and processing companies (*FM* July 5) in a recession and against the background of punitive interest rates also must be questioned.

"There may even be hidden collusion between companies in these areas. Confidential kickbacks (rebates paid by food-chain suppliers to retailers to get the best shelf space) must be looked at, as must competition policy. Tariff protection for paper companies such as Sappi and Mondi, for example, may prevent competitively priced products from reaching consumers."

Unifruco MD Louis Kriel says rises in the price of deciduous fruits over the past two years were caused partly by sharp increases in the prices of packaging (cartons, paper, plastics and wood crating), chemical sprays, transport, labour and farm housing for workers.

"A weak rand and import tariffs prevented us from importing cheaper paper products, while higher oil prices pushed up domestic and export transport costs. More sophisticated housing demands force farmers to pay out more on infrastructure, while higher wages also added to the total cost increase of 18,5%-22% over the past three years."

Nevertheless, he adds, there is a free market in fruit and prices tend to rise and fall as the market determines. "Few other sectors also show price falls."

Langeberg Foods, the food canning division of Tiger Oats, complains that its cans are provided by "a monopoly served by another monopoly." It is talking about Metal Box, which buys tin plate from Iscor. The two are not exactly monopolies, but they face severely limited competition. So Langeberg says it was forced to pay price increases of 18,5% in 1989, 17,1% last year and 17% this year.

Trevor Knowles of Metal Box's food can division, which has a stranglehold on that market, says its prices rose last year by "three percentage points above inflation" and this year "just on inflation." But, he adds, can prices have risen well below inflation over the last 10 years.

Langeberg manager Garth Ward says his group also is subject to dramatically higher wage demands — about 20% in each of the last three years. Distribution, transport, labels, packaging and sugar and other additives all contributed to the cost spiral — leaving a 2% profit margin before interest. "Food manufacturers are not making big profit margins," he says.

Premier Food Industries' Willem de Kock concurs. "In our basket of food products (maize and wheat flour, vegetable oils, bread and margarine), prices rose 10%-12% in each of the last two years. The increase to 12% this year was mainly caused by the Wheat Board's 16,8% increase in the wheat price."

But, he claims, retail bread prices surged after deregulation at the end of February. He says the regulated 4c profit on a loaf has widened to 14c in some cases. So are retailers to blame after all?

Not me, says Pick 'n Pay CE Raymond Ackerman, who claims that food prices in his supermarket group rose only 12,1% in the year through June. He adds that some foreign suppliers have sharply boosted local prices to offset the depreciating rand — up to 35% in one case.

He sees more bad news on the horizon. "I must warn about the potential impact of VAT. The fact that government sanctioned the 'add-in' method of calculation will be an excuse for many to hike food prices. We should have the 'add-on' system, as in Canada, so that consumers can see how much they are charged." ■

TAKING LEADERSHIP

Times Media Ltd (TML) has acquired 100% of Leadership Publications with the purchase of the 50% held by Churchill Murray Publications. Leadership Publications produces *Leadership* magazine, *The Executive* and a number of local and international special editions.

It was founded 10 years ago by Hugh Murray, former group public affairs director of Barlow Rand and a TML senior journalist.

Tele-sales industry growing fast in SA

30

CT 13/7/91

Using the telephone to sell products and services is a fast-growing industry in South Africa, but in both the UK and US, moves are afoot to clip its wings. In Britain, unsolicited telephone marketing calls will soon be banned. HUGH DAVIES reports from New York on how one man is tackling the scourge in America, while MARILYN KEEGAN looks at the situation in South Africa.

UNSOLICITED telephone selling is to be banned under tough new moves backed by the British government to control "junk" marketing techniques and while there are no similar strictures pending in South Africa, post office spokesmen have warned that they will watch the situation here closely.

British ministers have instructed Oftel, the telecommunications watchdog, to speed up ways to enable telephone subscribers to ensure they do not receive unwanted telephone sales calls at home or junk fax mail at work.

Talks are taking place with industry representatives through the British Direct Marketing Association about drawing up a register of banned telephone numbers to be launched later this year.

It would be similar to the existing mailing preference service under which people who do not wish to receive junk mail through the post can remove their names and addresses from commercial marketing lists.

Any organisation making a sales call to a number on the do-not-disturb register would be in breach of the general licence to use a telephone switchboard. Persistent offenders would face disconnection among a range of sanctions to be enforced by Sir Bryan Carsberg, the director-general of telecommunications.

The move comes amid growing concern among MPs about the intrusive nature of telephone selling, which is regarded by many consumers as an invasion of their privacy.

R188 m business

New technology already introduced into the United States includes automatic dialling machines that can call 1 000 homes a day to deliver a recorded message.

According to the BDMA, telephone marketing agencies placed 14,4 million sales calls last year, a figure which is expected to increase significantly this year as a business estimated to be worth about R188 m grows.

In South Africa, the tele-marketing industry is a young but fast-growing one.

Louis Burger, assistant manager of Telcom marketing says that while direct marketing using telephones and faxes is growing rapidly, no controls are being considered.

"At the moment direct marketing using telephones does not seem to pose a problem for people but if it does become objectionable we will have to look at the situation," he said.

Kathy Zielinski, former vice-president and chairman of the tele-marketing sub-committee of the South African Direct Marketing Association (Sadma) and owner of a tele-marketing company in Johannesburg, says the tele-marketing industry is growing by "leaps and bounds".

It's difficult to establish just how many tele-marketing concerns there are countrywide because many large corporations do their own internal "netting". Zielinski knows of less than 10 tele-marketing agencies which handle selling for a number of companies and estimates that they, as well as companies with internal tele-marketing facilities, spent R200 m last year. Just what profits they made is unknown.

Many, but not all, belong to Sadma which has established a code of conduct for ethical behaviour.

However, admits Zielinski, many fly-by-night firms — some of them selling timeshare — aren't too concerned about codes of conduct and are known to lie and use gimmicks to sell, which is giving the industry "a bad name".

Worse still is the fact that even if you have strong objections to having your private time interrupted in South Africa, there is no formal channel of complaint through which to make your feelings heard, unless the phoning company is a member of Sadma which would follow up any irregularity.

Several Capetonians have been pestered by tele-marketing canvassers. The wife of a False Bay doctor gave her husband's consulting room number after she was told that the caller had an important matter to discuss with him about his recently bought car. She denied that she was selling anything, in-

□ To Page 18

Big growth in tele sales

(30) CT 13/7/91

□ From Page 17

terrupted the doctor while he was consulting a patient and proceeded to try and get the busy GP to buy additional insurance coverage for his car that he neither wanted nor needed.

One of the more infuriating techniques used by a timeshare company currently operating in the city is carrot dangling: telling the näve caller that he or she has won a prize and following it up by a hard sell.

Jock Falkson, MD of Effective Letters, one of the largest direct mail advertising companies in South Africa, says certain distinctions have to be made between selling from business to business and selling to the consumer.

Market forces

"If someone phones me at 10pm two days after my wife's died to sell me a tombstone, I'd tell them what to do with themselves and hang up. But if someone has a product that will save time and money for my business and calls me at a reasonable hour, I'm bound to be interested. It's no good for the government to institute controls — market forces will dictate what happens."

He said that as far as he knows his company is the only one that has been involved to a large extent with fax marketing and that this had proved to be a "failure" in South Africa.

Meanwhile, reports HUGH DAVIES, it's sometimes hell to go home in America.

Enter Bob Bulmash (45) who, from his home near Chicago, is fast becoming an all-American hero with a crusade against the "junk" callers.

Bob heads Private Citizen Inc, a group of 550 people who are fed up with being disturbed during their "quality time".

Pay the price

Over a period of three years, he has almost pulled the plug on the stream of calls from telemarketing firms.

His motto is: "Leave me alone — or pay the price."

Sometimes there is a mistake and a call slips through, which is where the nightmare begins for the erring firm. A letter is sent off saying: "I will accept junk calls for a R290 fee, due within 30 days of such use... Your junk call will constitute your agreement to the reasonableness of my fee ... non-payment of which will indicate your refusal to respect my privacy."

This may sound wacky, but some have coughed up, he says, like the firm who ended up before a small-claims court in which the judge ruled in favour of Bulmash, awarding him 97c, the price of an unlisted telephone number for a month.

Legislation is being prepared in Washington to deal with nuisance calls. Bulmash is taking no chances, though. In the phone book his number is listed with his middle name under the entry: "No solicitation Stuart."

SBDC hands out more merit certificates

WEEKEND ARGUS SMALL BUSINESS INDABA (30)

ARGUS 13/7/91

IN a second major "graduation" ceremony of its kind to be held in the Western Cape, the Small Business Development Corporation (SBDC) has just awarded certificates of merit to 55 aspirant small business entrepreneurs.

The certificates indicate that these winners have demonstrated the potential to fulfill their desires of successfully taking on the often daunting challenge of going independent and becoming self-employed.

They declare that the holders have successfully completed a training course on "How to Start Your Own Business", run by the SBDC. Since its introduction two years ago, the course has attracted an increasing number of candidates from all walks, and with a variety of skills and disciplines. More than 370 individuals have in fact been certificated in that time.

The common element among all participants generally is that overwhelming desire to move out from the cacooned and relatively safe environment that often accompanies the lot of the wage or salary earner — whose lives are dictated by the decisions taken by others.

In some instances, there have been candidates who — perhaps facing retrenchment — have to seek alternative ways of making a living imposed by the failure of their employers' inability to adequately counter the contractions taking place within the economy.

Students who came top of their courses included:

□ **Jean Pierre Rossouw:** A civil engineer with three years experience. He came on the course after deciding to use his interest in amateur photography to start up a supplementary career making videos for small businesses. He reckons the programme gave him an insight into how to calculate the potential of his proposed new business, carry out a realistic market projection, and create a business plan. Since going on the course he has started Videotique Productions and, as sole proprietor, is building a living from premises in the City Bowl.

□ **Chris Harris:** A chartered accountant, who once ran his own accountancy practice, set up a dealership, Infinity Business Systems, selling computer hardware and software business systems. He took the course to learn a bit more about running a business. His partner and brother believes he has introduced new elements that have improved the efficiency of the operation, and plans are now in the pipeline to expand.

□ **Lita Futeran:** Started preparing for her career at Stellenbosch University, dropped out and went to secretarial college. Her jobs ranged from receptionist to personnel recruitment. She decided to set up on her own providing a bookkeeping service to small businesses. The took the SBDC course not knowing quite how to get started. After completing the programme she set up shop in Sea Point working from home. After three months in business she has employed two other people and believes the business is already reaching a point a position of "going into the black".

□ **Cindy Pearce:** Personal Assistant in her mid-20s, who took the SBDC course after deciding she couldn't see herself working for someone else in a mundane job for the rest of her life. She recognised she had some organisational ability, and got excited about weddings and functions. A perfunctory market survey revealed there was demand for someone to organise weddings, from booking a venue through to catering. The SBDC course indicated her ideas were potentially viable, she has since opened up a part-time business World of Weddings, which extends to arranging functions for companies and others requiring her particular organisational services.

For further information concerning the SBDC course programme contact Rosebelle Riese at (021) 462 1910.

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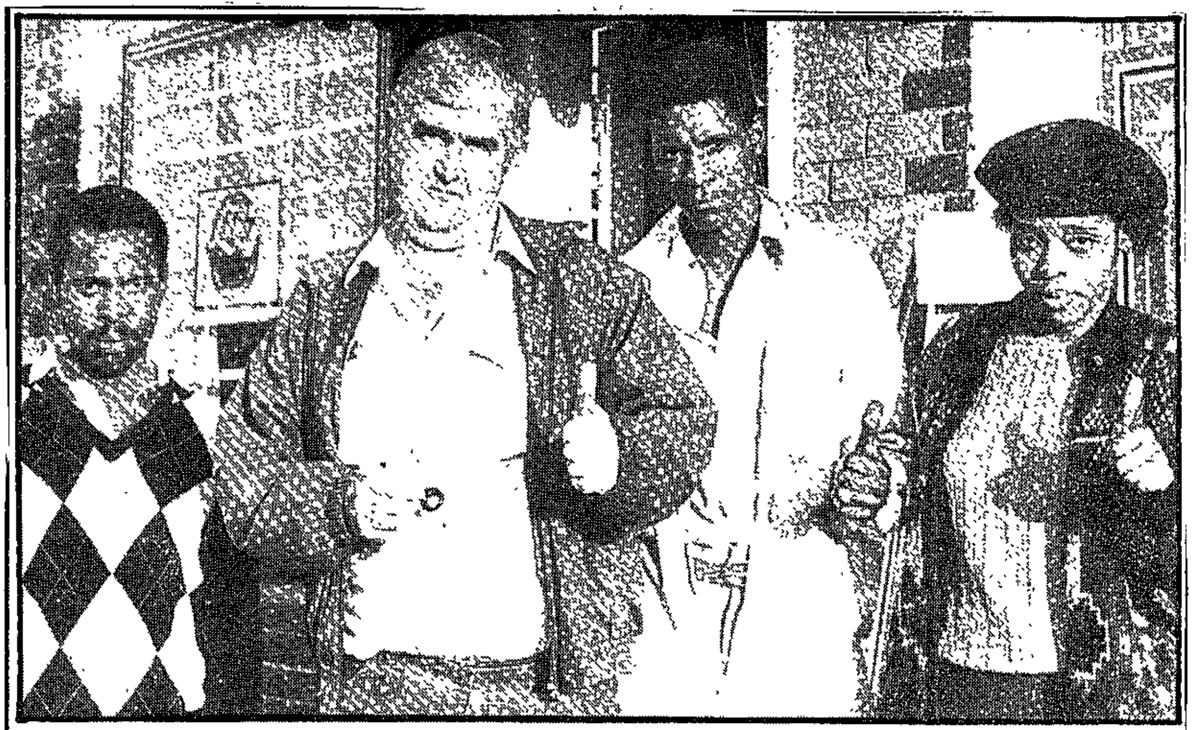

GO-BETWEEN . . . Gerrie de Meyer – with his staff – is ready to defend himself. "My gun is always cocked and I'll shoot anyone who tries to kill me," he said. ■ Pic: ANDRIES MCINEKA

Death threats for 'kaffirboetie'

C/Press 14/7/91 (30)

By THEMBA KHUMALO

A WHITE businessman in rightwing Balfour, whose house was burnt down two weeks ago, is now getting death threats for being a "kaffirboetie".

Gerrie de Meyer, who owns a pawn shop in the tiny Eastern Transvaal town, fears "he won't last long" after he tried to end a consumer boycott of the white town.

His crime? He wanted to set up talks between residents of Siyathemba township and white businessmen.

The boycott began two weeks ago when Balfour town council cut electricity to Siyathemba. Residents say they were up to date with their payments and claim Siyathemba's administrator used the money to pay his staff.

They saw red and launched a boycott to pressure the Balfour Town Council to switch on their electricity.

De Meyer stepped in and tried to arrange a meeting with the Siyathemba Civic Association and white businessmen.

"Businessmen here have a crisis and residents need their electricity," said De Meyer.

"No one has the right to take it away from them, especially if they have paid."

On June 27 De Meyer's house was burnt down by two black men who overpowered him, doused his house with petrol and set it alight.

The death threats started the next day.

"I began receiving death threats from people who accused me of fraternising with the ANC.

"In my shop my gun is always cocked and I'll shoot anyone who tries to kill me," said De Meyer.

"I'm not an ANC member and I was not organising a political meeting.

"Only those who are prejudiced will think any meeting between blacks and whites is planned by the ANC."

But by Monday the electricity crisis had not been resolved and the local magistrate refused Siyathemba residents permission to march through Balfour to the council offices.

Armed and angry farmers – some in AWB uniform – waited for the marchers in the town centre and the situation was defused when a township delegation approached the magistrate who, with the town clerk and De Meyer, lodged a complaint at the local police station.

Prefhold to spend R126m on growth

(30)

ST Times (Bus Times) 14/7/91

By IAN SMITH

PRIVATE and public offers of shares in high-performing retail group Prefhold should leave about R126-million to fund an ambitious growth plan for its three operating divisions.

Details will not be available until the offer opens next Friday. But the imaginative package of ordinary shares and convertible debentures has been well received by institutions.

Prefhold is due to be listed in the JSE's wholesale and retail sector on August 21.

The offer aims to raise about R260-million, of which R188-million will be paid to the company.

Consortium

About R70-million will be used to reduce the holding of a foreign consortium which backed the leveraged buyout of the Beares furniture chain in 1988.

Executive chairman Terry Rosenberg, who led the buyout, has opted to expand the group by the equity route rather than loans.

Mr Rosenberg says: "I lived through the problems of high interest rates during the buyout period."

In the first year after his team took control the average overdraft rate climbed from 13,7% to 17,7%, and in the next year it increased to nearly 21%.

"This is one of the main reasons why we have decided to go for a listing," says Mr Rosenberg.

After the listing the public will hold about 45% of Prefhold and SA directors about 17%.

The offer will be made up of about a third ordinary shares and two-thirds convertible debentures. The shares and debentures will be able to be traded seperately.

The debentures have been included largely to add appeal for pension funds and low taxpayers.

The debentures will start to pay interest at about twice the dividend yield and this will be increased by about 2,5% points a year to a maximum of 25%. They are convertible after six years at the option of the holders with compulsory conversion after 12 years.

Mr Rosenberg says Prefcor has met its target of R72-million pre-tax profit for the year to June 30 and he is optimistic about growth plans.

There is opportunity for organic growth in the Game discount store chain, which has 10 outlets. There are only three branches in the Transvaal, which represents about 70% of the market.

The infrastructure for a much larger group is in place and benefits will flow from spreading the advertising budget over more stores, says Mr Rosenberg.

Game's expansion will take place between 1992 and 1995.

The furniture group, which has 195 stores, must also have room for expansion, particularly when it is compared with the opposition. Rusfurn has more than 400 outlets and Ellerine has about 320.

Demand for furniture, which is running at high levels, is likely to increase as housing programmes get under way.

Mr Rosenberg says 50 new locations have been identified.

The Bee Gee clothing chain can also be expanded beyond its 62 stores.

Gobblers

"This group has no outlets in the Cape and we know of about 30 areas we would like to move into," says Mr Rosenberg.

There are also opportunities for growth by acquisition. Several small family-owned firms look attractive.

"But whatever we do we will do cautiously," says Mr Rosenberg.

"We will not expand merely to chase turnover. We have an established group, but we have held back on growth while we put our systems and the right people in place."

The group's main businesses are often seen as "cash gobblers".

Growth can be a drain on resources, but Mr Rosenberg says Prefhold is fortunate in that its joint venture with First National Bank in Firstpref has worked well.

"Firstpref takes care of financing our book. It means Prefhold's debt:equity ratio is down to levels where we want to keep it."

Squeeze on loans for small business

CT 15/7/91

(30)

From WILLIAM GILFILLAN

JOHANNESBURG. — Small business units are noticing a fall in approvals for start-up loans because of the economic recession.

But existing small businesses are coping reasonably well with the economic squeeze, their bankers said.

Senior GM Toni Kedzierski said start-up loan approvals were "slightly down" this year with 198 loans (R18,6m) approved for the three months to June this year.

Senior Manager of Standard Bank's Small Business Development division Roy Polkinghorne says they have noticed "a marked upturn in small businesses coming under increased pressures due to the prevailing economic climate".

He has noticed that the turnovers of their small businesses are down this year and thus profit margins have been tighter.

The Small Business Development Corporation (SBDC) has granted 61 support loans (R10m) for small firms in distress in the three months from April to June this year.

The level is about the same as last year.

Kedzierski said the SBDC provided lower interest rates to businesses that could not cope with the prevailing market level.

When interest rates rose, the SBDC extended the repayment period thereby ensuring the monthly repayments from the cashflow do not increase.

Kedzierski maintained one of the problems faced by people wanting to set up a small business is more the accessibility to money rather than the cost of money.

Polkinghorne also says fewer start-up loans have been granted this year.

While high interest rates provide part of the reason for this he says "ill prepared business plans are the more significant reason".

In Europe small businesses are dominating economic activity.

The most recent European Commission statistics show over 99% of Community companies had less than 100 employees and over 91% less than 10 employees.

Stayaway threat in Vaal Triangle

30

VEREENIGING. — The Vaal Triangle has been threatened with a work stayaway and consumer boycott in retaliation for the murder of a family in Boipatong last week.

Calls for such action were made during the funeral service of Mrs Constance Sotsu, her daughter Margaret Sotsu and her four-year-old grandson Goodwill Sotsu at the Boipatong stadium near Vereeninging yesterday. The three were killed in a petrol-bomb attack on their home.

About 5 000 ANC supporters attended the ceremony.

The incident had caused widespread anger and fear in the Vaal Triangle region, said several speakers at the funeral.

Singled out for their anger were the inmates of the Kwamadala hostel near the Iskor complex near Vereeniging. Residents believe Zulu-speaking vigilantes living there are behind the murders.

Mrs Maria Majapelo, of the ANC Women's League in the Vaal Triangle, said their region had a tragic history of violence which had led to many mass funerals.

"After these last three deaths, all of us are saying that we have had enough. All those owners of Vereeniging shops will have to pay a high price for these three people lying in front of us today."

The regional secretary of the local Cosatu branch, Mr Zwelinzuma Vavi, said the community "places these three deaths squarely on the shoulders of Iskor and the SA Police. The latter were asked to protect the lives of Ernest Sotsu and his family".

"We believe this violence to be instigated from the hostel near us, whose inmates work at Iskor."

Mr Vavi said Cosatu headquarters would be asked to issue a call for a mass stayaway.

ANC national executive council-members Mrs Winnie Mandela and Mr Chris Hani were due to be at the funeral, but had not shown up by 1pm.

NEC members Mr Ronnie Kasrils and Ms Gill Marcus were present.

A strong police contingent patrolled outside the stadium but the crowd was peaceful and there were no incidents. — Sapa

CT 15/7/91

Strike closes airport in Madagascar

Star 15/7/91

ANTANANARIVO — The international airport serving the Malagasy capital has been closed for 48 hours by a countrywide strike organised by opposition groups, a diplomatic source said yesterday.

Antananarivo was calm yesterday, sources said, with few vehicles on the streets because of the closure of petrol stations.

Opposition groups said on Saturday that they planned to meet President Didier Ratsiraka today to urge him to step down.

At a French Embassy reception yesterday, charge d'affaires Henry Combes was faced with an official government delegation and another representing opposition groups.

The French envoy did not refer directly to the strike, but said he hoped the people of Madagascar would support democracy and national unity. — Sapa-Reuter.

Call for Vaal consumer boycott in retaliation for Sotsu killings

Thabo Leshilo

Star 15/7/91

White businesses in the Vaal Triangle could soon be hit by a crippling consumer boycott in retaliation against the brutal murders of the family of Ernest Sotsu, a leading local ANC leader, recently.

The call for mass action, including a consumer boycott of white shops and a stayaway, was made at the funeral service of Constance Sotsu (56), her daughter Mamiki (33) and grandson Sabata (4) in Boipatong, near Vanderbijlpark, yesterday.

The three were shot dead by attackers while Mr Sotsu was away attending the ANC congress in Durban.

Speakers at the funeral claimed the attack was carried out by Inkatha members from a nearby Iscor Hostel and accused Iscor of habouring killers.

Inkatha has categorically denied responsibility for the killings.

Vaal Civic Association leader Paul Sithole said the "carnage" could not have taken place if whites had not cut the township's electricity supply.

"They switched off our lights. They now go further by killing us. Let us hit them with a consumer boycott and a stayaway."

Demobilise

Maria Mojapelo, of the ANC Women's League, said all shopowners in the region would "pay dearly" for the lives of the slain people.

"We won't let the enemy demobilise us. We will make mass action the order of the day in the Vaal.

"We will wreck the economy of this region," she said.

ANC/SACP leader Ronnie Kastrils likened the battle between the residents and those responsible for the spate of killings in the Vaal to the Biblical battle between David and Goliath.

"The Goliaths of today are being created by the police and the Government. The Goliaths are the AWB, Eugene Terre'-Blanch, Rooidoeke, Inkatha and vigilantes who live in this country," he said.

He reiterated the ANC/SACP call for the establishment of township defence units saying township people must arm themselves against their enemies.

The Government, he claimed, allowed Inkatha, warlords and vigilantes to carry weapons anywhere.

"The right to protect your life, your wife and your children is a sacred right," he said.

Mr Kasrils called on President de Klerk "to control his police, Rooidoeke and his ally Buthelezi" to ensure that conditions for free political activity existed if he wanted the process of peaceful negotiations to continue.

Start-up loans for business on wane

(30)

B/Day 15/7/91

WILLIAM GILFILLAN

SMALL business units are noticing a fall in approvals for start-up loans because of the recession.

But existing small businesses were coping reasonably well with the economic squeeze, their bankers said.

Small Business Development Corporation (SBDC) senior GM Toni Kedzierski said start-up loan approvals were "slightly down" this year with 198 loans (R18,6m) approved for the three months to June this year.

Standard Bank small business development division senior manager Roy Polkinghorne said the bank had noticed "a marked upturn in small businesses coming under increased pressures due to the prevailing economic climate".

Turnovers of small businesses were down this year and profit margins had been tighter.

The SBDC had granted 61 support loans (R10m) for small firms in distress in the three months from April to June this year. The level was about the same as last year.

Kedzierski said the SBDC provided lower interest rates to businesses that could not cope with the prevailing market level. When interest rates rose, the SBDC extended the repayment period thereby ensuring the monthly repayments from the cashflow do not increase.

Kedzierski said one of the problems faced by people wanting to set up a small business was more the accessibility of money rather than the cost of money.

Polkinghorne also said fewer start up loans had been granted this year. While high interest rates provided part of the reason for this, he said "ill prepared business plans are the more significant reason".

In Europe, small businesses are dominating economic activity. The most recent European Commission statistics show more than 99% of EC companies had less than 100 employees and more than 91% less than 10 employees.

SBDC finances artists

(30) Sowetan 16/7/91

By NOMVULA KHALO

THE Small Business Development Corporation Limited says it is committed to the development of small business focused on artistic activities.

Mr Jo Schwenke, the senior general manager of the SBDC central region, said the SBDC wished to encourage the development of enterpreneurship through the financing of artists.

Finance would be made available in terms of their Mini-Loan Artists Programme.

A maximum amount of R5 000 would be made available and it is repayable over two years.

The interst rate is market-related. Security for such a loan would be an appropriate, already completed work, he said.

However, not only would the SBDC finance small business artists, but they would also exhibit works free of charge.

The newly purchased Tower Hive, which is the central regional office of the SBDC, would be used to exhibit the art completed by the small business artists financed under this mini-loan scheme.

Another office could be the City Hive, in Salisbury Street (off Eloff Street), Johannesburg.

This exhibition would be ongoing and should a work be sold, the artist should replace it.

Schwenke believes that through programmes such as these, the development of entrepreneurship in South Africa could be enhanced.

He also encourages other organisations to become involved in the development of enterpreneurship through programmes such as these.

"Anyone wishing to apply for financial assistance under the Mini-Loan Artists Programme should contact the nearest SBDC office," he said.

Or you can telephone them at (011) 470-3111 and ask for Donne Tarr.

Images of a ghost town - the story of Pietersburg

Sowetan 16/7/91

30

SATURDAY morning in Pietersburg is normally busy, with traffic jammed bumper to bumper and pedestrians shouldering past each other on the pavements.

The problem of pedestrians ignoring robots at intersections led the town council to appoint public relations officers more than seven years ago to control pedestrians crossings.

The men - in blue uniforms - were generally busy, calling out with megaphones to those transgressing the law. But that was before the consumer boycott by black shoppers hit the town.

With several shops in town already closed - some with signs simply stating "This shop will reopen after the boycott" - a stroll in the city centre on Saturday reveals morose-faced white shop assistants who have suddenly appeared in doorways.

No work

Even the pedestrian crossing patrolmen in their blue uniforms are having it easy. There are no crowds and therefore no work.

Two weeks after the boycott started a local white newspaper said the boycott organisers, which it said were the ANC, had lost two rounds in the bid to stop blacks from buying.

It quoted white business people as saying the boycott would have no effect as they had done business that could last them a month. The paper did not carry any story this week about the boycott, for the reality is there for anyone to see.

The reasons for the success of the boycott are many and varied. And they would depend on how you see things. Whites in the town insist that there is widespread intimidation and but for that people would would have been buying.

There is some truth in this as some people have been manhandled by youths for defying the boycott and rumours, so far unproven, abound of two people whose ears were severed by youths.

But there is also strong support for the demands made by the Consumer Boycott Committee, a committee monitoring the campaign.

By MATHATHA TSEDU

The CBC consists of representatives from ANC, Azapo, PAC, Nactu, Cosatu, taxi associations, black chambers of commerce, Church and sport representatives.

Demands include:

* The right to free political activity and marches in the town. This followed a refusal by the town council to give permision for a march by the ANC on June 15;

* The reinstatement of Sakkor Manufacturing workers, who were dismissed following a strike over accommodation.

The workers, members of the Media Workers Association of South Africa, had been given notice to vacate their compounds following a decision by the town council that their stay on the premises constituted squatting and threatened the value of white property in the area;

* The removal of SADF troops from townships and villages. This demand followed several incidents of alleged harassment by the troops and the further alleged involvement of troops in covert and overt political activity against popular organisations;

* Opening facilities to all races;

* Unconditional release of all political prisoners and return of exiles;

* The resignation of the Government;

* Better pay for workers; and

* A stop to police harassment of strikers demonstrating in town, especially those from Transnet.

The Pietersburg Chamber of Commerce asked for a meeting with the CBC before the boycott started but this was rejected.

Last week the CBC rejected another invitation by the chamber to meet.

The chamber is at pains to point out that some of the demands fall outside its jurisdiction. They have also been holding meetings with workers where strategies to break the boycott have been discussed.

The boycott has, however, been a welcome thing for township traders. One butchery assistant complained to me about the heavy load of work since the boycott started, saying it was now difficult even to get time for a cup of tea.

Everywhere in Seshego, Lebowakgomo and Mankweng - the main townships served directly by Pietersburg - shops are doing a roaring business and their owners will obviously be praying for a longer boycott.

It is a prayer that CBC will have to balance with problems of workers who are being laid off, who will expect some direction from the CBC.

CBC working committee member the Reverend Kgotsupo Leputu summed up the CBC position: "There are legitimate grievances that need to be addressed by the white community of Pietersburg that we have put forward.

"Unless those are met, the question of meeting the chamber or even looking into calling off the boycott does not arise. Our people made and continue to make sacrifices because the Sakkor workers have no alternative; we want our children who are now in jails and outside the country to be home with us all.

"These are some of our demands and they should be met", he added.

The CBC will meet again this week and it is anybody's guess what the outcome may be.

But it will be one of those rare meetings of black people on whose outcome the survival of white capital in the town so depends, and whose outcome will be so eagerly awaited by the same white capital owners.

Poor figures for furniture trade reveal slump in sales

B/Day 16/7/91

(30)

MARCIA KLEIN

SALES of furniture, appliances, TV and audio equipment increased by only 5,7% at nominal prices in May compared with May 1990, reflecting a substantial real decline, according to figures compiled by the Retailer Liaison Committee.

In the first three months of the year the rate of increase in sales slowed down. Sales increased by 17,1% in January, 20,1% in February and 15,1% in March.

The nominal 7,7% increase in April was the beginning of a year-on-year decline in real sales.

Furniture Traders' Association (FTA) executive director Frans Jordaan said yesterday that figures for this year would not look good compared with those of 1990, due to "the spending spree" from March last year when credit restrictions were lifted.

Despite results for March being low, Jordaan said "the news is not all bad". The industry was still in good health and was taking a bigger view of sales patterns.

Trade could improve in the second half of the year due to positive factors in the retail furniture sector. These factors included the lifting of sanctions, the reasonable performance of the black market and an expected drop in interest rates.

He said sales figures for the year to May 1991 showed an increase of 21,8% at current prices over the previous year, so there was still growth on an annual basis.

Jordaan said the lifting of sanctions would create more jobs and generate more money and purchasing power.

Also, manufacturers would be able to find cheaper markets for raw materials, where previously they paid higher prices to import materials through the back door.

Uncertainty

Other positive factors were that sales to blacks still remained fairly strong and massive housing projects would boost sales of furniture and household goods.

Jordaan expected sales to increase with the introduction of VAT as many people were holding back on purchases due to uncertainty over prices.

He said the FTA believed there would be little, if any, difference in prices with VAT's introduction.

Retailers may benefit from VAT on wholesalers

30

B/Day 16/7/91

BRENT VON MELVILLE

THE R13bn consumer wholesaling market will suffer far more from the new VAT system of taxation than retailers — which might even serve to shift a portion of the wholesale market to the retail sector.

Industry observers have suggested that wholesalers such as Makro and Metro will be hard hit because the majority of their customers — small independent retailers — had been exempted from paying GST.

"These smaller concerns will have to face up to paying tax and that could put a lot of them under," said one source.

A spokesman for a Natal-based food producer and distributor said VAT could conceivably push some of the traditional wholesale buying to larger retailers such as Pick 'n Pay, where the prices would be largely the same. Wholesalers generally disagreed, saying retailers would still be unable to compete with wholesale pricing.

One smaller Durban-based wholesaler said VAT would almost certainly hit his bottom line because the bulk of his sales were to the informal sector which would be forced to pass costs along to the end-consumer. He said many of the smaller informal merchants in Durban would simply close their doors.

Makro acting MD Michael Rubin said yesterday that VAT would put Makro at a cash-flow disadvantage because of the delay on claiming back input tax.

He admitted it could have a bad effect on sales but said it was largely an educational problem which would be addressed.

A spokesman for Metro said the group was hopeful that there would be a minimal impact on wholesale trade from VAT.

The end-consumer dictated the volume of the market. "With a reduced number of smaller, informal businesses, other larger retailers may find their turnover up and therefore increase their business with wholesalers."

Etam strengthens its defence against Oceana's hostile bid

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Star Bureau Star 16/7/91

LONDON — Etam, the British women's clothing retailer, which is the target of a hostile bid by the South African-controlled Oceana Investment Corporation, has received the backing of Gartmore Investment Management.

This was announced by Lizard Brothers, Etam's advisers, at the weekend.

Etam's defence document shows Gartmore with a 12,71 percent stake.

Etam's directors have also resolved to reject Oceana's offer for their own beneficial holdings, which amounts to about 10,2 percent.

Other institutional and private shareholders, including directors' families, have also said they intend to reject the offer.

This brings the total to 33,9 percent.

John Dear, managing director of Lizard, says two other institutional shareholders — Postel Investment Management and Schroder Investment Management — with about 4,78percent had not yet disclosed their intentions.

Oceana, a holding company for the overseas interests of the Lewis family, which runs the Foschini store chain, has a 29,2 percent stake in Etam.

It is offering 185p a share for the rest, thereby placing a value on Etam of about £121 million (R605 million).

In the defence document, Etam's directors reject Oceana's claim that Etam failed to justify more than £75 million (R375 million) of capital spending in the past three years.

The directors say the investment was spent on increasing retail space, acquisitions in the industry, the development of new Etam brands and the building of a new distribution centre.

Junior groups to co-operate

Bday 16/7/91

SHARON WOOD

THE Junior Chamber of Commerce and Industry and the Johannesburg Junior Afrikaanse Sakekamer agreed yesterday to establish links and co-operate with one another.

A statement released afterwards announced the agreement would address ideas, principles and philosophy common to both organisations. 30

These included the promotion of commerce and industry, development of both organisations, education and training of young people, formulation of a joint position, and public relations.

CBD thrusts into the future

Star. 16/7/91 (30)

Central Johannesburg continues to be alive and well and all indications point to a long-term confidence and prosperity for the city.

This is the obvious conclusion arising from the latest surveys and letting review of the main central areas from the research department of Anglo American Property Services (Ampros).

The massive Bank City project, the R180 million Turbine Square redevelopment on the power station site and the planned pedestrianisation of Kerk Street, which is linked to the newly-completed Civic Spine project, will combine to thrust Johannesburg into the 21st century.

The main advantage of this revitalisation process is that people — a workforce of thousands, coupled with entertainment seekers — will not be lost to the surburbs.

Ampros says: "Bank City will not just keep thousands of its own employees in the city but the multiplier effect of this project, with its retail facilities, will draw associated services such as restaurants and financial operations."

The big projects fall within what Ampros calls the Exchange District (Bree Street to the north, Rissik to the east, Market to the south and Jeppe to the west) which has a total of more than 375 000 sq m of office space.

While lower demand for space at present in this "dynamic area" has put pressure on rentals, A grade offices command a rental range of R27 to R34 a sq m and B grade at R18 to R22.

South of Exchange is the Financial District which Ampros sees as equally exciting in the long-term.

Dominated by banks, insurance groups and mining houses, its rental structure is R28 to R33 for A grade and R20 to R28 for B grade.

Of the close to one million sq m of space — almost 30 percent of the total CBD letting area — there is a relatively high surplus. But Ampros expects this oversupply to be taken up soon.

The Commercial District (Bree, Albert, Delvers and Goud streets) covers a range of interests and activities which are vital to the CBD as a whole. A grade space rents from R26 to R35, while B grade is at the R17 to R21 level.

FNB link a weapon for Prefhold

30 MARCIA KLEIN

PREFHOLD, which is about to come to the JSE in a R270m listing, said it had a "powerful weapon" for future development in its association with First National Bank (FNB), which will finance its furniture debtors' book.

Offers for shares in the Durban-based retail group open on Friday. Its subsidiaries include Game Discount World, furniture chain Beare group and Bee Gee clothing outlets.

The group would have a turnover of nearly R1bn and estimated pre-tax profits of R72m in the year to end-June, and would be capitalised at R550m to R600m on listing.

Executive chairman Terry Rosenberg said yesterday the agreement with FNB was "a powerful weapon for Prefhold".

He said valuable resources were tied up in hire purchase retailing. For every R100 of furniture that the group sold, R70 was locked into debt.

Realising that this could cripple the business in the long term, Firstpref was formed in November last year as "a separate, stand alone company through which HP furniture sales are made on behalf of Prefhold". BDay 17/7/91

This meant that Prefhold was at risk for only 25% of the funding of Firstpref's debtors and stock. Also, Prefhold had access to "meaningful medium-term finance" to fund its commitments. The facility can extend to R450m over the next three years.

Edgars, OK and Amrel to sell off debtors books to Advantage

Star 18/7/91

(30)

By Jabulani Sikhakhane

The three retail arms of SA Breweries group, Edgars Stores, OK Bazaars and Amalgamated Retail (Amrel) have reached agreement to sell their debtors books to Advantage Investment Corporation.

Advantage was set up in November last year as a joint financial services company between SAB and banking group Nedcor.

Edgars financial director Mark Bower told analysts at a presentation yesterday that an agreement has been signed with Advantage. However the two parties are still clearing certain hitches which might result from the introduction of value added tax (VAT).

The deal will alleviate the strain on Edgars with its debtors book which grew 32 percent in the 12 months to March 1991 to R798,21 million (R604,89 million), on an increase of 25 percent in sales.

With increased unemployment and progressive change in the profile of the debtors book, the level of bad debt increased to 2,4 percent of sales. As a result bad debt provision rose from R51,77 million to R69,24 million.

Edgars Stores' two credit chains Edgars and Sales House have 2,5 million credit customers.

Managing director and chief executive George Beeton said at yesterday's presentation that the group would have to continue absorbing the changing profile of its debtors book because today's bad debtors would serve as the group's growth vehicle in the longer term.

The sale of the debtors book would also result in a drop in gearing, which stood at 59 percent in financial 1991.

Mr Beeton added that Edgars strategy for the future would be to increase its cash content of the business which will help fund the growth of the credit business.

Mr Bower said Edgar's's sales for financial 1992 are forecast to increase by 19 percent.

Boycott focus of talks (30)

Sowetan 18/7/91

THE Pietersburg Consumer Boycott Committee has agreed to meet the Northern Transvaal town's chamber of commerce tomorrow to discuss the lifting of the consumer boycott.

The meeting will focus on the 10 demands set out by the Consumer Boycott Committee, which include the reinstatement of dismissed workers, an end to harassment of striking workers and the withdrawal of the army from townships and villages.

The boycott started on July 1 following the refusal by the Pietersburg Town Council to grant the African National Congress permission to stage a march on June 15. The march was to have been led by ANC president Mr Nelson Mandela.

Meanwhile, an urgent application brought by management of the San Domingo Spur in Potgietersrus for an interdict against the South African Commercial Catering and Allied Workers Union has been dismissed, with costs, in the industrial court.

The application was brought against Saccawu for allegedly encouraging the consumer boycott.

Spur management alleged the boycott was adversely affecting its business and that its temporary staff were intimidated by Mass Democratic Movement and Saccawu members.

The application was a sequel to the dismissal by Spur of 19 Saccawu members in May.

This action triggered off a selective boycott by residents of a new shopping centre in which the San Domingo Spur is situated. - *Sapa.*

Boycotters to meet chamber

B/Day 18/7/91

PIETERSBURG — The Pietersburg Consumer Boycott Committee has agreed to meet the town's Chamber of Commerce tomorrow to discuss lifting a consumer boycott. 30

The meeting will focus on the committee's 10 demands, which include the reinstatement of dismissed workers, an end to the harassment of striking workers and the withdrawal of SA Defence Force members from townships and villages.

The boycott started on July 1 following the refusal by the Pietersburg town council to grant the ANC permission to stage a march through the town on June 15.

The march was to have been led by ANC president Nelson Mandela. — Sapa.

VAT threat to small business

By Paula Fray Star 18/7/91

30

South Africa's burgeoning small business industry could be adversely affected by the introduction of value added tax (VAT) and industry sources fear that many will "go under".

Small businessmen, presently exempted from paying general sales tax to wholesalers, will need extra cash for buying stock. Hawkers and spaza owners will be particularly hard hit as most earn their living by selling tax-exempted goods.

Earlier, Deputy Minister Dr Theo Alant emphasised that only entrepreneurs with annual turnovers exceeding R150 000 would have to register for VAT purposes.

"The Government is doing its utmost to stimulate the small business sector," he said.

Small Business Development Corporation (SBDC) economist Dr Edwin Basson said it was difficult to predict what would happen to the small retailers when VAT was introduced.

"The bottom line is that they are going to pay more expensive prices for their stock," he said.

However, although their costs would increase, their income would increase as well.

Small retailers registered as vendors would, after a while, be able to get back their input tax. There would also be a delay of two months for small retailers to do their VAT paperwork.

Dr Basson said some retailers could come under pressure when VAT increased their input costs.

It was very difficult to predict with any certainty what would happen to small retailers. This depended on how consumers reacted and if they preferred to buy from larger retailers who could absorb some of the increased costs.

If consumers did, "smaller retailers are going to come under pressure," Dr Basson said.

"Naturally we are concerned," he said.

"We have made representations to Vatcom about increasing the level of registration for vendors to R500 000. But even if that had happened, it would not solve the problem of the small retailer having to use a bigger proportion of his income to pay for stock," Dr Basson added.

Edgars' results point to real growth in 1992, says director

(30)

B/Day 18/7/91

MARCIA KLEIN

EDGARS seems set to fulfil its forecast of real growth for the 1992 financial year, judging by its results for the three months since the March year-end, financial director Mark Bower said at a presentation to analysts last night.

At the year-end, directors of the SA Breweries (SAB) subsidiary said they were budgeting for market share gains and for real growth in the current year, although not at the same rate as financial 1991, when Edgars increased its earnings by 22% to 296c a share on a 25% sales increase to R2,5bn.

Bower said agreements had been signed to facilitate the sale of Edgars' debtors' book to the Advantage group, which was formed by SAB and Nedcor in November to provide financial products and services to the mass consumer market. This was "an exciting development for the group".

Executive director Fred Haupt said Edgars' large debtors' book would be sold once certain hitches were resolved, including some VAT implications. He believed SAB subsidiaries Amrel and the OK were to follow the same route.

The new arrangement would probably lead to a reduction in Edgars' 59% gearing.

CE and MD George Beeton said that over the past five years the group had achieved a compound sales growth of 27,1% and a compound earnings growth of 48,9%.

The Edgars division would add viable businesses to its portfolio as they presented themselves.

This strategy would not apply to Sales House, which would maintain a narrower base. Beeton said directors had decided to anchor Sales House around footwear, which was a major part of its business.

The group had been trying to establish Jet for the past 20 years in order to grow the cash part of the business. He was confident that Jet would produce a "materially different performance" in two years.

FM 19/7/91 (30)

PREFCOR FM 19/7/91 (30)

AMBITIOUS PLAN

It takes a brave company to seek a flotation at what looks like the top of the market. Demand for furniture has fallen, and the furniture division — Beares and Savells — remains the principal contributor of both sales and earnings to Prefcor, which lists on August 21.

Shares will be available to the public in packages of one ordinary share and two convertible debentures. The debentures will have an opening interest rate of 12%, increasing by 2,5% a year up to 25%. There will be the option to convert after five years, and conversion will be compulsory after 12 years. Ordinary shares are projected to offer a dividend yield of 6% on June 1992 earnings, providing about the same return as the debentures to taxpayers. Dividend cover will be fairly high at 3,6.

Prefcor will be listed in the retailing sector, rather than in the more lowly rated furniture sector. Group CE Terry Rosenberg argues that slightly more than half of operating profit is provided by nonfurniture items, whether appliances, housewares or clothing.

Prefcor is looking for R260m from the public, who will be offered 45% of equity, and the issue price is expected to offer a forward p:e of 4,6. Prefcor's accounting policy is conservative. It makes a comprehensive provision for deferred tax, and its bad debt rate, which has never exceeded 2,7%, is down to less than 2%.

Yet, while Prefcor is supposed to be conservatively run, its predictions seem far from conservative. Earnings have grown quickly under present management — operating profit has more than tripled over two years. However, Rosenberg says Prefcor is still at the bottom of a growth cycle.

Prefcor is predicting a 27% growth in turnover from R1bn in the year to June 1992, of which it says 13% of the growth will come from new stores which will not make a full contribution in 1991. Operating income, which increased by 121% last year, is predicted to grow by no less than 44% this year. Detailed figures are not available until the prospectus appears on Friday — but at this stage the targets seem demanding.

Rosenberg used to be a great punter for the advantages of staying unlisted, and not having to expose crucial financial information to competitors. He says two things have recently changed. One is that the group has meaningful growth plans. It has identified 30 sites in which to expand its Bee Gee clothing chain, it is expanding Game in the Transvaal and could triple numbers from the present 10. The furniture division could open 56 stores over the next two years on top of the present 195.

"I want to finance the expansion through equity and not debt," says Rosenberg. He also intends to give line management an equity stake in the business, and he does not expect them to mortgage their lives away for the privilege.

Another reason for the listing, says Rosenberg, was that it gave Prefcor's foreign backers the opportunity to reduce their shareholding from 59% to less than 25%. After the listing Prefcor will have cash in the bank, and scrip to offer for acquisitions.

One of Prefcor's trump cards is Firstpref, a joint venture with First National Bank (FNB). Rosenberg reckons this is not a cosmetic joint finance company aimed at taking debt off the balance sheet, but a genuine sharing of risk. FNB has provided Prefcor with a R450m line of credit, with which it finances three-quarters of Prefcor's furniture book. So far R150m has been used. Prefcor's balance sheet still carries a quarter of the debt plus stock.

FNB's Johan Meiring, now on Firstpref's board, says the profit on HP sales is split between Prefcor and FNB, with Prefcor taking the slightly larger return.

"We have a medium-term financial package to finance medium-term commitments," says Rosenberg. "This means we can plan the growth of our business within certain boundaries of the finance available. But the arrangement has brought gearing down substantially."

FNB has the right to review the agreement after three years. Prefcor has not insisted on exclusivity for this arrangement, but Meiring says it would be tailored to the requirements of credit retailers joining in such a venture. Game's Prefercard is financed by a similar, though not identical, arrangement with the Perm. *Stephen Cranston*

Nigel facing consumer boycott

Star 19/7/91

By Abel Mabelane
East Rand Bureau

30

Duduza residents will stay away from work and launch a consumer boycott against Nigel to force their township council to return belongings seized from rent defaulters, according to local ANC officials.

The town council is owed R5 million in rent arrears following a boycott which started in April last year.

The publicity-secretary of the ANC branch in Duduza, Patrick Sibiya, said the stayaway and consumer boycott would last as long as the council kept personal belongings taken from homes in lieu of rent.

Other demands made by residents are that the council must write off rent arrears and give houses built more than 25 years ago to residents.

Mr Sibiya said Duduza mayor Kebane Moloi had reported to him that his house had been attacked by youths after Wednesday's meeting.

Mr Sibiya said the residents had resolved, after the council rejected flat rates of R60 for electrified houses and R25 for unelectrified houses, to collect the money from residents and pay directly to the bulk suppliers of water and electricity.

Mr Moloi said residents whose belongings had been attached had ignored a court order demanding payment of arrears rent.

He said the council could not do anything because the matter was in the court's hands.

VAT: Group to monitor businesses

Sowetan 19/7/91 30

VATWATCH - a body which will monitor retail prices before and after the introduction of Value Added Tax - was launched in Johannesburg this week with the promise of keeping a watchful eye on whether savings are passed onto consumers.

VAT comes into effect on September 30.

Vatwatch chairman Professor Louise Tager pointed out that the Government had said VAT was introducing a tax system which would eliminate the cost built into the cost of production.

"It has been said that this change in the system of taxation is likely to result in savings of approximately R6 billion.

"In what way and to what extent will business pass this R6 billion saving to the consumer? Here lies the crux of the matter with which Vatwatch will concern itself," Tager said.

Awareness

She said the essential objective of Vatwatch was to heighten consumer awareness of trends and movements in retail prices in the months immediately before and after the introduction of VAT.

"The second objective, but equally important, is to channel the forces that result from our public awareness campaign into a direction that will compel retailers and, therefore, suppliers to pass to consumers the cost benefits that VAT should generate," Tager said.

"Ultimately, the aim is to lessen the pressure on the Consumer Price Index and, therefore, on the rate of inflation."

in SA Masatoshi Ohta.

... is Japanese consul-general

ROBERT BOTHA

Power cuts will hit non-payers

B/Day 19/7/91

THEO RAWANA

THE Atteridgeville Town Council will selectively cut power to non-paying residents in a bid to avert a total cut-off, the Pretoria City Council said yesterday.

Pretoria has threatened to cut power to Atteridgeville — a move which would affect all 170 000 residents — because most residents have not paid new monthly tariffs which range from R75 to R190. Atteridgeville owes Pretoria R5,8m.

The Pretoria management committee said in a statement yesterday payment was disappointing and only 15% of residents were paying the new tariffs.

Pretoria rejected a last-minute attempt by the Atteridgeville-Saulsville Residents Organisation to convene a meeting because it had "no new information".

Police called to probe rising medicine thefts

B/Day 19/7/91

THEFT of medicines in the pharmaceutical industry and in the medicine distribution system should be investigated by the police, the Pharmaceutical Manufacturers' Association of SA has said.

Yesterday's announcement by PMASA executive director John Toerien followed statements earlier this week in the annual report of Premier Group subsidiary PDC Trading, in which PDC Holdings chairman Gordon Utian said crime in the pharmaceutical industry was at its highest level.

He alleged a grey market had developed as a result of pricing and manufacturers' policies. He said manufacturers favoured short-line wholesalers, dispensing doctors, trading doctors, private clinics and other pharmaceutical buying groups by supplying goods at lower prices than they supply to traditional full service wholesalers.

The PMASA — which represents almost all of the country's pharmaceutical manufacturers — had for some time been concerned about shrinkage, Toerien said.

"It is for this reason that the PMASA has been in contact with the Department of Law and Order to ensure that special attention be given to what could (be) termed theft of medicines.

"We interpret 'burgeoning grey market', as contained in the PDC statement, to mean the difference between a dispensing doctor and a trading doctor.

"We interpret a trading doctor as somebody who buys medicine and sells it (at a) profit.

"This, naturally, is illegal and cases of this nature should be reported to the SA Medical and Dental Council."

Toerien described the tender market situation as very sensitive. Among the reasons why manufacturers could quote competitive prices to the State Tender Board were that huge quantities and limited delivery points were involved. — Sapa

Row flares over dispensing chain stores

WILLIAM GILFILLAN

130 17/7/91

CHAIN stores would be able to dispense medicines "when the SA Pharmacy Council is persuaded to change its rules which prevent the stores from employing pharmacists", Competition Board chairman Pierre Brookes said yesterday.

Brookes said the council would be persuaded "either on the basis of their own conviction or as a result of pressure from government or the general public".

The controversy surrounding the dispensing of medicines by chain stores was brought to the fore again by Gordon Utian, chairman of pharmaceutical distributor PDC Holdings.

In the PDC annual report, Utian said that as chain stores might possibly be permitted to dispense medicines soon, PDC was expanding its customer base from retail pharmacies to the "entire health industry".

In terms of the SA Pharmacy Council's ethical rules, pharmacists may not be in the employ of anyone other than a fellow pharmacist.

This is a stumbling block for chain stores as they would have to employ pharmacists to dispense medicines.

Pharmaceutical Society executive director Boet van der Merwe justified this: "Owners who are not pharmacists do not feel bound by the ethical rules of the council, because they do not fall under it".

Pharmacy Council registrar Daan Naude said he did not foresee the present situation changing "in the light of the current views of the council and current legislation".

The Pharmacies Act prohibits chain stores from opening pharmacies.

Checkers MD Serge Martinengo said it would be some months before anything came to fruition.

Spar group CE Peter Hughes said chain stores in America, Germany and Austria had been dispensing medicines for some time.

He did not think the Spar group would be much effected by any changes, with possibly "only one or two of the very big stores" dispensing medicines.

Analysts said that while Pick 'n Pay, Checkers and OK stores would benefit through any changes, it was the Clicks group that would benefit most. They believed Clicks, which had around 100 stores countrywide, had been making representations calling for changes for some time.

Star 17/7/91

Protests loom over switch-off

By Musa Mapisa

30

Mass action, including a rent and consumer boycott of white businesses, was on the cards in Middelburg following the cutting of electricity to Mhluzi township on Monday, Middelburg Residents Organisation spokesman Ace Mathibela indicated yesterday.

Mhuluzi town clerk Karen Haycock confirmed the switch-off and said it resulted from residents' failure to meet their bills.

Mr Mathibela said his organisation was prepared to resume negotiations with the town through the Middelburg Forum.

The forum, consisting of businessmen, trade unions and community organisations, was formed last year to address community problems in the area, he said.

Mandela appeals for SA business support

CT 20/7/91 (30)

JOHANNESBURG. — ANC president Mr Nelson Mandela yesterday called on the business community to support the ANC by donating it funds.

Speaking at a Finance Week breakfast club meeting, Mr Mandela said the ANC had been successful in getting donations from Africa, Asia and Europe and had encountered fund-raising problems only in South Africa.

He said the lack of business support was causing the ANC constituency to question whether white business was behind the peace process.

The ANC had always understood that unless it got the co-operation and support of businessmen it was useless to think in terms of rebuilding the economy. — Sapa

Mandela asks for business funding

(H) (3) AUG 20/7/91

SHAUN JOHNSON

Political Staff

JOHANNESBURG. — Mr Nelson Mandela has appealed directly to South African businessmen "to help the ANC with funds" in order to ensure a negotiated political settlement.

Addressing a Finance Week breakfast meeting in Johannesburg yesterday, the ANC president said: "We have noticed that it is only when we go abroad that we have the support of governments and business people. You will have seen on countless occasions our success in collecting funds in Africa and Asia.

"In Europe we have received a very positive response from the point of view of governments being involved in projects.

"It is only in South Africa where we have encountered enormous problems, which are leading our own constituency to say: 'Are you sure that the white businessmen of this country are behind the peace process?'

"If they are behind the peace process, we should not learn this purely from Pretoria — we should be able to point at the concrete responses on their part which give us the capacity to carry on with this initiative which we have successfully undertaken ... and which has led to the talks between us and the government."

The ANC leader said "very few liberation movements have taken the line that we have."

He said the African National Congress was putting "tremendous pressure" on Pretoria "for a speedy solution to our problems", and challenged the local business community to "no longer regard the ANC as just a pure political organisation".

Mr Mandela said he was making this appeal to businessmen "because we do want to carry our own constituency, and if they are not ready to accept businessmen as a key element in striving for a peaceful solution it is going to be difficult for us to make progress."

Manufacturers locked in supply battle with retailers

(30)

ARGT 20/7/91

CLAIRE GEBHARDT

Weekend Argus Correspondent

JOHANNESBURG. — Manufacturers this week hit back at claims that they were responsible for supply shortages that push up food prices.

They accused the retailers of forcing them to spend thousands of rands on confidential rebates, to subsidise their advertising and of holding back money due for months on end.

This made it more economic to export than supply the local market, though this was not the case to any large extent at present, they claimed.

Suppliers did not want to be named, such is the power of the three retail giants, Pick 'n Pay, Checkers and OK.

But they claimed that manufacturers were totally at the mercy of the supermarket chains, which accounted for 70 percent of their sales.

Pick 'n Pay managing director Hugh Herman denies that the retail giants are squeezing the manufacturers: "Payment is 60 days, not 90 or 120."

He admits confidential discounts are taboo in America, where trade has to be open.

"But there is nothing sinister about a volume discount which, though it doesn't appear as a separate item in our accounts, is costed into our prices."

He says food products are distributed by huge conglomerates and they would be hard to coerce. "Primary sources or manufacturers are at the nub of food-price increases."

Pick 'n Pay chairman Raymond Ackerman said last week manufacturers were taking advantage of crumbling sanctions to push food outside the country.

This was translating into supply shortages and higher prices for certain products.

Manufacturers, however, deny they are responsible for upward pressure on food prices, the single largest contributor to an accelerating Consumer Price Index.

They cite instead:

- Confidential rebates — paid in a cash lump sum by suppliers to retailers, these run into thousands of rands and are determined by the quantity of goods sold by supermarkets.
- Co-operative advertising — a bit of a misnomer, retailers are the biggest ad spenders but manufacturers foot the bill through the arbitrary allocation of costs.
- Listing costs — to get a product on to the supermarket's computer and on to shelves runs into six figures.

Manufacturers negotiate prices initially, then have no say over what price the public is charged, barring some major catastrophe such as the coffee crop being wiped out.

- In-store promotions and birthday bashes get the cheque books out again;
- Loss leaders — they get the public tramping through the stores but they represent losses to the manufacturers who again have to make up any shortfalls; and —
- Inefficient and costly distribution channels push up vehicle and driver costs.

Jeremy Hele of the Grocery Manufacturers' Association confirms that supermarket chains are served by individual deliveries from individual manufacturers, sometimes several times a day — except for the OK which has its own centralised warehouse.

Each day, delivery trucks pile up behind supermarkets, competing to offload goods in spaces often designed for one vehicle.

Trucks can sometimes wait days to deliver 20 boxes.

"Retailers can't afford to lose sales by being out of stock, but storage space is kept to a minimum because of capital considerations so they tend to order uneconomic quantities.

"This means that the average truck will be loaded at just 38 percent of its capacity."

Supermarkets receive 20 deliveries a day and hypermarkets as many as 80 a day, he says.

Pick 'n Pay's Mr Herman agrees that distribution problems have to be dealt with but says everyone must play their part in coming to a solution.

Where shops are built like forts

Star 20/7/91

30

MANY shop owners in and near Alexandra, where thousands are unemployed, have been robbed more times than they care to remember.

Their stores resemble mini-jails, with burglar alarms and heavy-duty burglar bars protecting the wares inside. One shop owner has placed razor wire on the roof to prevent access from above.

Business owners complain about regular petty theft as well, reporting that people will enter the store and grab whatever they lay their hands on.

"We've tried to limit petty theft by putting everything behind the counter," said one shop owner.

"Of course theft is damaging to business, but you can't help feeling sympathetic towards some of the thieves, who are basically honest people forced into crime because of unemployment."

A number of business owners said they witnessed vehicle hijackings and break-ins daily.

One said: "The other day a guy had his car radio pinched while his vehicle was parked in front of our store. It happens right under your nose, every day."

Many traders reported that suppliers were now refusing to deliver in the township.

"They just aren't prepared to take the risk any more. Their vehicles have been hijacked, or the goods stolen from the vehicle when it pulls in to unload. Now we go to the suppliers to collect our stock ourselves. It might mean a few trips, but what choice do we have?"

If the situation got any worse, one trader said, "I might as well decide to sell this business. You cannot continue running a business without a profit".

One business owner warned the Saturday Star news team to keep vehicle doors locked, windows up, and "eyes peeled".

Boycott action still a weapon

C/Press 21/7/91

By THEMBA KHUMALO

MORE than 30 white Transvaal towns have been hit by black consumer boycotts this year, but most have been called off, a City Press survey has found.

Boycotts were often initiated by township civic associations to back residents' demands for reduced rentals and service charges.

Boycotts have also aimed at ousting town councillors, which has resulted in the collapse of several councils.

In smaller conservative towns blacks have boycotted white businesses to demand the opening of segregated facilities.

Several townships, mainly in the Eastern Transvaal, responded to an ANC consumer boycott call from June 15 to protest against the continued imprisonment of political prisoners.

Nelspruit, Middelburg, White River, Leslie, Ermelo, Komatipoort, Witbank and Bethal were hit by these boycotts.

Bophuthatswana has been the only homeland affected by consumer boycotts.

Local ANC officials called for a five-day consumer boycott of white businesses in Lichtenburg recently to demand the reinstatement of Dr Paul Sefularo, deputy superintendent of Thusanong Hospital, who was fired by Bop authorities for his ANC affiliations.

White Krugersdorp is still reeling from the effects of a month-long boycott in May which was sparked by the massacre of 27 people at Swanieville squatter camp.

Several shops closed down and others ran into financial problems before negotiations ended the boycott.

Residents of Siyathemba are still boycotting white businesses in conservative Balfour after their power was cut off in early June.

Residents paid their bill to the Siyathemba council which did not pay the Balfour council.

The Siyathemba Civic Association, ANC and conservative Balfour businessmen – led by local pawnbroker Gerrie de Meyer – have met for talks which seem likely to end the boycott.

However, some boycotts have failed because of political problems. A boycott of white Randfontein by Mohlakeng residents early this year was called off by the ANC because local the PAC branch complained it had not been consulted.

Edgars — king of clothing on tick

(30)

S Times (Bus Times) 21/7/91.

By JULIE WALKER

A WOMAN who had only £1 with which to buy a £4 suit from the first branch of Edgars led the owner to introduce sales on credit.

The suit had been £7, but stock had to be cleared. The manageress told the customer to bring £1 a month until the suit was paid for.

That was in 1929. Today, Edgars — it took its name from Piccadilly's Swan & Edgar — is the showpiece of retail clothing in South Africa. More than 85% of its R1,7-billion sales through 167 shops are made on credit to 1,7-million account holders.

The Edgars group also owns Sales House with 800 000 account holders and cash underdog Jet as well as a manufacturing company Celrose and two testbed operations. Total sales were R2,5-billion in the year to March 1991.

The debtors' book puts group gearing at 59%. Financial director Mark Bower knows that rapidly expanding companies can "grow" bust in inflationary times if they are not structured and controlled properly.

House

Mr Bower goes to great lengths to show how Edgars arrives at its borrowing capacity limit on the basis of sustainable liabilities. He estimates how much could conservatively be borrowed against each. Actual borrowings are subtracted and Edgars is still in the black on its own terms.

New chief executive George Beeton told a presentation to the Investment Analysts Society this week how Edgars had benefited from the use of foreign consultants. Over the years, big names from great stores — Maceys, Bloomingdales and Marks & Spencer — had been called on. Jack Shewmaker of Wall Mart arrived a week ago.

Edgars' marketing is formidable. More than 70% of the advertising budget goes on leaflets mailed to account holders.

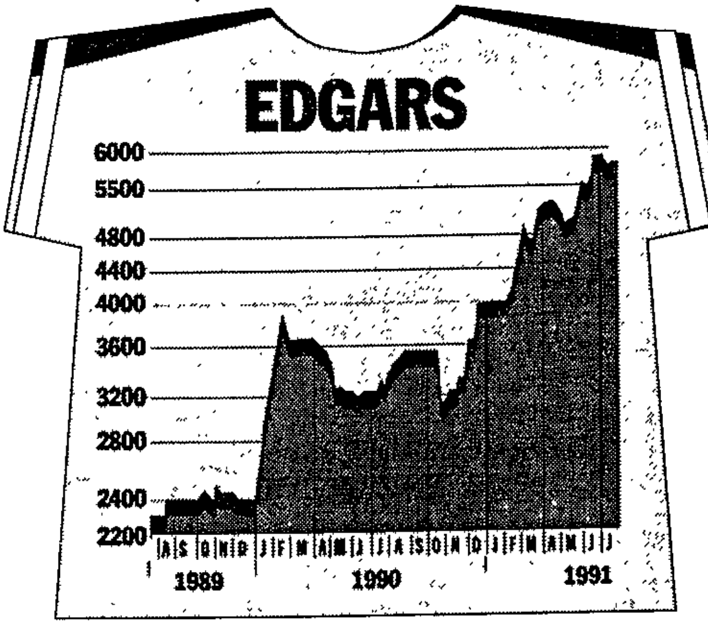
Mr Beeton describes account holders as an enviable asset. Goods are never repossessed, but collections are excellent because shoppers want to come again.

Premises

Mr Beeton says 70% of sales in Edgars is made up of house brands, largely because there are so few recognizeable labels in women's fashions.

He describes the visual marketing theme — pictures rather than words because of language barriers — as the theatre of retailing.

Edgars does not aggregate distribution, but maps the assortment for each store. Each new range finds a place, so much so that Edgars shops are becoming too small.



Mr Beeton says the shops are where people live and where they work, and the firm will look for premises of up to 8 000m² instead of the current 5 000m² in new developments.

Since there are so few brands, Edgars makes its own. Its Private Collection range of manchester goods already had a third of the market, but a more exclusive line was called for. The launch of Goose Bay has outstripped Edgars' highest expectations.

The introduction of the Penny C range also helped to boost women's clothing sales. The Petite range is also a money-spinner — 40% of Edgars' women customers are shorter than 1,6m.

Edgars has been trying to establish Jet for 20 years, but it made only a meagre R1-million in the year to March 1991. The 74-store chain is important because it sells for cash, but it has never been a big success.

Mr Beeton estimates it will take another two years before Jet starts to come right. Its focus will be shifted from being an Edgars' clone to a chain with its own identity aimed at middle-class South Africans of contemporary or classical tastes.

Celrose sells 60% of its production in-house, 25% to other companies and 15% is exported. Mr Beeton believes that foreign currency shortages in future will increase Celrose's importance in the group.

The two trial businesses are Express — the small-town clothing store chain, and Decisions, a mail-order catalogue-based promotion.

"We got into mail order before Truworths did," beams Mr Beeton.

He says the group is vulnerable to staff poaching because it trains people so well. Extra attention is being given to staff welfare and participative management.

Edgars identifies opportunities in footwear. The Edgars chain has 7,5% of the shoe market and Sales House 4,2%. The group hopes to increase total market share in all its businesses to 20% from the current 17%. Shoes cost too much to buy for cash.

Campaign

Mr Beeton says the group is always planning. Each sales campaign starts 15 months before launch. The group adheres to three-year flexible plans. Chairman Meyer Kahn asked Edgars management to say where the group would be in 10 years' time, opening a few eyes in the process.

Shareholders have much to smile about. Earnings a share have grown at a compound annual rate of 49% in the past five years.

Mr Beeton was asked whether the client base had reached saturation within an acceptable risk profile. He replied that the same comment could have been made 50 years ago when it first accepted blue-collar customers on credit. "Those that don't pay, can't pay."

Pepkor expects real dividends growth

BDay 22/7/91 (30)

CAPE TOWN — Pepkor expected to record real growth in dividend payments in the 1992 financial year, according to a statement by chairman Christo Wiese on Friday.

The statement was made on his behalf at the group's AGM as Wiese is at present abroad investigating new export markets.

He said the deterioration of trading conditions had gained new momentum. As a result, achieving turnover and profit targets had become increasingly difficult.

Pepkor had acquired three companies since the end of the financial year to end-February: Harties with its 200 branches and 42 Frasers mine stores (which both fall under Pep Ltd), and Smart Centre (operated autonomously).

Pep Manufacturing was faring very well compared with the rest of the sector. It had had to limit price increases, but this was partly compensated for by higher productivity.

While Pep Ltd did not expect to reach its turnover targets in the six months to August, the company foresaw real growth in turnover. The company, which is responsible for about 80% of Pepkor's profits, expected the second half to be better. — Sapa.

Spotlight on SA business prospects

Star 22/7/91

(30)

By Kaizer Nyatsumba
Political Staff

South Africa's prospects of attracting international investment will be discussed at an international business conference in Frankfurt, Germany, in October, says an advertisement in the British publication The Economist.

The conference, organised by Business International, will be attended by senior representatives "from all sides of the negotiating table" and high-ranking business executives from leading international corporations involved in South Africa.

Standard Bank of South Africa has sponsored the conference.

The advertisement, headlined "The New South Africa: Open for Business", says the repeal of apartheid will lead to many countries lifting sanctions on South Africa.

However, it says, before overseas businessmen can re-establish links with South Africa, they will want a few questions answered.

Speakers

These will include whether or not the atmosphere here will be conducive to good business. It was for this reason that Business International organised the conference.

Speakers will include Constitutional Development Minister Dr Gerrit Viljoen, ANC international affairs chief Thabo Mbeki and Inkatha Freedom Party president Chief Mangosuthu Buthelezi.

Asked if Standard Bank's involvement in the conference meant the bank was facilitating the negotiation process in the country, a Standard Bank spokesman said the bank was merely a sponsor of the event.

She said the UK-based Business International organised these conferences annually and Standard Bank had sponsored both last year's and this year's conferences, the purpose of which was to inform overseas businessmen about SA developments and investment opportunities.

Traders fear VAT loose ends will cost them dear

Star 22/7/91

Consumer Reporter

Some small supermarket and cafe owners are still unsure how the value added tax (VAT) system will affect perishable goods and small items, and fear they could end up with huge losses.

Most have received explanatory booklets on how VAT, which comes into effect on September 30, will be administered — but some questions remain.

"What happens with VAT on fruit if half of the box is rotten?" asked shopkeeper A Kamenos.

"If buns are forgotten in the oven and need to be thrown away, what happens?"

VAT repayments on small items such as a broken bottle of milk, or broken empty soft-drink bottles on which VAT is payable, still need to be explained, he added.

However, Mr Kamenos was sure he would be ready when VAT came into effect, despite a few expected hiccups: "We might find a bit of a problem here and there," he said.

One Johannesburg cafe owner believed it "will be business as usual".

"Nothing much will change," he added.

Gregory Tsantallis, of Mayfair, believed the new system would be beneficial — the price people saw would be the price they paid. There would be no unexpected extra costs at the checkout point.

"It will be all right ... we will get used to it," Mr Tsantallis said.

Having read much about the new tax system, he said he was confident the shop would cope with the changeover.

A Crosby cafe owner said: "It doesn't make any difference to us ... you take the tax from the customer, you give it to the Government."

Jo'burg businessmen smiling

Star 22/7/91

(30)

By Michael Chester

There has been a sharp climb in optimism among businessmen in Johannesburg about the longer-term outlook for the city as sanctions tumble.

But more than three in every four of them have listed the growing crime wave as one of their deepest immediate concerns.

Mounting concern about the level of crime — from robberies and street muggings to car thefts and hijackings of delivery trucks — has been underlined in a new survey of trends in the business mood taken by the Johannesburg Chamber of Commerce and Industry.

Worries about the impact of the crime wave have been reflected among no fewer than 78 percent of city businessmen in a recent poll.

The only issue that caused more widespread dismay was the current state of economic stagnation as the recession drags on, which topped the list of worries of as many as 86 percent of respondents.

Concern about the crime rate was voiced by more businessmen than the 72 percent who complained about the stubbornness of high inflation or the 71 percent who listed political unrest among their deepest worries.

But a chamber spokesman said there was clear evidence that Johannesburg businessmen on the whole were optimistic.

Many of them were extremely optimistic about longer-term prospects.

"Lots of them see a golden future for the city once South Africa works through the current teething problems of the reform process," it said.

"There's tremendous energy behind a feeling of 'get up and go' to seize new opportunities emerging for the business world.

"But the crime wave must be ended.

"Also, Johannesburg businessmen regard labour instability as no longer acceptable and believe that their labour forces must also play a part in carving out a new future.

"Boycotts, stayaways and politically inspired labour action must stop if the city is to achieve its economic goals.

"There may have been a time when mass action was considered necessary to achieve political ends — but that time has now passed. The work force now has other avenues for expression."

Businessmen acknowledged that there were obstacles still to be cleared — such as the recession, the extra administrative burden caused by the swing-over from GST to VAT, and interference of high interest rates on access to development capital.

But few of them saw the obstacles as insurmountable.

Businessmen were now listing the new potential opportunities that were emerging:

- Mass job-creation programmes, meaning a wider spread of wealth.
- Creation of more small business units.
- Faster economic development as a result of growing black economic freedom and higher incomes for black families.
- More financial support for budding black entrepreneurs whose operations promised to generate more jobs and more wealth.
- The eventual inflow of more foreign investment into Johannesburg.
- The creation of an "export mind-set" for the city's manufacturing sector.

Boycott of Pietersburg to continue

(20)

Sowetan 23/7/91

THE Pietersburg Consumer Boycott Committee and the Chamber of Commerce could not agree at a meeting on Friday on ending the boycott of the town.

By MATHATHA TSEDU

A short joint statement issued after the four-hour meeting said the chamber had "committed itself in principle" to freedom of association, free political activity, a living wage for workers and the release of political prisoners.

The CBC had on its part, accepted the commitment by the chamber to address "to the best of their ability the other demands tabled". These include re-employment of dismissed workers and the reinstatement of fired Sakkor workers.

The two groups agreed to meet again today after the chamber would have met its members to discuss specific cases raised, including the Sakkor issue.

The boycott started on July 1 and followed a decision by the town council to refuse the ANC a permit for a march on June 15.

The CBC is made up of Azapo, the PAC, Nactu, Cosatu, black chambers of commerce, taxi associations and sports and church representatives.

COUNCEL killing business

IN CCBD SAYS auctioneer

SHARON SOROUR (30)
Staff Reporter ARG 23/7/91

CAPE Town auctioneer Mr Henry Marcus has slammed the city council for driving businessmen to the Foreshore by neglecting business interests in the Central Business District.

A disgruntled Mr Marcus, who is moving his well-known auctioneering business, John Marcus and Sons, out of the CBD, accused city councillors of being "interested in themselves and not the city".

The landmark building at 98 Long Street is to be auctioned on the spot on August 7.

He said he would be sad to leave the building, occupied by the firm since 1929, but he had been forced him to take the step.

"Two factors are responsible for the moving of my business: firstly, it is very difficult to run a business in the centre of town and secondly, I have a dispute with a business partner — so it's a double-edged sword."

Speaking of the problems of trading in Long Street, he said it was impossible to offload furniture without being fined.

He said: "This month I have had to pay several fines. My fines have come to R300 already.

"I pay heavy rates and taxes every year of R13 000 but I get no help from the council or the traffic department. This does not happen anywhere else in the world," he said.

Mr Marcus warned that unless the council changed the system "dramatically" to meet the needs of businessmen, the city would not realise its business potential.

He was leaving his Long Street premises before "they turn the street into a mall for pedestrians, too".

Council public relations officer Mr Ted Doman said the attack on the council and councillors was "unwarranted".

"Mr Marcus is at liberty to speak to his councillor if he has any problem," he said.

There were zones outside the Long Street premises and provided they were used for loading and off-loading "there is no problem whatsoever".

"But if they are used for parking, the vehicle owner will be fined, and if vehicles are double-parked to off-load and load, they will be fined too," Mr Doman said.

Oceana still looking strong in battle for UK fashion group

By Ann Crotty Star 23/7/91

(30)

LONDON — News that the management of Etam, the UK fashion retail group, has the support of almost 34 percent of the shareholding to fend off a hostile bid from Oceana-Foschini does not appear to have surprised Oceana or Foschini chairman Stanley Lewis

Mr Lewis says the Oceans-Foschini team assumed all along that Etam management would have that sort of support.

The block of 34 percent comprises the Etam board's beneficial and non-beneficial interest of about 21 percent and Gartmore Investment Management's 12,7 percent.

According to the Etam response document, issued last week, the Etam directors have resolved not to accept the offer for their own beneficial shareholding, amounting to 10,2 percent of Etam's share capital.

Shareholders of a further 23,7 percent have confirmed that they will also reject the offer.

Unlikely

Mr Lewis says it seemed unlikely from the start that Gartmore would sell. But nothing in the response document legally bound Gartmore to a course of action.

"It is Gartmore's present intention not to sell. But it is an independent institution, and not part of Etam management."

At this stage, with an estimated 30 percent, the Oceana-Foschini team is by far the largest single shareholder and its offer of 185p a share must look attractive to the 36 percent of shareholders who have not yet shown their hand. Most of these shares are held in blocks of no more than two to three percent.

The first closing date of the offer is July 25.

From a South African perspective it looks like a fairly open-and-shut case.

The Oceana-Foschini group, which has an outstanding track record in retailing, is offering a very attractive price for another company which has no controlling shareholder.

Etam has turned in a few years of poor earnings figures and is trading in an environment which is certain to be tough for at least the next year or so. Foschini's institutional shareholders are supporting the bid.

Stanley Lewis ... "a major international diversification for Foschini."

Unfortunately for the Oceana-Foschini team, things are not quite as straightforward when you are making a play in the London market. Factors not entirely money-related creep into the issue.

The Oceana-Foschini offer looks attractive for several reasons.

The 185p a share offered is well over the range at which the price has traded in the past 12 months, the price represents an historic p-e ratio of 24 times and, given the tough conditions in the UK retail market, is likely to present also an encouraging prospective p-e.

Added to that, there is — unliked South Africa — no dearth of investment opportunities in London so Etam shareholders who accept the offer could easily move into other investments.

Despite all this, there are also several reasons why success for the Oceana-Foschini team is not a foregone conclusion.

Neither the Etam shareholders nor the most of the UK institutions are familiar with Foschini's success story in SA. These parties are more familiar with Etam MD, Rodney East, and his management team than with the Lewis family.

Besides, Mr East who became MD in 1980, has produced good performances over the years. The deterioration in earnings in the late 'eighties and into the 'nineties reflects to a large extent the impact of a major expansion programme undertaken in 1987.

(There was a rights issue pitched at 320p in 1987 to part-fund the £78 million expansion).

It was not so much that the expansion was ill-advised but that it came on stream at a time when the UK economy was grinding towards a recession that hit retail spending particularly hard.

Trading margins were squeezed from 15,4 percent in financial 1987 to 4,6 percent in 1991 and it seemed that the rate of expansion was straining management resources and the group's infrastructure.

As Mr Lewis sees it, the lack of productive use of the additional square footage in the face of higher costs (including rent and depreciation) had a heavy impact on the bottom line.

In financial 1991 earnings a share were down to 7,51p (16,7p) despite a 14 percent reduction in turnover. In 1990 pre-tax profit was £17,5 million and in 1991 £8,4 million.

The group's cash flow statement shows that in 1990 its depreciation charge was £8,3 million and £9,9 million in 1991.

Adding back these charges reflects in the group's strong cash flow. Despite the relatively recent major expansion, the group has no debt. Net asset value has increased from 87,3p a share at end-1988 to 110,3p at end-1991.

So the Etam shareholders have a management team with which they are familiar and who have performed reasonably well in the past — certainly much better than the ill-fated Burton retail group which is being dismantled — and a nice conservative balance sheet with a strong cash flow.

The Lewis family is aware of all of this, which is why they are prepared to make the apparently generous offer of 185p.

They obviously like what they see at Etam (they've been looking closely over the past 12 months) but believe they can enhance the long-term earnings performance.

Stanley Lewis says: "This will be a major international diversification for Foschini — into the same business but in a different geographical region."

As Mr Lewis sees it: "Where they're weak we are very strong."

He believes Etam has good merchandise people but they do not have the systems approach to procurement, planning and distribution that has helped Foschini boost margins from around 10 percent in 1980 to 18-19 percent in the 'nineties.

Behind this was "the development of the technology required to generate the information needed to run a highly complex business effectively, efficiently and profitably."

As part of the process Foschini management explored the world fashion industry, including the machinery involved.

"Over the years we have been getting the best information, so we have been able to make the best decisions."

Worldwide

Because of this worldwide experience Mr Lewis does not believe Foschini is now trying to move into unfamiliar territory.

He says acquiring control would not put a strain on the SA management as many of the systems people initially used by Foschini were overseas consultants.

With regard to the outcome of the offer, Mr Lewis' son Michael says: "We are not going away. If initially we do not achieve control we will continue to build our stake in the company."

As the single largest shareholder with more than 30 percent, the issue of who has effective control of Etam must surely surface.

This could mean that the Oceana-Foschini team will not be kept away from Etam management for much longer.

No restraint now, so Waltons eyes exports

BDay 23/7/91 (30)

LINDA ENSOR

CAPE TOWN — The restraint of trade agreement which restricted office supplies and toy distributing group Waltons from developing its export markets had been lifted and the group should begin an export drive in 1992, group chairman Frank Robarts said at the annual meeting yesterday.

The restraint was imposed at the time CNA and Waltons bought Croxley, the stationery division of DRG from Kohler in 1983. Sappi, which recently bought DRG mills in the UK has agreed to the lifting of the restraint.

Waltons's exports were restricted by the restraint agreement to Malawi, Zimbabwe, Angola and Namibia.

Advantage

Robarts said exports could be a big growth area for the group, adding that focus would be concentrated on the UK and hopefully stores would be opened there. The group was not geared for exports so it would take time to establish an infrastructure.

Robarts believed that with the rand as weak as it is, SA-sourced products would have a competitive advantage on overseas markets.

At present exports represent a small proportion of group total sales and this could easily be doubled. An added benefit of higher export sales would be the positive effect of export concessions on Waltons's tax rate, which last year shot up to 48,7% from 38,4%.

The group's annual report shows a contingent liability of R8,4m relating to the refusal of the Receiver of Revenue to allow losses arising from Waltons involvement in film ventures in 1987 and 1988, entered into to alleviate its onerous tax burden.

"The company has lodged an objection to the assessment of these taxes and no provision for the potential liability has been made as the directors, on legal advice, are of the opinion that no liability will arise," Robarts said in his chairman's statement.

Robarts said Waltons was well placed to take advantage of any increased expenditure by government on education, though this did not represent its main market.

Waltons, which has budgeted a turnover of about R800m this year, previously announced that it had bought packaging company Pac-King. About three other acquisition possibilities were being considered, Robarts said yesterday.

Pac-King manufactures and distributes packaging, string, twine, plastic bags, tape and wrapping paper and has branches in Cape Town, Durban and Johannesburg.

Gearing fell to 48% at the February 1991 year-end from 79% the previous year and 138% in 1989. This reduction in borrowings was achieved by a concentration on stocks and debtors and a halt being placed on the acquisition process. The aim was to reduce stock by 10%.

Robarts said further improvements in gearing were expected by the end of the current year and the group would be cash flush very soon.

In July, toy and babyware subsidiary Reggies bought 11 Cape town toy shops in the Toys R Us chain, giving it 20 stores in Cape Town and more than 90 nationwide.

In the annual report Robarts said Reggies had been refocused solely on toy distribution. Its babyware and pram manufacturing factories had been sold to management in deals worth about R10m.

Projections

Robarts said the company had become too involved in manufacturing and it was considered necessary to give priority to its shops. The inflow of cash had improved Reggies's gearing ratio.

A 16% growth in turnover to about R800m and a 14% rise in profits had been budgeted for this year, but so far the group was running about 5% below projections. However, trading conditions could improve in the second half of the year.

In the year to end-February, Waltons's turnover rose 5,7% to R685,3m, but with lower margins and a higher tax rate, earnings a share fell 17,3% to 52,6c (63,6c).

Stores showing VAT prices

Star 24/7/91

By Paula Fray
Consumer Reporter

30

THE STAR VAT WATCH

Major retailers have begun using a dual price marking system to facilitate the huge changeover to VAT on September 30.

Consumers concerned about unwarranted increases in costs during the switch in tax systems can now compare the new VAT prices to the present cost of goods with GST added.

Stores which are using the double marking system include Woolworths and Edgars.

Woolworths executive Clive Glasston said that if the company waited until September 30 to change its prices the work would be "an absolute nightmare".

More than 12 million items would have to be repriced in all Woolworths stores.

"We decided, starting from July, to dual price all merchandise," Mr Glasston said. This dual-pricing system will continue until January next year.

The dual price tags show the cost of items under VAT and what the inclusive GST price will be. While the cost of some items will decrease with VAT, the cost of others, such as GST-exempt fruit, will increase.

"It will show the customer what the price is under Value Added Tax and make it clear that we are not going to take them for a ride," said Mr Glasston.

Closer to September 30, it would also mean stores would be left with a limited amount of merchandise with only GST pricing.

"Our attitude is that we want to be honest and fair to suppliers and customers," Mr Glasston said. The cost of VAT has also been rounded down, rather than up, when adding it to the cost of the goods, he added.

"Once we have recovered the cost of implementing VAT, any savings will be passed on to the consumer," said Mr Glasston.

All Checkers products will be double priced from the middle of August, a spokesman said.

The dual system would ensure a smooth changeover while making clear to customers "exactly how the prices of products will be influenced by VAT".

"It will also be done to assure customers that Checkers will not use the changeover to the VAT system as an opportunity to slip through unreasonable price increases," she said.

Products will bear the dual price until two weeks after the implementation of VAT. There will also be a poster campaign to explain the dual pricing system.

ANC, PAC and Azapo consult on consumer boycott

Sowetan 25/7/91

30

By ALINAH DUBE and Sapa

A PLAN of action, including the possible boycott of white-owned businesses in the PWV area, was being discussed among the ANC, Azapo and the PAC, ANC spokesman Mr Ronnie Mamoepa said yesterday.

Mamoepa told *Sowetan* that although his organisation's intention was to have the consumer boycott effected from today, this was not possible as consultations were still being carried out with the PAC, Azapo and "various mass formations and democratic structures".

"The climax of this process (of consultation) will be marked by an announcement of a specific programme of action on Monday," he said.

The ANC, South African Communist Party and the Congress of South African Trade Unions called for the boycott of white-owned businesses in pamphlets distributed during the past weekend.

They also called for an end to retrenchments and electricity cuts, the release of all political prisoners and the return of exiles.

Meanwhile, Azapo's Central Transvaal region has distanced itself from the call.

Miss Malebo Rammopo, regional publicity director, said Azapo was not consulted when the decision was taken and therefore did not endorse it.

"We believe that there has not been maximum consultation with all components of the liberation struggle and that this is a very important prerequisite to any mass action by the community.

"If people are going to be called upon to make decisions involving sacrifices, they must be consulted so that they become part and parcel of decisions taken," Rammopo said.

Azapo's Thabong branch yesterday criticised the ANC/SACP/Cosatu call for a consumer boycott in Welkom, saying such action was a useful weapon for black emancipation, but should be preceded by consultation.

"The Thabong branch of Azapo feels the call for a consumer boycott by the ANC/SACP/Cosatu alliance undermines the existence of other organisations such as Azapo, Nactu, PAC, Ministers Fraternal, the Thabong Business Association, Aptocsa, Sapda and the civic association."

In a statement issued in Johannesburg, the branch said it had resolved that a joint meeting of all components of the liberation movement should be held to discuss and agree on local demands. - *Sapa.*

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Clicks plans to double number of stores by 1995

B/Day 25/7/91

LINDA ENSOR

CAPE TOWN — Toiletries and cosmetics retailer Clicks Stores planned to more than double the group's number of stores by 1995, MD Trevor Honneysett said at the annual meeting yesterday.

There were plans for about 200 to 300 Clicks stores and 200 Diskom stores by 1995, compared with 116 Clicks and 49 Diskom stores at present.

Honneysett told Shareholders' Association chairman Issy Goldberg that the group was geared up to grow at a far more rapid pace than in the past and that the Diskom chain, which caters for the lower end of the market, had immense potential.

He was dissatisfied with stock turn of four times, saying the goal was to bring this to six times. 30

● HONNEYSETT

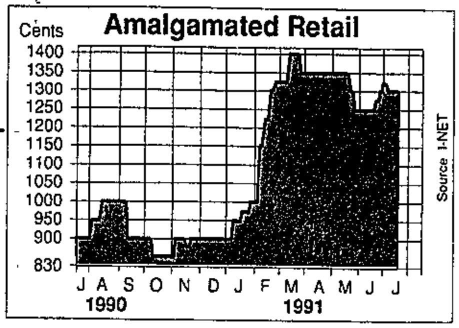
In an interview Honneysett said economic conditions were tough but Clicks had proved fairly recession-proof in the past and he expected to prove this again.

Expansion was on track and it was possible there would be 200 stores by Christmas.

Honneysett expected a moderate rise in earnings in the six months to end-August over the previous year.

Goldberg said on a price earnings ratio of 22,5 times and a dividend yield of 2%, Clicks shares at R23 were too expensive.

FM 26/7/91 (30)



AMREL FM 26/7/91

HEAVY GOING (30)

Activities: *Retails furniture, footwear and clothing.*
Control: *SA Breweries 69%.*
Chairman: *J M Kahn; MD: S J Berger.*
Capital structure: *9,21m ords. Market capitalisation: R119,7m.*
Share market: *Price: 1 300c. Yields: 6,7% on dividend; 20,0% on earnings; p:e ratio, 5; cover, 3. 12-month high, 1 425c; low, 850c. Trading volume last quarter, 119 000 shares.*

Year to Mar	'88	'89	'90	'91
ST debt (Rm)	5,8	7,2	0,5	1,7
LT debt (Rm)	121	133	95	112
Debt:equity ratio	1,11	1,11	0,72	0,80
Shareholders' interest	0,30	0,30	0,31	0,30
Int & leasing cover	3,3	3,3	6,7	3,8
Return on cap (%)	14,1	13,0	11,7	13,8
Turnover (Rm)	694	760	849	1 031
Pre-int profit (Rm)	52,8	53,6	47,4	64,9
Pre-int margin (%)	7,6	7,1	5,6	6,3
Earnings (c)	230	241	245	260
Dividends (c)	77	81	82	87
Net worth (c)	1 227	1 352	1 361	1 592

Since 1986, Amrel has been cautiously restructuring its business and this year it produced another set of solid, though unspectacular results. Turnover did not increase as fast as the furniture sector as a whole — the furniture division's sales increased by 22% compared with 27% nationally.

Trading profit advanced by 37%, though foreign subsidiaries are now consolidated, so on a strictly comparable basis it grew by 24%. Pre-tax profit increased by 19%, but because of an abnormal write-off for bad debt of R5,7m, EPS increased by a modest 6%.

The furniture division increased earnings by 30%, though this was offset by a 3% decline in the earnings of the apparel and footwear division and a 14% drop in the services division. The black-orientated Tip Top chain sustained an attributable loss and Furniture City experienced lower than average sales growth. The upmarket Geen & Richards, Lubners, Crown Furnishers and McNamee remain good contributors. Lubners and Crown each opened a new store. This year, four stores from the more profitable chains will open and five marginal stores will close.

Amrel's Berger ... *targeting a modest earnings improvement*

The weaker performance of the apparel and footwear division reflects losses at Select-a-Shoe, which had supply problems and suffered from consumer boycotts. Scotts, ABC/Barnes and Cuthberts all improved their performances. There was marginal growth from Boymans, in which Amrel holds 36%. In the services sector a good performance by Early Bird Services was more than offset by the poor performance of Multiserv and Prontaprint.

Disappointing returns from most of these cash businesses and a major refurbishment programme were two reasons why borrowings increased by R18,4m, after three years of reduced borrowings. Also, the in-house computer facility was upgraded. The balance sheet shows gearing at 0,80. Amrel's debtors, however, are financed through the 50%-held associate Amretfin, which has a further R288m in interest-bearing debt. If Amrel operated without such an arrangement, gearing would be closer to 120%.

MD Stan Berger is cautious on prospects — he says management has targeted a modest improvement in earnings. The dividend yield of 6,7% and p:e of 5 is in line with the market's overall rating of the furniture sector. Until there are signs of improvement in the returns from the cash side of the business, there is unlikely to be much rerating.

Stephen Cranston

MORKELS FM 26/7/91

CREDIT SURGE (30)

In the first year since Fedvolks sold its majority holding of Morkels to German entrepreneur Claus Daun, the furniture and sporting goods group has shown some improvements.

It beat most of its own ambitious objectives for the first year. EPS increased by 64% — which was almost 9% better than management's prediction — and turnover exceeded the R250m target by R18m. Management has the option to buy 10m shares from Daun when certain unspecified targets have been met, and the group looks well on its way to meeting any realistic target.

FM 26/7/91

Activities: *Retails furniture and appliances mainly on HP. Has cash sporting goods and apparel chain.*

Control: *Daun et cie AG 78,7%.*

Chairman: *G R Pauw; MD: C Jansen.*

Capital structure: *40m ords. Market capitalisation: R44m.*

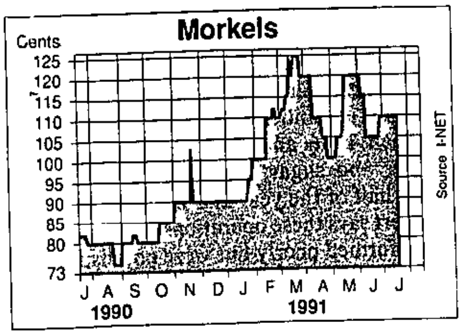
Share market: *Price: 110c. Yields: 9,1% on dividend; 21,5% on earnings; p:e ratio, 4,6; cover, 2,4. 12-month high, 125c; low, 75c. Trading volume last quarter, 62 000 shares.*

Year to Mar	'88	'89	'90	'91
ST debt (Rm)	23,4	24,0	29,6	65,4
LT debt (Rm)	4,1	12,1	11,9	12,0
Debt:equity ratio	0,65	0,73	0,79	1,28
Shareholders' interest	0,33	0,33	0,32	0,27
Int & leasing cover	6,7	4,8	2,3	2,4
Return on cap (%)	13,3	14,9	11,2	12,9
Turnover (Rm)	157	199	205	268
Pre-int profit (Rm)	17,2	22,2	18,2	28,4
Pre-int margin (%)	11,0	11,1	8,9	10,6
Earnings (c)	18,8	23,5	14,5	23,7
Dividends (c)	8	10	7	10
Net worth (c)	105,6	123,3	130,6	150,6

The main concern at this stage is gearing, which rose to an uncomfortable 1,28, well above management's target of 0,50. Interest and leasing cover has dropped to 2,4 times. According to group MD Carl Jansen, there was an "untoward" increase in investment, as Morkels has been trying to increase market penetration. It opened seven new Morkels stores and six Totalsports during the year.

Totalsports, which lifted sales by 57,8%, tripled its operating profit to R3m. The chain was conceived as a cash generator for the group but is only just fulfilling that role. Pressures on working capital were increased by an abnormally high demand for credit finance — instalment sales debtors rose by 44% and the debtors book is worth nearly R140m.

Cash generated from operations was about a third less than the cash required to fund working capital, and there was a net cash shortfall of R32m, compared with a net surplus of R3m last year. Morkels has avoided the temptation of issuing more paper to reduce its high debt levels. Chairman Rian Pauw says that as the share trades at a substantial discount to net worth (currently 27%) and on a low p:e, the raising of additional equity capital would not be in the long-



17/91 (30)

term interest of shareholders.

Analysts believe there are several reasons to favour Morkels. It makes full provision for deferred tax and its earnings are calculated on a tax rate of 50,5%, the highest in the sector. It has outperformed the sales growth in the sector every year since 1985, except for the 1990 year. Morkels serves the middle market and its customer base is about evenly split between blacks and whites. This sector of the market is less exposed to bad debt and the problems of political violence.

Morkels' earnings multiple of 4,6 is about in line with the Furniture and Household index of 4,9, but the 9,1% dividend yield is more generous than the index average of 6,4%. The share may not yet be fully priced but current gearing levels make it a speculative buy.

Stephen Cranston

FM 26/7/91 (30)

VAT

WATCHING FOR ABUSES

Are retailers and their suppliers preparing to fleece consumers by hiding behind the introduction of VAT on September 30?

SA's top retailer, Raymond Ackerman, believes they are. He says the tax relief on capital and intermediate goods and services that the VAT system will usher in (an effective saving of around R6bn for business) will be most welcome, "but experience thus far has been that businesses are not intending to pass on the savings. On the contrary, the added administration and conversion costs are resulting in unprecedented price increase demands from suppliers."

Ackerman's most serious contention is that the system paves the way for intentional abuse. "Suppliers and retailers will now be in a position to pocket the huge savings on capital and intermediate inputs, while simultaneously hiking their prices on V-Day — and blaming the new tax system and government for the increases and resulting higher inflation," he says.

Government's biggest miscalculation, in Ackerman's view, was the decision to make VAT add-in — the price you see is the price you pay. While he concedes the system is easily understood by both the customer and the less sophisticated retailer, he stresses that there are a host of disadvantages.

As he explains it, as of September 30 the marked prices of all goods — with the exceptions of brown bread and maize meal — will be increased. Besides creating a costly administrative nightmare (systems changes have to be made and staff have to be trained, which is inflationary), the consumer's general impression will undoubtedly be that prices are going up — a perception which is bound to have an impact on a chain's marketing efforts in the current economic climate.

However, Ackerman contends that the effective tax increase on each item will be "hidden" from the consumer, and retailers will be saddled with the negative public relations that will flow from the substantially higher price tags attached to goods on the store's shelves.

Of course, if VAT really is to be a better tax for a better SA, one option retailers have is dual marking — they can mark goods with two prices, one showing VAT's actual contribution to the total cost. But just how many retailers will be prepared go to these lengths to prove their bona fides remains to be seen.

It's not that he believes that retailers or their suppliers will act as paragons of virtue on V-Day, but Checkers MD Sergio Martinengo is quick to point out that suppliers can be unscrupulous at any time if they choose to be — with an add-in or add-on tax system.

"We must do our job as best we can to ensure that suppliers pass on the benefits to the consumer," he says.

Government's response to possible VAT abuses is the creation of Vatwatch, an independent consumer body headed by Louise Tager. While it will be funded by government, Tager insists its purpose will not be to defend VAT.

"Vatwatch will seek to heighten consumer awareness of trends and movements in retail prices in the months immediately before and immediately after the introduction of VAT."

She says this will be done largely by price monitoring, research and a national advertising campaign. She promises there will be "regular feedback to the media" on any anomalies.

But the great weakness of her committee is that it has no legislative teeth to deal with offenders. Tager merely says: "We will seek to channel forces that result from our public awareness campaign into a direction that will compel retailers and suppliers to pass to consumers the cost benefits that VAT should generate.

"I believe exposure can be more effective than legislation."

Her committee comprises a wide range of interest groups — consumer bodies, trade unions and civic organisations. Complaints will be monitored by a group of retired executives who are likely to bring gentle persuasion to bear on offending parties to change their ways.

Failing this, contraventions are likely to be made public in the press. However, Tager admits her committee "has no ultimate sanc-

tion like, for example, closure," to enforce its decisions.

Welcoming the creation of Vatwatch is Sacob chief economist Ben van Rensburg, who argues that "a necessary condition for effective competition is that both sides of the supply and demand market should have adequate knowledge."

He says effective competition should preclude retailers from using the add-in system to increase prices at will. ■

Fm 26|7|91 (30)

FM 26|7|91 (30)

WALTONS

DEBT SLASHED

Activities: *Manufacture and supply of commercial stationery, toys and babywear.*
Control: *Waltons Consolidated Investments 50,1%.*
Chairman and MD: *F E A Robarts.*
Capital structure: *68,3m ords. Market capitalisation: R464m.*
Share market: *Price: 680c. Yields: 2,8% on dividend; 7,7% on earnings; p:e ratio, 12,9; cover, 2,8. 12-month high, 700c; low, 350c. Trading volume last quarter, 1m shares.*

Year to Feb 28	'88	'89	'90	'91
ST debt (Rm)	10,9	38,8	40,0	56,5
LT debt (Rm)	34,5	119,4	92,1	41,1
Debt:equity ratio	0,55	1,87	0,95	0,56
Shareholders' interest	0,38	0,25	0,36	0,43
Int & leasing cover	23,3	4,8	3,9	5,4
Return on cap (%)	27,3	26,0	30,5	29,3
Turnover (Rm)	330	548	648	685
Pre-int profit (Rm)	52,5	85,6	109,0	106,0
Pre-int margin (%)	15,9	15,6	16,8	15,5
Earnings (c)	39,6	55,0	63,6	52,6
Dividends (c)	13,0	18,0	21,0	19,0
Net worth (c)	88,7	90,2	149	184

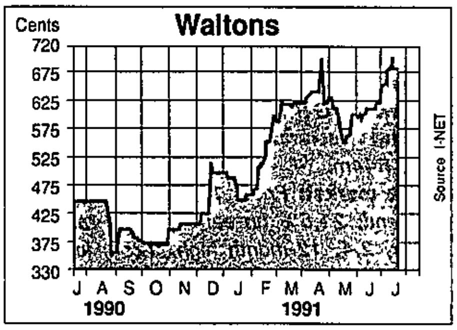
A year ago, Walton's share price was 355c. Since then it has twice peaked at 700c, the second time being earlier this month. Why is the market pushing the share to these heights when earnings growth in the 1991 year was negative, the dividend was cut and prospects for real growth this year are not good?

The answer lies partly in the progress that has been made in reducing the debt burden. Net interest-bearing debt has been almost halved since it peaked at R152,8m in 1989.

This has been achieved by the issue in 1990 of an additional 3m shares for R18m, tight control of working capital, disposal of assets (all the manufacturing divisions of Redgwoods Holdings were disposed of for R8,5m late last year), fewer acquisitions and a higher rate of profit retention. Stronger cash flow, which was also enhanced by a significant drop in finance costs, enabled retirement of R56,3m of long-term debt during the year.

The core business remains profitable. Despite meagre turnover growth of 5,7% and a marginal drop in pre-interest profit to R106m (R109m), return on equity was 29% and return on capital was virtually unchanged. Considering that the margin fell by almost 8%, it can be inferred that the core business is poised to take advantage of an upturn when it comes. By that time there should also be improvements in the problem areas.

But the immediate earnings outlook remains unexciting. Chairman Frank Robarts says "it would not be prudent for the board to forecast more than a modest increase in earnings." Financial director Mark Davis tells the *FM* this means no real growth in EPS this year, especially if conditions encountered so far are an indication of what the rest of the year will be like.



There seems no justification for rating the share on an earnings multiple in line with that of, say, Pepkor. Management is doing a good job to restore the group's profitability. But, at this stage, better investments are available.

Gerald Hirshon

WHITE GOODS

BLACK BUYERS

30

FM 26/7/91

Scrapping the Group Areas Act and increasing electrification of black townships are boosting the market for white goods — washing machines, tumble dryers, deep freezers, refrigerators and microwave ovens.

At worst, this year's sales will be 5% down on the highs they reached in the last three quarters of 1990, says Arthur Solomon, the OK's marketing director, furniture and appliances. He says sales languished in the first quarter of last year but increased dramatically after HP restrictions were eased in March.

Solomon estimates that the market this year will absorb 90 000 microwave ovens; 150 000 washing machines, including 90 000 automatics; 55 000 tumble dryers; 240 000 refrigerators, and 90 000 deep freezers.

Not everyone shares his optimism. Ross

FM 26/7/91

30

Heron, MD of Tek Appliances, one of the major manufacturers, does believe that the market this year will drop by a half a percentage point less than Solomon thinks it will. But he discounts suggestions of a post-March boom in the appliance business. He says manufacturers' sales peaked in 1988 and haven't recovered.

"Retailers have claimed growth but we believe that was related to products other than major white goods, maybe furniture and small appliances," Heron says. "We also know there has been significant destocking at retail level, which means there is bound to be a difference between retailers' and manufacturers' measurements of growth."

Barlow Appliance Co sales director Digby Bray says "appliances have been bubbling along but furniture has been softer." White goods have been selling steadily for the past year and are being supported by demand in the black market for electric and gas-operated refrigerators and deep freezers, he says. Sales of laundry products, of which most are normally sold into the white market, "are softer."

Manufacturers can meet the current demand but a shortage of between three and six months could develop if there's a sudden surge in demand, Bray says. There is very little stock in reserve, with retailers destocking and manufacturers tending to do the same.

FM 26/7/91

30

Gary Cohen, chief appliance buyer for the 181 stores in the Joshua Doore group, which includes Bradlows, Price and Pride, and Score Furnishers, confirms it's becoming difficult to get stock. "The market is very buoyant now, particularly the black market, where sales have been taking off since electrification and the lifting of the Group Areas Act. Blacks can now live in Hillbrow, for example, without fear of eviction so they aren't afraid to buy. In unit terms, we are selling 15%-20% more, year-on-year."

Pick 'n Pay's Warren Marsden says his company also has a problem with suppliers but believes that "it's because we give discounts and suppliers have to react to the backlash they get from retailers whose business is mostly done on HP." ■

Boycott threat to town

30

By MATHATHA TSEDU

TZANEEN may soon join other Northern Transvaal towns being hit by consumer boycotts following the shooting of five black workers near the town last Friday. Sowetan

Residents of Nkowankowa township on Tuesday night resolved that a consumer boycott of Tzaneen by black shoppers be implemented soon. 26/7/91

The boycott would last for as long as it took the police to arrest the two white killers who gunned down the five at Nkowankowa Motors near Dan Village.

The residents resolved that a meeting of representatives of all political, youth, women, church, business, sports and cultural organisations be convened to work out the date and elect a committee.

Representatives of the ANC and Azapo attended Tuesday's meeting and endorsed the call.

Five people were killed and one man seriously injured. The killers made off with R395 in cash.

Locals claim robbery was not a motive and insist the killings were a rightwing strategy to kill black people.

'Pep Stores' takes off in Britain

(30) CT 26/7/91

Business Editor

A RETAIL operation started in the north of England by the Pepkor group is doing well and about to expand, says chairman Christo Wiese.

But — particularly in the aftermath of the Inkatha "slush fund" disclosures — he is unwilling to make the name public at this stage.

"I think it will be another year before we feel comfortable enough to wave the flag and publicise the SA connection," he said in an interview after visiting Britain and Europe.

Wiese said the new British chain was identical to Pep Stores and carried the same range of merchandise.

"It is typical Pep. We are aiming at the low income mass market as we do in SA, and there is a great demand for the products we export from this country.

"A lot of South Africans make the mistake of thinking most people in the UK are well off, but the reverse is true. Out of a population of about 50m, about 40m are poor."

Wiese said he had been well received. "Doing business there is much easier than it used to be. It is as though SA had never been in the dogbox."

When his visit began "Everything was very positive. There was a lot of interest in SA. Newspapers carried long, very positive articles about SA every day ... but I knew it was too good to last."

Christo Wiese

On the last day of his visit Wiese returned to England from the Continent to see the story about the grant to Inkatha in the newspapers.

"To begin with the reaction was quite mild. The feedback I was getting was that people considered it just a political matter.

"But I understand that newspaper coverage has since become more scathing."

Wiese said Europe as a whole was going through a severe downturn. "It is particularly bad in the UK. People are really bleeding there and there is a sense of despondency."

But a 0,5% cut in interest rates was making British business people feel more positive.

Wiese said it was possible that Pep might expand its retail operation to Europe. "I have been looking at places in Europe. But we shall first get established in the UK market, which we know."

He was confident that the Inkatha slush fund disclosure had done no lasting harm. "I think the State President can handle it. We must look at the broad thrust, not at deviations on the way.

"But this shows that we must make extra efforts to build bridges."

Discussing the state of the SA economy and increasing demands from business people for a cut in interest rates, Wiese commented: "Until about a month ago I was fully behind the Reserve Bank in keeping the interest rate up in order to bring down inflation.

"But now I think high interest rates are doing more harm than good. This is not demand-driven inflation, but cost-push inflation. And I think we must focus now on job creation and on encouraging investment."

Prefhold draws mixed reactions

BDay 26/7/91 (30)

MARCIA KLEIN

PREFCOR Holdings (Prefhold), the largest new flotation on the JSE this year, has received mixed reactions from stockmarket analysts.

Prefhold, which includes the Beares furniture group, Game Discount World stores and the Clobea clothing division, is to be listed on August 21 after a R263m share offer.

After meeting directors this week, analysts said Prefhold's "big plus was Firstpref", a joint venture with First National Bank.

In terms of this arrangement some of Prefhold's debtor risk is shared with the bank. Prefhold also allows fully for deferred tax.

But there were reservations about the sector in which the group was listing, the turnover and operating income growth forecast in the group's prospectus, and the fact that the group would have to pay 25% interest on debentures in 1996.

Prefcor is to be listed in the retailers' and wholesalers' sector although about 90% of its operating income is derived from furniture interests within the Beares group.

Directors pointed out that if appliances and other non-furniture merchandise sold by Beares were excluded, its contribution fell to 48%.

Analysts said the shares would be better rated in the retail and wholesale sector. At the issue price of 500c, Prefhold was on a forward PE of 4,6 — considered cheap in terms of the retail sector but not the furniture sector. However, Game "could be a big winner", and retail operations could increase its contribution to group operating profits in the future.

Analysts believe the huge sales growth and massive expansion in financial 1992, forecast in the group's prospectus, will be difficult to achieve. The pro forma income statement forecast turnover growth of 27% to R1,27bn in the year to end-June 1992. Operating income would increase 44,5% to R167m and attributable income 14,6% to R42,2m.

Significant growth was forecast in all divisions, and directors said the group was well ahead of budget. An analyst said strong growth was possible in the Game division, and opening new stores would help increase turnover, but he felt that forecasts might have been "a bit optimistic".

The issue of convertible debentures, with interest opening at 12% and rising 2,5% a year until it reached 25%, offered a good return. But an analyst said it might be "quite a task to fund the interest at 25% in five years' time".

The share offer closes on August 9.

Pick 'n Pay wins full liquor licences

MARCIA KLEIN

FULL retail liquor licences have been granted to four of Pick 'n Pay's nine Price Club cash and carry stores.

Director Richard Cohen yesterday said the group would apply to the Liquor Board for more licences for its cash and carry operations. Two more stores would open soon.

B/Day 26/7/91 (30)

He said the full retail liquor licence would not entitle Pick 'n Pay to sell spirits in its grocery stores. It would sell spirits only as a wholesaler in its Price Club cash and carry stores. The licences would put Pick 'n Pay on an equal footing with other cash and carry operations.

Other liquor retailers have reacted angrily to the granting of the licences.

The uproar is not over the granting of the licences to Pick 'n Pay itself — as Makro and Metro have licences already — but over the threat posed to smaller retailers by a freer issue of licences.

Industry players said yesterday that the larger cash and carry operations were using liquor as a loss leader, leaving smaller liquor retailers unable to compete. Pick 'n Pay's cash and carry stores were situated in industrial areas, where liquor retailers were not encouraged to trade.

Objections had been lodged with the Liquor Board prior to the granting of the licences, but these had been unsuccessful, Fedcol national chairman Len Polivnick said yesterday. He was "shocked at the fact that the Liquor Board had granted the licences", and his phone had been "buzzing with calls from all the traders".

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Licences

B/Day 26/7/91 (30)

☐ From Page 1

Liquor stores were traditionally "a small man's industry employing a lot of people". While Pick 'n Pay could not be singled out, as its licensing was no different to the issue of licences to Makro or Metro, Polivnick said licences should not be granted to any of these companies.

These licenses were being used to trade loss leaders in order to sell other goods, he said, and traders "fear the demise of the traditional small retailer".

Benny Goldberg owner Rob Rutter said he had no problem with the granting of the licences if they were used responsibly, but not if they were used as a loss leader to attract customers, which was the case in many cash and carry stores. There was now no reason the Liquor Board should not grant many more licences to large chains.

Pick 'n Pay's defence was that it had to compete with Makro as both were in the same market and were going for the same segment. If liquor licences were granted to supermarkets, liquor retailers should be allowed to include a broader variety of stock in their stores, he said.

Shopkeepers pray, wait

(30)

Star 26/7/91

By Musa Mapisa

The small western Transvaal town of Carletonville usually bustles with activity on weekdays, but the 31-day consumer boycott has changed all that.

The boycott was sparked by repeated refusals by the town council to allow protest marches in the town.

Yesterday, the scene resembled that on a Sunday afternoon. Many shops were closed and those still open were empty. The only business which seemed unaffected was the Totalisator agency. Outside their shops, men and women stood with arms folded.

Some, like Rashid Laly, have undying faith: "All we can do is pray and wait."

Across the street, boxes of clothing from a men's outfitters were being loaded on to a truck. The stock was going back to the supplier "because we cannot sell it", said the store manager.

Cafe owner Costa Karras, who has been operating for more than four years, said this was the worst time for him.

Ironically, the boycott is also affecting street vendors.

Boycott in the Vaal

Citizen 28/7/91

(30)

CP Correspondent

VANDERBIJLPARK in the Vaal Triangle is expected to be hit by a consumer boycott on August 3.

The boycott has been called by the Bophelong and Boipatong civic associations and the ANC Vaal region to back the demand that the Transvaal Provicial Administration negotiate in good faith with residents in an attempt to resolve the rent crisis.

The boycott is also to protest against the alleged use of Iscor's KwaMdala hostel as a base for planning violence against the residents.

Mail-order king Mashold can bank on the postman

S Times (Bus Times) 28/7/91

(30)

DIAGONAL STREET by Julie Walker

MAS Holdings claims it is the largest player in the estimated R1-billion-a-year mail-order business.

The living hell of shopping centres on a Saturday morning is enough to drive anyone into the arms of a catalogue of goodies.

Post your order, pay at the post office and it's yours. For millions of rural dwellers the shopping centre is not even an option.

Mashold was established by current chairman Henry van Embden in the 1950s. Today it is managed by son Marco, who tells me he is pleased about the entry to mail-order selling of Edgars and Truworths, two of South Africa's biggest retailers.

"I'm overjoyed, it's been lonely," he says. "It will help to enhance the reputation of mail order. I hope they both succeed."

SA's 2 500 post offices and 1 000 more in Southern Africa give Mashold more branches than most retailers. It despatches 180 000 parcels a month containing clothing, books, tableware and other goods.

The post office collects cash on behalf of Mashold for R3,90 a parcel plus 1,25% of the price. The average cost is R5 a parcel, and the post office remits a cheque to Mashold three times a week.

Having been the only player in the game, Mashold has been reluctant to give its turnover. Mr Van Embden says that from next year, turnover will probably be disclosed.

A little arithmetical assumption comes into my guess of turnover. If the average cost at the post office is R5 a parcel, R3,90 of which is fixed, then the R1,10 is 1,25% of each parcel's value. Mashold sends out 180 000 parcels a month. So annual turnover could be R220-million.

"Close," says Mr Van Embden. The first line of the income statement is pre-tax profit of R9,3-million for the year to February 1991.

Mr Van Embden says the group is an exporter, becoming one 10 years ago almost by default. Migrant workers took catalogues home and orders were placed.

There is a weekly airlift to Malawi. More opportunities lie ahead in Zimbabwe because of the easing of import controls and in the rest of Africa. Test sales have also been made to England with early success.

The strengths of mail-order shopping are no bad debt, reasonable protection against recession and general immunity to changes in interest rates.

"Good times, bad times we will still hope to grow at 25% to 30% a year," he says.

The 10 catalogues range from 48-page to 96-page glossies full of pictures and details about the goods on offer. They look small compared with their 1 000-page plus counterparts in England, America and Germany, where the mail-order markets are estimated respectively at £8-billion, \$80-billion and DM20-billion.

Mashold manages most of its operations from warehouses in the Cape. Book-seller Grolier is in Roodepoort, and direct seller Tablekraft has three warehouses.

Mr Van Embden says stock management is the critical component in running the business successfully. For 80% of the time, there is either too much or too little stock.

But as he says, Mashold has come through a learning curve of many years, not only in stock management but in the entire businesses of both mail order and direct selling. It is highly computerised.

The family trust owns 70% of the pyramid holding company Mascon and an effective 55% of Mashold. The founder elected to list the group because his whole life had been put into it and he wanted to realise some capital, facilitate growth as well as give staff members a chance to take a stake in the firm.

Former Unidev managing director Ronnie Stein has been appointed deputy chairman of Mascon, having been a non-executive director for eight years. Mr Van Embden assures me that Mr Stein's and his skills are complementary.

At the current high of 420c, Mashold is on 10 times historic earnings. In the long run, it should flourish.

PAC and Azapo reject consumer boycott

(30)

Star 29/7/91

A row has broken out between the PAC and Azapo and the ANC/Cosatu/SACP alliance over a consumer boycott due to begin today.

Azapo and the PAC said yesterday they would not support the boycott because they had not been consulted before leaflets were distributed in the PWV region yesterday calling for the boycott to begin today.

At the meeting it had been agreed that no press statements or leaflets would be issued until all parties had reached an agreement.

Mr Duna claimed the ANC alliance had reneged on that agreement.

Boycott all white shops - alliance

Sowetan 30/7/91.

(30)

By ISMAIL LAGARDIEN and DON SEOKANE

THE ANC/Cosatu/SACP alliance yesterday called for a consumer boycott of "white shops in general and big business in particular" with immediate effect in the PWV area.

The ANC said it would review the boycott after a week and monitor the boycott closely but it would not try to enforce or police the action.

The boycott is in reaction to the disclosure that secret State funds were channelled to Inkatha Freedom Party (IFP) by the security police.

The ANC's decision could seriously alter President FW de Klerk's statement on "Inkathagate" today.

De Klerk promised last week that he would "face the press" early this evening. His response will be live on radio and television.

The ANC said the present crisis had brought the Government's credibility to an all-time low and the movement was obliged to act.

"This scandal has brought sharply to the fore the need for an interim government and

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Funds scandal: Boycott called

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Own Correspondent

JOHANNESBURG. — The ANC, Cosatu and the SA Communist Party (SACP) have called for an immediate boycott of white-owned businesses in the PWV region in response to the government slush-fund scandal.

The boycott, which came into effect yesterday, is aimed at all white-owned businesses in Pretoria, Johannesburg, Soweto, the East Rand and the far East Rand.

The three organisations said the boycott would be monitored "without enforcement and policing", and reviewed periodically.

The statement said the call for the boycott was sparked by the recent disclosure of "clandestine funding of the Inkatha Freedom Party and Uwusa by the security police". CT 30/7/91

Boycott shops says ANC

Sowetan 30/7/91.

(30)

● From Page 1

an elected constituent assembly. Nobody can trust the ability of this Government to manage the transition to democracy," the ANC said.

The ruling Nationalists have repeatedly rejected the demand for an interim government - if it means abolishing the present constitution. Instead it has offered to enter into an arrangement whereby extra-parliamentary organisations can have a say in parliament.

When De Klerk addresses the nation today he is expected to:

* Disclose most of the Government's past funding of conservative black groups, and announce that this practice would stop;

* Announce a significant drop in secret funding with all remaining secret funds controlled fully by the Cabinet; and

* Increase the power of the Auditor-General, and possibly institute an independent body to watch over covert State spending.

Meanwhile the Pietersburg Consumer Boycott Committee yesterday said the boycott of the town, now in its fifth week, would not be lifted within the next fortnight unless demands were met.

* The Virginia Afrikaanse Sakekamer in the Free State has warned that most white-owned shops could close in the area as a black consumer boycott which began yesterday was "hitting hard".

The boycott was called by the Meloding Civic Association.

Boycott of white business called

Star 30/7/91

By Kaizer Nyatsumba
Political Staff

The PWV region of the ANC/SACP/Cosatu alliance yesterday called for a consumer boycott of "all white shops in general and big business in particular" as a protest against the Government's secret funding for Inkatha and the United Workers Union of South Africa (Uwusa).

In a statement the alliance of the three organisations announced a consumer boycott to be reviewed "after a week, and periodically thereafter".

The boycott, which will affect business in the PWV region, took effect yesterday.

The statement said the ANC and its allies would "closely monitor developments without enforcement and policing".

The alliance said the exposure of clandestine Government funding for the Inkatha Freedom Party and Uwusa had "brought the Government's credibility to an all-time low" and sharply highlighted the need for an interim government and an elected constituent assembly.

Pretoria could no longer be trusted to manage the transition to democracy, it said.

Meanwhile, a consultative meeting between the ANC, the Congress of Traditional Leaders of South Africa and the governments of Transkei, Lebowa, KaNgwane and KwaNdebele yesterday supported the alliance's calls for an interim government and a constituent assembly.

The meeting also called for the immediate sacking of Minister of Law and Order Adriaan Vlok and Minister of Defence Magnus Malan; the establishment of a multiparty commission of inquiry to investigate Government involvement in violence as well as "the secret funding of political activity"; the "visible and public" dismantling of the SAP and SADF special counter-insurgency forces; and the freezing of Government secret slush funds, which had to be opened to public scrutiny.

Some of the demands made included:

- All members of the security forces and other State employees who wished "to come clean on these covert operations" must be guaranteed immunity from prosecution.
- All security force personnel implicated in violence by past commissions of inquiry must be prosecuted.
- The Government must pay reparations to victims of "State-sponsored violence".

Choice's liabilities drag it down

BDay 30/7/91 (30)

WILLIAM GILFILLAN

DCM-listed Choice Holdings, which increased its attributable loss to R1,7m in the year to end February, posted a balance sheet with liabilities exceeding net assets at that date.

The meat wholesaler and retailer's balance sheet at end February showed a deficit on shareholders' funds of R1,48m, long-term liabilities at R2,75m and net assets of only R1,78m.

But chairman John Limberopoulos says there has been a turnaround in the first four months of this financial year and he expects earnings of more than R500 000 for the six months to end August.

Earnings would have been worse had it not been for Choice's 50% acquisition in July of Mogale Mmabatho Butcheries, a meat retailer with 11 outlets, at a cost of R373 000.

Mogale's earnings for the seven months in which its results were consolidated with Choice were R396 000. The other shareholder in Mogale is JSE-listed Yabeng.

Choice's business is divided equally between meat wholesaling and retailing.

Caterchoice, with its one outlet, comprises the wholesaling arm. Limberopoulos says the wholesale side has shown a profit this year "due to firmer management control and a drop in pilferage."

The extraordinary item of R266 000 in the income statement largely reflects goodwill written off following Choice's acquisition of Caterchoice in 1989.

Caterchoice's goodwill at acquisition date was R2,5m and is being written-off over 10 years.

Choice's market capitalisation of around R1,5m is largely explained by the tight holding of the shares — Limberopoulous holds about 60%.

PAC, Azapo support business boycott

30

Sowetan 3/7/91

By IKE MOTSAPI

THE PAC and Azapo have thrown their weight behind the consumer boycott called on the Reef by the ANC, Cosatu and the SACP.

The two organisations, however, said they felt other black organisations "should have been consulted before the decision to start the boycott was taken".

The boycott, which started yesterday, was called by the ANC/Cosatu/SACP alliance to protest against the Government's secret funding of Inkatha and its labour wing, the United Workers' Union of South Africa.

Scandal

Mr Phambile Ntlokwe, of Azapo, said his organisation supported "this type of action" especially in the wake of the slush fund scandal.

Mr Bonginkosi Mhlanga, an official in the regional office of the PAC, said: "My organisation supports the call for a boycott of white shops in principle.

Sandton

Peri-urban sprawl is now a dynamic business centre

B/Day 31/7/91 (30)

DURING the last two decades, the gentle slopes to the north of Johannesburg have been transformed from what Sandton council calls a "peri-urban sprawl" into a dynamic business centre and one of the world's most famous residential districts.

Sandton — the name was born of an amalgamation of Bryanston and Sandown — ranks with Neuilly, Hampstead and Beverly Hills as one of the world's most prestigious suburbs.

Its white resident population is only 150 000 — complemented, according to council estimates, by at least the same number of "floating" black residents.

It boasts over one million square metres of office space.

When projects in its various business nodes are completed, it will have more than one and a half million square metres.

Assistant town planning director Nicholas Head says attaining a balance between demand for office facilities and maintaining Sandton as a residential area has been the most persistent problem facing the council during the last 20 years.

At the same time, the council has made an effort to restrict the industrial area of Sandton to Wynberg, on the "wrong" side of the M1 motorway.

Density plan

"We are trying to stop things from going mad on the office front and have adopted a residential density plan to prevent the area getting too built up," says Head.

"By the mid-'80s, the shape of Sandton had become structured by market forces.

"Then the council called in planning consultants to draft a plan for the future".

The plan that evolved, which is still in operation, split Sandton into four "nodal" business districts, with restrictions on building office space in any other areas.

"After the developement in the town centre is complete, there will be no more offices built.

"The existing infrastructure can cope, but no more — and it is not our intention to build any more roads in the area," says Head.

The four nodal areas are the town centre, based on the municipality-Sandton City axis, Rivonia, Sunninghill and Fourways.

The problem with the town centre is that it is not really a town centre.

Sandton City is only a shopping mall and office area, albeit a big one, and the council buildings across the road hardly qualify as a nucleus.

Thus, the Sandton Square project, an Italian-style piazza surrounded by shops, restaurants and offices across the road from Sandton City, with an overhead link to the existing shopping area.

On the same block of land, next to the municipality buildings, plans are in the pipleline to build a major cultural centre, incorporating a 2 000-seat concert hall which could be home to the National Symphony Orchestra and facilities for art exhibitions.

"It would give Sandton a heart, a real town centre," says Head.

The Rivonia project will also build on an existing base, in this case the old trading station of Rivonia.

But the area is striving to keep its village-like feel.

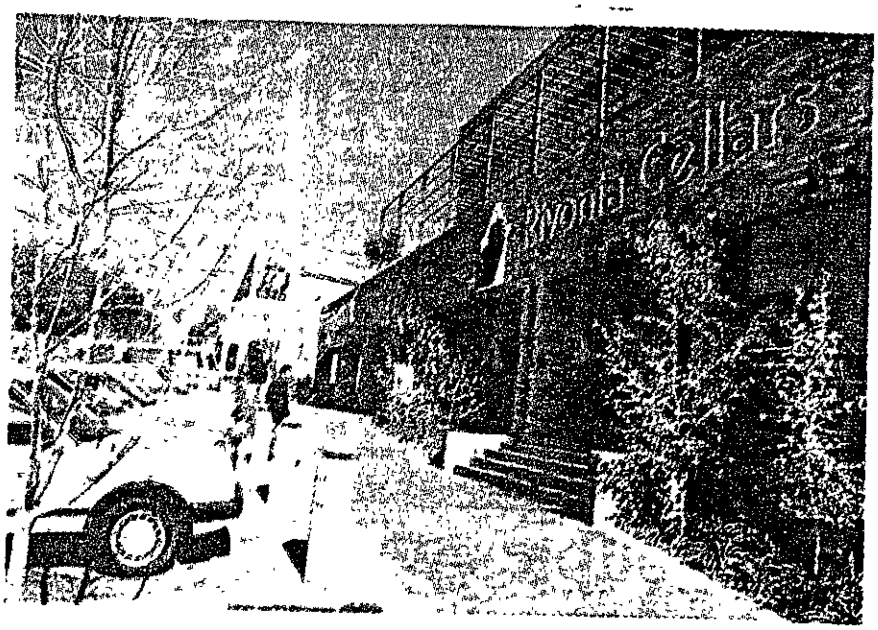
The Sunninghill development is the largest of the planned business nodes, and is still incomplete.

By the time it is finished, it will provide around 380 000m² of office space.

The Fourways development, still embryonic, is part of the council's plan to extend the urban and suburban areas to the borders of the municipality.

Business Day SURVEY

Sandton ranks with Neuilly, Hampstead and Beverly Hills as one of the world's most prestigious suburbs. But, unlike its famous counterparts it is a city in itself. With over 1-million square metres of office space, attaining a balance between demand for office facilities and maintaining Sandton as a residential area has been a persistent problem. **DARIUS SANAI** *reports.*



Brick-lined walkways and rustic shopfronts in the Rivonia Village development.

R40m village-style shopping area will rejuvenate Rivonia

B'Day 31/7/91

THE former trading station of Rivonia earned its world-wide fame by lending its name to the trial that sentenced Nelson Mandela and 16 others to jail for political crimes.

Rivonia hardly deserves such infamy, having grown to be a dynamic and developing "business node" in the northern part of Sandton.

A new development, Rivonia Village, has prompted the rejuvenation of the area while building on its commercial history.

Rivonia Road, Sandton's main artery leading south towards Johannesburg and north towards Pretoria, has been diverted along a kilometre-long stretch near the town centre, allowing the development of a quiet boulevard and construction of a village-style shopping area.

Sandton council plans Rivonia will house 180 000m² of office space after the completion of the Rivonia Village scheme.

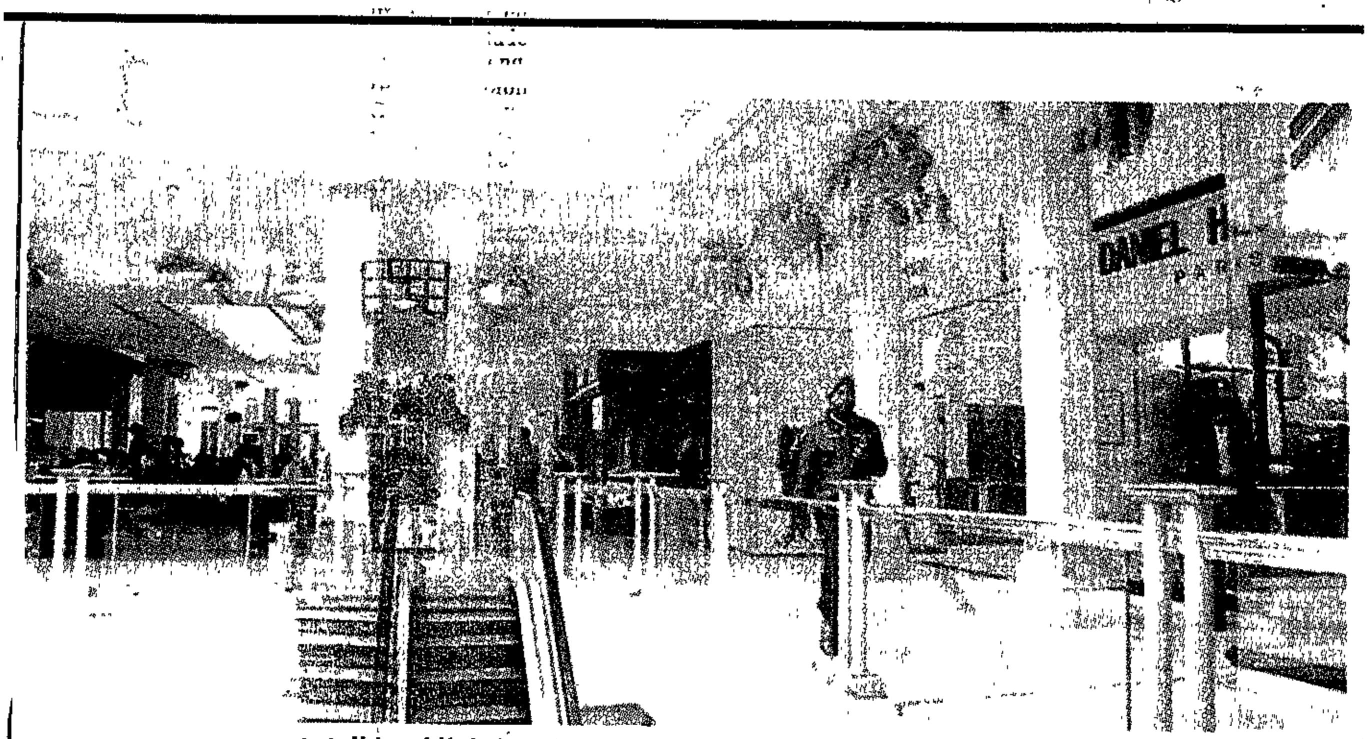
Old Mutual is developing the R40m village, which will see over 1 000m² of shops opening on November 1.

Available

Around 6 000m² of office space on four levels will be available early next year.

Another phase of shops, which will include a Woolworths and "other major retailers" will open at the same time as the offices.

There will be separate parking for offices and the shoping areas, and an extra basement-parking zone.



Up-market designer boutiques in the elegant Hyde Park Corner Mall.

Shopping has an up-market image

B/Day 3/7/91 (30)

SANDTON offers the consumer a thorough range of up-market shopping facilities.

Sandton City is the most famous of these.

It claims to be the biggest shopping centre in the southern hemisphere and although it is little bigger than the average American shopping mall, it does offer facilities unparalleled in SA.

On an average Saturday, over 50 000 people visit Sandton City.

The centre is built over three floors and hosts a vast array of shops, with the main players being the Hyperama, Edgars, Stuttafords, John Orr, Woolworths and Checkers.

Sandton City MD Simon Hobday says the centre is striving for an even more up-market image.

"We are making an effort to improve our client mix."

Plans include more specialist stores, along the lines of the recently established Aca Joe, Golf Forum and Brazilian Coffee Shop, says Hobday.

There will also be an "extensive refurbishment" in the near future.

For the moment, Sandton City, with its range of cinemas, restaurants and shops varying from the everyday — CNA and Checkers — to exclusive fashion boutiques is proving popular with retailers.

In the 40 000m² of office space, Hobday says vacancy is less than 10%, but there is an oversupply of offices in Sandton.

However, Sandton City is not the most exclusive of the city's shopping centres.

In the south-western corner of Sandton sits Hyde Park Corner, the opulent, marble-lined home to some of SA's top boutiques.

Names such as Lutic and Daniel Hechter stock top Paris and Milan fashions and the Cafe Royale coffee shop could be on the streets of Munich or Amsterdam.

The centre also plays host to one of the region's best-stocked bookshops, Exclusive Books.

Hyde Park Corner is fashion based, apart from the (uniformly posh) food and book outlets.

It captures the flavour of Sandton's mansion-lined streets far better than its bigger sister.

City shop boycott has little effect

(30)

Staff Reporter Star 31/7/91

The black consumer boycott of white businesses in Johannesburg enters its third day today, but its effect is in question.

Store owners were reluctant to speculate on the boycott's effectiveness at this stage as many felt it was too early. Others said there had been little noticeable difference in sales.

The boycott was called by the ANC/SACP/Cosatu alliance on Monday as a form of protest against the Government's secret funding of Inkatha and the United Workers Union of South Africa (Uwusa).

OK Bazaars regional director L F Budding said that with the exception of some city centre stores, most OK stores remained unaffected.

South African Chamber of Business senior economist Bill Lacey said his organisation deplored boycott strategies by political organisations.

"In boycotts there are no winners because it is damaging to business and consumers," he said.

Many Soweto and Alexandra residents canvassed by The Star said they were not aware of the consumer boycott. Black shopkeepers said the boycott made no difference to profits.

"It is end of the month and during this time we are usually busy, not because of the consumer boycott," said one Soweto shopkeeper.

Boycott is not failing - CBC

Sowetan 1/8/91

By MATHATHA TSEDU

A REPORT in an afternoon newspaper yesterday, claiming that black consumers are streaming into boycott-hit Pietersburg, has infuriated the Consumer Boycott Committee (CBC). (30)

The report, which also claimed that incidents were witnessed in which black shoppers were allegedly manhandled by boycott monitors, has been called "wishful thinking by whites".

An *Sowetan* investigation yesterday revealed that black people were still walking around town without groceries. The town has been subjected to a consumer boycott for the past five weeks.

Mandate

The CBC said black consumers were being continually consulted on the action and were giving the committee a mandate to continue.

"It is the basic demands of the people that the CBC has tabled that our people support, and not the wishful thinking of white business who are threatened by the shift of black expenditure from the town into black shop owners."

Meetings will be held in at least six areas this Sunday to look at the effect of the boycott.

Demands include the reinstatement of dismissed workers, the withdrawal of SADF personnel from townships and villages and opening up facilities in the town.

The CBC this week broke off all the negotiations with the Pietersburg Chamber of Commerce, saying the previous meeting had not achieved anything.

They met Indian traders on Tuesday to discuss possible exemption of the traders from the boycott but no agreement was reached.

Reef consumer action slammed

Boycott blues

Sowetan 1/8/91 30

Daveyton civic leader Mr James Ngubo addressing more than 15 000 residents at yesterday's meeting in the township. A stayaway was called to discuss new electricity tariffs to be negotiated with the Benoni Town Council. See Page 2. Pic: LEN KUMALO

By MONK NKOMO and IKE MOTSAPI

THE consumer boycott of white-owned business in the PWV could lead to massive retrenchments and unemployment - the very issues the ANC was trying to address, the Pretoria Chamber of Commerce and Industries warned yesterday.

The general manager of the PCCI, Mr Alec de Beer, said the boycott was "unjust and unnecessary," especially after a plea by ANC president Mr Nelson Mandela that more whites should be encouraged to join the organisation.

The boycott of white-owned shops in the PWV areas was initiated by the ANC, the SACP and Cosatu and is expected to be reviewed after a week.

The Central Transvaal region of the Azanian Peoples Organisation yesterday said it was not party to the action which, they believed, would harm blacks more than whites.

Not consulted

The Reverend Pakiso Tondi, Azapo's regional chairman, said their constituencies were not properly consulted about the action.

"And in view of the fact that certain

● To Page 2

Boycott 'is not needed'

Sowetan 1/8/91 30

● From Page 1

townships have had their electricity supplies cut, we thought it unwise to support this action.

"Obviously shops in those townships are not functioning properly and people are justified to buy in white towns.

"The present consumer boycott is a recipe for violence because certain people are going to ignore the call. They may be intimidated or assaulted. The action is a good strategy but it is done at a wrong time," Tondi said.

In a statement released by the Inkatha Youth Brigade leader Mr Themba Khoza, the IFP accused the ANC of "once again trying to use the strategy of mass action."

He said the strategy had not worked in the past but had only caused bloodshed and conflict.

"We have great fears that this decision which was taken unilaterally by only one part of the community can incite violence," he said.

Mr Ronnie Mamoepa, an ANC official in the PWV region, said the organisation remained committed to a statement issued by the ANC/Cosatu/SACP alliance on Monday.

He refused to comment on the feelings of other organisations.

The ANC/Cosatu/SACP alliance made it clear on Monday that the boycott would go on, but would not be policed.

De Beer said there had been a drop in turnover. He, however, could not attribute the slump to the boycott at this stage.

"An accurate assessment will be made later this week," he said.

"These organisations are actually propagating unemployment by calling for the boycott of white shops," De Beer said.

Prefcor confident in run-up to listing

BDay 2/8/91 (30)

MARCIA KLEIN

PREFCOR Holdings (Prefhold) directors are confident of significant future growth opportunities, and expect that the group will meet its forecasts for financial 1992.

Executive chairman Terry Rosenberg told a media meeting yesterday that Prefhold, including Game Discount World, the Beare furniture group and the Clobea clothing division, was part of the major emerging market in SA.

The group will come to the JSE on August 21 in the largest new flotation this year after a R263m offer which closes on August 9.

Rosenberg said Prefcor differed from other retailers in the way that it financed its book. Prefhold had formed an association with First National Bank through Firstpref, in which the risk on its debtors would be shared with the bank.

Rosenberg said Firstpref would also act as an outside agency to observe Prefhold's business.

Prefhold hoped to collect cash of about R126m from the "old" debtor's book prior to the Firstpref deal, and this would "would be put into use", Rosenberg said.

Another factor which set the group apart was that its staff and executives represented "some of the best retailers in SA". These included Game executive chairman Clive Weil and Prefhold executive deputy chairman and Beares executive chairman Hymie Sibul.

The group was completely decentralised with each division having its autonomy. It had a small head office and only four executives.

Rosenberg said forecasts of an increase in margins were justified due to a major turnaround in Game and the smooth integration of Price into the group's infrastructure.

Forecast turnover figures were not high, as 13% of the turnover growth would be from the new stores which the group had opened last year, and the group would just make the inflationary increase.

The Beare Group had reduced its bad debt write-offs from 3,32% in 1985 (of a book of R187m) to 2,3% of 1991's R512m book and a forecast 2,46% of the R733m book in 1992.

The Game division had reintroduced brand names, improved its service and contained shrinkage to 0,97% in 1991. The group hoped to open about three Game stores a year, bringing the total to 20 by 1995.

Clobea had 62 stores in SA and none in the Cape. Rosenberg said there was acquisition potential in this group. Any acquisitions would be for smaller regional chains.

Star 2/8/91.

Prefhold on acquisition trail

By Jabulani Sikhakhane (30)

Prefhold, which will be listed on the JSE's retail and wholesale sector next week, will use some of the proceeds of its recent rights offer to fund acquisitions of compatible regional clothing retail chains, executive chairman Terry Rosenberg said in Johannesburg yesterday.

Prefhold retails durable and semi-durable goods through three divisions, the 195 furniture chain Beare, mass discounter Game and Clobea which has 62 stores.

Furniture accounts for 35 percent of sales and 50 percent of pre-interest profit, while appliances, household goods and clothing account for 65 percent of sales and 50 percent of pre-interest profit.

Mr Rosenberg told a media briefing that there were many compatible, regional clothing chains with 16 to 18 stores suitable for acquisition.

He added that even without acquisitions Clobea, which trades as Bee Gee, could show organic growth. Bee Gee retails top quality branded men's and women's clothes to middle- to upper-income blacks. Because of the emphasis on wellknown brands, Bee Gee is relatively insulated from fast changing fashion tastes.

The chain is not yet represented in the Cape Province, but 55 suitable sites have been identified there for development.

For the year ending June 1992, turnover is forecast to grow by 24 percent to R102 million, on which operating profit of R10 million should be earned.

Part of this growth will come from the 13 new stores to be opened during the year.

Mr Rosenberg says Clobea could easily double in size over the next three years. Compared with its major competitors, its market penetration is relatively small. The closest competitor Smart Centre has over 130 stores while Clobea has 62.

It costs between R230 000 and R350 000 (fixtures and stock) to open a new Bee Gee store.

Other interest features of the Prefhold group are that three manufacturers TV, hi-fi, video equipment and appliances, which account for 18 percent of the Beare group's turnover, provide the finance to debtors for any of their products sold at Beare's stores. This has significantly improved gross and pre-interest margins.

This is in addition to its financing arrangement with First National Bank.

Views on impact of PWV boycott differ

Star 2/8/91

By Carina le Grange and Zingisa Mkhuma

30

The three-day-old consumer boycott against white PWV businesses is having a marginal impact to date, according to spokesmen for almost all major stores, but a boycott organiser claims it is beginning to take effect.

Edgars managing director John Bellis said the flagship store of the company, Edgars, generally "didn't feel it quite as much" as Jet Stores and Sales House, but there had been "a little bit of an impact in Pretoria".

A spokesman for Jet Stores and Sales House said indications were that there had been an impact, but it was difficult to determine to what extent. Consolidated sales figures would only be available later.

Pep Stores managing director Johan Visser said no feedback had been received.

OK Bazaars managing director Gordon Hood was not available for comment.

The Star could not contact spokesmen for Metro Cash and Carry to determine whether township spaza shops have increased their orders to cater for an enlarged market.

South African Chamber of Business economist Bill Lacey said it was too early to assess the effect of the boycott.

Ackermans MD Jannie Holtzhausen said: "We do feel it. It does have an impact but it is not as severe as two years ago under similar circumstances."

Checkers MD Sergio Martinengo said he had not yet had any feedback on the effects.

Ellerines director Pierre de Villiers said according to month-end figures he "could not say there has been a dramatic effect" in the PWV area.

However, Cosatu spokesman Amos Masondo said he was convinced the boycott was beginning to have an effect.

ANC Wits regional spokesman Ronnie Mamoepa said an assessment of the impact would be made only after the boycott had been in effect for a week.

Mr Masondo said some people might not have known about the boycott even though Cosatu had consulted with political organisations, including the PAC, before embarking on it.

"We are going to open up discussions on the whole issue after a week. But that doesn't mean we will call off the consumer boycott," he said.

Consumers charged more in township shops – survey

~~246~~ 30

By Brian Sokutu

Star 2/8/91

	OK Bazaars (CBD)	Maponya (Dube)	Makhetha (Jabulani)	Black Chain (Diepkloof)
Rice (2kg)	**5,59**	**4,99**	**6,50**	**6,09**
Cooking oil (750ml)	2,79	2,49	3,10	2,79
Sugar (1kg)	**1,79**	**2,15**	**2,30**	**2,05**
Tea (500g)	10,99	10,79	14,50	9,75
Coffee (250g)	**3,55**	**3,69**	**4,15**	**3,85**
Milk (1 litre)	1,05	1,95	2,00	1,79
Salt (1kg)	**2,49**	**2,19**	**1,45**	**2,39**
Bread flour (5kg)	8,75	7,99	8.00	8,39
Maize meal (5kg)	**5,95**	**6,19**	**7,65**	**6,59**
Samp (2,5kg)	3,29	2,89	* NOT AVAILABLE	3,35
TOTAL	**R46,24**	**R45,32**	**R52,82**	**R47,04**

* Average price of samp (R3,17) added to Makhetha's total.

During consumer boycotts of white-owned businesses, black consumers usually expect to pay more at township shops and supermarkets than at city stores.

A snap survey by The Star has shown this can be the case, but not in all instances.

A check on the prices of 10 basic foodstuffs revealed that at least one large supermarket in Dube, Soweto, sold some goods at a lower price compared to a large city store. One popular city store and three stores in Soweto were surveyed.

The prices of rice, cooking oil, sugar, tea, coffee, milk, salt, flour, maize meal and samp were checked in each store.

Asked why some township store prices were higher than those in most city stores, black supermarket owners said uniformity in pricing was impossible as white-owned chain stores bought in bulk and got goods cheaper.

Bill Lacey, a senior economist with the South African Chamber of Business, said a difference in prices of goods between city stores and those in the black townships was "understandable".

"City stores can afford a low mark-up, hoping to move a far greater volume of goods at a turnover higher than stores in the black townships.

"It is no surprise that shops with a small turnover have higher mark-ups," Mr Stacey said.

IN CENTRE

Truck hijackings cost about R6-bn a ... Star 2/8/91

ANC boss reassures business

CT 2/8/91 30

Own Correspondent

JOHANNESBURG. — Businessmen need not pack their bags and leave South Africa in fear of future ANC policies, secretary-general Mr Cyril Ramaphosa told the SA-Britain Trade Association (Sabrita) yesterday.

In one of the most conciliatory speeches on economic policy delivered by an ANC leader, Mr Ramaphosa said that economic success in South Africa depended on the commitment of the business community.

"DON'T LEAVE" ... Mr Cyril Ramaphosa

He said the ANC's economic philosophy would be finalised before the end of the year and the business community would be pleased with the results.

Mr Ramaphosa ruled out blanket nationalisation and punitive measures against big business as a means of redistributing wealth.

But he added that some nationalisation of private companies was inevitable as the ANC "would still need to respond to the needs of the people to restore peace and harmony in South Africa".

He said the ANC's economic policy would be the "fairest, the most just and the most equitable" system available to South Africa, geared to continuing the economy's position as the most successful in the region.

The ANC and its allies had learnt from the mistakes of Eastern Europe, the Soviet Union and other African countries, and the resulting economic framework would be unique to South Africa.

He criticised the "economic treachery" of Anglo American and other companies which were exporting capital, saying the South African economy needed all its assets if it were to succeed.

fm 2/8/91 (30)

FURNITURE COMPANIES

Not sitting comfortably

Profits have been good but now sales are flagging

Some furniture traders tend to argue that they have never enjoyed a fair rating from the stock market. That is partly because their companies are not comparable to any other type of business — they have both shop and bank functions.

The discount on furniture shares is such that the old Beares Group, now Prefcor, will be relisted on the more highly rated Retailers & Wholesalers sector.

Furniture traders carry their own debtors' books, which is why their debt levels worry the market. Furniture retailers lend to customers who often cannot obtain financing from banks. Moreover, risk does not just arise from bad debt — furniture, like the durable goods market as a whole, is a cyclical industry. Furniture purchases are usually among the first to be postponed during economic downturns.

Yet recently furniture shares have languished even though sales have grown strongly. Conventional wisdom about furniture sales — and profits — suffering severely in a recession was turned on its head There was substantial real growth for the whole of 1990 (see graph). Attributable earnings of furniture companies have recently held up well (see table) with Ellerines, Morkels and J D Group all showing substantial real growth in earnings, while earnings have been in decline in industrial companies generally.

The optimistic view held that the require-

continue

ments of the burgeoning black market would insulate furniture traders from economic downturns Construction of hundreds of thousands of low-cost houses would add further to their sales. Recent evidence shows, though, that the consumer recession was simply postponed. The industry is battling and major retailers confirm that sales are down in real terms. Beares is the only exception at this stage.

The downturn has claimed its first victim in Geoff Austin, chairman of Rusfurn, who was unable to meet the cash-flow requirements needed after the management-led buyout. The market is expecting no more than flat earnings from Rusfurn.

Austin says debt capacity of individuals had been building up since the 1984-1985 collapse of consumer spending. There had been no real growth in furniture sales since then and consumers have been waiting for a decline in inflation and interest rates. Last year it became clear that rates would not come down substantially.

The decisive variable in furniture sales is not interest rates as such. Restrictions on HP terms are the key factor. The recent boom was boosted by the relaxation of tough terms on TV and audio in March 1990. A previously static sector of the market took off. Sales of audio equipment last year increased by 51% and TVs by almost 24%. But further relaxation in these restrictions is unlikely this year, so this factor was a one-off.

Perhaps, if the furniture boom had continued for the rest of the year, reratings would have been justified. But companies need to show sustained earnings growth over time. Take for example the two best rated shares: Amrel lost 11c a share back in 1986; Ellerines had an earnings decline in 1988, followed by some fairly pedestrian results, before taking off in the last two-and-a-half years. Ellerines, at least, cannot complain about the run it has enjoyed over the last two years.

The rating of furniture companies was clouded to a large extent by uncertainties about their tax position. Under the old Section 24 allowance, furniture traders effectively paid no cash tax as long as their debtors books continued growing. They were able to offset the uncollected portion of a contract against any tax due. This enabled companies like Rusfurn not to show any tax on their income statements.

Government made it clear that changes to

Looking for value
Key statistics from the leading furniture retailers

	Turnover (Rm)	% change	Operating profit (Rm)	% change	Operating margin	Stock turn	Debt/ equity	Interest cover	Finance charges, % change	EPS	% change	Tax rate	Return on equity	Market cap (Rm)	p e ratio
Amrel[F] (March)	1031	21,4	64,9	36,8	6,3	7,8	0,80	3,8	138,8	260	6,1	42,9	16,4	110	4,6
Ellerine[I] (Feb)	311	30	51,6	35,3	16,6	13,4+	nil	n/a	n/a	375	26,7	49	26,5*	452	8,8
JD Group[F] (Dec)	647	36,9	83,6	25,7	12,9	7,5	0,55	3,8	32,6	143,2	39,6	17,2	24,0	150	3,1
Morkels[F] (March)	268	31,2	28,4	56,3	10,6	4,9	1,28	3,1	43,2	23,7	63,4	50,5	15,7	34	3,6
Rusfurn[I] (Dec)	849	21,9	109,8	30,9	12,9	6,7+	1,50	3,5	137,8	37,2	0,3	nil	27,7*	134	1,4

F = full year results I = interim results + = for the last full year * = annualised

Continue

continue

FM 2/8/91. (30)

CNA GALLO FM 2/8/91 (30)

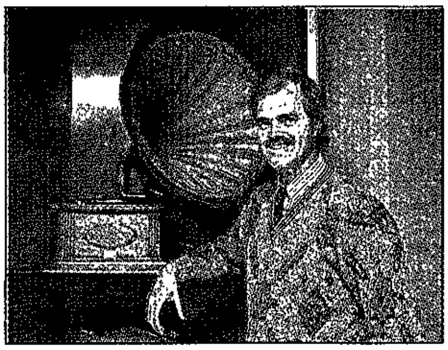
Broader focus

Activities: *Supplies information, knowledge and leisure products.*
Control: *Argus Holdings and Premier Group 66%.*
Chairman: *D D B Band; MD: A D L Cuzen.*
Capital structure: *32,8m ords. Market capitalisation: R1,04bn.*
Share market: *Price: 3 200c. Yields: 2,1% on dividend; 5,3% on earnings; p:e ratio, 19,0; cover, 2,5. 12-month high, 3 500c; low, 1 450c. Trading volume last quarter, 995 000 shares.*

Year to Mar	'88	'89	'90	'91
ST debt (Rm)	1,3	1,3	1,89	3,20
LT debt (Rm)	4,7	4,1	5,05	8,81
Debt:equity ratio	n/a	n/a	0,06	n/a
Shareholders' interest	0,49	0,47	0,47	0,47
Int & leasing cover .	11,9	18,8	7,13	6,19
Return on cap (%) ..	18,7	23,3	20,5	18,7
Turnover (Rm)	430	550	680	798
Pre-int profit (Rm) ...	39,3	52,9	67,4	86,5
Pre-int margin (%) ..	8,6	9,6	9,6	10,2
Earnings (c)	73,6	112,9	141,8	168,5
Dividends (c)	29	45	55	67
Net worth (c)	295	347	401	581

CNA Gallo continued to produce strong earnings and turnover growth, which belies the depressed economic environment in which it was operating last year. Though management is cautious on prospects, this year organic growth and the contribution of new investments should again produce the above average growth to which shareholders have become accustomed.

A turnover improvement of 17,4% in financial 1991 translated into a 26,4% pre-interest profit rise, as the operating margin widened further. A doubling of interest costs, a slightly higher effective tax rate and an increase in the number of issued shares diluted the EPS rise to 18,8%.



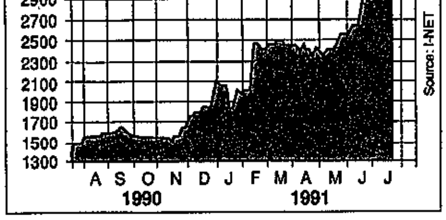
CNA Gallo's Cuzen ... *stock reduction plan*

The core CNA chain contributed virtually two-fifths of earnings; 26% originated from Gallo; and 27% from the associate companies — Waltons, Struik, Mast Holdings, Silveray and Nu Metro.

The strong profit performance and cash flow are reflected in the healthy balance sheet. MD Dennis Cuzen says the one area of concern is the level of inventories. A stock reduction plan, aimed at improving stockturn and minimising stockholdings, is being carried out and is showing encouraging results..

The focus of operations has broadened in recent years and the process continued in financial 1991. Entry was gained into the cinema and film distribution business through a 50% interest in Nu Metro, bought for R20m. Cuzen cites this as a potential growth area. Expansion of the cinema chain, with locations more convenient to black movie-goers, is high on the long-term agenda.

Gallo's 33% interest in Compact Disc Technologies — SA's only compact disc manufacturing plant — was finalised and



local CDs were available from February. Its manufacturing capacity has been doubled and Cuzen expects it will be able to supply rapidly growing demand for the next five years.

Investments in Mast Holdings and Waltons were also increased. Both underperformed in financial 1991, but management expects improved returns in the medium term.

Certain aspects of the operations were rationalised. The shareholding in video post-production facility Video Lab was reduced and video rentals at CNA stores, which had proved disappointing, will be discontinued and replaced with videos for sale — apparently a high growth area.

Effects of these changes will start to flow through in financial 1992. Additional benefits are expected from the increased emphasis on education in the country and the easing of trade relations, particularly with Africa.

But Cuzen emphasises that trading conditions remain very tough and CNA Gallo's growth this year will be modest compared to financial 1991.

Even with more modest growth expected, shareholders' enthusiasm for this share is unlikely to wane. But, at R32, CNA Gallo is already trading at more than five times its historical NAV, though slightly off a high of R35.

Pam Baskind

FM 2/8/91 (30)

PDC HOLDINGS FM 2/8/91

Margins collapse (30)

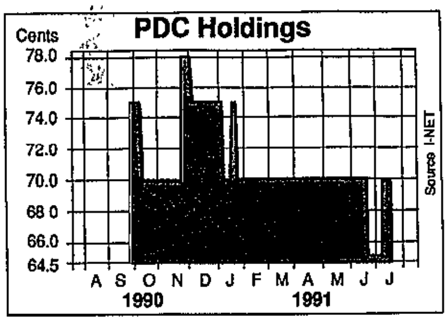
Activities: *Pharmaceutical wholesaler and distributor.*
Control: *Gresham Industries 84,3%. Premier Group holds ultimate control.*
Chairman: *G M Utian; MD: L A Keating.*
Capital structure: *20,9m ords. Market capitalisation: R14,6m.*
Share market: *Price: 70c. Yields: 4,3% on dividend; 12,4% on earnings; p:e ratio, 8,0; cover, 2,9. 12-month high, 78c; low, 65c. Trading volume last quarter, 206 000 shares.*

Year to March 31	**'90**	**'91**
ST debt (Rm)	2,7	—
LT debt (Rm)	—	6,5
Debt:equity ratio	n/a	0,1
Shareholders' interest	33,9	33,3
Int & leasing cover	n/a	0,6
Return on capital (%)	7,5	0,4
Turnover (Rm)	512	522
Pre-int profit (Rm)	10,9	0,6
Pre-int margin (%)	2,1	0,1
Earnings (c)	39,6	8,7
Dividends (c)	n/a	3,0
Net worth (c)	236	235

PDC Holdings' prospectus, issued before the listing in September 1990, warned of sharply lower profitability in financial 1991. And it proved to be worse than expected. A broadening of the company's activities and operational changes are expected to brighten the outlook this year, but not enough to attract investors.

The problems experienced by PDC are blamed almost exclusively on trading difficulties within its area of focus — wholesaling to retail pharmacies. Chairman Gordon Utian says the pharmacies themselves are struggling because of declining sales and high interest rates, while their suppliers (like PDC) are beset by problems affecting the industry.

Pricing and marketing policies of pharmaceutical manufacturers, reckons Utian, have created a situation whereby doctors, private clinics and institutions which buy on tender and others, can source products at prices lower than those available to wholesalers.



The Competition Board is investigating this "restrictive practice." Vertically integrated wholesalers, such as major competitors SA Druggists and Adcock Ingram, could overcome this problem to a greater degree than PDC, since it only supplies retail pharmacies.

The company's turnover growth was restricted to 2,1% and margins collapsed from 2,1% in financial 1990 to 0,1%. Interest received softened the blow, but after-tax profit fell by 78%, to R1,8m, a third lower than forecast in the prospectus.

Corrective action is being taken. The client base is being broadened to include the entire health care industry. It has also been restructured into autonomous regional distribution points. Utian says the decision to restructure PDC's discount policy in May 1990 limited turnover growth initially but is now — with improved management controls and a lower shrinkage rate — reversing the erosion of margins.

Even so, trading conditions at retail pharmacies appear to have worsened this year. Though the wider sales focus and better margins may lift earnings, an acceleration in consumer spending and the resolution of the wider problems of the industry are needed before the company's health is restored.

The share is trading at a 72% discount to its historical NAV and is rated poorly compared to competitor Adcock Ingram, though less so compared to SA Druggists.

Pam Baskind

TERRY ROSENBERG, CLIVE WEIL, HYMIE SIBUL

The chemistry of retail

(30) FM 2/8/91

Remember the 1974 British Lions rugby side? Every player perfectly positioned, a team in every sense of the word. That's the comparison that Hymie Sibul likes to make with Prefcor's management team.

"It just sort of happened," says Sibul, chairman of the furniture and clothing divisions, about the relationship between himself, Prefcor chairman Terry Rosenberg and Game chairman Clive Weil. "In my 30 years of retail, I've never had the personal synergy like we have — upwards, sideways and down the line. It doesn't often happen."

Weil agrees: "You've got three different guys from three very different backgrounds and you've got a chemical reaction."

A big chunk of the credit for the success of this mutual admiration society has to go to Rosenberg, who's leading the Prefcor listing on August 21 on the JSE. His easygoing personal philosophy — "I always take business seriously, but myself lightly" — obviously keeps the wheels well oiled.

"We share a clear and congruent understanding of where we are going," says Rosenberg, whose blonde preppiness offers a stark contrast to the other two. "We don't wait for board meetings — if something comes up we get on the phone and talk to each other directly. It's not a heavy business environment, we have a lot of fun together."

Says Sibul: "The personal chemistry allows us to give each other the straight scoop. If we make a mistake, we put it on the table and work it out. We don't hide it; we're not afraid of getting hit on the head."


Weil


Rosenberg


Sibul

While Weil (45) and Sibul (50) provide decades of retailing experience, Rosenberg (42) provides the financial muscle. He came up through the ranks at Arthur Andersen, after getting a BCom and MBA at Wits, and in 1986 became the first non-accountant to head the firm.

Born in Johannesburg (his father was in the shoe trade), Rosenberg went to Marist Brothers before Wits. His continuing interest in tennis — he also plays golf and squash — stems from the days when he played for Southern Transvaal. He now heads the Tennis Development Trust, an independent body that has introduced thousands of black children to the sport.

He also chairs Operation Jumpstart, a Natal-based private-sector initiative aimed at stimulating the regional economy and creating jobs; and is a trustee of Clem Sunter's Ithuba project. He and his wife, Carol, have three children, Debbie, Marc and Kerry.

In 1988, he put together a deal with foreign backers and Corbank's Laurie Korsten to buy the Beares chain from founder Aaron Beare and CE Alec Rogoff Then he went to work learning the business. For a guy who's only retail experience was saying "charge it," he took to the field with enthusiasm. In his office he hung a portrait of Wal-Mart chairman Sam Walton — the patron saint of customer service in the US — and invited shoppers to tea.

Rosenberg was especially aggressive in lining up his management team. Within days of announcing his resignation from Checkers in November 1989, Weil had signed on with Prefcor.

In that time, Weil has gone from Chubby Checker to Big Game. Since he joined the chain there's been a R13m turnaround into the black, though he's quick to spread the credit down the management line. "They may have lost their way a bit," says Weil of the pre-Weil years at Game.

Though there are only 10 Game Discount World stores, "we intend to be quite aggressive about expanding," Weil continues. The Transvaal — where three stores are now located — is the prime target of the move.

During his years as the highly visible "trolley for trolley" spokesman, Weil often bemoaned his celebrity status. He made it on to a list of SA's 10 worst-dressed men. Housewives accosted him in movie queues about the price of rump steak. The "bulk discounter" became the heart-throb of the southern suburbs.

"The late Mervyn John told me that 12 years after he did his last washing powder commercial he was still getting stopped on the street," says Weil. "I get that same kind of reaction. A lot of people think I still work for Checkers." That accessible public profile does not suggest an honours degee in economics from the University of Natal, which Weil has. Before he joined Checkers in 1985 he had been MD at Metro and spent years at Tiger Oats. Married to Liora, he has a 12-year-old son and a 27-year-old stepson.

Like Weil, Sibul lives in Johannesburg and spends a lot of time commuting to Prefcor's Durban headquarters And like Weil — who had problems with Sanlam's running of Tradegro and Barlow Rand's handling of Tiger Oats — Sibul had run-ins with his bosses at Rusfurn. After spending three years as MD of Dion, Sibul left because of "irreconcilable differences."

Before Dion, he held executive positions with the OK, Tip Top Furnishers and Teltron. Part of his Prefcor assignment is to oversee the 62-store Bee Gee clothing chain and the up-market department store chain Garlicks. However, Prefcor's 50% stake in Garlicks is not part of the listing.

"I'm a shopkeeper. I like people and I like the activity. It's a great career," says Sibul. Born in Johannesburg, he grew up in the Cape and went to Hottentots Holland High in Somerset West. He and his wife, Yvette, have a daughter in high school and a son doing his year in the army. He collects SA art and Africana — mainly books about the Anglo-Boer War and Jan Smuts. "I'm just a collector. When I was a kid I collected matchboxes."

Prefcor's furniture division operates 195 stores across the country. Between now and the end of 1992 Sibul expects to open another 50. He will be focusing on rural sites — plus some in Lesotho, Botswana and Swaziland — and black consumers.

"We're aware of the need to serve that emergent customer, but there's no difference in the way people should be attended to. We have black, coloured and Indian managers. There's no secret formula. It's getting the right people into the right jobs and making sure that management is always visible in the stores."

Analysts are cautiously enthusiastic about the upcoming listing — the biggest so far this year. Rosenberg says the company is at the bottom of the cycle and ready to grow. "We take a view of the future that's very bullish," he says. Weil adds that there's no secret to retailing: it's getting the chemistry right. Which seems to be the case at Prefcor.

Maureen Sullivan and Shaun Harris

GRESHAM FM 2/8/91

Less healthy

30

Activities: *Pharmaceutical and tool and hardware wholesaler and distributor.*
Control: *Premier Group 78,6%.*
Chairman: *G M Utian.*
Capital structure: *52,5m ords. Market capitalisation: R26,3m.*
Share market: *Price: 50c. Yields: 6,0% on dividend; 13,0% on earnings; p:e ratio, 7,7; cover, 2,2. 12-month high, 60c; low, 45c. Trading volume last quarter, 312 000 shares.*

Year to Mar 31	'88	'89	'90	'91
ST debt (Rm)	1,5	1,4	8,4	3,0
LT debt (Rm)	29,2	31,1	37,1	106,2
Debt:equity ratio	0,92	0,37	0,90	2,22
Shareholders' interest	0,32	0,32	0,30	0,25
Int & leasing cover	7,0	4,0	4,9	1,7
Return on cap (%)	13,0	11,7	9,8	10,2
Turnover (Rm)	281	665	626	833
Pre-int profit (Rm)	16,4	23,3	18,5	19,2
Pre-int margin (%)	5,9	3,5	3,0	2,3
Earnings (c)	20,1	17,3	14,4	6,5
Dividends (c)	8,0	9,0	6,0	3,0
Net worth (c)	75,0	89,2	67,0	65,4

Gresham Industries' increased exposure to the pharmaceutical and health care sector assisted in boosting turnover in financial 1991, but profits are still sliding and debt is rising. Any marked improvement in the performance this year will hinge on the fortunes of PDC Holdings (see page 82).

The pharmaceutical division last year contibuted 87,4% of group turnover (with 63% coming from PDC) and 75% of trading profit. This division's new acquisitions, Amalgamated Chemists Association (ACA) and

continue →

Gresham's Utian ... *hoping for higher margins*

Salters — from Twins — proved successful.

Chairman Gordon Utian reports a substantial increase in turnover and profit at wholesaler and distributor ACA, and ascribes this to its broad range of customers across the entire health care sector. He intends to adopt the ACA formula at PDC Holdings in an effort to boost its performance.

ACA will continue to concentrate on coastal areas — it recently expanded its distribution centre in George and opened a new facility in Port Elizabeth — while PDC will confine its activities to the interior.

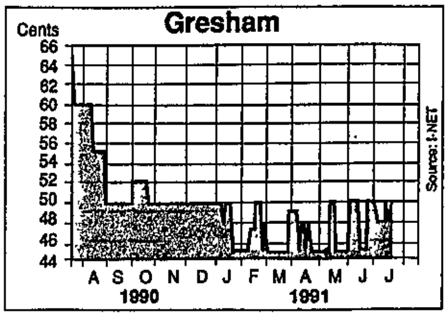
Salters, distributor of medical, surgical and pharmaceutical supplies and equipment, achieved "excellent profits" and Utian is delighted with this acquisition. The right management is in place and he is expecting even better returns this year.

Gresham also operates in the DIY tool and hardware sector. Utian says this sector, like pharmaceuticals, has more than its share of problems. DIY building suppliers feel the squeeze on consumers' discretionary income keenly, and this is reflected in a 32,3% fall in the division's trading profit. A rationalisation programme has been implemented but Utian expects a real improvement only once economic growth resumes.

The group also has limited exposure to babywear and haberdashery wholesaling and the manufacture and distribution of belts. A loss incurred at Unovex (haberdashery and sewing accessories) caused a decline in this division's profit.

With a further slide in the operating margin to 2,3% in financial 1991, and pre-interest profit only up 3,8% on a turnover advance of a third, the climb in debt and the deterioration of liquidity ratios are of concern.

Interest-bearing debt more than doubled to R109,1m, of which R104,4m represents an unsecured loan from holding company



Premier. The resultant rise in interest costs saw R10,7m lopped off operating profit and constrained cash flow. Debt cover, interest and leasing cover, and the debt:equity ratio all deteriorated markedly and look unhealthy.

Capacity to improve liquidity this year appears limited. Though Utian is hoping that higher margins at PDC, and better performances from ACA and Salters, will improve profitability, he says this is "subject to the caveat that economic conditions do not deteriorate further." Yet his own observations tend to confirm that they have.

Gresham will need more than this financial year to overcome its trading and financial constraints and restore shareholder confidence. This is reflected in its share price and weak rating on the Retailers & Wholesalers board.

Pam Baskind

MOTOR SALES FM 2/8/91

Ending the secrecy (30)

After three years of self-imposed censorship the National Association of Automobile Manufacturers of SA (Naamsa) plans to reveal more complete industry sales figures by the end of the year. In a compromise move, however, it will probably give total sales of each manufacturer instead of breaking them down by model and variant as it once did.

Full monthly reports

Naamsa wants to revert to its pre-1988 practice of publishing full monthly reports of vehicle sales, but two of its members do not want this.

The dissenters are Delta Motor Corp and Nissan SA. They refused to supply Naamsa with breakdown statistics after 1988 to protect their Japanese sources from sanctions-busting charges. The other members closed ranks and also withheld detailed information. Naamsa stopped publishing details but issued only category totals monthly. It was left to individual companies to provide more information.

"We're ready to start reporting once all

continue →

FM 2/8/91 (30)

companies make their statistics available to us," says Naamsa president Spencer Sterling. "The other companies in Naamsa are happy to have their results published. It's pointless to report without two companies."

He and his supporters argue that full disclosure would reduce the number of erroneous press reports and help financial institutions to build up an accurate data base.

Naamsa's data base is more than six months out of date.

Delta MD Keith Butler-Wheelhouse argues that the old-style reporting wasn't productive. He says six-month-old figures are sufficient because they are needed only "for market trending; they don't change all that quickly."

He adds: "We will oppose any move back to the old system, which was a way to seek publicity by certain companies and could cause distortions. We don't want to get involved in arguments over whether we sold 10 more than a competitor in a given month. We accept that Toyota sells more than any of us and don't need monthly figures to prove it."

Nissan SA chairman John Newbury is touchy about his company being identified as one of the two that requested that statistics should not be published. "That information is wrong. It was a joint decision taken by Naamsa's executive group. I don't have any difficulty, personally, in publishing figures."

Mercedes-Benz CE Christoph Kopke says there is no reason to withhold statistics.

Toyota Marketing MD Brand Pretorius agrees, and recently made a vigorous plea for full reporting.

He says that the lack of accurate statistics led to a deduction — based on Central Statistical Service's figures, which exclude sales in the homelands — that Toyota was losing market share. In fact, he says, Toyota was gaining. ■

Unionists hammer 'racist' boycott

By DREW FORREST (30) w/Mail 2/8-8/8/91

THE Congress of South African Trade Unions' campaign of mass action against the state's "covert war on the forces of democracy" is off on the wrong foot, with bitter union complaints about the consumer boycott of white-owned businesses on the Reef.

Unionists slammed the action as "ridiculous" and "ill-planned and ill-conceived", as well as objecting to the "racist overtones" of targeting white shops. "Capitalism knows no skin colour," one snapped.

The boycott was too unfocused to succeed and could could deepen division by sparking violence and intimidation, they added.

Called by the "tripartite alliance" of Cosatu, the African National Congress and the South African Communist Party, the boycott centres on demands for the resignation of the government and immediate transitional rule and an elected constituent assembly.

The exposure of police funding for Inkatha and its allied trade union, the United Workers' Union of South Africa (Uwusa), had "obliged us to act", an ANC representative said. The boycott is to be reviewed after a week and periodically thereafter.

The boycott grows out of the ANC's May 9 deadline to the government on violence. There was a strong groundswell in favour of mass action, which was postponed and has now been broadened to take in the Inkatha scandal.

At its national congress, Cosatu announced it was committed to mass action, possibly including a general strike, because of the state's "double agenda of talking to us and waging war on us at the same time".

Cosatu would canvass its allies and call for an urgent summit of the patriotic front on a joint programme, it said.

A wide-ranging resolution called for full details of secret funds and special security forces, the opening of security force and "mercenary" camps to public scrutiny, an immediate public audit of weapons supplied to and by police, the South African Defence Fore and kwaZulu Police and a multiparty commission of inquiry, involving the democratic movement.

It also demanded reparations for victims of violence and immediate interim government. Calling on business to reveal its links with "forces of violence", it warned it would soon reveal the names of employers implicated in violent acts by Inkatha and Uwusa.

Sources said there had been significant progress in the church-mediated peace initiative, centrally involving the ANC and its allies, Inkatha and the state, and the general strike threat was likely to fall away if this bore fruit.

Taxi fear as thugs hijack ANC boycott

Sunday Times Reporters

30

SOWETO thugs have hijacked the ANC consumer boycott called in the PWV area in protest against the Inkatha funding scandal.

Taxi drivers and passengers said they had been stopped and searched by thugs "checking for boycott breakers".

They said they had been threatened with guns and necklacing before goods and money were stolen.

Some victims said they were shocked at the campaign. Many were not aware of the boycott called by the ANC/SACP/Cosatu alliance on Monday.

Retailers in the region reported little response to the boycott which has been rejected by the PAC and Azapo. Spokesmen for the organisations said they had not been properly consulted.

Azapo's PWV chairman Reverend Pakiso Tondi said the protest would "harm blacks more than whites".

The ANC's PWV regional spokesman Ronny Mamoepa said he was "not surprised that thugs have jumped on the bandwagon".

"We totally distance ourselves from these people.

"They should be treated as criminals. I want to call on them to stop such action."

Incidents have been reported throughout Soweto, with Diepkloof and Meadowlands the worst hit.

S Times
4/8/91

Police

Several townships have become no-go zones for taxi drivers.

One victim, Mr Solomon Masilo, of Meadowlands, said: "Three men stopped the taxi I was in. They told me I was breaking the boycott and robbed me of R400 and groceries."

Police confirmed the boycott-related crimes.

Confusion as boycott of shops is called off

LAST Friday's unilateral announcement by the ANC that the Pietersburg consumer boycott will be suspended today has created confusion among organisations which served in the boycott committee, writes **MATHATHA TSEDU.**

The National Council of Trade Unions and Azapo have hit out at the ANC, accusing it of having leanings towards white owners.

The ANC announced at a Press conference that after a thorough assessment of the boycott action, it had decided to suspend it from today.

It said the local chamber of commerce and the town council would soon be consulted on some of the commitments made by two organisations during the negotiations to end the boycott.

The ANC is part of the Consumer Boycott Committee, comprising various organisations, including Azapo, Nactu and the PAC, whose task is to co-ordinate and manage the affairs of the boycott.

These organisations were not consulted and many of them first heard the ANC's decision in radio and television news broadcasts on Friday night.

Azapo and Nactu issued a joint statement criticising the manner in which the ANC decision was communicated to the public and accused the organisation of having "loyalties of leaning towards the white capitalist exploiters who were the major victims of the boycott".

The two organisations said the ANC action negated the principle of consultation with co-members of the CBC and said this placed a question mark on future joint action with the ANC.

New twist in town boycott

Sowetan 5/8/91 (30)

By MATHATHA TSEDU

THE consumer boycott in Pietersburg, which started on July 1, has put the spotlight on the case of 419 workers dismissed from Sakkor Manufacturing after a strike.

The workers, members of the Media Workers Association of South Africa, have been on strike since June 3 following management's ultimatum to them to move out of the compound four days later.

The Consumer Boycott Committee tabled 10 demands to be met before the boycott could be lifted. At a meeting with the chamber of commerce last week, the CBC submitted a short list of three short-term demands that should be met before consideration could even be given to lifting the boycott.

These demands are the opening of facilities to all races, the withdrawal of SADF troops from villages and townships and the reinstatement of Sakkor workers and other dismissed workers.

Since the boycott started, the Sakkor case has been high on the agenda and many people are asking themselves what the case is all about.

Sakkor Manufacturing is a plant situated in the northern industrial area of Pietersburg. It manufactures and prints various kinds of bags made of plastic, including mielie meal containers and carrier bags.

Owned by two Taiwanese brothers, Jack and Jason Fang, the company operates a 24-hour shift in three groups.

According to Mwasa regional administrative secretary, Mr Albert Makgoba, prior to the union moving in, the company forced workers to do 12-hour shifts daily for no extra pay.

"This only stopped when we took them to the industrial court. At that time, the workers earned R120 per month which they got in two instalments, R50 on the 15th of each month and R70 at month end," Makgoba explained.

Strike

Makgoba's assertion on the 12-hour day is backed by correspondence between the union and the Department of Manpower which in the end indicated that the practice had stopped.

The workers were housed in a row of compounds that had no toilets. Men and women shared the separate dormitories and had to travel to the firm to relieve themselves. The distance to the plant is about 1 000m.

Makgoba said after signing a recognition agreement with the company, the union had taken up the issues of pay and housing.

"Earlier this year, in January, the company said the town council had ordered that all workers be removed. A strike ensued as workers wanted more money to pay for transport and alternative accommodation.

"We later settled, reluctantly, for a pay increase of R70 across the board, which was over 50 percent increase but merely brought the minimum to R192. This was coupled to an agreement by the company for workers to return to their compounds and to upgrade the accommodation and instal toilets. They also agreed to provide more rooms as rooms meant for only seven people were occupied by up to 22 people at times," he added.

Makgoba said while the union was still waiting for the improvements to be done, a controversy had broken out in the local conservative white newspapers over the accommodation of the workers on the premises.

Newspaper cuttings show a fierce debate in which the workers were called squatters whose presence would lead to a significant drop in the value of white property in the area.

The town council was quoted as saying the workers must move out and June 7 was set as a deadline that precipitated the strike, with workers saying that if they were to move out, their R192 per month wages must be increased to cover transport and accommodation expenses.

Slaves

Makgoba said the company had turned down a union offer to arrange accommodation in the nearby Seshego township for which the company would have to pay as well as for the transport. The alternative was to increase wages to cover those items.

"They simply said they had no money and said the workers should find their own accommodation and transport with the R192 they were being paid," Makgoba added.

He said it was this intransigence by management that led to the strike, after which they were all dismissed. He said the town council representative on the chamber delegation to the boycott meetings, town clerk Mr ACK Vermaak, had told the CBC that the town council had not objected to the presence of workers on the premises but to the lack of basic health requirements such as toilets and overcrowding.

In an attempt to defuse the matter last week, the Fang brothers wrote to Mwasa, indicating that "where vacancies exist", they would re-employ the dismissed workers. The letter did not indicate what would happen to the problem of accommodation or how many of the strikers would be re-employed.

Makgoba said the Taiwanese owners were exploiters who wanted the black workers to look like slaves.

"We are in the process of organising a march to the Taiwanese Embassy in Pretoria soon to highlight the plight of our members.

"These people came here in defiance of the sanctions ruling by the international community. They claim, together with the South African Government, that they are here to provide jobs for our people. But in the end they are here to reintroduce slavery.

"Recently, our sister union Mewusa was involved in a strike in Seshego where another group of Taiwanese people even assaulted union members and union officials who went to discuss the matter," Makgoba said.

Battle

Numerous attempts to speak to the Fang brothers have been fruitless. They cannot speak English and all enquiries are referred to their lawyer, Mr Jan Stemmet.

Stemmet, a former policeman turned lawyer and now the town's sole labour consultant for virtually all companies, is part of the chamber delegation to the boycott meetings.

Stemmet said the company would not take everyone back. Nor could the company afford any increase. He said the town council had refused to allow the accommodation of all workers on the premises but was prepared to allow a "partial" settlement of workers who would be doing night duty.

Stemmet expressed disappointment at the breakdown of talks with the CBC and said good progress had been made since contact was established two weeks ago.

And so, what started as an attempt by white property owners to keep their areas lily white is turning into a nightmare. And in another twist of fate, the survival of white business in town today precariously rests on the fate of the 419 black workers, many of whom can hardly understand the sophistication that has now entered the battle.

New overall concept of business needed

Sowetan 5/8/91

SOUTH Africa needs a new overall concept of business which will take account of the traditions and culture of the African participants in commerce and industry.

This suggestion by Mr Reuel Khoza, managing director of Coordinated Marketing and Management, was made at the first annual national Diversity conference held at the Carlton Hotel this week.

Khoza said the business world as currently conceptualised and structured in most South African corporations is generally cast in a Euro-centric mould.

"Little or no account is taken of what contribution indigenous African world-views can make in better shaping the world of work," he said.

The two-day conference drew speakers and panelists who are internationally and nationally recognised as being in the forefront in recognising and working with the complex issues of work force diversity and change.

If anything, the conference was a good first step toward an understanding that diversity in the work force contributes to a strong economy. Equally important, it shed light not only on the differences in South Africa but also the vast areas of common interest.

Khoza, speaking on the theme "The need to develop a South Africa-based approach to management", said Western managerial ploys such as strategy, organisational structure, systems, and so forth, function optimally in a conducive environment.

"It is to that which would make for a conducive environment in South African commerce and industry that we turn our attention," he said.

By ALI MPHAKI

Referring to his South African-based approach to management as the "community concept", Khoza said this type of management has a strong philosophical base in the concept of Ubuntu.

"This requires that management be approachable, not to say overfamiliar. After all, in African villages the chiefs are highly dignified personalities but yet very approachable."

30

Belonging

"An atmosphere of informality must overhang the chores and procedures of business if employees across the board are to feel a sense of belonging. The managing director who is unable to engage in occasional informal chats along the corridor with the young trainee several rungs below him cannot hope to generate espirit de corps in the organisation," Khoza added.

Another speaker, Mr Eugene Nyati, director of Centre for African Studies, said he has found "immense" institutional resistance from corporate South Africa to lending to blacks or black management advancement.

"While companies pay lip-service to equal opportunity, promotion of blacks in line management is so insignificant as to be virtually non-existent."

Nyati called for the creation and support of a black middle-class, although ready to caution that such a middle-class should not be large enough to threaten its white patrons, and yet be visible enough to act as a psychological and physical barrier between the whites and the angry and hungry black masses.

Soweto boycott plan to put end to attacks

(30) Sowetan 5/8/91

By IKE MOTSAPI

MORE than 500 Soweto residents at a meeting called to find ways of stopping attacks on the community yesterday resolved to boycott all businesses owned by former mayor Mr Ephraim Tshabalala.

The meeting also resolved to boycott shops owned by councillors and to ask the Soweto Peoples Delegation to suspend this week's rent talks with the Transvaal Provincial Administration.

A member of the Mshenguville Crisis Committee, Mr Floyd Mashele, said the decision to boycott Tshabalala's businesses was agreed upon after residents felt he had a hand in Inkatha's decision to operate at Mshenguville.

More than 10 people have been killed and many injured in the squatter camp since last month.

Mashele said: "Our information is that on May 4 this year Tshabalala invited Inkatha to a Sofasonke Party meeting where it was decided that Mshenguville should be a base for Inkatha."

"On July 7 Inkatha was officially launched at Mshenguville. Since July 19 people who refused to join Inkatha have been harassed and intimidated.

"So far, 10 people have been killed and several shacks burnt down. Tshabalala and the councillors, who claim to represent the people, have done nothing to solve the problems."

Tshabalala sent a relative, who declined to give his name, to represent him at yesterday's meeting. He told the meeting that it was only her father who supported Inkatha and not the whole family.

However, the meeting rejected this explanation and declared that the boycott of all Tshabalala shops should go ahead as planned.

Mashele also charged that the "horrendous killing" of people had escalated, homes had been burned down and hundreds of people had fled the squatter settlement.

Mr Humphrey Ndlovu, secretary of the Soweto branch of Inkatha, said at the weekend that it was not true that people were being forced to join the organisation.

He confirmed that an Inkatha branch was launched in July "after many people from Mshenguville approached us wanting to join the organisation".

Another meeting is planned for next Sunday at Ipelegeng Centre at White Jabavu.

The ANC, its women's and youth leagues, church organisations, civic associations, the PAC, SACP, Operation Umhle, Azanyu and the Red Cross were represented at the meeting.

VAT being exploited, claim supermarkets

By John Miller Star 5/8/91
Star Line

While consumers complain of rising food prices, supermarket chains blame manufacturers for exploiting the introduction of VAT.

A spokesman for VAT Watch said the organisation had been inundated with complaints of misleading advertising and unwarranted VAT-related price increases.

Several advertisements which told the consumer to "buy now and beat VAT" — even though prices with VAT should decrease — have been referred to the Advertising Standards Authority.

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THE STAR VAT WATCH

12% VAT

The spokesman reminded consumers to look out for unusual trends and movements in retail prices and report these to the VAT Watch hotline on (011) 484-3392.

Director of foods for Pick 'n Pay, Shaun Summers, said manufacturers were trying to exploit the situation.

"Manufacturers of certain canned fruit and fish products have hiked up their prices dramatically. They tell us they can now export their products and that if we want them we will have to pay the price."

Mr Summers expects the situation to get worse because manufacturers can claim a zero rating on VAT if they export.

He said VAT was a hidden tax and the end-user was unable to see whether any inherent benefits had been passed on.

"Retailers will be blamed for the end price while the Government and manufacturers sit back and watch. Manufacturers have told us that the rate of inflation will take care of any possible savings," Mr Summers said.

Director of foods for OK Bazaars, Mervyn Karaitzick, supported Mr Summers' contention that manufacturers were trying to exploit the situation by increasing prices.

Mr Karaitzick also blamed the near-monopoly situation that existed with regard to various products — especially canned fruit and vegetables, biscuits and detergent products.

Managing director of Checkers Serge Martinengo said the chain had been able to maintain prices on everyday items until the end of September after striking deals with various manufacturers.

He said, however, that various product increases had taken place but he did not think these were linked to VAT.

ANC to push ahead with boycott of white business

B/Day 6/8/91. **WILSON ZWANE** (30)

THE ANC plans to revive a boycott of PWV white businesses which has failed to gain popular support despite being called more than a week ago.

An official said the boycott of white-owned businesses in Pretoria, Johannesburg, Soweto, the East Rand and Far East Rand called by the ANC, SACP and Cosatu last Monday, was "well and alive".

"But it is too early to say if it has been effective as it has not taken hold in all the zones as yet," he said.

"But at a meeting of the ANC PWV campaign committees at the weekend all the zones indicated that they had held sufficient consultations with various groupings in their areas and that a campaign to popularise the action had begun in earnest."

Last week the ANC said the boycott was sparked by the "disclosures of clandestine funding of Inkatha and Uwusa by the security police".

Shopkeepers in various centres polled recently said the boycott was having little effect on turnover.

We'll hit back - commuters

Sowetan 6/8/91.

30

THE African National Congress and Azapo have condemned enforcers of the consumer boycott of white businesses who intimidate commuters and destroy their goods on trains and in taxis.

By MONK NKOMO

Several people telephoned *Sowetan* complaining about the enforcement of the boycott and threatened to "strike back" at people who harassed them, especially in the Pretoria to Mabopane trains.

A number of people said they were harassed by a group who searched and confiscated their groceries inside trains, especially during peak hours.

"We are sick and tired of people who decide our fate without consulting us. We are going to arm ourselves and strike back," some residents said.

The outcry coincides with confusion over a call to boycott black-owned businesses in Garankuwa in Bophuthatswana.

An ANC spokesman yesterday distanced the organisation from pamphlets calling on the boycott of 22 black-owned shops in Garankuwa.

But Azapo official the Rev Pakiso Tondi said they endorsed the boycott after consultations with the local branch of the ANC.

Some of the reasons cited for this action include the alleged harassment of political activists by the Bophuthatswana police and the dismissal of workers at Vametco company.

An ANC spokesman condemned the method of enforcing the boycott by groups harassing people on trains. Taxis were also stopped and searched in Atteridgeville last Thursday.

"Those groups must stop enforcing the boycott of white businesses," the ANC spokesman said.

Tondi, whose organisation distanced itself from the boycott of white businesses, expressed the same view and called on their supporters to conduct the boycott of several black businesses "in a professional manner".

Business mood knocked by Inkathagate — Sacob

SVEN LUNSCHE

(30) ARG 7/8/91

JOHANNESBURG. — Business confidence continues to be hostage to political developments although there is mounting evidence that the economy has bottomed out.

The SA Chamber of Business's (Sacob) reported yesterday that the Business Confidence Index fell slightly in July by two percentage points to 88,4 from 88,6 in June.

But Sacob added that the "minor extent of the decline and the fact that many of the sub-indices showed an improvement tends to support the view that the economic downswing has now bottomed out".

"Nevertheless," adds Sacob's chief economist Dr Ben van Rensburg, "the recent Inkathagate scandal has once again served to emphasise the vulnerability of the political climate.

"It is clear that, until negotiations give rise to a new constitution that will enjoy the support of the business community, and a truly representative government, the business mood will continue to be hostage to developments on the political front."

However, in other spheres prospects for the economy are improving, notably on the external front, where the recent lifting of sanctions and the mild recovery in the world economy "means that South Africa is well placed to take advantage of the opportunities that may arise on world markets".

The high rate of inflation continued to depress business confidence and it seemed clear that the monetary authorities would not relax the reins on monetary policy until meaningful progress has been made in the fight against inflation.

The manufacturing industry is clearly at the forefront of those who belive that the economic downswing has now bottomed-out, says Sacob economist Keith Lockwood, who conducts its survey of confidence levels in the industry.

"The level of optimism about sales and production prospects in the coming 12 months is now at its highest level since February 1990, indicating a broader consensus that a new upswing in near at hand," he says.

But he cautions that short-term activity levels had failed to show any significant improvement in recent months, and it was doubtful that the upswing had already begun.

The more optimistic sales expectations are also not expected to flow through to increased employment opportunities, with employment of both skilled and unskilled workers expected to decline over the coming years.

Capital expenditures in the manufacturing industry have been to a large extent postponed until the introduction of VAT but Mr Lockwood says that over the coming year capex is expected to show real growth compared with the past 12 months.

Prefhold has set tough growth targets

B/Day 7/8/91 (30)

MARCIA KLEIN

PREFCOR Holdings (Prefhold), whose R263m share offer closes at noon on Friday, hopes to achieve real growth through expansion, acquisition and business partnerships, directors have said.

It is believed that the R12m offer to suppliers and business associates and the R242m offer to institutions and the Prefhold share incentive scheme have been taken up.

Prefhold has also made an offer to the public of 600 000 ordinary shares and 1,2-million convertible debentures at 500c each to raise R9m.

The retail group, which controls the Beares Group, Game Discount World and the Bee Gee clothing chain, hopes to list on the retail and wholesale sector of the JSE on August 21.

Prefhold aimed "to achieve real growth by accelerating the development of its existing businesses, by establishing or acquiring businesses with long term potential and by entering into business relationships with reputable companies", executive chairman Terry Rosenberg said.

It hoped for a 27% turnover growth to R1,27bn and a 44,5% rise in operating income to R167m in the year ~~to end~~ June 1992. Attributable income would increase by 14,6% to R42,4m for the period.

Rosenberg said although the group had set itself tough targets, "our businesses are well positioned to grow with the expanding SA economy".

Shrinkage costs retailers R1bn a year

LINDA ENSOR

CAPE TOWN — The retail and wholesale sector was losing between R850m and R1bn a year in shrinkage, Arthur Andersen partner Eddy Oblowitz said at a seminar on yesterday. BDay 7/8/91

He said one supermarket chain lost R46m last year and had appointed a full-time director to look into the problem.

Employee theft, shoplifting, under-ringing at check-out points and inaccurate receiving of merchandise were among the main causes of shrinkage. (30)

"Research shows ~~that~~ 40% of shrinkage is due to employee theft, 30% due to customer theft, 10% due to supplier theft and 20% due to administrative problems."

Sinclair changes its focus to car retailing

SHARON WOOD

SINCLAIR Holdings is to refocus its operations on motor retailing and will acquire a R13,1m interest in certain motor franchises next month, according to a statement released today.

In order to reflect the operations conducted by the group, the board of directors of Sinclair Holdings has proposed a change in the company's name to Urquhart Motor Group. It has applied to the JSE to transfer the company's listing from the industrial holding to the motor sector.

The subsidiaries of Sinclair Holdings will conduct the business of motor retailing and the ownership of motor dealership properties.

A special dividend of about R24,1m in aggregate will be declared by the company, which translates into R93,50 for every 100 shares held by shareholders.

The board of directors has proposed an increase in the company's authorised share capital by the creation of 10-million preferred ordinary shares of 70c each.

Boycott is weak says chamber

Sowetan 7/8/91

THE two-week-old consumer boycott of white businesses in Pretoria has had very little impact on sales so far, Mr Alec de Beer, general manager of the Pretoria Chamber of Commerce and Industries, said yesterday, writes **MONK NKOMO.**

"The boycott has not made any impact on sales because a good number of black people have ignored the call to boycott white shops," said De Beer.

The boycott, which started on July 25, was organised by the ANC, Cosatu and the SACP to pressurise the Government to release political prisoners; to allow exiles to return home; to stop electricity cuts in the townships; and to end retrenchments.

The general manager of Spoornet (Passenger Services), Mr Joe Schutte, warned yesterday that drastic action would be taken against people enforcing the consumer boycott by harassing passengers and confiscating their goods in trains, especially between Pretoria and Mabopane.

He said police would patrol the trains. Complaints could be referred to Spoornet at (012) 315-2491.

Boycott hits (30) Bop traders

Sowetan 7/8/91

THE Central Transvaal region of Azapo yesterday said yesterday that the consumer boycott of several black businesses in the Garankuwa and Ramogodi areas in Bophuthatswana was sparked off by local businessmen's collaboration with the government.

Regional chairman the Rev Pakiso Tondi said some of the 22 shops listed as targets, were owned by Bophuthatswana cabinet ministers.

Tondi said Azapo and the local branch of the ANC launched the boycott to demand, among other things, the release of political prisoners and an end to "harassment and intimidation of activists by the Bophuthatswana police".

Individual vehicle sales still kept under wraps

(30) B|Day 8/8/91

MARC HASENFUSS

ECONOMISTS are still being denied full access to what analysts yesterday termed one of the leading economic indicators — individual vehicle manufacturers' unit sales figures.

Analysts said yesterday that a failure to reach consensus among vehicle manufacturers was among the reasons given for the non-disclosure of the individual monthly sales performance.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermuelen said further disclosure of monthly new vehicle sales figures was under periodic review, and "hopefully" the industry would provide a fuller disclosure by the end of the year.

Current Naamsa figures show only the total industry sales in the passenger, light commercial, medium comercial and heavy commercial vehicles.

Econometrix's motor industry expert Tony Twine said comprehensive data would eliminate "a lot of guesswork".

With restricted data people were "flying blind" when running and planning their businesses.

Industry sources said the use of Central Statistical Service figures which showed the number of new vehicles registered by manufacturers was unacceptable. These figures do not include sales to neighbouring countries and do not take into account special trends in the motor industry.

The publication of individual manufacturers' unit sales figures was stopped by Naamsa in 1988 for strategic reasons, after economic sanctions intensified.

However, industry sources said that with the easing of sanctions it was no longer necessary to hold back on the data.

Toyota, VW, Samcor, Mercedes Benz and BMW support fuller disclosure, while Nissan has expressed conditional support.

Only Delta Motor Corporation remains firmly opposed.

Pepkor plans assault on European markets

D Day 8/8/91 MARCIA KLEIN (30)

RETAIL group Pepkor is planning "substantial" business in Europe within the next five years.

Pepkor chairman Christo Wiese said at the opening of a Cape fruit-management symposium yesterday the group would develop the market "if the international climate towards SA continues to improve".

The group started planning for its entry into international markets five years ago. In March this year it opened its first store in the UK through an associate company.

"When the doors to new markets opened, we were one of the first to slip through," he said.

Pepkor allowed a European associate "to apply the Pep concept on a franchise basis worldwide".

The agreement provided for the use of Pepkor expertise and for the supply of SA clothing and textiles.

The UK store traded under a different name, but was modelled on the SA Pep store concept.

"The results were so positive that we will be opening a substantial number of outlets in the area within the foreseeable future."

Wiese said the Pep mass-market concept was "a unique export product which could be applied with equal success in virtually any country", and SA exports stood to benefit considerably.

"Pepkor is convinced that the SA retail industry is one of the most sophisticated in the world, and that other countries could learn much from us," he said.

However, Wiese stressed that Pepkor was not shifting its focus from the local market.

"The SA market is still our priority. We want to assist in creating wealth in this country."

New structure planned for DBSA

Business Staff ARG 8/8/91 (30)

JOHANNESBURG. — The Development Bank of Southern Africa (DBSA) is looking into a new structure and functioning in line with constitutional change in South Africa, says the bank's chief executive Dr Simon Brand.

The bank has recently been criticised by among others, ANC leader Dr Nelson Mandela, for not consulting sufficiently with community-based organisation in the implementation of its projects .

Dr Brand said that the reconstruction of the DBSA during the transition period would have to be mainly in its mandate and accountability, while accelerated progress would have to be made "in achieving a more representative composition of staff and management and all levels".

"Our governing structures, that is the Board of Directors and the Council of Governors, will also clearly have to be reconstituted," Dr Brand said at a seminar in Durban.

"If these changes had to wait until a new constitution has been put into effect, it is virtually certain that the momentum of development activities will be seriously affected."

But he was adament that the bulk of the projects supported by the DBSA were likely to "stand the test of changes in the political and constitutional framework".

"The bank has always concentrated on the socio-economic merits of projects and programmes ... and we have required independent verification, based on wider consultation of the needs by the communities who are to be affected by the projects."

The two-tier governing structure had also protected the DBSA from sectional political interference, Dr Brand said.

The DBSA has been actively pursuing possibilities of providing support to community-based and non-governmental development organisations in terms of "delivery mechanisms" of its funds.

"After initial reluctance on the part of such organisations, significant progress has been made in more recent times in this direction."

Dr Brand said the bank had expanded more recently into neighbouring countries, "although such involvement has been limited mainly to policy advice and technical assistance in the preparation of projects".

"In this process there is likely to be increasingly intensive co-operation with overseas development funding agencies with programmes in southern Africa."

Ackerman joins African elite

Sowetan 8/8/91

(30)

MR RAYMOND Ackerman, chairman of Pick 'n Pay Stores Ltd, has been invited to join the exclusive Geneva-based International Business Council for Sustainable Development, writes **ALI MPHAKI.**

Ackerman is the only one of five African members of the 50-member international organisation, which was formed in February this year on the initiative of the United Nations Conference on Environment and Development.

It represents a broad range of the world regions and business sectors.

Speaking from Cape Town this week, Ackerman said his invitation to join the world body reflects South Africa's growing status and legitimacy in international affairs.

Raymond Ackerman

He said his membership will involve work on behalf of the BCSD throughout the world, leading up to the UN-organised Conference on the Environment (Eco '92) in Brazil next year.

The other Africans are Mr James Onobiono of Cameroon; Mr Naim Abou-Taleb of Egypt; Chief Mrs Kuforiji-Olubi of Nigeria, and Mr Philip Ndegwa of Kenya.

Boycott over on West Rand

(30)

Sowetan 8/8/91

The Krugersdorp boycott, which was temporarily suspended for a month, has now been indefinitely suspended.

This follows a meeting on Monday night between the local Boycott Committee, the West Rand Chamber of Business and the Traders in Crisis Action Committee.

In a Press statement released this morning, a spokesman for the groups said the decision had been taken after satisfactory reports were given to the meeting on the progess made with various aspects raised at the beginning of the boycott.

These include the supply of electricity to Munsieville.

An agreement was made with the Regional Services Council to spend R144 000 on the overall upgrading of the cables and the installation of seperate meters for every end user.

A further R115 000 will be spent on the replacement of the obsolete damaged meter boxes. It will then become possible to disconnect the electricity supply to individual consumers who failed to pay their accounts.

Additional land

A meeting has been arranged for later this month for a delegation to meet with Minister Leon Wessels and Mr John Mavuso, MPC, concerning additional land for housing. The future of Swanieville will also be discussed.

The civic forum in Munsieville is functioning well.

A technical committee has also been appointed in the area.

This committee meets on a weekly basis to monitor the progress of various projects.

Tradegro shares suspended after court 'hiccup'

MARCIA KLEIN (30)

TRADEGRO and holding company Tradehold shares were yesterday suspended on the JSE at the companies' request.

The move follows news of pending court proceedings following a minority shareholder's objections to the group's unbundling, which was first proposed in March.

Sources said yesterday the unbundling plans had been seriously hampered by the minority shareholder, who was said to hold no more than 1 000 shares.

The shares were suspended at 150c and 90c respectively. Tradegro and Tradehold will be relisted on the JSE at the start of trading on Monday.

The unbundling exercise, originally expected to be completed by the end of July, could become "a drawn-out affair", a source said yesterday.

On July 23 an objection was made in Rand Supreme Court to the sanctioning of the scheme of arrangement between Tradegro and its shareholders. In terms of the scheme, Tradegro would distribute its shares in the Metro Group, Cashbuild and the Premier Group to Tradegro and Tradehold shareholders. Also, all convertible instruments would be converted into ordinary shares. B\Day 9/8/91

A source close to the group said the objection had caused "a serious hiccup" in ultimate holding company Sankorp's plans to unbundle the Tradegro group.

It also meant that the sale of Checkers, through its holding company Tradehold, would be delayed at least until the matter was cleared up in court.

Sankorp GM investments Etienne le Roux said yesterday that Tradehold would not be sold until the scheme was finalised.

The hearing for the sanctioning of the scheme, postponed to August 13, was likely to be postponed again so that Sankorp could submit its replying affidavits, Le Roux said.

In a statement yesterday the company said it was now expected that the hearing would be considered by the Supreme Court on September 24.

Le Roux said it could not be assumed from the suspension of the shares that Sankorp was expecting the court not to sanction the scheme.

PWV consumer boycott seems to have little backing

(30)

By Paula Fray

Star 9/8/91.

The call for a consumer boycott of white businesses in the PWV area to protest against the State's covert funding of Inkatha has failed to gather widespread support.

So far, only the Vaal Triangle — where the Vaal Civic Association has called for a consumer boycott on other issues — has felt the effect of a store boycott.

Last week, organisers said the boycott would be reviewed after a week.

The boycott was on, Cosatu spokesman Amos Masondo said yesterday. He said it would be reviewed on Sunday and a statement issued on Monday.

"The effect differs from town to town," Mr Masondo said.

The ANC could not be reached for comment.

According to Johannesburg Chamber of Commerce and Industry chief executive Marius de Jager it was very difficult to assess whether there had been any impact.

"It depends on the location of the store and its client base," he said.

It was almost impossible to give an assessment of the boycott, Mr de Jager said.

"We certainly have not had any indication that it has had any impact."

According to Pretoria Chamber of Commerce general manager Alec de Beer the boycott has had a minimal effect.

There had been no change in the situation since last week.

Decline

"There has been a slight decline in sales but it is difficult to ascertain whether this is the result of the boycott or the present economic situation," Mr de Beer said.

Feedback on the effects of the boycott was that its impact did not appear as significant in the Johannesburg area as in the Vaal Triangle and Pretoria.

Vanderbijlpark Sakekamer chairman Gerrit Meyer said it was very difficult to tell what effect the consumer boycott — also called by the Vaal Civic Association — was having.

DEFINITIONS

Debt:equity ratio: All interest-bearing debt plus redeemable prefs less cash expressed as a ratio of total shareholders' funds.

FM 9|8|91 (30)

MAS HOLDINGS (30)

In demand

FM 9|8|91

Activities: *Mail order retailing, direct selling and mail insertion.*

Control: *Mascon 62,55%*

Chairman: *H van Embden; MD: M van Embden.*

Capital structure: *21,6m ords. Market capitalisation: R91m.*

Share market: *Price: 420c. Yields: 3,8% on dividend; 9,9% on earnings; p:e ratio, 10,1; cover, 2,6. 12-month high, 420c; low, 245c. Trading volume last quarter, 274 900 shares.*

Year to Feb 28	**'88**	**'89**	**'90**	**'91**
ST debt (Rm)	3,9	13,5	27,3	20,9
LT debt (Rm)	—	—	—	—
Debt:equity ratio* ...	0,19	0,56	0,85	0,56
Shareholders' int* ...	0,61	0,46	0,39	0,41
Int & leasing cover .	18,0	6,4	3,0	2,7
Return on cap (%)*	16,5	13,9	14,7	15,6
Turnover (Rm)	n/a	n/a	n/a	n/a
Pre-int profit (Rm) ...	4,9	7,3	12,1	14,2
Pre-int margin (%) ..	n/a	n/a	n/a	n/a
Earnings (c)	20,1	25,6	32,8	41,6
Dividends (c)	10,0	12,0	14,5	16,0
Net worth (c)*	96	123	165	170

* Excluding premium on acquisition: includes mailing list valuation.

Mashold's market capitalisation has all but doubled since this time last year. During that period, the JSE Industrial index has risen by a third and the Retailers & Wholesalers index by two-thirds, but the share has been even more favourably rerated.

It is not surprising, considering the company's track record. Over the past five years, attributable earnings have shown compound annual growth of 33%, with EPS rising by 27%. Mashold continues to produce real growth from its essentially cash-based business.

Edgars has been operating a mail order division for years now. The recent entry of Wooltru and many others into this type of retailing shows there is growing consumer acceptance for the convenience of the mail system, rather than suffering the inconvenience of shopping, which, for the low income groups, often entails travel by public transport.

Group cash flow improved markedly in the 1991 financial year. Cash generated by operating activities totalled R11,5m, compared with the previous year's negative R2,4m. Working capital grew by R3,4m; in 1990 it required an additional outlay of R14,9m.

The benefit included a reduction in short-term debt. Stocks were only marginally higher. Main reason for the rise in working capital was the growth in debtors. Since these largely represent cash balances held by or due to the Post Office, the 19% increase is no cause for concern.

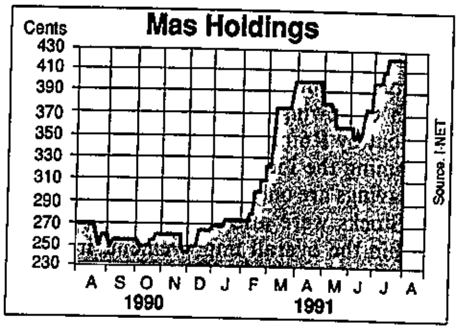
The directors value the mailing list as an asset of R8m. When this figure is eliminated from shareholders' funds, net worth per share is 133c rather than the 170c given in the table.

The market, as it does with the retailing industry in general, seems to pay little attention to net worth in valuing the share. Instead, emphasis is being placed on the earnings prospects. Mashold has been an underrated stock, perhaps because it is the only listed mail order operation and the market did not understand the company. But investor perceptions have been changing.

CE Marco van Embden says budgets for the current year reflect continuing growth and most subsidiaries are performing "satisfactorily." He adds that the growth path of the past five years is expected to continue.

Mashold operates in a sector of the retail market that is steadily gaining acceptance. The share ranks as a top-rate, second-line stock and should be accumulated, but bear in mind that tangible net asset value is far below the market price.

Gerald Hirshon



Makro tackles office, stationery suppliers

S Times (Bus Times) 11/8/91 30

By IAN SMITH

WOOLTRU's super-performing wholesale arm Makro, which has more than doubled sales in three years, is set to revolutionise the stationery and office supplies business.

Makro has the sector in its sights for a major breakout from its dominant role in the urban wholesale market.

Its eight big stores distribute a wide range of branded merchandise to cardholders.

The first Makroffice selling all forms of stationery, some office electronic equipment, cleaning and canteen supplies and a limited range of office and canteen furniture opens in Wynberg, Johannesburg, in the coming week.

Makro managing director Mark Lamberti says: "The office 'superstore' has been the phenomenon of North American retailing in recent years.

"The move is an experiment for us, but if Makroffice shows anything like the tremendous growth this type of store has produced abroad we will be on a winner."

Hopes are high that Makroffice will grow into a chain.

Traditionally, the office supplies business in SA has been service based, reps calling on clients or orders being phoned in. Goods have then been delivered, with credit an important component of the deal.

Makroffice will be a price-based cash business, says Mr Lamberti. Cardholders will collect their supplies and will be able to see all that is new.

In-store graphic design and reproduction facilities will give customised stationery services as well as conventional and full-colour copying.

"We will target smaller businesses and try to introduce an element of excitement and innovation in a category, which is regarded as necessary but boring," says Mr Lamberti.

"Few senior executives know much about stationery, but most would be surprised to learn how much they spend on it."

Makro already has a foot in the door through stationery sales from its other outlets.

It is difficult to put a value on the stationery and office supplies business because supermarkets and multi-line stores like CNA account for a large slice. But it is believed to be worth well over R1-billion a year.

Property

Established suppliers, led by Cape-based Waltons, will watch the experiment.

Makro has been turned from a pedestrian performer when Wooltru acquired its initial 66% holding from Dutch disinvestor SRV in 1987 into a star.

In spite of recession, sales jumped from nearly R559-million in the year to June 1988 to about R1,2-billion in the latest year.

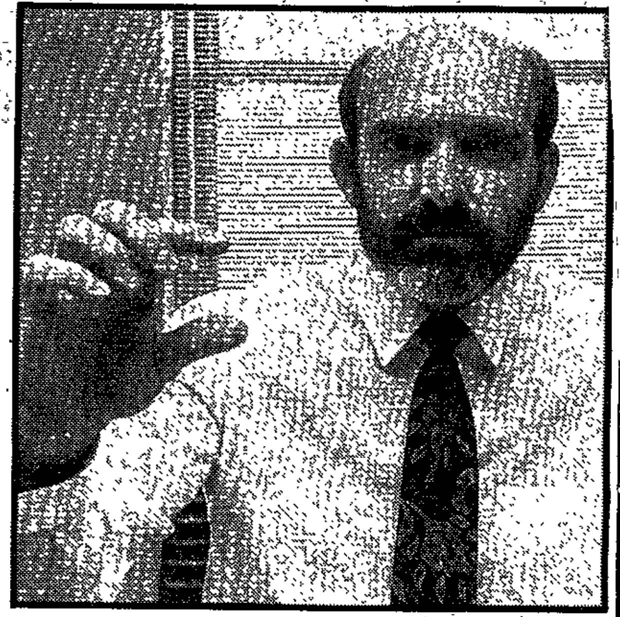
Mr Lamberti believes Makro is setting new standards for sales a square metre and employee — "far higher than anyone in the business, including retailers."

Mr Lamberti took over the direction of Makro shortly before Wooltru bought the remaining one-third stake from Safren in 1988.

After two years of planning, aggressive expansionary moves began last year. The flagship store at Germiston was moved, a big new one opened in Springfield, Durban, and a smaller shop opened in Maritzburg.

Last year Makro's capital investment, excluding property and buildings, totalled R37,5-million.

Makroffice is not a diversification, says Mr Lamberti. "It is totally within our strategic mandate. We are building on the success of stationery in our normal business with a high volume low-cost approach."



MARK LAMBERTI: Drive on prices Picture: COBUS BODENSTEIN

Collin Wright, Johannesburg's new commerce and industry director.
Picture: CATHERINE ROSS

Jo'burg's image under the spotlight

30

B/Day 12/8/91

TANIA LEVY

JOHANNESBURG has to convince overseas investors that the city is a good long-term investment opportunity and a launching pad for trade with the rest of Africa, says the city's new commerce and industry director Collin Wright.

Wright, an international business consultant, has been appointed by the council to promote Johannesburg's economic development locally and internationally.

In an interview last week he said he would go out of his way to bring investors from Japan, Taiwan, Europe and the US to SA in a bid to counter SA's poor image overseas.

In the short term SA could not compete with the Far East or Eastern Europe, where labour was skilled, relatively cheap and abundant. But in the longer term SA had large untapped markets and prospects for industrial development, he said.

As the commercial heart of SA, Johannesburg had business experts with specialised knowledge in SA conditions. It also had First World commercial infrastructure such as banks, the stock exchange and facilities to arrange foreign exchange.

Wright said he was holding discussions with several major overseas groups that were considering reinvesting in SA. Their return would be significant to other potential investors.

Johannesburg had to define innovative development themes for the city, along the lines of the financial district taking shape to the west of the CBD. Other specialist areas that could be developed included a mining area and a concentration of jewellery-related industries.

Wright said he would act as a middleman between the council's planning department and private developers and would try to involve Johannesburg residents and workers in future development.

He acknowledged that the existing ratepayer base was not representative enough and that involving wider interest groups would be essential.

TED bans school heads at meeting

TANIA LEVY

BDay 12/8/91

THE Transvaal Education Department (TED) banned principals from attending a meeting organised by the National Education Co-ordinating Committee (NECC) to explain its planned occupation of white schools.

Johannesburg headmasters said at the weekend that they had been informed telephonically that they could not attend a meeting scheduled for last Thursday.

The NECC's Southern Transvaal region has postponed the meeting until this week.

A high school headmaster said the TED had not given a reason for the ban.

TED executive director Pieter Bredenkamp, contacted yesterday, said he was not prepared to comment on a Sunday, and that inquiries could be made to his liaison department today.

NECC national assistant general secretary James Maseko said when a date was decided on for the national occupation of empty and under-utilised white schools, it would not be publicised in an attempt to avoid the kind of police presence which thwarted the NECC's original attempt to occupy Johannesburg's empty Orange Grove Primary School.

GERALD REILLY reports from Pretoria that Education and Culture Minister Piet Clase has done an about-turn and approved an application from the management council of the Paarl Boys' High School to be allowed to implement Model B at the school.

Theft 'may cost retailers R16bn'

BDay 12/8/91. 20

WILLIAM GILFILLAN

PROSECUTIONS for theft from retail outlets amounting to R800m were conducted in 1990, a study by Betty Naude of Unisa's criminology department discloses.

Naude estimates prosecutions took place in one out of 15 thefts, meaning loss through theft could be as high as R16bn this year.

And commerce and industry spokesmen say losses through hijacking and shrinkage have soared to unprecedented levels.

Sacob spokesman Ken Warren says latest estimates suggest shrinkages are between 1,5% and two percent of retail sales.

Shrinkage could have increased by as much as 35% this year with rising unemployment and more sophisticated criminal syndicates to blame.

Checkers MD Sergio Martinengo said shrinkage at the big three retail outlets could be about R210m this year. Last year shrinkage was estimated at around R150m.

He says theft is mostly perpetrated in-house, where employees collude with suppliers' drivers.

Security specialist John McBrearty said the industries most affected were those where stolen goods were easy to transport. These included foodstuffs and clothing.

Clothing manufacturer Seardel experienced a large rise in its in-house pilferage this year and CE Aaron Searll said the theft occured where employees colluded with organised syndicates.

The pharmaceutical industry is also experiencing unprecedented levels of pilferage, and industry sources believe there are well-organised criminal syndicates behind this.

Pick 'n Pay MD Hugh Herman said the company's shortages "certainly will not increase by as much as 35% this year" as management had been giving more attention to security systems.

He said the company's shrinkage was "of the order of one percent" of sales.

As turnover in 1991 increased to R5,2bn from R4,4bn in 1990, shrinkage increased by 18% to about R52m from R44m.

According to SA Chamber of Business (Sacob) statistics, hijacking is believed to cost the country R6bn a year after taking into account time lost due to vehicles being off the road.

Witwatersrand SAP spokesman Major Bruce Craig said heavy duty truck hijackings on the Reef increased to 370 in 1990 from 196 in 1989.

Pharmaceutical manufacturer Twins executive director Phil Naute said its delivery vehicles were now followed by unmarked security vehicles as a result of a surge in hijackings.

"A high proportion of highjackings involved driver collusion," according to McBrearty.

Supermarkets introduce dual price system to ease transition

Star 12/8/91

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By John Miller (30)
Star Line

The country's leading supermarkets will introduce a dual pricing system within the next three weeks, and display and distribute posters and pamphlets to help the consumer become acquainted with VAT.

The first store to introduce both VAT and GST marking was Woolworths three weeks ago, with such prices appearing on those items that are not date-stamped. Spar followed shortly after.

The next chain to begin dual marking will be Checkers when it introduces the system from today.

OK will follow on September 1 with most of its non-food lines and foodstuffs to follow on September 15. Pick 'n Pay will also begin next month.

Spokesmen for most of the stores said this system would continue for at least two weeks after September 30, the day VAT comes into operation.

Mervyn Kraitzick, marketing director, foods, for OK, echoing the view of other chains, said the introduction of the dual system would ease the switch-over on September 30, saving millions of rands on overtime that night.

"It will also enable the consumer to know which price will be paid before and after VAT and help the consumer to see if any escalation of prices takes place before the tax is introduced."

Mr Kraitzick added that certain suppliers were already trying to bring through price increases ahead of VAT and their normal timing.

"If we accept this, consumers will pay higher prices earlier than they might otherwise have done."

Housewives League vice-president Jean Tatham said she hoped the system would not cause confusion.

"At present, prices do not include GST, which is only rung up at the till, whereas the VAT price is inclusive and at first glance appears to be more, even though it is not," she said.

Review the consumer boycotts, says Azapo

Sowetan 13/8/91

(30)

The Azanian Peoples Organisation on Sunday called for a reappraisal of consumer boycotts by the liberation movements in the wake of persistent reports of gross intimidation during such protest actions.

Azapo made the call in a statement to *Sapa* following repeated reports in the media earlier this week that youths were victimising township residents suspected of contravening a consumer boycott in the PWV region.

The boycott, albeit partially successful, began last week Monday and has seen youths attack alleged boycott-busters on trains and taxis.

While noting that consumerist pressure was a well-meaning tactic, the organisation said confusion often lent itself to abuse by "social deviants who confuse the revolution for anarchy".

What was needed, it continued, was for the liberation movements to accurately identify the target of protests, the issues giving rise to such action and the effect it would have on the victims of apartheid.

Thus, a reappraisal by the various organisations was urgently needed, Azapo said. - *Sapa.*

The Star Tuesday August 13 1991

Stayaway cripples Vaal Triangle firms

ster 13/8/91

~~152~~ ~~248~~

By Melody McDougall
Vereeniging Bureau

30

Most businesses and industries in the Vaal Triangle have been hard hit by a two-day stayaway which began yesterday.

Police reported sporadic incidents of violence in Vaal townships yesterday.

A week-old consumer boycott against white-owned shops is also being enforced.

Apart from Iscor's Vanderbijlpark plant, where 80 percent of the workforce reported for work, most other major industries appeared to be hard hit by the stayaway with less than 30 percent of workers reporting for work.

At Vereeniging Hospital, about 38 percent of the workforce did not report for duty. Half of the staff at Vanderbijlpark Hospital stayed away.

A police spokesman said the latest incidents of unrest included stonings and a petrol bomb attack at the municipal offices in Sharpeville. No damage was caused.

He said SAP members used rubber bullets to disperse a group of about 20 people who stoned vehicles near the post office in Sebokeng's Zone 11 yesterday afternoon.

Adams Road, in Evaton, was reported to be barricaded with rocks.

A group of about 200 people were dispersed with teargas after stoning cars on the Vereeniging-Sharpeville road.

At Eatonside, near De Deur, a train was stoned.

Police said that no injuries were reported during the day and no arrests have been made in connection with any of the incidents.

Police said the townships were quiet by late yesterday afternoon.

The stayaway is being organised by the ANC and other political organisations, whose demands include:

- The immediate reconnection of the electricity supply to local townships.
- The closure of the Kwamadela Hostel near Sebokeng.
- An end to on-going violence in the area.
- A constituent assembly and interim government.
- The release of all political prisoners and amnesty for exiles.

A spokesman for Inkatha Freedom Party's Vaal Triangle branch, Arthur van Vuuren, alleged that residents reported to the IFP offices in Vereeniging yesterday lodging complaints ranging from being beaten and threatened with death to having their overalls and train tickets destroyed because they wanted to go to work.

Jo'burg businesses hit by new rates

TANIA LEVY

JOHANNESBURG business is beginning to feel the pinch of increased assessment rates bills, says Johannesburg Chamber of Commerce and Industry (JCCI) CE Marius de Jager. B/Day 14/8/91

Rates on new land valuations have pushed some bills up by as much as 72%.

Responding to reports that there had already been an outcry from many home-owners, De Jager said yesterday an even stronger reaction could be expected from business in some city areas.

The real impact of increases would sink in only when people got their bills this month, De Jager said.

In its annual budget released in June, the Johannesburg City Council announced that a revaluation of land in the city would push up assessment rates an aggregate 54% for non-domestic properties in Johannesburg as a whole. (30)

De Jager said some businesses would be shocked by increases well in excess of the aggregate because their land value had been increased by as much as 245%.

Average increases could not be gauged as increases varied between areas and in many cases assessment rates bills had not yet been received.

Anglo American Property Services financial director Lee Whitfield said bills

□ To Page 2

New rates B/Day 14/8/91

(30)

□ From Page 1

received so far for Ampros buildings showed increases of between 37% and 72%.

But buildings with the lower percentage increases were actually paying the highest rates per square metre, she said.

An Ampros building in Parktown, for example, had its rates increased 37% but was now paying R2,46/m² which was expensive relative to other cities.

Whitfield said some of Johannesburg's increases put it in the league of Cape Town, which had always been considered the most expensive office space.

Increases in parts of the Johannesburg CBD which put rents up to about R1,58/m² were acceptable, she said.

SA Property Owners' Association executive director Brian Kirchmann confirmed that property owners in some areas of the city were unhappy with their high bills, while in other areas increases were believed to be reasonable.

In a statement yesterday the council said Johannesburg ratepayers should not look at the rate increase in isolation, but should assess the total municipal account which included all service charges.

Electricity, gas and water charges on statements being received for July were mainly for consumption before July 1 when reductions in electricity tariffs came into effect. Electricity reductions would be noticeable on the next statement and would largely reduce the increase in assessment rates.

Consumers cut back on spending

30

ARG 14/8/91

Business Staff

THE recent sharp decline in consumer spending has adversely affected retail sales in the first six months of the year.

According to figures released by the Central Statistical Service this week total retail trade sales showed a nominal increase of 13,9 percent to R36,6 billion in the first half of 1991 compared with R32,23 billion in the January to June period last year.

However, given an average inflation rate of 14,3 percent over the period real sales showed a 0,4 percent decline.

The declines were registered over a broad category of retailers. Grocers and supermarkets saw sales decline by 3,75 percent in real terms, while sales at general department stores declined by 7,8 percent.

Jewellers proved the pick of the pack reporting sales growth of 25 percent. Other retailers showed more moderate growth with dealers in clothing, textile and footwear reporting a real rise of 3,17 percent and furniture and household dealers increasing sales by 4,31 percent.

Business judgments soaring

Business Staff

JOHANNESBURG. — After 30 months of recession and slow and often no payments, business is getting its house in order.

Although firms are desperately seeking new business they are no longer prepared to do this at any price.

Ivor Jones, managing director of Kreditinform, says he has been investigating the credit-worthiness of a record number of firms for his clients.

In July his company checked on the ability of customers to pay a record R250 million of credit.

This represented a 15 percent increase in the number of reports handled over the same 1990 month and a 25 percent increase in rand value.

Suppliers recognise the need to monitor debtors while the economy is still in a recession in order to set up remedial slow payment and bad debt policies.

"At the same time, they want to capitalise on the anticipated upswing, and are taking the opportunity to review credit limits and set new, realistic levels based on their customers' ability to pay."

Mr Jones says many firms are still not paying their debts.

Business judgments were up by 67 percent in the first four months of this year to a cumulative total of R87 million by value compared with R52 million for the same 1990 period.

He says: "Business judgments are continuing to run at between R20 million to R25 million by value each month — at the highest levels in the past four years — and show little signs of easing."

Mr Jones warns that these figures are a reason for caution.

"In spite of growing optimism about an upswing in the economy, these indicators suggest there is a lack of liquidity in the economy and that the recovery will still take time."

Faster medical aid settlement

Business Staff

ARG 14/8/91

JOHANNESBURG. — Doctors, dentists and other medical men can now expect to be paid within a fortnight — if they use electronic mail to send their accounts to medical aid funds.

The Northern Medical Aid Society has developed an electronics claims submission system.

This enables doctors to submit accounts through Beltel's electronic mail system.

The claims are fed into Northern's computer. This processes and validates them and arranges payments in the next fortnightly cheque run.

The system can revolutionise the management of medical practices and ease the medical fraternity's cash flow problems, says Bruce Sheppy, Northern's marketing director.

SA-backed bid for UK fashion giant held at bay

BDay 14/8/91

JOHN CAVILL

LONDON — The £121m battle for fashion retailer Etam, by the Foschini-Lewis consortium's UK vehicle Oceana, remained stalemated yesterday three weeks after it started.

Oceana announced it was extending its all-cash offer of 185 pence a share for Etam for another week, having bought 31,9% of the company through the stock market and received acceptances from holders of another 1,2%.

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David Hudson of Campbell Lutyens Hudson, advisers to Oceana, said yesterday: "August is a very quiet month on the stock exchange and we are keeping our options open.

"We could close the offer next week or leave it open until September 2.

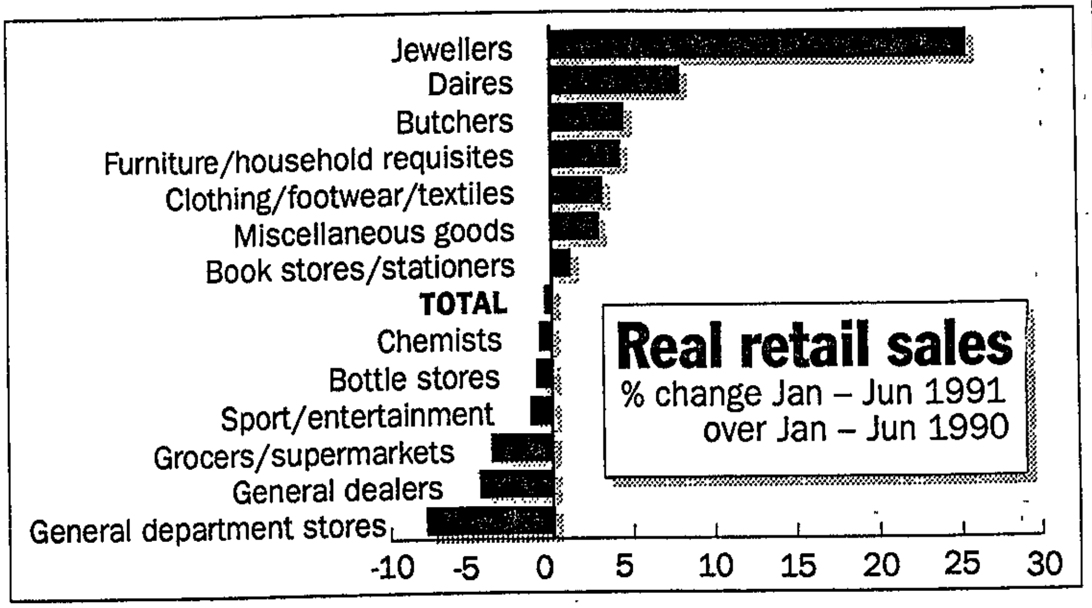
"Until we set a final date, a lot of people will sit on the fence waiting to see which way the market is moving and for data about the economy, especially retailing."

Oceana needs 51% of Etam for the offer to be declared unconditional.

But Etam, noting that since the previous closing date additional acceptances for the offer had been received for only 6 846 shares (0,01% of the capital), again said the bid was inadequate.

The buying operation netted just 1,74% of the besieged company last week.

Etam has won commitments from holders of nearly 34% not to sell out.



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Star 14/8/91.

By Sven Lünsche (30)

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Jewellers proved the pick of the pack reporting sales growth of 25 percent. Other retailers showed more moderate growth with dealers in clothing, textile and footwear reporting a real rise of 3,17 percent and furniture and household dealers increasing sales by 4,31 percent.

Cash sales fell by 0,7 percent over the six months, while instalment sales slumped by 4,3 percent. Other credit sales, however, rose by 2,1 percent in real terms.

Barlow Rand chairman Warren Clewlow addressing the SA-German Chamber of Commerce and Industry. Picture. CATHERINE ROSS

Clewlow sees new challenge ahead

(30)

DARIUS SANAI

SA BUSINESS is facing serious threats to its future, but could recover to become the economic crossroads of the world, says Barlow Rand chairman Warren Clewlow. B|Day 14|8|91

Speaking to the SA-German Chamber of Commerce and Industry yesterday, Clewlow said that a SA that had become isolated through the years faced a challenge in re-entering a world economy that was flagging.

"The threats (to SA business) are uppermost in my mind."

But a concerted long-term effort could help establish SA as an international manufacturing and distribution base and the major point of entry for international firms into Africa.

Ie appealed for widespread co-operation between German firms wanting to invest and sell in Africa and SA firms which had expertise in dealing with other African economies.

Peace and stability were beginning to pervade sub-equatorial Africa, he said, and the 150-million people in the subcontinent — excluding SA — presented an enormous and untapped market which world companies would increasingly want to develop.

SA was equidistant from the three major poles of word economic power and was an ideal location for companies wanting to expand and diversify their interests in the rest of the world.

He said he envisioned a future for SA like that of Germany after the Second World War, a country that could be non-racial, economically strong, socially compassionate and politically independent.

Smart share shows dramatic rise

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MARCIA KLEIN

BDay 15/8/91

THE dramatic rise in the share price of Smart Centre Holdings (Smart) reflects its significant rerating since control of the company changed from Tradegro to Pepkor in March.

The share price has climbed more than twofold since Pepkor acquired Tradegro's 47% interest in the retail clothing chain.

The share closed yesterday at its high of 415c off a low of 110c in November last year. Since Smart's listing in July at 130c, the share has risen by 219%.

MD Charles Fox said yesterday, the rise reflected market expectations of good results for the year to end-June, when real growth in earnings and dividends was expected.

Fox said Smart, which has 144 stores under the names of Smart Centre, Kappa and Patrick Daniel, had a track record of 10 years of uninterrupted profit increases.

There had been no major developments since the December interim stage. Fox said the company had been concentrating on asset management and improved stockturn and debtors' collections.

EXECUTIVE SUITI

PWV boycott is called off

WILSON ZWANE

THE boycott of white-owned businesses in the PWV region was lifted with immediate effect yesterday. (20)

The PWV branches of the ANC, SACP and Cosatu said in a statement that the 14-day boycott — which had been described by businesses in the Johannesburg area as having minimal effect on their turnover — had now "run its full course". B/Day 15/8/91

The boycott was called by the alliance on July 29 in protest against the government slush funds scandal.

It covered Pretoria, Soweto, Johannesburg, East Rand and the Far East Rand.

Sacob spokesman Bill Lacey said the lifting of the boycott was welcome as the chamber "did not think it (the boycott) was a well-conceived move".

An ANC PWV official said the boycott had "registered our point" and it would not have been "politically wise" to continue.

The spokesman added that the alliance was "impressed" by the disciplined conduct of its members during the boycott.

Azapo said this week the consistent reports about intimidation of people during the boycott was a cause for concern.

Azapo official Oupa Ngwenya said although consumer boycotts, stayaways and strikes could be used as bargaining chips in the political and labour arenas, they should be well-managed to prevent advantage being taken of them.

'SA business equipped to compete with the best'

Business Staff (30) ARG 15/8/91

JOHANNESBURG. — During the cold years of economic isolation, many companies used the time well to build up expertise and knowledge and were now ready to compete with the best in world markets.

This was the message which Warren Clewlow, chairman of Barlow Rand gave to the South African-German Chamber of Commerce and Industry here.

Referring to "international trade which has become evermore competitive", Mr Clewlow said many South African businesses now had efficient distribution mechanisms which ensured that goods placed in distribution networks arrived at the right place, at the right time and the right cost.

Recognising German attitudes towards South Africa which saw companies "staying involved and making a difference here rather than leaving in protest", the Barlow chairman said big opportunities were opening up for business in search of manufacturing and distribution bases in other parts of the world.

"South Africa is ideally suited to be at least on your shopping list for such projects for we are now well placed at the world's economic crossroads," he said.

"We find ourselves re-entering a world economy which is not in the best of health and doesn't promise to improve in the immediate future.

"This means that now, more than ever, prices are very competitive, quality and service are of utmost importance and our commitment to these markets must be complete so that there is no impression that we are simply opportunists making the best of once-off chances."

Noting the enormous market of southern Africa waiting to be tapped, Mr Clewlow said that the area south of the equator, which has a population of 190 million, presented an ideal opportunity for South Africans to participate in partnerships.

"These partnerships would take the best of your products, your investment, your expertise and your research and development ability and combine them with our resources, like production, marketing and distribution, to create wealth-generating companies, not just for South Africa but for the entire subcontinent," he said.

ANC lifts Reef boycott

AeG (30) 15/8/91

Political Staff

THE ANC-led tripartite alliance has announced the lifting of the three-week PWV regional consumer boycott of white-owned shops.

The consumer boycott, called by the ANC-Cosatu-SACP alliance to protest against the government's secret funding of the Inkatha Freedom Party and the United Workers' Union of South Africa, was lifted with immediate effect, said a statement issued by the ANC in the PWV region.

The ANC said the boycott, mostly in the Pretoria area, had "run its full course and registered its point" on the Inkathagate scandal.

"The alliance is impressed by the disciplined conduct of our people during the campaign", the ANC said.

Star 15/8/91

Boycott of white shops called off

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Staff Reporter

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The ANC said the boycott, which was mostly strong in the Pretoria area, had "run its full course and registered its point" on the Inkathagate scandal. The alliance was "impressed by the disciplined conduct of our people during the campaign".

The ANC said that in areas where the PWV regional consumer boycott had coincided with other boycotts called by "the people" to draw attention to their "specific problems" in their areas, the decision to lift the boycott would be left to those communities.

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Govt 'expected to amend VAT' as ANC joins flood of objectors

B/Day 16/8/91

PATRICK BULGER and GERALD REILLY

THE ANC yesterday called for VAT — which it described as "completely unacceptable" — not to be implemented, immediately prompting Finance Minister Barend du Plessis to invite an ANC delegation to discuss the matter.

At the same time, a source close to government indicated amendments to VAT were "likely".

The source was commenting on a flood of objections to the introduction of VAT from a variety of organisations this week, including Sacob, Cosatu, the Federation of Salaried Staff Associations (Fedsal), the Medical Association of SA, Operation Hunger, Nactu, the Consumer Council and the Johannesurg Child Welfare Society.

One of the lobbyists, Pick 'n Pay chairman Raymond Ackerman, said he had told Du Plessis it would be suicidal to impose VAT on basic foods at this crucial stage in efforts to restore peace in the country.

The R220m poverty safety net would be insignificant measured against the impact of VAT on basic foodstuffs, he said.

Housewives' League president Lyn Morris said the league had asked Du Plessis to zero-rate basic foods and exempt medicines and medical services.

Much of the opposition to the tax could have been defused if government had worked out mechanisms for the distribution of the R220m poverty net fund, she said. The committee responsible for planning its distribution and deciding who would qualify for aid would meet for the first time on September 5, she added.

Sacob said yesterday many businessmen were "deeply concerned" at the turn of events regarding VAT and at the extent to which VAT had become politicised.

"This stems partly from a failure by government to timeously address the need for poverty assistance to offset the impact of VAT. The current controversy is also the regrettable result of inadaquate prior consultation with extra-parliamentary groups and trade unions.

"Sacob appeals to the government to make an early definitive announcement on VAT which will allay the growing uncertainties in business circles about (its) implementation."

The Finance Department is considering the objections and Du Plessis will respond at a comprehensive media conference on August 23, a Finance spokesman has said.

A government source said yesterday that Cabinet was aware of the potentially disruptive economic consequences if there was an uncompromising "no" to VAT objectors, and concessions were likely.

Fedsal's general secretary Pier Heymans said virtually the entire trade union movement, to the right and left, was opposed to important aspects of the tax. It would be unwise for government to ignore the demands of the whole movement.

The ANC said yesterday it opposed VAT on medical services, building supplies, trade union subscriptions and basic food-

□ To Page 2

VAT

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□ From Page 1

stuffs, and also the rate at which the tax is to be levied. It said VAT would increase the hardships of the poor and push up inflation by 2,5%.

ANC economics department head Tito Mboweni and information director Pallo Jordan told a media conference in Johannesburg yesterday government had no moral right to impose the tax on the eve of SA's democratic transformation.

An ANC statement said in its present form, VAT would increase the suffering and hardship for the poorest sections of the population. "Low-income households will pay, on average, between R26 and R38 per month more under VAT, thus reducing household expenditure on other essential goods and services by approximately 5%.

"For a large proportion of South Africans, probably as many as the poorest 40% of the population, such an increase in the real cost of living will have serious consequences."

The Budget allocated R220m for what the government called "targeted aid schemes to the severely indigent". Researchers had calculated that these "severely indigent" people would be paying at least an additional R546m in tax with the introduction of VAT, the ANC said.

In response to the ANC's allegation that it had not been consulted, Du Plessis said in a statement yesterday: "Both the Deputy Minister of Finance and National Education, Dr Theo Alant, and myself, as well as senior members of the Department of Finance have been consulting with a very large number of interest groups and organisations ever since March 1991. The ANC is therefore most welcome to also send a delegation for discussions on both the details of VAT and the pivotal role it will play in the reconstruction of our economy in pursuing high and sustained growth."

Govt 'expected to amend VAT' as ANC joins flood of objectors

(30) BDay 16/8/91

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Economic power issue

The Argus Correspondent 30 (14) ARG 16/8/91

DURBAN. — Economic transformation and black economic empowerment will be the main issues at the 27th annual National African Federated Chambers of Commerce conference next Monday. African National Congress's secretary general Mr Cyril Ramaphosa will open the conference at Sun City in Bophuthatswana, Nafcoc announced.

The conference will also lay the groundwork for the chamber's post-sanctions role with other countries.

The theme of the conference will be *The New South Africa: opportunities for black economic empowerment.*

Two boycotts are called off

Sowetan 16/8/91.

THE consumer boycott called by the ANC-Cosatu-SACP alliance two weeks ago to protest against secret Government funding of Inkatha and other organisations was called off yesterday.

By IKE MOTSAPI and SAPA

In a statement issued by the PWV regions, the alliance said the decision was taken after the three organisations felt that "our point was registered on the matter".

The alliance was "impressed by the disciplined conduct of our people during the campaign.

"Without any form of intimidation and violence, our people participated voluntarily in this campaign. This dramatic participation augurs well for the future of our campaigns and the country.

"The people participated solely because of their appreciation of the demands set out and largely due to effective organisation.

Problems

"In some areas the regional call coincided with boycotts called by the local people to solve specific problems related to their areas. In such cases therefore the lifting of the boycott will be left to the specific communities," the statement said.

The boycott was most effective in the Pretoria areas, they said.

Meanwhile, the boycott of shops owned by councillors and Soweto businessman Mr Ephraim Tshabalala is still on.

The boycott was called by the Mshenguville Crisis Committee after accusing Tshabalala of allowing Inkatha to operate at Mshenguville where more than 10 people have been killed since the beginning of July.

The councillors are accused of not doing anything to stop the massacre at Mshenguville.

Sapa reports that the Vaal Civic Association and other community organisations resolved on Wednesday night to immediately suspend a consumer boycott of white businesses in the Vaal Triangle.

TSHABALALA

VCA publicity secretary Mr Paul Sithole said the boycott, which began on August 3, was suspended because the VCA and the Transvaal Provincial Administration had reached agreement on certain issues.

"The second point is that several businessmen in the Vaal area have approached the VCA requesting a meeting to discuss the issues which led to the boycott."

Sithole said the VCA was following up the requests and would convene a meeting "as soon as possible with them".

"For this purpose, all organisations at tonight's meeting have appointed a 10-person committee with one delegate from each organisation."

Nafcoc meeting to focus on economy

Sowetan 16/8/91 30

Business Reporter JOSHUA RABOROKO previews the important Nafcoc conference which starts this weekend.

THE present debate on the economic and political future of South Africa underscores momentous challenges facing the country.

For instance, the unbanning of the major resistance movements presages a period of political, economic and social transformation.

People and organisations across the social, economic and political spectrum are also wrestling with vital choices which could alter the course of history.

One such organisation is the National African Federated Chamber of Commerce, which tackles the impending economic transformation and black economic empowerment at its 27th annual conference at Sun City near Rustenberg, starting on Sunday.

Under the theme "The new South Africa: Opportunities for black economic empowerment", about 1 500 delegates are expected to adopt a new constitution which the chamber believes will be essential to its future development.

One of the most important resolutions to come from previous Nafcoc conferences was one urging an economic conference involving all key players to map out a clearly defined economic policy proposal.

In accordance with the resolution, the Nafcoc council decided to establish an economic commission whose research functions and responsibilities centred not only around the organisations of workshops, conferences and collating data, but also commissioned specific studies into various aspects of the economic and sociopolitical *milieu*.

Seminars

During 1990 the Nafcoc economic commission was responsible for organising a successful conference in Transkei; and also an important workshop on the land issue in Johannesburg towards the end of the year.

During 1991 several workshops were held, at which specific attention was given to other sectors of the economy. Such workshops were attended by representatives from ANC, PAC, Azapo and the Black Consciousness Movement.

ANC's Cyril Ramaphosa and PAC's Clarence Makwethu will deliver keynote speeches.

The main objective in arranging such workshops and seminars was to enable Nafcoc, in the long run, to formulate an appropriate and sound macro-economic policy framework that enjoys the widest public support in the country.

Nafcoc executive director Mr Mofasi Lekota said that the theme of the conference was in line with the findings of the commission, which would make recommendations to the members.

It was important that members look at the opportunities for black business after restrictive laws, including the Group Areas Act, the Land Act, and other laws regarding blacks, are scrapped.

The conference will be addressed by various speakers from different schools of thought and it is hoped that far-reaching decisions, including the future economic policy that will be operational in the post-apartheid South Africa.

ANC secretary-general Mr Cyril Ramaphosa will open the conference, which has been urged to organise and enable black business to participate fully in the current debate on the framing of an appropriate economic policy for South Africa.

Other keynote speakers include PAC president Mr Clarence Makwetu, Azapo president Mr Pandelani Nefolovhodwe, University of Cape Town vice-chancellor Dr Mamphela Ramphele and Dr Ali Mazrui, director of the Institute of Global Studies at the State University of New York (Binghamton).

Sanctions

An important highlight of the conference will be the presidential address to delivered by Mr Sam Motsuenyane.

Apart from the economic empowerment issue, the conference would lay groundwork for the chamber's post-sanctions role in trade with other countries, especially with neighbouring African states.

Lekota said: "We foresee an important issue will be co-operation with other southern African countries in trade and development and the formulation of strategies to increase the asset base of our members and the GDPs of the country and region.

"Nafcoc recognises the urgency of the need for foreign investment, once the sensitive issue of sanctions has been resolved, to enable the country to carry the financial burden of the problems of a post-apartheid South Africa.

He said restructuring has enabled Nafcoc to double its membership to more than 100 000 in the past year.

The 27-year-old chamber has decided to shift from accepting only regional organisations as members to such national bodies as the 400 000-member African Council of Hawkers and Informal Business.

It has also broadened its membership by embracing the building and the taxi industries and indications are that it will venture into other sectors of the informal business, such as the stokvels and burial societies.

The chamber will also prepare the ground for its mission to sell the new South Africa to the rest of Africa.

Nafcoc has also relaunched an educational committee to look into the crisis in black education.

Mofasi said the aim of the committee was to train blacks to become not just job-seekers, as in the past, but job creators who used their entrepreneurial skills for the benefit of the community.

Delegates will also discuss the violence that has gripped the country and affected most businesses.

"The bloodbath in the townships is disturbing and needs serious attention by leaders of the warring groups. Let us stop this violence," Lekota appealed.

Plans are also afoot to merge Nafcoc with the Foundation of African Business and Consumer Services and the whites-only South Africa Chamber of Business. Meetings, fully backed by the ANC, have been held in this regard.

To this end Nafcoc has open its membership to all people who subscribe to the principles enunciated in its business charter - the key element being removal of racial discrimination in South Africa.

Workers' hopes dashed

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Cpress 18/8/91

CP Correspondent

THE ANC decision to lift the consumer boycott in Pietersburg did not take into account the plight of 419 workers dismissed from Sakkor Manufacturing.

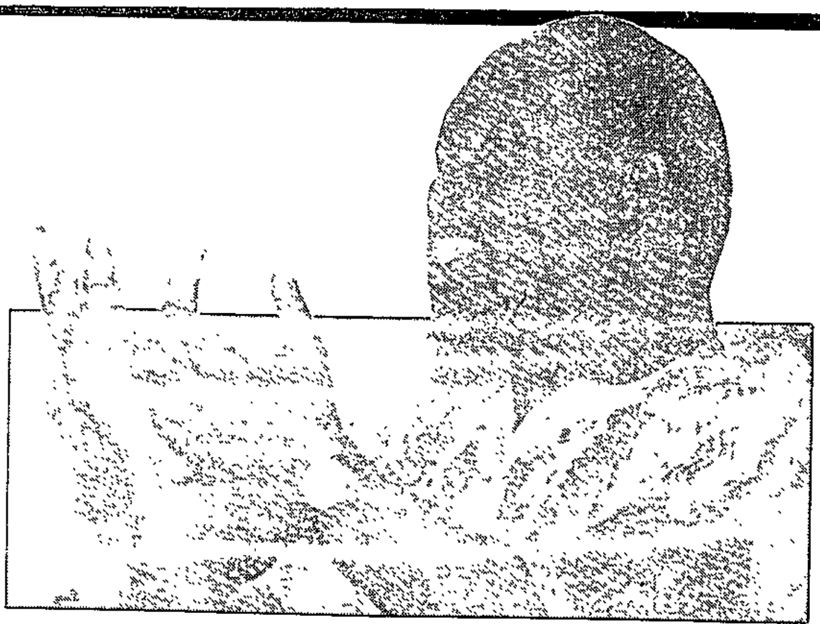
So says Azapo's Northern Transvaal publicity director, Kangale Makhado, in a statement.

Topping the agenda of the boycott, which started on July 1 and ended a fortnight ago, was the reinstatement of the workers who were fired following a strike.

Accusing the ANC of suspending the boycott prematurely, Makhado said the ANC had dashed the workers' hopes.

The statement warned the owners of the company – Taiwanese brothers Jack and Jayson Fangh – to re-employ the workers, all members of the Media Workers' Association of South Africa.

Otherwise, said the statement, "they will have to leave our country as they have chosen the wrong place to reintroduce slavery".



MASTER OF WORDS . . . Kenyan writer Ngugi wa Thiong'o speaking on the role of indigenous languages in Africa. Pic: SIPHIWE MHLAMBI

Kenyan writer gets ovation

Cpress 18/8/91

By MONWABISI NOMADOLO and LULAMA LUTI

ACCLAIMED Kenyan novelist, playwright and academic Ngugi wa Thiong'o received a standing ovation from students, writers and academics at Wits University this week on his first visit to South Africa.

Wa Thiong'o, 53, had presented a public lecture on "The Role of Indigenous Languages in African Literature".

The lecture was the first in a series he will be presenting at tertiary institutions throughout the country.

He challenged African writers in the "post-colonial situation" to develop indigenous African languages.

Famous for his novels of Africa in transition, Wa Thiong'o was born in the remote area of Limuru in 1938. He graduated with honours from Makerere University in Uganda in 1964 and did post-graduate studies at Leeds University in the UK.

This April he was awarded the coveted Paul Robeson award for his contribution to world literature.

Wa Thiong'o, who is also a prolific playwright, is scheduled to lecture at universities and writers' forums in the Northern Transvaal, Natal, and Cape Town.

Sputnik blasts racism

Cpress 18/8/91

By ELIAS MALULEKE

A 'COLOURED' eastern Transvaal mother of 10 who battled for a year to replace her lost identity document became 'black' this week due to a mistake by the Department of Home Affairs.

When Sesane Joyce van der Merwe, 55, of eMzinoni township in Bethal, and her son Sputnik van der Merwe, 32, returned to the Bethal regional office of Home Affairs to re-apply for their lost ID's, they were informed that Sesane was registered under her step-grandfather's surname, Mathebula.

Sputnik said the official told them his mother was black and not coloured and would have to engage a lawyer to apply for the change of her surname before they could give her a new ID.

"I thought apartheid was dead and colour was no longer the case since President FW de Klerk did away with the Population Registration Act, but I was wrong: 'Apartheid is dead, long live apartheid'," Sputnik said.

Wooltru beats the odds

30 By FRED ROFFEY

WOOLTRU has been hit by high interest rates, inflation, unrest and rising unemployment. (Times (Bus Times))

But it lifted sales by 22% to a record R3,3-million in the year to June 30. Income was up 12% to R147-million before extraordinary items.

Earnings increased by 12% to 422c a share. 18/8/91

A final dividend of 93c brought the total to 170c — 13% higher than last year.

Chief executive Colin Hall expresses "grave concern" about the recession which continues to curtail disposable incomes.

Consumers switched from cash to credit wherever possible, he says.

But the group was confident enough to embark on expansion which increased trading space by 8%.

Speciality Retail Group, which does 80% of its business on credit, benefited from the switch from cash.

The trend had a negative effect on Woolworths, which did not increase profits. Clothing and homeware sales grew by a disappointing 11% and profits were down.

This contrasted sharply with the strong performance of Woolworth's food division, which increased market share for the fourth consecutive year, showing 27% growth.

Makro led the wholesale sector with a 34% lift in turnover and achieved 12% growth in market share.

Malbak offers to buy out Markmot

BlDay 19/8/91

(30)

MARC HASENFUSS

DIVERSIFIED industrial holding company Malbak is to acquire the listed Cape-based motor retailer Market Motor Group (Markmot) for R38,5m, according to an announcement yesterday.

Wholly owned subsidiary Malbak Industrial Holdings (MIH) is offering Markmot shareholders 170c a share for 100% of their shares. If the bid is successful MIH will delist Markmot.

The offer takes the form of 100 Malbak shares valued at 1 040c a share in exchange for 612 Markmots valued at 170c each.

Markmot shareholders have the option of exchanging their shares for cash or for 15% of the Malbak shares plus the remainder in cash.

MIH's offer of 170c is above Markmot's latest 150c market price and Markmot directors and management, controlling in excess of 75% of the group's equity, have indicated their willingness to accept the offer.

According to the statement, the acquisition will make Malbak SA's largest Toyota motor dealer, accounting for about 13% of Toyota SA's total vehicle sales.

Markmot, which was listed in September 1987, operates six Toyota dealerships and 11 used car dealerships. It has an annual turnover of R200m and an operating profit in excess of R10m.

Sales from these dealerships account for almost 50% of Toyota's new vehicle sales in the Cape.

Malbak motor division chairman Tom Chalmers said the acquisition was consistent with Malbak's philosophy of being a major force in its chosen markets and extending its influence in motor trading.

"Motor retailing has always been a profitable area for Malbak, earning us a consistently high return on funds employed."

He said the transaction would enable Malbak's motor division to deliver vehicles anywhere in the country.

Chalmers said Markmot was an excellent operation and he was pleased that the present management would remain with the group.

Malbak Motor Holdings holds the Toyota franchises for Port Elizabeth, Uitenhage, East London, King William's Town, Bloemfontein, Welkom, Kimberley, Klerksdorp, Germiston and Primrose.

The group's motor division also has three Mercedes-Benz franchises in Sandton, Midrand and Pretoria.

Morkels hit hard as consumers cut down on credit spending

B/Day 19/8/91

LINDA ENSOR

CAPE TOWN — The sharp decline in consumer credit spending and hitches with a major product launch saw furniture retailer and sports goods chain Morkels' after-tax profit fall 67% to R564 000 (R1,7m) in the quarter to end-June.

Earnings a share fell to 1,4c (4,3c).

Total group turnover grew 1,2% to R62,5m (R61,7m), but as margins slipped from 8,7% to 6,9% because of the decision to shift slow-moving stock at lower prices, operating profit declined 19,3% to R4,3m (R5,4m).

Finance charges took their toll, rising sharply to R3,7m (R1,97m). The already high gearing went up to 131% (128% at year-end).

MD Carl Jansen said consumer spending on credit had shielded retailers from the harsh reality of recession until early this year.

"It is now clearly evident that the bubble has burst and the recession is forcing the average South African to curtail spending on credit," he said.

The group consists of the Morkels furniture chain and Totalsports. Morkels lost market share with sales dropping 6,9% to R50,8m, compared with the furniture market growth of 6,1%.

30

Solved

Jansen said the loss of market share in a climate of falling consumer credit-spending was largely attributable to a serious breakdown in the supply of a range of imported products due to be launched during the quarter.

The problem had since been solved and Morkels' turnover growth had overtaken market growth, Jansen said.

Store expansion saw the Totalsports chain produce sales growth of 63,3% to R11,7m.

Despite the group's performance, Jansen believed it was possible for it to achieve its annual targets provided there was no further deterioration in the trading climate.

He said management was concentrating on reducing borrowings through tighter control of working capital, postponement of non-essential capital expenditure and the eradication of expenditure which did not directly support or contribute to store operations. This would make funds available for expansion.

Three Totalsports and one Morkels store were opened in the quarter with another three and two, respectively, scheduled to open in the second quarter.

Malbak in R38,5-m bid for Markmot

By Jabulani Sikhakhane

Malbak Industrial Holdings (MIH) is buying the Cape-based Market Motor Group (Markmot) in a deal worth R38,5 million or 170c a share. If successful Malbak intends delisting Markmot.

Malbak announced last night that the directors and management of Markmot who control over 75 percent of the shares have indicated their willingness to accept.

In terms of the scheme of arrangement Markmot shareholders are being offered 100 Malbak shares valued at R10,40 a share for every 612 Markmot shares, placing a value of 170c on the Markmot shares.

Malbak is underwriting the shares for cash and has given Markmot shareholders the option to take cash for up to 85 percent of the Malbak shares they get in exchange.

The offer price is 13,3 percent above the Markmot market price of 150c and Malbak is also paying a premium of 107 percent on the net tangible asset value of 82,28c stated in the 1990 annual report.

The chairman of Malbak's motor division Tom Chalmers says the acquisition will result in the group becoming the country's second largest Toyota motor dealer with a 13 percent share of Toyota South Africa's total vehicle sales.

Listed in September 1987, Markmot has a turnover of R200 million and operating profit of more than R10 million.

It operates six Toyota dealerships and 11 used car outlets in the Western Cape. Sales from these dealerships account for some 50 percent of Toyota's new vehicle sales in the Cape.

"Motor retailing has always been a profitable area for Malbak, earning for us a consistently high return on funds employed. And here in one move, we become a far more dominant supplier of Toyota vehicles; we expand our geographic spread into the Cape and we increase our national fleet business," Mr Chalmers said.

The Markmot board remains unchanged with Wessel Groenewald, Noel Nel, Track Hartley and Mr Chalmers joining from Malbak.

Star 19/8/91

30

Wooltru battles through

(30)

By Jabulani Sikhakhane Star 19/8/91

An increase in trading space, a switch from cash to credit purchase and continued strong growth in its food sales saw the Wooltru group through a tough 12-month period to June.

After extraordinary items of R13,2 million, net income rose 16 percent to R160,1 million.

Earnings a share were up 12 percent to 422c (375,4c) and a dividend of 170c (150c) is being paid.

Chief executive Colin Hall says trading conditions deteriorated during the period due to high interest rates, continued inflation, unemployment, and civil and labour unrest.

Group turnover rose 22 percent to R3,303 billion. Eight percent of this growth coming from the new trading space, leaving 14 percent from the old operations.

Food sales

With most of the growth coming from the lower—margin food sales in the Woolworths division and Makro, group margins were under pressure.

Markdowns in Woolworths' clothing and homeware division were also high but sales there increased 11 percent. Food sales continued to rise, growing 27 percent.

The Speciality Retail Group benefited from a swing from cash to credit sales, increasing sales by 22 percent to R546,32 million. Tighter asset management and improved productivity help lift profits by 39 percent.

The wholesale division, Makro, increased sales by 34 percent to R1,2 billion. Twenty percent of this growth came from new trading space and 12 percent being gains in market share.

But as the group writes off expansion programme against income for that year, profit growth was only six percent.

Business must play part – Tager

Star 19/8/91

(30)

Consumer Reporter

Consumers need not be hard hit by the introduction of value added tax — provided business played its part, Vatwatch chairman Professor Louise Tager said yesterday.

"Increasingly, business people are informing Vatwatch that they do not believe they will derive cost benefits from the introduction of VAT and as a consequence would not be able to pass any benefits along to consumers," she said.

"We find this questionable."

Professor Tager said VAT had been structured to allow business credit for VAT paid on capital and intermediate purchases which were previously subject to GST.

"It is estimated this credit could be as high as R6 billion," she said.

"There can be no justification for the unwillingness of commerce and industry to pass a saving of this magnitude along to consumers."

She said Vatwatch was also concerned about recent food price rises, which had to be investigated further.

The organisation, said Professor Tager, was encouraging consumers countrywide to be aware of prices and of unusual price increases.

"It is not the intention of Vatwatch to create confrontation between the consumer and business. In fact, fair-minded business people are informing Vatwatch that their attempts to restrict VAT-related price increases are being frustrated by suppliers who are refusing to pass their VAT cost-benefits along the commercial chain," Professor Tager said.

Tax on monthly food bills will soar

By John Miller (30)

The tax on a monthly food basket will almost double with the introduction of VAT. Star

A Housewives League survey established that a 5 percent VAT rate on all groceries will bring in almost exactly the same amount as the present 13 percent GST. 19/8/91

The average black family of five with a monthly take-home package of R1 103 spends about R530 on groceries.

About R200 is spent on meat, fish and poultry, R40 on dairy products, R60 on fruit and vegetables, R31 on bread, R8 on eggs and R10 on margarine.

This means that out of R530, more than R350 is spent on goods that are at present non-taxable.

On a basket costing R528, add GST of R23,14 and it will cost R551,14.

With the same net total of R528 and VAT at 12 percent, tax will work out to R63,30. If VAT were as low as 5 percent, it would cost R26,40 against the present R23,14 GST.

A white family of four with a monthly income of R3 342 will spend R667 on groceries, with GST totalling R34,31.

When VAT of 12 percent is introduced, tax on the net total of R667 will rise to R80,04.

The league recently called on the public to give its full support to the organisation's fight for the zero rating of basic foodstuffs.

Interest erodes Profurn's profit rise

BDay 20/8/91 (30)

MARCIA KLEIN

DESPITE a healthy rise in operating profit, high interest charges have reduced Protea Furnishers' (Profurn's) earnings by 5% to 5,7c (6,0c) a share in the six months to end-June.

The furniture retailer increased its trading profit by 20% to R9,5m (R7,9m) on a 2,4% rise in turnover to R55,1m (R53,9m).

Operating margins improved from 14,7% at the interim stage in 1990 to 17,2% in June 1991 (16,4% at end-December 1990).

Directors said yesterday the increase in trading profits and the maintenance of operating margins reflected "the spread of the group's outlets both in SA and neighbouring independent states as well as stringent cost controls and asset management".

However, higher trading profits were countered by a 60% increase in interest paid to R5,6m (R3,5m) in line with borrowings, which reduced pre-tax profit by 11% to R3,9m (R4,4m).

A threefold hike in taxation to R91 000 (R30 000) and R169 000 profit attributable to outside shareholders contributed to a 5% decline in attributable profit to R4m (R4,2m).

Prudent

To reduce its gearing, Profurn is to raise R10m through a rights offer to be underwritten by holding company Supreme Industrial Holdings, which acquired Profurn in September 1989. The rights offer would reduce gearing to about 100% at the December year-end. Gearing stood at 221,8% at end-December 1990.

Profurn has sold recently-created specialist TV retailer, TV Life, for R3,1m "to parties associated with the control of the group". Directors said the sale was considered "prudent in the light of a substantial investment necessary to develop it, the concomitant effect on gearing and the fact that the trading results have not met expectations as a result of severe labour disputes and boycotts".

Results from TV life have not been included in results for the six months, as it was sold with effect from the beginning of the year. However, the sale was expected to benefit earnings in the current financial year.

Directors expect to match the previous year's results in the year to end-December 1991.

BUSINESS

No relief for retailers until year's end

B Day 21/8/91 (30)

MARCIA KLEIN

RETAILERS should not expect any relief from the steady decline in sales until at least the end of the year. A tough second half should see lower earnings being reported even by the majors in the sector.

Retail sales had been flat since the end of last year and would remain so for the remainder of 1991, excluding seasonal variations, a bank economist said.

Total real retail trade sales declined by 0,4% in the first six months of 1991 compared with the same period in 1990, preliminary figures issued by the Central Statistical Service show. The largest decreases were in textiles and non-edible groceries, while the largest increase was in credit sales.

Preliminary results of expected real retail trade sales for July showed a decrease of 1,8% compared with June 1991 and a decrease of 0,5% compared with July 1990, indicating a continued downward trend into the second half.

The job market was weak, many recent wage settlements had been below the inflation rate, and access to credit was becoming more difficult, the economist said.

Retailers with a large credit base had been stable. However, he expected to see a softening trend emerging regarding credit sales.

Although retail turnovers had been sluggish, overheads had remained unchanged so the effects of lower retail sales must be reflected in the results of retail companies. Those which carried credit accounts financed at high interest rates without building these costs into increased selling prices would also show reduced earnings.

Old Mutual economist Rian le Roux said consumer demand was under pressure last year but, to some extent, this was offset by high salary increases and fairly large tax cuts.

This year, however, salary increases had been lower, tax cuts had been relatively small and, in certain sectors, unemployment was higher. Le Roux said indications pointed to the consumer remaining under pressure for most of this year.

Surge

Spar CE Peter Hughes felt the main reason for the decline in retail food sales was economic pressure and a change in the sales mix to cheaper products.

He expected a surge in the sale of products which did not attract GST before the introduction of VAT. In line with this, sales in September should show a temporary rise, only to drop again in October.

Checkers MD Sergio Martinengo said his figures reflected that July sales were down by 3% in real terms, while sales for January to June — taking into account the closure of some stores — were down by 4% in real terms.

He attributed lower sales growth to the recession with large numbers of people being unemployed, as well as to some effective consumer boycotts. The effects of shrinkage and a general decline in consumer spending were also still apparent, he said.

BUSINESS

'No more price wars in SA'

B/Day 21/8/91. (30)

MARCIA KLEIN

SA retailers are frequently involved in cut-throat price wars similar to the recent price war which took the major UK retailers by surprise, Pick 'n Pay chairman Raymond Ackerman said yesterday.

Extremely tough competition between SA's major retailers ensured that their margins remained low, and SA companies could not afford any further price cutting, industry players said.

Retailer Tesco's Goodge Street store in London recently launched a shock aggressive price-cutting campaign, reducing the price of its 500 own-brand lines by as much as 50%.

London's Sunday Times said rival companies were caught by surprise, and some responded with their own massive price cuts and full page advertisements in national newspapers.

UK retailers said the recession and the entry into the UK market of German discount food chain Aldi may have "heightened consumer awareness of price".

Ackerman said that supermarkets in the UK were trading with margins in the region of 7,5%, while margins at Pick 'n Pay were 2,7% and most SA food retailers traded on margins well below 3%.

He said the UK had been heading for a price war because customers had been overcharged, and the price war started by Tesco was beginning to change the situation.

Margins in Germany were under 3%, from 2% to 2,5% in Ireland and from 2,5% to 3% in the US. "Britain was sticking out like a sore thumb," he said.

Ackerman said that if SA companies operated with margins of between 6% and 8%, they would cease to exist.

Checkers MD Sergio Martinengo said price-cutting was a short term decision which would help a major retailer to gain market share for a few months. However, any SA company would lose money due to the low margins.

Price cutting did not buy loyalty, as customers came to the store only because of the reduced prices, he said. "In dire situations as we face in SA, it could be unwise to take short term decisions".

Martinengo said that in Tesco's case, it had recently come out of a huge reallignment and store expansion programme and it needed something to get customers back to its stores.

Margins in the UK were were much higher than in SA, so it was unlikely that a SA firm would try it.

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Picardi Appliances bounces into the black

BDay 21/8/91

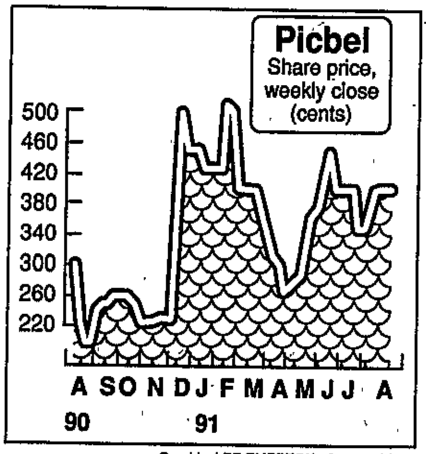
LINDA ENSOR

CAPE TOWN — Despite the severe recession gripping the economy, wholesaler Picardi Appliances (Picapli) has achieved a spectacular turnaround into the black, notching up earnings a share of 54c (loss of 53c) in the year to end-June.

This was achieved despite the 5% drop in turnover. Earnings a share before utilisation of tax losses, which should be exhausted by October this year, rose to 32c.

Strict management of working capital saw interest-bearing debt slashed to R41m from R106m and the interest bill fell 38%. This follows the R57m reduction in debt in the 1989/90 financial year.

Last year the onerous interest bill — which arose out of the infrastructural costs associated with Picapli's rapid organic growth into the audio market — saw a R14,4m operating income being converted into a R13,2m pre-tax loss.



Graphic: LEE EMERTON Source: I-NET

Picapli MD Peter Spreckley said rationalisation had mainly involved the exit from the bottom end, low margin section of the audio business. Audio stocks had been disposed of at very reduced margins. While still active in select areas of the audio market, the company was now focused on white goods wholesaling.

Notwithstanding the good performance, no dividend has been paid as directors believe that the ratio of interest bearing debt to shareholders' funds at 130% (319%) has to improve further. The objective is for a gearing of about 75% at peak periods. Picapli has R21m borrowed in group loans and a rights issue is still considered likely.

Attributable income turned around by R27,7m to R14m (R13,7m loss).

Picapli's operating income rose 121% to R31,8m (R14,4m) as a result of the improved margin in the audio business, improved penetration into the appliance market and general operating efficiencies

Picapli chairman Jan Pickard says trading conditions are expected to remain difficult in the coming year.

The tax charge will shoot up sharply in the current year due to the exhaustion of tax losses.

Net asset value a share has increased to 182c (128c) though the share price still languishes at about 100c.

Retail niche copes best with recession

B/Day 21/8/91 (30)

Reports by
PETER GALLI

THE retail market appears to have weathered the downturn in the economy and in property far better than the commercial and industrial markets, property brokers say.

"Retail is slightly different to commercial and industrial space as rentals tend to be inflation-driven and are often related to growth in turnover, which is a far more realistic approach to rental levels," says Old Mutual property investment manager Ian Watt.

He says retail rentals will continue to show growth. However, SA is overshopped. Regional centres are well catered for, but there is still demand for smaller centres.

However, Liberty Life Properties director of leasing and acquisitions Russell Inggs says SA is not overshopped on a national scale but certain areas could be oversupplied.

"Retail rentals perform better as they do not suffer from oversupply — the demand is in balance with supply. In addition, landlords very rarely carry the cost of shop fittings."

Retail rentals would continue to show continued, sustained real growth, with certain geographic areas still reflecting good demand for retail space, Inggs says.

Baker Street Associates MD Rodney Timm says that although a large number of centres are coming on-line, there is still good demand and money is still to be made.

"There is a problem in overlapping trade areas, as it becomes a push to see who can build first. This demand is led by the major retailers," he adds.

There are also niche convenience centres, which can be dotted all over the country. These stores pick up the market not wishing to use large shopping centres.

"However, these developments cater for a targeted consumer and the correct tenant mix must be predetermined rather than just letting the space to the retailer prepared to pay the highest rent," Timm says.

Unpopular

Coreprop MD George Skinner says urbanisation and the retail buying power that flows from this contribute to the growth in retail developments and rentals. He agrees that SA is not generally overshopped as retail is a dynamic business.

"Certain locations become unpopular and die. However, there is always new space. Rentals are generally maintaining their good levels and when the economy turns around the market will soar."

There is perhaps an oversupply in the northwest Transvaal, with the mining towns hardest hit. The institutions are buying into completed centres but are not financing new developments, he says.

Nafcoc rejects plea for black business unity

(176) (30) (88)

BiDay 21/8/91

THEO RAWANA

SUN CITY — Nafcoc yesterday rejected calls by political organisations for it to unite with the other major black business grouping, Fabcos.

Nafcoc managed to get leaders of the three major black political organisations — the ANC, PAC and Azapo — to share the stage at its 27th annual conference.

There was a chorus of calls from the politicians for the chambers to merge.

But Nafcoc deputy president Archie Nkonyeni told the 2 000 delegates: "Political parties will not be allowed to prescribe to Nafcoc whom its bedmate should be."

He said unity for the sake of unity would not do for black business.

"There must be commonality of values," he added.

On Monday ANC secretary-general Cyril Ramaphosa, PAC president Clarence Makwethu and Azapo president Pandelani Nefolovhodwe all laid stress on the importance of black business's role in the cause of black liberation.

Nefolovhodwe said a major white business strategy was to keep black business where it was by further segmenting its ranks.

Cloak

"Big business will be the first to encourage Fabcos to compete with Nafcoc on every venture, under the cloak of competition within a free market system," he said.

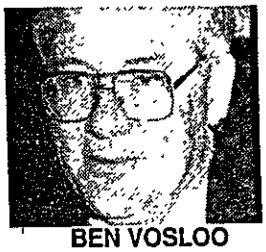
Warning that this strategy was designed to keep Nafcoc from challenging big business, he said: "Despite your differences, Azapo would like to see greater co-operation between Nafcoc and Fabcos."

Create more bosses, urges SBDC's Vosloo

Sowetan 21/8/91

(30)

New studies estimate current unemployment at between four and five million. The Small Business Development Corporation believes the problem will not be cracked until South Africa learns how to produce more entrepreneurs. And that means radical new thinking about the shape of the education system. MICHAEL CHESTER, Sowetan special writer, reports.



BEN VOSLOO

SOUTH Africa can blame many of its chronic unemployment problems on its dismal failure to keep pace with world trends in the launch of budding entrepreneurs, according to the Small Business Development Corporation.

Studies show that in the United States no fewer than 100 000 young Americans start businesses of their own every year - 10 000 of them straight from school.

A recent count found that a stunning one-third of all new businesses launched in the US were under the command of fledgling bosses under the age of 30.

The world average of entrepreneurs in total labour forces came out at between 10 and 12 percent. The South African average trailed behind at 5 percent.

SBDC managing director Dr Ben Vosloo argues that the generation of more entrepreneurs must be regarded as a top priority in the formulation of new economic policies.

The urgency of new thinking, he says, is underlined by the growing size of unemployment queues in South Africa, now standing at between four and five million.

Job opportunities offered by the formal business sector are able to cope with only 125 of every 1 000 school-leavers pouring into the labour market.

That leaves 875 in every 1 000 of them with no option but self-employment or the informal sector.

What worries Vosloo is whether the majority of them have been prepared to cope with the blunt realities.

He is convinced that only radical changes in the entire education system can provide solutions.

Tragic

"It would be tragic if we had to admit that billions of rands of taxpayer money is spent on educational products which cannot be used by society," he says.

"It would be equally tragic if the education system were not capable of delivering the sort of school-leavers that society needs."

South Africa, he is convinced, will only start to put more muscle into economic growth when the classrooms begin to equip pupils with the knowledge and skills that provide the foundation of such careers as artisans, production managers, data processors, book keepers, nurses, scientists, engineers and technicians.

"Our education system will have to pay far more attention to the development of entrepreneurship at school level," he maintains.

Vosloo's own programme at the SBDC has already ploughed more than R1 billion into loans to encourage new small businesses that have created a staggering 280 000 new job opportunities since it was started 10 years ago.

He proposes a 10-point plan to tackle the dilemma:

- More effective and continuous communication between educationists and the business world to spell out in unambiguous language what society outside schools and academia really expects from the education system;
- Moves to make classroom curricula more relevant and pertinent to the actual needs of society;
- Insistence by taxpayers on more value for the money spent on education - on guard against wastage of funds on a bloated education bureaucracy;
- Preference to technical training;
- Closer aim on the transfer of practical numerical and writing skills - with recognition of the valuable role of business simulation games;
- Gearing the education curricula and didactic methodology towards the stimulation of attitudes such as individualism, a sense of independence, achievement, optimism and competitiveness - aimed at conscientiousness, responsibility, adaptability, staying power and creativity;
- Focus on career information programmes tailored to alert young people to the opportunities of self-employment and business entrepreneurship as career choices;
- Encouraging schools and universities to take part in practical field studies and business plan competitions;
- Better evaluation of the role of part-time study, work programmes and post-experience training programmes; and
- Priority status for informal and non-formal skills training for adults in condensed courses worked out on a modular basis.

"It is clear that education is the key to a better future," says Vosloo.

"But then it must be relevant education that conveys the knowledge and skills needed by our society.

"A society which cultivates a strong entrepreneurial culture is bound to set off on a road to progress and economic growth."

Cashbuild maintains growth

By Sven Lünsche (30)

Stew 22/8/91

Building group Cashbuild maintained its recent strong earnings growth in the year to June, despite the slump in the construction industry.

Cashbuild says attributable earnings for the year rose by 20,6 percent from R6,6 million to R7,9 million, which translates into earnings per share of 36,8c (30,5c).

A final dividend of 10c (9c) a share has been declared, bringing the total for the year to a 2,5 times-covered 15c, a 15,4 percent improvement on the previous year's 13c.

Turnover was up by 20,5 percent from R321 million to R387 million, but the profit margin declined slightly in a very difficult market, says chief executive Gerald Haumant.

He adds though that the return on sales improved from 4,38 percent to 4,52 percent.

Cashbuild, which operates to a large extent in the black building market, runs 59 Cashbuild wholesale outlets, six Buy'n Build retail home centres and two U-Build retail building materials franchises.

Mr Haumant says that 34 of the Cashbuild outlets showed real growth during the year. The group's market share of cement distributed improved from 7,1 to 7,9 percent.

He says that Buy'n Build, which was acquired only four years ago, has now reached the return levels of other subsidiaries.

During the year the group disposed of 50 percent in two stores to the Bophuthatswana National Development Corporation.

Cashbuild's unlisted investments grew from R1,5 million to R3,2 million as a result of the purchase of shares allocated to staff members.

Seventy percent of the staff now own about eight percent of the group's equity, Mr Haumant says.

Over the year the group invested R7,9 million in the establishment of eight new stores — seven new Cashbuild stores and one U-Build stores — and cash resources were subsequently reduced to R10,7 million from R16,7 million.

In the current financial year the group plans to open nine more outlets to increase the cash-and-carry distribution of buildings materials.

Mr Haumant says the opening of the new stores reflects the group's confidence that another good financial performance is on the cards in the current financial year.

He expects a further improvement in earnings during the year as the company continues to make inroads into new markets and because it is largely ungeared.

Empangeni trade is booming

B Day 23/8/91 (30)

RETAIL turnovers have soared at Sanlam's two adjoining shopping centres in Empangeni, says National regional manager Dallas Reed.

"Together they form a broad based retail node, anchored by Checkers, Pick 'n Pay and Woolworths, with support from most of the national traders.

"Most of the majors have reported extraordinarily good returns during the past 18 months — and no one is sure why," says Reed.

Under the circumstances, he is unperturbed by talk of a major retail development, anchored by OK Bazaars, in nearby Richards Bay.

Prospects for this development in any event are uncertain.

Would-be developer Ellis & Associates has run into trouble with its Berea centre, which is the subject of a liquidation application by first bondholder Investec.

Meanwhile, prospects for retail in Empangeni seem undimmed.

"Considerable sums of money have been spent on developing the infrastructure for this area and it has strengthened as an industrial node," says Reed.

"The harbour and other businesses are employing growing numbers of people, and per capita income — especially of the local black population — is growing."

The mini-boom being experienced by the town is echoed in demand for residential property.

"Residential rentals are on a par with those in Durban, and we have no difficulty finding tenants," he says.

Cape Town office space oversupplied

BDay 23/8/91. (30)

THE Cape Town office market in the CBD and southern suburbs has, as predicted, become oversupplied and the situation shows no sign of short-term improvement.

As a result, says Divaris Real Estate marketing manager Philip Upton, rentals have softened — although top rentals, such as the NBS Waldorf, are still at the R30/m² gross mark.

Most of the new space coming on stream is entering the market at very negotiable rentals — such as Fedlife's 80 Strand Street, where the rental is R29/m² gross, and the Golden Acre, where it is R28/m².

"Most landlords will come down R2-R3/m² if other deals — such as free rental periods — can't attract tenants," says Upton.

At present, the A-grade office space in the CBD totals 396 100m2, of which 38 500m² is available. A further 23 300m² of new space will be coming on stream in the next 12 months, with 51 000m² on line for completion in the next 12-36 months.

Enhance

On the positive side, the Victoria & Alfred Waterfront development promises to enhance the appeal of the city.

"The project is still in its infancy, but it is unlikely to have an adverse effect on the CBD, even in the long term.

"Instead, we expect it to draw more people to the city. It has a relatively small shopping component, which will serve to bring more feet through all the shops in the CBD, increasing prosperity in a ripple effect."

In Claremont — the focal point of office development in the northern suburbs — there is a lettable area of 55 300m², of which 14 400m² is vacant.

Here, however, the oversupply is likely to disappear steadily.

Claremont has virtually reached saturation point and no further development is planned.

As available space is taken up, development is likely to spill over into neighbouring suburbs, and Belmont, a 12-14 000m² office development in Rondebosch, is already under construction, for completion in December.

But town planning restrictions in these areas are tight and rezonings are not readily come by, so overdevelopment of the southern suburbs is unlikely to become a problem.

Healthier

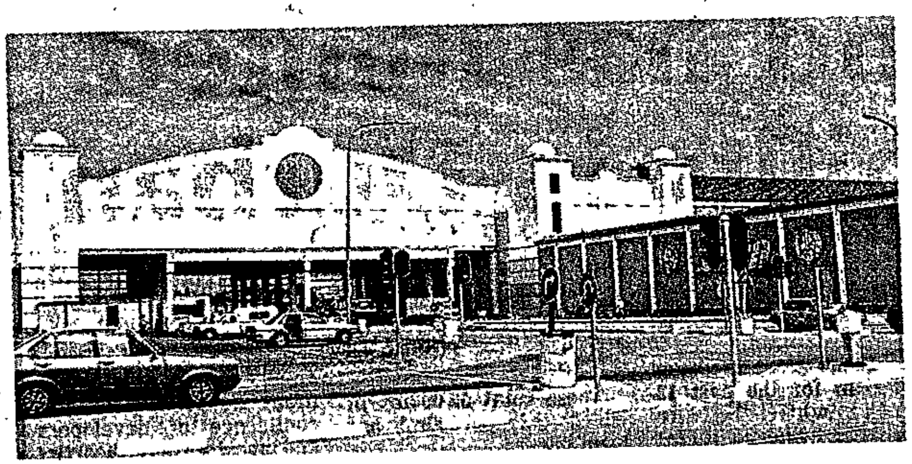
The northern suburbs, on the other hand, is in a healthier situation.

Here, the supply/demand situation is fairly stable following a period of demand-driven development.

Rentals in Bellville are holding their own, with A-grade space achieving around R27/m² gross.

Business keeps Port Elizabeth market buoyant

B/Day 23/8/91 (30)



The R55m The Bridge extension at Greenacres in Port Elizabeth.

BUSINESS development has kept the Port Elizabeth property market buoyant during the downturn throughout the rest of South Africa.

Phillip Bowman Properties MD Phillip Bowman says: "The CBD office market is oversupplied, but this is due mainly to the decentralisation trend sparked off by the development of Greenacres and, to a lesser extent, Walmer, as business nodes.

"Lack of parking and traffic congestion have also helped drive businesses out of the CBD."

He says most of the space in the CBD is B and C-grade. Greenacres has put A-grade space onto the city's property market for the first time and take-up has been exceptional.

A-grade rentals are holding firm at R22-R26/m² gross for space without air conditioning, with most leases being signed for three to 10-year periods.

Vacancies are confined to the CBD and older office space in Northend, and even here they show no signs of becoming a problem.

Bowman says, however, that this can have a beneficial effect on the CBD in the long term.

"The need to keep pace with new developments is forcing CBD property owners to upgrade the space they own," he says.

Refurbishing

"Old Mutual, the UBS and Masterbond are refurbishing their CBD buildings and this process will bring more businessmen back into the centre of the city."

Meanwhile, however, the Greenacres node has caught hold, and Bowman says growth is taking place at a rate of around 12% a year.

The 4 400m² second phase of Fedlife's newly completed development is 90% let and letting is going strong at Old Mutual's six-storey development, holding about 4 000m².

Next ~~door~~ to the Old Mutual development is a 4 500m² Metropolitan Life project, newly completed, which is also letting well.

Standard Bank has also just started construction of its R30m new office development designed to hold a fair portion of its regional head office operation.

This is only one of a number of owner-occupier developments planned.

"Businesses which have been hesitating for years over development and expansion are on the move.

"Property is seen as a secure investment and they are confident of the long-term prospects for the area," says Bowman.

Pick 'n Pay's decision to move its regional head office to Walmer continues the decentralisation trend.

This new building is under construction for occupation in October.

But, says Bowman, although an attractive area, Walmer is unlikely to develop with the same impetus as Greenacres.

George is in the doldrums

B/Day 23/9/81 (30)

GEORGE has failed to live up to expectations in its development as a business and industrial node — but nearby Mossel Bay is riding the Mossgas wave.

The Small Business Development Corporation (SBDC) reports its industrial hives established in Mossel Bay filled rapidly and remain a scene of steady activity — while in George tenants are hard to come by and their casualty rate is high.

The long-term future for commercial and industrial development of the area remains uncertain — but SBDC GM, Eastern Cape, Danny Mansell says he does not expect either town to develop as a major node.

Standstill

"George is like a train that just came to a standstill," he says.

"Up to 18 months ago its prospects looked promising, but they tailed off rapidly.

"Today, there is an oversupply of industrial property in the town and even good residential property is proving hard to unload."

A possible indication that better times may be ahead was the passing of an unusually high number of building plans by the town council recently — but Mansell says this alone cannot be taken to mean an upturn.

Retailers struggle as turnovers take a dive

30 BDay 23/8/91

RETAIL turnovers have dived and many Cape Town traders are struggling.

Opinions as to when the slump set in vary.

Ampros regional manager John Laws says trading was healthy until about a month ago — while Divaris Real Estate marketing manager Philip Upton says the rot set in six to eight months ago.

Law says: "The government's fiscal policies have started to bite.

"Shoppers — particularly at the top end of the market — resisted pressure to reduce spending longer than expected, but their resistance now seems to have folded."

Softening

Upton says retail rentals are showing signs of softening, with landlords proving more flexible in their arrangements than they were a year ago.

But Laws says while tenant turnovers have tended to be faster than usual for some months, the take-up rate for retail space has been good and rental levels are satisfactory.

"The retail space market is in contrast to the office market.

"We don't have to offer incentives to attract tenants and in good centres rentals are strong.

"Although the rate of attrition is probably above the 2% or so one normally expects, take-up of good space is rapid.

"In addition, despite — or possibly partly because of — economic pressures, the market is full of small businessmen who want to make a living as shopkeepers."

JOHN LAWS

Top rentals in good locations in the CBD and southern suburbs remain around R80-R100/m² — but, says Upton, they are coming under pressure and average rentals for good locations are closer to the R40-R70/m² range.

"Retail space is not in oversupply, but some centres are experiencing rapid turnovers of tenants," Upton says.

Classic among these is The Atrium, in Claremont — on the face of it an attractive centre but poorly located and less successful than other retail developments in the suburb.

By contrast, Claremont's Wooltru Building, Cavendish Place and Warwick Square are trading well, although Upton says rentals are too high and vacancies are creeping up.

The problematic Maynard Mall, in Wynberg, on the other hand, has turned a corner.

Having got off to a shaky start it has gone through a shake-down, with adjustments made to the tenant mix and rental levels, and now looks set for a healthy future.

Another centre which has experienced some teething problems is N1 City, where the smaller tenants have battled to make ends meet.

"Developers must learn to be more selective in their tenant mix to avoid taking on shopkeepers who haven't done their homework properly and can't make the grade," Upton says.

Laws, however, says good retailers can expect to find their landlords supportive.

"Inevitably, some tenants don't belong in business and are soon shown up by their track records.

"When these run into trouble, we find it better to put them out of their misery.

"But if a tenant is worth saving we will support him to the hilt," he says.

Entrepreneurs finding their niche at the coast

B|Day 23|8|91. (30)

ENTREPRENEURS — many finding an outlet in the retail trade — tend to gravitate to the coastal cities.

They bring with them specific needs regarding space, says Sapoa council of shopping centres chairman George Skinner.

"On the Reef, a high level of economic activity is sustained by established industry, mining and manufacturing — but in coastal towns industrialisation occurs at a lower level," he says.

"Coastal towns, therefore, tend to have a large population of entrepreneurs.

"They require small space at low cost, but to enable them to survive their accommodation must meet their needs in terms of location and accessibility.

"This is especially true of small shopkeepers who rely on the tourist trade for a living."

At the same time, trading densities in the major coastal cities tend to be greater than those on the Reef.

"The normal trading density for Natal centres is R7 000-R10 000 per m² a year, for the Cape it is R4 000-R6 000 per m² a year and for most of greater Johannesburg it averages around R3 000-R5 000 per m² a year."

Accelerated

Skinner says this trend is being accelerated by current economic conditions.

"A similar phenomenon occurred during the early days of Maggie Thatcher's rule.

"The UK was economically under pressure and beleaguered by calls for nationalisation — and the small businessman came into his own."

Another factor lending itself to the rise of the entrepreneur is the increasing urbanisation of SA's cities.

Durban is experiencing the most rapid rate of urbanisation in the country in the form of a massive influx of squatters — whose combined buying power, says Skinner, must not be underestimated.

"The squatters may be poor, but they are not necessarily unsophisticated and they have to eat.

"Unlike the Transvaal, where urbanisation has been dissipated over a wide area, in Natal it is concentrated around Durban — and its impact on retail property development in the greater Durban area is therefore all the more intense."

Urbanisation, combined with the bringing down of artificial racial barriers, will have a dramatic impact on shopping trends in the '90s and beyond, he says.

"People's shopping habits are dominated by their lifestyles — and as lifestyles change so will the demands on retailers and shopping centre developers.

Focal

"For instance, we have seen CBDs become the focal point of shopping for people from the C and D income brackets who are dependent on public transport and tend to shop frequently for small quantities of goods."

Skinner says urbanisation of Durban will continue for the foreseeable future and property developers and town planners must take it into account.

"Zulus from the rural areas are tending to gravitate to Durban rather than to the Reef when work opportunities on the gold mines are limited."

Turning to the Cape, Skinner says the Cape Town property market is experiencing exceptional growth in view of the economic climate.

"Over the past few years, Cape Town has had considerable retail development at N1 City, the Pick 'n Pay centre at Tableview, another centre at Camps Bay, the Blue Route Mall in Tokai and extensive development in Claremont.

"Reflecting this, retail rentals have risen over the past three years and currently stand at around R70m² in good areas.

"The same rentals are being achieved in Durban, while the norm for Johannesburg, apart from Rosebank, is nowhere near that figure."

Waterfront revamp shifts CBD focus

30

THE shift of the Cape Town CBD towards the waterfront has become a reality, with revitalisation and renewed investor confidence evident. BDay 23/8/91

Announcements of extensive upgrading and refurbishment programmes for existing buildings together with a multimillion rand new project herald a new era for both landlords and tenants.

The reconstruction of Matador Centre to create a 10 000m² office tower out of the original structure in Strand Street has been completed.

It is on stream for letting under the name of 62 Strand Street.

The original building — acquired by Southern Life Properties in August 1990 from the Standard Bank — was enlarged and modernised in terms of a redevelopment plan devised by Meridian Projects Cape.

MPC director Farrell Lazarus, who was responsible for the project, says the R10m scheme has been completed within budget.

The redevelopment has improved the efficiency ratio of the building from 65% to close to 90%.

"The most impressive feature of the project was the infilling of the unused portion of the U-shaped building," he says.

Today it holds nine floors, each offering around 1 200m² of usable space and letting at slightly below prevailing rentals.

Picapli turnaround helps Pichold gear for growth

(30) B/Day 23/8/91

LINDA ENSOR

CAPE TOWN — The dramatic turnaround by Picardi Appliances (Picapli) has worked its way up into the results of Picardi Holdings (Pichold) and Picardi Investments (Picbel) and the group is now poised for a period of growth.

In the year to end-June Pichold's earnings swung into the black at 180,2c (loss of 221,6c). A special dividend of 100c (nil) was declared in February.

Earnings of Picbel, which derives its income from Pichold, came in at 187,4c (185,8c) and a special dividend of 100c (15c) was declared. However, extraordinary losses of R22m, including the R17m loan to liquidated Cape Investment Bank (CIB), resulted in Pichold suffering a loss in unappropriated income of R17,2m (R18,7m loss).

The write-off does not exclude a substantial recovery in certain investments, says Pichold MD Jan Pickard jnr.

Pickard says the group is poised for organic growth following its programme of consolidation and rationalisation which saw Picapli withdraw from its unprofitable involvement in the bottom end of the audio market.

"Picapli now has a stable, profitable base and in the medium term we will grow internally," Pickard says.

Picapli has completed a process of tooling up for stove, geyser and microwave manufacture and will be looking to grow these markets.

The textile division has lost the sole distribution rights for international brands such as Adidas, Le Coq Sportif and Arena and will concentrate on setting up its own brands.

Pickard sees future potential in the export of appliance and textile goods and hopes to see exports rise to 20% of total sales in the near future from their current 7%. This, together with decentralisation benefits, will to some extent offset the affect of a resumption in tax payments.

Stagnant consumer demand means there will not be a real increase in earnings off this year's earnings if these are calculated on the basis of the utilisation of tax losses. Pre-utilisation, there will be a real increase, Pickard says and it is possible that previous earnings will be matched. Pichold's pre-utilisation earnings rose to 92,3c and Picbel's to 105,2c.

In the long term the group will benefit from social investment in housing and electrification, Pickard believes.

Apart from white goods manufacturer and wholesaler, Picapli, which experienced a R27,7m turnaround in the year to end-June, Pichold has interests in textile manufacturing. This division produces leisure and sports garments and made an operating loss in the year to end-June.

Pichold's debt has been cut substantially to R48,5m (R119,5m) bringing the total reduction in borrowings over two years to R164m. Picbel has cash resources of R30m, R21m of which has been loaned to Picapli.

The heart of the Durban CBD.

Demand has limited availability in Durban

(30)

B Day 23/8/91.

INVESTOR demand for inflation-resistant property in good locations has resulted in limited availability in Durban and its surrounds, says JH Isaacs commercial and industrial property director Guy Levene.

"Investors are hesitant to sell and reluctant to convert property to cash without having a safe haven," he says.

"A by-product of the campaign to reduce inflation is the continued high interest rates. These restrict the small to medium investor and preclude him from participating in the market as an individual.

"Despite this, commercial properties with good trading positions and records for attracting and retaining tenants are snapped up."

Supporting investor demand, says Russell Marriott & Boyd Trust director Peter Malan, is the good performance of office rentals.

"A-grade rentals have held firm for the past 12 months, while B-grade space has achieved rental growth of about 6%."

But, Levene says, political upheaval and the consequent increase in the crime rate has had an effect on Durban's CBD.

"The traditional trading and commercial boundaries of the inner CBD remain vibrant despite a delayed decentralisation trend to the suburbs," he says.

"But the market cannot be viewed in isolation.

"The scenario changes when one considers the amount of space new developments will bring to the marketplace shortly."

CBD space under construction includes Norwich Life House, the ~~second~~ phases of both the Embassy building and Walnut Square and the new NBS head office.

These total 52 000m², of which only 26 000m² has been pre-let.

Increase

This will increase the availability of A-grade space in the area — currently standing at 104 000m², including the first phase of the prestigious Embassy building in Aliwal Street.

B-grade space, by contrast, amounts to 640 000m², with a vacancy factor of 6%.

Malan says overall A and B-grade vacancies compare favourably with figures for other major centres in SA — but it is questionable how well Durban CBD would stand up to the impact of an increase in availability of around 50%.

Levene says while the amount of new development demonstrates the confidence of developers and investors in the heart of the CBD, an increase in the crime rate has caused many to reconsider their position.

"Locations such as the Warwick Triangle and the municipal market were previously in demand, but properties in these areas are coming up for sale and are attracting little interest from investors."

Moving out of the CBD, A and B-grade office space in Berea totals some 100 000m², with a vacancy factor of 4%.

Westville, which has seen much development in recent times, has about 37 000m² of A-grade space on the market, with a vacancy factor of 20%.

Cape west coast is coming into its own

B Day 23/8/91

THE Cape west coast is coming into its own as a tourist destination, with more appeal to the visitor than the overcrowded Natal South Coast

age. It is financially, socio-logically and ecologically successful," says Heydorn.

"For instance, the area houses a vibrant fishing community and is redolent

kersbos — "a lovely little village with a transient tourist population as well as a base population largely made up of retired seamen" he says

Govt's last-minute move costs retailers 'millions'

B/Day 23/8/91 (30)

MARCIA KLEIN and WILLIAM GILFILLAN

THE reduction of the VAT rate to 10% had cost SA's commerce and industry millions of rands, spokesmen said yesterday.

While they welcomed the change, they said its late arrival would cost the industry a large amount of money to change the systems that many had timeously put in place.

Checkers MD Sergio Martinengo estimated that the implementation of VAT had cost the group about R1,5m, including changing of systems, stationery and equipment and additional working hours.

While he welcomed government's decision to lower the VAT rate, he said the fact that the announcement came at such a late stage meant "high cost implications for the supermarket industry".

He said Checkers had begun preparations for the implementation of VAT. "The changes that will now have to be made in terms of dual pricing labels, point of sale, stationery and computer systems will bring about an estimated additional cost of R250 000 which will be absorbed by Checkers."

But, Pick 'n Pay marketing director Martin Rosen said the changeover to VAT would be moderate. This was because all stores would be operating scanning facilities by the time of VAT's introduction.

He added that VAT had speeded up the group's decision to move all stores over to a scanning operation. Any change to price would merely entail a change in the shelf label, he said.

An industry spokesman said retailers which had high volume and high turnover rates "would probably not be too far down the road in terms of pricing their merchandise".

Explaining

Woolworths financial director Ray Schur said the change to VAT had cost the company "a fortune initially, and Barend has just added to the cost".

Woolworths' preparation included having a VAT committee, which had been running for nine months, dual ticketing all merchandise, having in-store signs explaining VAT and sending customers leaflets on the new system. "In the next five weeks we will have to change everything", he said. Woolworths staff would be working overtime to complete the change in time.

Dion CE Jannie Els said his company would be working night shifts and Sundays to change labels on the store's 45 000 line items. He expected new ticketing to cost in excess of R100 000 excluding overtime. "We were over 80% done before Wednesday's announcement," he said.

Foschini group's VAT project head Norman Day said it was difficult to estimate the start up costs of the introduction of VAT, or what it would cost to change to 10%. However, he said there would be a marginal benefit to the company because GST on certain expenses would be replaced by input VAT.

A spokesman for a major clothing chain said the reduction in the rate of VAT would significantly increase costs. He estimated that the introduction of VAT had cost his company up to R1m.

A SA Breweries beer division spokesman estimated the changeover would cost it under R100 000 which was the cost of printing new forms and pricing tables. He added that the big costs would be the associated costs in people's time and changes to its systems.

VAT REA

Market waits for windfall

SHARON WOOD

GOVERNMENT may raise the R510m additional revenue needed as a result of the lowering of VAT to 10% from any of its normal financing sources, including the Public Investment Commissioner (PIC), Finance Department deputy director-general Estian Calitz said yesterday.

If the PIC is used, this would be done on a commercial basis at normal interest rates. The balance of R510m would either come from the PIC or the capital market, said Calitz.

The reduction in the VAT rate to 10% would reduce budgeted revenue by R1,4bn, but R260m would be raised through higher excise duties and R630m from the petrol price increase. B/Day 23/8/91

The money would definitely not be raised through bank loans, he said.

Capital market rates increased slightly on news of government's greater borrowing requirement.

Analysts said this was in anticipation of the government coming to the market to raise about R700m.

Govt's last-minute move costs retailers 'millions'

B/Day 23/8/91 (30)

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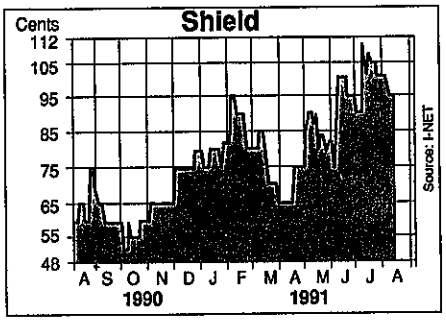
FM 23/8/91 (30)

SHIELD TRADING FM 23/8/91

Franchising success (30)

Activities: *Distributes food and allied products to 169 franchised wholesalers and 210 franchised retail outlets.*
Control: *Directors 72%.*
Chairman and MD: *L T Muller.*
Capital structure: *33m ords. Market capitalisation: R31m.*
Share market: *Price: 95c. Yields: 6,3% on dividend; 13,3% on earnings; p:e ratio, 7,5; cover, 2,1. 12-month high, 110c; low, 50c. Trading volume last quarter, 461 000 shares.*

Year to Feb	'88	'89	'90	'91
ST debt (Rm)	—	—	—	—
LT debt (Rm)	0,4	0,2	0,1	0,1
Debt:equity ratio	—	—	—	—
Shareholders' interest	0,11	0,11	0,10	0,10
Int & leasing cover	—	—	10,3	18,0
Return on cap (%)	14,7	14,5	14,0	16,8
Turnover (Rm)	340	425	512	649
Pre-int profit (Rm)	8,1	9,3	12,4	18,2
Pre-int margin (%)	2,4	2,2	2,4	2,8
Earnings (c)	7,7	5,5	9,4	12,6
Dividends (c)	3,0	3,5	4,5	6,0
Net worth (c)	18,6	22,1	27	33,6



Shield Trading continues to enjoy substantial real growth in turnover and profit. It has a continuing development programme which adds about 5% to turnover through new retail and wholesale members, but the remaining 22% of last year's turnover growth was from existing outlets. Wholesalers account for just over two-thirds of sales.

Major retail chains are disposing of marginal stores to franchisers such as Shield. The Vanderbijlpark OK, for instance, has been converted into a Shield outlet, Golden Multisave.

Shield trades predominantly in the black market and certain outlets suffered from consumer boycotts and township violence. Chairman Theo Muller says that, thanks to the wide geographical spread of Shield outlets, most of the franchisees were not affected. It orders in bulk and is responsible for payment of members' purchases to suppliers. It also provides marketing and other support services.

No stocks appear on the balance sheet, which also shows nearly R28m in cash with no net borrowings. It only buys packaged merchandise for members. Members buy their own bulk products such as sugar, bread and maize meal, which account for about half the sales of wholesalers. Muller says these products are not supplied "for economic and strategic reasons."

Shield has had strong results while it has stuck to its role as a franchisee. Earnings declined in 1989 because it failed to make money from its wholly owned Success chain. These were all franchised in the 1989 and 1990 years and Shield is now back on its growth path. Operating income rose by 47% and earnings by 34%.

In view of the dismal results from Metro and Trador, these results are impressive. The share is trading on a dividend yield of 6,3%, well above the retail and wholesale sector average of 2%. It still offers value.

Stephen Cranston

Shield's Muller ... *wide geographical spread*

WOOLTRU

FM 23/8/91

Slower pace

(30)

The overall impression gained from Wooltru's preliminary year-end results is that they are disappointing. Questions arising from the accounts are easily explained away by management. But a feeling remains that all is not quite what it should be in the group. Perhaps it is simply because the results did not come up to expectations, though the retailing environment has become really tough.

A large portion of the 22% growth in group turnover came from Makro, which lifted its sales by 34%, having expanded its floor space by 22%. Makro, a cash and carry wholesaler, is making an increasingly larger contribution to group turnover. It is not clear how much of Makro's sales advance was owing to the expansion, nor whether margins deteriorated as a result. Wooltru CE Colin Hall says that, had no floor expansion taken place, Makro would still have produced major sales growth and its profit advance would have been almost as high as that of Speciality Retail Group (SRG)'s 39%.

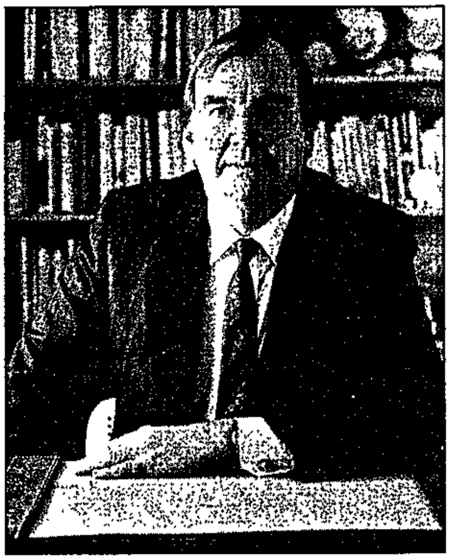
He explains that Makro's profit in fact grew by only 6%, because expansion expenditure is written off in the year in which it is incurred. Makro's expansion was aimed at increasing market share, an objective that was apparently achieved. It occurred while major competitor Metro was having to deal with internal problems.

FM 23/8/91 (30)

Woolworths, the Wooltru flagship and main profit contributor, has shown no profit increase, despite 27% growth in the food division. Though sales of clothing and homeware were up 11%, profit lagged the previous year's.

The consumer trend away from cash spending and towards credit shopping took its toll in the Woolworths stores, which are run as a cash business. Because markdowns were high (to move out unwanted stock), margins came under increasing pressure. Hall adds that the situation was worsened because quality merchandise was not available at critical times.

The balance sheet shows borrowings have risen by no less than 73% to R286m, pushing gearing up to 40%. This is no cause for



Wooltru's Hall ... *a very bad recession*

alarm; investments have increased by R60m and, presumably, the return on investments is greater than the cost of borrowing. Stocks rose by a third and debtors by 40%, including R48m for the Makro expansion and R70m for refitting and refurbishing stores. The surge in stocks is explained mainly by the requirements for the new Makro outlets, though lagging sales in Woolworths would also have been a factor.

SRG, the Truworths and Topics chains and several niche market operations, Truworths Man and Daniel Hechter, are looking more favourable. Most of the group's sales are credit based. Its sales rose by 22% and, thanks to improved productivity and working capital management, profit was 39% up.

Hall, while not happy with Wooltru's results, is satisfied considering the economic conditions, which he terms "a very, very bad

FOX F.M 23/8/91 (30)

recession." Group turnover was 18% ahead of last year's. He expects this will be maintained for the rest of the financial year and is hopeful trading conditions may improve over the Christmas period. His caveat is, however, that it will be difficult to increase earnings in real terms until the economy improves.

And that is one reason why the results give rise to unease. It is difficult to justify a p:e of 20 when there may not be any real growth over next year.

Gerald Hirshon

Continued →

Chamber turns down march risk

Sowetan 27/8/91 (30)

CARLETONVILLE's Chamber of Business and Consumer Boycott Co-ordinating Committee have refused to sign a "memorandum of indemnity and guarantee" requested by the conservative town council before it will allow a march.

Signatories would be responsible for costs arising out of any damages or loss incurred during the planned demonstration which could end the nine-week consumer boycott in the town.

"This is just to make it difficult for people to march," said Chamber of Business president Mrs Annetjie Claasen.

Management committee chairman Mr Dawid de Ridder, a pharmacist in the town, admitted that the refusal to allow a march had been the spark which led to the crippling boycott.

"As soon as they give us the guarantee to take all the responsibility for claims," the march could go ahead, he said.

Claasen said the terms in the form were too wide.

"We cannot sign an indemnity like that. We feel it is really very unfair to expect us to," Claasen said.

The Boycott Committee has sought legal advice on the matter and issued a statement yesterday saying the march would go ahead on Saturday despite the council's "dirty delaying tactics".

De Ridder agreed that a march would take place "very soon" and said that in terms of the new legislation "even the police cannot stop it".

"The boycott started in the first instance because we wouldn't give permission," he said.

"Unfortunately, the businessmen are hard hit, so their only requirement is that the form is signed."

He said his monthly takings were down 21 per cent.

"It is a very difficult time for the businessmen in the community, but you can't bend right over and let them step on you."

Claasen said the application to hold a peaceful march was returned from the town council on August 14.

"We originally asked for a march on August 17, but the council said we could not have it. Then they said we must apply for August 24, but the applicants had to pay R1 108,70 for traffic arrangements before 12 noon on Friday.

Claasen said she had telephoned the insurance head offices, "but they cannot give any policy at all".

She said that the chamber had initially acted as facilitator between the boycott committee and the town council.

"At the end of the day we are so part of it that we have to give joint indemnity.

"And don't talk about business," she said. "We don't have it."

The boycott, led by Cosatu and the ANC, is a to protest against the council's attitude to black grievances. *Sapa*

Midway 'to be Soweto's CBD'

BDay 28/8/91 (30)

MIDWAY, a 55ha piece of land south of Soweto, is set to become the CBD for the 2-million residents of the township, marketing and property experts said last week.

The area, between Midway railway station and the Old Potchefstroom Road, was acquired by Rand Consolidated Properties (a subsidiary of Rand Merchant Bank) in 1985, and incorporated into Soweto last December.

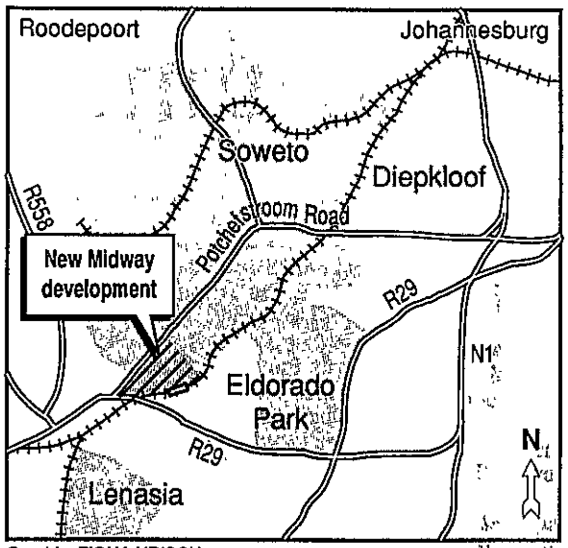
Marketing and business

THEO RAWANA

projects consultant Matodzi Liphosa, whose company Investomark is building an office block in the area, said Midway was strategically situated, with easy access to all parts of Soweto.

"With Soweto growing westwards and southwards, the place is ideally situated, with access roads from Johannesburg and the West Rand unobstructed by traffic jams and highway crime, as is the case with places like Jabulani."

The proposed CBD at Jabulani and the existing financial centre in Dube would not survive because business and financial institutions were rapidly becoming disillusioned about their future.



Graphic: FIONA KRISCH

"These institutions have white staff who have to run the gauntlet of hold-ups and traffic jams on their way to and from the areas. Banks and building societies are closing branches because of robberies," Liphosa said.

Midway had none of these problems and major retailers such as Ferreira's were confident enough about the security situation to set up shop there.

"With the Group Areas Act gone, business people of various race groups are converging on the area. Soweto businessmen would do well to join in, instead of protesting about the establishment of white business on the fringes of Soweto," Liphosa said.

He said of 70 stands bought in the area, only 10 had been acquired by Africans — the rest were taken up by Asians, coloureds and whites.

His office block — due to open in February — was designed for banks, building societies, auditors and advertising and research agencies.

Rand Consolidated Properties GM (development) Jon Heeger said: "Our company's dream is that Midway is ideally located to form the CBD of southern Soweto. Given the expansion of Soweto southwards and westwards, this is logical."

The company had spent R3m on infrastructure — roads, water and electricity — and generally converting the area into an industrial and business complex.

"We have proclaimed the industrial area of Klipriviersoog extension 1, comprising 124 erven of 8 000m² and 4 000m², and have extension 3 (104 erven) in the planning phase," he said.

"We have sold 50% of the erven in phase 1, predominantly to small businessmen who service Soweto. Though we do not regard race as an issue, we feel we must comment that, notwithstanding a wide diversity of owners, Midway has had an extremely low incidence of so-called unrest-related incidents."

Heeger said the company had completed preliminary planning for three developments: a shopping centre, a mini-factory development and an "industrial hive".

"We are in contact with representatives of a number of US and other foreign principals with a view to generating sufficient funding to enable the 'industrial hive' project to succeed.

"We would provide the land at close to cost and undertake certain technical co-ordination issues. Preliminary discussions have been held with the SBDC regarding ongoing management of the facility, although we are not necessarily committed to the SBDC," said Heeger.

Retail sales 'will remain depressed'

B/Day 28/8/91 (30)

LINDA ENSOR

CAPE TOWN — The recent negative growth in real retail sales is unlikely to improve significantly for some time, Sanlam chief economist Johan Louw says in the latest Economic Survey.

Car sales will shrink further in coming months and there is no hope of any easing of conditions in the mining and building industries. Sanlam has forecast a negative growth rate of between 0,5% and 1% for this year.

"We suggest that the weakening in the spending ability of consumers and the continued tight monetary policy will keep retail sales at a low level for quite some time," Louw says.

Retailers in durable and semi-durable goods are experiencing exceptionally difficult business conditions.

Until recently the retail sector benefited from buoyant real private consumer spending with high wage increases, replacement demand for durable consumer goods and consumer reluctance to accept a lower standard of living contributing to the trend. But, Louw says, there has been an about-turn in these factors.

So far in this downturn, there has not been a significant decrease in the sale of passenger cars due to the importance of companies as purchasers of new motor cars.

"We nevertheless believe that the weakening in the real financial position of consumers — inter alia as a result of the sustained high inflation rate, the high cost of credit financing, the increased tax burden on company cars, strikes and the apparent saturation in the replacement demand — will cause car sales to shrink even further in coming months."

There were signs of recovery in the sales of second-hand vehicles, but any improvement this year would remain sluggish and accelerate only in 1992.

He foresees industrial production remaining slow for the rest of the year, improving moderately "in time". No improvement in the fortunes of the building industry in the remainder of 1991 is likely. Neither does Louw envisage a significant improvement in the mining sector in the next six months because of the slower rate of growth in the economies of SA's main trading partners.

A surplus on the current account of the balance of payments of between R4bn and R5bn this year is estimated, while the inflation rate will be just over 14% by the end of the year giving a figure for the year somewhere between 14,5% and 15%.

Regarding interest rates, Louw says money market conditions are expected to ease in the months ahead but that the monetary authorities will continue their efforts to limit the liquidity in the system.

"In the light of the persistent high inflation rate it seems unlikely that the Reserve Bank will reduce the bank rate further this year."

Local office rental market 'healthy'

THE local office rental market looked healthy compared with those in Britain and the US, said SA Property Owners' Association (Sapoa) president Derek Stuart-Findlay. B Day 28/8/91

"SA office vacancies average about 8% in the major cities compared with 20% in the larger cities in the US." (30)

Local developers had acted responsibly in the latest recessionary period, particularly considering that the SA economy had been in a downswing phase for five of the last 10 years.

One of the greatest surprises in the last few years was the strength of the SA industrial sector.

The present vacancy factor of 2% in this portfolio was an excellent performance considering the country had borne interest rates of 20% and more for two and a half years. It reflected the inherent strength of SA's economy.

Stability and economic improvement was making SA an attractive investment proposition for offshore investors, particularly in the manufacturing sector.

A challenge facing Sapoa members was the provision of appropriate retail facilities in the less affluent suburbs of SA's cities and towns, he said. While only about 57% of the black population was urbanised, blacks comprised 75% of the population, with a spending power representing 41% of the SA total.

Anton Rupert discusses some of the leather goods on show with Jedico Leather's Colleen Nash in the SBDC's City Hive in central Johannesburg yesterday. Picture: CATHERINE ROSS

SBDC helped to create 300 000 jobs, says Rupert

30 B Day 28/8/91

THEO RAWANA

THE SBDC had paid R93m in taxes and helped create 300 000 jobs since its inception in 1981, Anton Rupert said in Johannesburg yesterday.

Delivering his chairman's report at the SBDC's 10th annual meeting, Rupert called for the formation of a task group consisting of key representatives of the public and private sectors to lay plans for the future capital requirements of the SBDC.

Rupert said the SBDC had helped more than 1-million people with information, advice, training, financing and business accommodation over the past 10 years.

The 300 000 jobs had been created at a capital investment in small businesses of R758m — the cost of only two Boeing 747s.

SBDC MD Ben Vosloo said the corporation had also granted R1,1bn in direct loans to 31 000 businessmen. It provided a base for more than 3 000 entrepreneurs and had more than 35 000 employees.

"In order to continue its current rate of expansion over the next five years, the SBDC requires additional capital to the amount of R750m. This will form the base for additional loan financing of R2bn to small and medium enterprises over the next five years," Vosloo said.

Saying the SBDC had paid R93m in taxes to the state since 1981, Rupert added: "Fortunately, both the public and private sector shareholders have agreed to plough tax and declared dividends back into the SBDC to strengthen further its capital base and to provide funds for additional projects.

"The past 10 years were indisputably successful, but it has now, given the new circumstances in which SA finds itself, become essential that there again has to be considered the requirements for the '90s: financially, as well as structurally.

"Instructions have been given to the executive committee to create a task force and state and private sector representatives will be invited to take part in the project," he said.

He believed the joint efforts of shareholders, directors, management and all workers of the SBDC had helped to create a catalyst for development of which all South Africans could be proud.

Falling retail sales to continue — Sanlam

30 CT 28/8/91

By AUDREY D'ANGELO
Business Editor

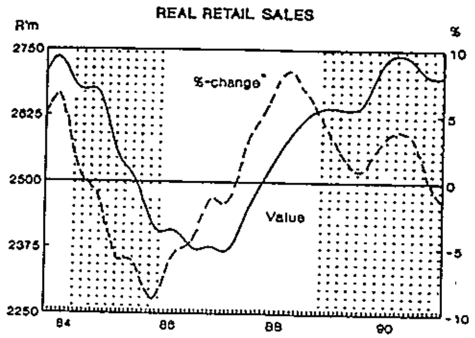
REAL retail sales have been falling for months, says Sanlam chief economist Johan Louw in his August Economic Review. And a weakening in consumers' spending power combined with high interest rates will "keep retail sales at a low level for quite some time.

"Retailers in durable and semi-durable goods, in particular, are experiencing exceptionally difficult business conditions at present."

Louw also expects new car sales to shrink even further in coming months, as a result of "the weakening in the real financial position of consumers as a result of the sustained high inflation rate, the high cost of credit financing, the increased tax burden on company cars, strikes and the apparent saturation of replacement demand."

But he points out that sales of second hand cars are beginning to recover from a low base.

"We believe that this improvement will remain very sluggish in the months to come, but sales will accelerate considerably later this year and in 1992.



"The continued sharp rise in the prices of new passenger cars, the change from GST to VAT, as well as the increasing practice among businesses of providing their employees with car allowances rather than company cars, will also contribute to this."

Discussing the outlook for inflation, Louw forecasts that the switch from GST to VAT at 10% will cause "only a small one-off increase in the inflation rate".

But, he says, "the higher petrol price and excise duties, on the other hand, are expected to cause this rate to rise by an estimated 0,7 of a percentage point in September. The forward and backward linkage rate could push the inflation rate still higher in time.

"All in all, we foresee that the inflation rate after tax adjustments will be just over 14% by the end of the year. For 1991 as a whole we estimate a figure of between 14,5% and 15%.

"This could decline to an average rate of about 13% in 1992."

Louw expects exports to "decelerate in the coming six or 12 months in conjunction with the slower growth of the world economy and an expected listless performance by the gold price.

"Imports will fluctuate more or less around the present level during this period.

"We also believe that the actual benefits of the lifting of sanctions will become noticeable only gradually in our trade with the rest of the world. At this stage, we estimate that the current account of the balance of payments will yield a surplus of between R4 000m and R5 000m in 1991."

He expects money market conditions to ease in the months ahead "but think that the monetary authorities will continue their efforts to limit the liquidity in the system".

Nafcoc takes its place in liberation effort

BDay 29/8/91

THEO RAWANA

LAST week's conference of the National African Federated Chamber of Commerce (Nafcoc) left no doubt that major black political groupings saw the business organisation as a frontrunner in the black liberation effort.

The 2 000 delegates who attended the four-day event at Sun City heard ANC, PAC and Azapo leaders urge Nafcoc to move hand-in-hand with them on the path to ultimate victory.

30

And the organisation's acceptance of PAC president Clarence Makwethu's invitation to participate in the Patriotic Front conference has placed Nafcoc among the heavyweights in the black cause.

Makwethu said the purpose of the Patriotic Front would be "to co-ordinate strategies of transition amongst our liberation movements and to build up support and commitment around our demands for a constituent assembly. It is a front to ensure a total transformation of our society".

He said Nafcoc was on the invitation list.

Perhaps ANC secretary-general Cyril Ramaphosa summed up Nafcoc's perceived responsibility when he said people did not expect slogans, rhetoric or ideology from the business organisation.

"They expect to be informed about practical steps that will lead them to acquiring economic power and nothing less," Ramaphosa said.

He said Nafcoc stood out alone among many business organisations in terms of its record in "waging war against the heinous system of apartheid and promoting the empowerment of black people".

Azapo president Pandelani Nefolovhodwe, warning Nafcoc against white business's efforts to divide black business to suit white designs, said: "It is our view in Azapo that your organisation occupies a special position in the struggle for economic emancipation."

Urging Nafcoc to unite with the other major black business grouping, Fabcos, Nefolovhodwe said: "The fact that Nafcoc and Fabcos exist as separate entities does in a way serve the interests of big business. Despite your differences, Azapo would like to see greater co-operation between Nafcoc and Fabcos."

Nafcoc president Sam Motsuenyane, speaking on relationships between political and business leaders, said: "In the past there was a mistaken tendency to disregard or underestimate the role of black business as a vital element of the liberation struggle in our country.

"Political and economic freedom can indeed be assumed to represent the opposite sides of the same coin, both are essential and indispensable to the progress and development of a democratic state."

Get an elephant's eye view

BDay 29/8/91

DAVE LOURENS

ELEPHANT-back safaris in Botswana have identified SA game enthusiasts as their latest target group.

Well-known wildlife conservationist Randall Moore, in SA for a few days, has extended the safari season by two months and laid on a special package exclusively for residents of southern Africa "as my way of saying thank you for all the support we have received from them over the past few years".

The highlight of the safaris is riding on elephants through the Okavango swamps. These are the same elephants featured in the ISM commercial and in Clint Eastwood's movie, White Hunter Black Heart.

Guests are accommodated in luxury tents.

Numbers are limited to eight guests per safari.

Moore said the tight restriction on numbers had ensured the safaris were always fully booked. He said most tourists had come from the US, but he hoped the safaris would gain in popularity in SA. In order to cater for South Africans, the safari had been slightly shortened to make it more affordable.

Moore has been involved in the field of wildlife conservation for the past 20 years. He first became an elephant owner in 1979, when his mentor Dr H Morgan Berry died and he inherited three full-grown African elephants, who formed the nucleus of his current herd in Botswana.

The elephant-back safaris are unique in Africa. The only similar safaris are in Nepal's Chitwan Park.

Companies 'must scrap isolation mentality'

CT 29/8/91 (30)

TOYOTA (SA) "together with the vast majority of businesses in this country", will have to overcome the isolation mentality caused by sanctions, its new executive chairman, Bert Wessels, says.

In a statement outlining his plans for the company Wessels dismisses any suggestion that it should become part of the Toyota Motor Corporation of Japan (TMC).

But he expects Toyota (SA) to play a part in the Toyota Motor Corporation's global production strategy.

"Along with other local industrial players Toyota SA will be looking to place itself within the global business community to take full advantage of export opportunities that present themselves.

"Toyota SA is unique in the world of Toyota as an autonomous licensee with wide ranging manufacturing agreements with TMC Japan.

"As the world opens up to SA, I expect that this will make the company well placed to take advantage of opportunities that are presented.

"There may be a lot of speculation about the transfer of shares to TMC but Toyota SA's autonomy is probably the company's greatest strength. It provides the ability to react more quickly and positively to threats and opportunities than might be the case in a wider corporate structure."

"We will jealously guard our autonomy but at all times consider the position of our shareholders in this regard."

Boycott over white killers

Sowetan 29/8/91 (30)

By MATHATA TSEDU

RESIDENTS around Tzaneen and Duiwelskloof are to launch a consumer boycott on October 4 to demand that two whites who killed five black workers be arrested.

Announcing the boycott at a Press conference in Tzaneen this week, chairman of Tzaneen and Duiwelskloof Consumer Boycott Committee Mr Mmutle Phasha said the boycott would end when the killers had been arrested, charged and convicted.

Phasha said the decision to launch the boycott was taken at a meeting in Bolobedu on August 18 attended by representatives of Azapo, ANC, PAC, Nactu, Cosatu and youth, church and business organisations.

Phasa listed seven other demands, including the reopening of the Tivumbeni College of Education in Nkowankowa, the removal of defence force troops from villages and townships, the immediate dismantling of bantustans and an end to alleged harassment of trade unionists.

The arrest of the alleged killers is the major demand.

The TDCBC has called upon Nkowankowa Motors and Wolkberg Security to commit themselves to supporting the spouses and children of those killed.

The five black workers were killed at Nkowankowa Motors, at Bindzulani shopping centre on August 19 during an attack by two white men using a pump action gun.

Phasha said no one has been arrested because the victims were black.

Angry dealers slam 'leaking' of PPI figures

B/Day 29/8/91

ROBERT GENTLE

ANGRY capital market traders yesterday accused Pretoria of leaking the previous day's revised producer price index (PPI) to specific market participants hours ahead of the official release.

Dealers were reluctant to take strong positions on the strength of yesterday's CPI figures in the light of the revision of the PPI.

The E168 ended at 16,61% yesterday from Tuesday's 16,57% and Monday's 16,67%.

"People just don't trust the figures anymore," said one.

Dealers said the leaking of the PPI figures on Monday enabled "favoured" investors to take new positions or unwind earlier ones safe in the knowledge that capital market rates would move dramatically to account for the erroneous PPI.

Traders said these deals, struck on what was in effect insider information, caused huge profits to be made by some market participants.

These accusations, made by traders who were reluctant to be identified, came from at least five different sources in banking, stockbroking and independent broking circles.

They were unanimous at putting the leak at about 7.15am yesterday, after which they said there was sustained buying by participants, one of which was rumoured to be a bank dealing through a floor broker.

Calls by the market to Pretoria to find out what was going turned up no useful information, they said.

The obvious inference was that the leak must have come from "high up".

One trader said: "It is totally unprofessional on the part of Pretoria. It is not the first time either."

A trader said SA should adopt the US system of publicly stating the date and exact time crucial economic data would be released.

The Central Statistical Service, who releases the figures, was unavailable for comment yesterday.

(30)

Action on black shops is to stay

Sowetan 29/8/91

30

By ALINAH DUBE

THE Garankuwa branch of the ANC announced yesterday that the boycott of several businesses in the area and at Ramogodi has been extended pending the outcome of a trial involving local activists.

Mr Steve Moatshe, organiser of the boycott of black businesses, said the decision was taken at a meeting this week at the Medical University of South Africa.

The consumer boycott was called by the ANC and the central Transvaal region of the Azanian Peoples Organisation against businesses whose owners allegedly collaborated with the Bophuthatswana government.

Some of the 22 shops listed as targets are said to be owned by Cabinet Ministers. They include bottlestores, garages, dry-cleaning depots and supermarkets.

When the boycott was launched, the organisations also called for the release of political prisoners and an end to the "harassment and intimidation of activists by the Bophuthatswana police".

Moatshe said the campaign would be reviewed after the case involving eight members of the Garankuwa Civic Association was finalised.

The infrastructure provides good place to make money in

B/Day 30/8/91

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FOR an increasing number of small to medium-sized businessmen, Bloemfontein is a good place to make money.

Industrialists give it a good ratings for location and availability of land, labour, water, infrastructure and potential markets.

In addition, the Bloemfontein sub-region enjoys the highest level of government incentives for regional development.

Bloemfontein has five industrial areas apart from the relatively new Bloemdustria.

These comprise a total of 833 sites — 155 with siding facilities.

The largest and oldest of these is Hamilton.

This is almost fully developed, apart from 15 new sites.

Available

Some 280 sites are still available for development in the new Ooseinde industrial township.

Sakekamer executive committee member Berrie van Niekerk says: "The fact that it is so central — at the hub of road and rail networks reaching all the major centres of SA, Lesotho and Transkei — makes Bloemfontein an excellent location for national distributors."

The area also boasts a larger local market base than is commonly realised.

Bloemfontein is the sixth largest city in SA — and it continues to expand.

In addition, more than 50% of the spending power of Lesotho — amounting to a market of around 750 000 people — finds its way to Bloemfontein.

Mixed bag

The region boasts a fairly mixed bag of businesses — most of them on the small side.

Agriculture-linked businesses are well positioned to serve the OFS/Northern Cape region, and there is potential for more business development in this sector.

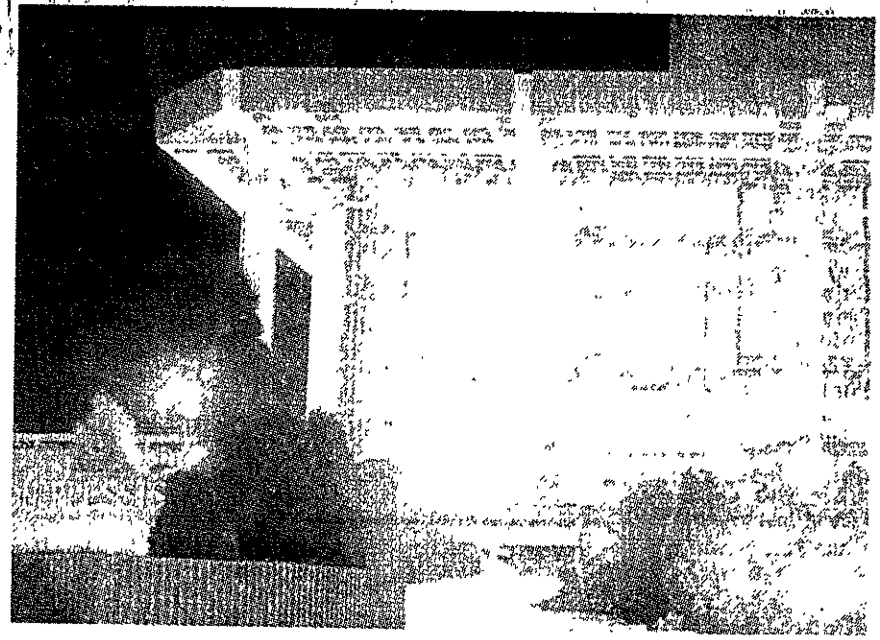
Spoornet is the largest operator in the city, which is home to the biggest railway workshops in the southern hemisphere.

Apart from that, while the city fathers would welcome the presence of a major anchor business from the private sector, Bloemfontein's mixed economic structure is probably more stable than it would be if it depended on a single industry.

The ready supply of cheap, serviced industrial land close to the city centre is another drawcard.

Business Day SURVEY

For small to medium sized businesses, Bloemfontein is a good place to be in terms of location, availability of land and access to potential markets. And while the city does not immediately spring to mind as a tourist location, the city council is determined to increase its share of this market. ***VAL PIENAAR*** *reports.*



The Sand du Plessis Theatre presents music and drama of an international standard.

Small business is flocking in to an ideal situation

BDay 30/8/91. (30)

THE entrepreneurial spirit is flourishing in Bloemfontein.

Small businessmen are flocking to take advantage of low land costs, plentiful labour and a central location.

The Small Business Development Corporation (SBDC) has experienced dramatic growth in the entire Orange Free State and northern Cape region — and nowhere more so than in Bloemfontein.

Grew

Regional GM Jurie Labuschagne says: "From December 1988 to June 1991 the value of our loans granted grew by 233%, from R15m to R48,5m.

"We have helped set 1 266 entrepreneurs on their feet — and in the process created more than 6 000 jobs."

The corporation's assets have also grown — from R4,5m in 1985 to R57m five years later.

Over the past six years, the staff complement has increased from 16 to 45.

The regional office was opened 18 months ago with a R25m budget, which has grown to R60m.

The SBDC does not limit its assistance to handing over cheques.

It is also the leader in providing accommodation for commercial and industrial businesses.

Its property portfolio in the region — comprising 33 700m² of lettable space — is valued at R15,7m.

In addition, R4,47m has been set aside for purchasing three industrial and commercial buildings in Bloemfontein.

One of them — Die Mark, acquired from the city council — is to be upgraded at a cost of more than R1m, while two properties in Harvey Road are to be upgraded and converted into 15 mini-factory units and the city's first 19 industrial hives.

Loans are made available to businesses in the formal, semi-formal and informal sectors.

"The informal sector plays a vital role in job creation in SA's low-growth economy," says Labuschagne.

Stalls

A project aimed at this sector was the erection of stalls at the Jakaranda Market, next to the main access to Mangaung township.

These provide essential infrastructural facilities for the informal sector — while capital is available

JURIE LABUSCHAGNE

through mini-loans of up to R5 000.

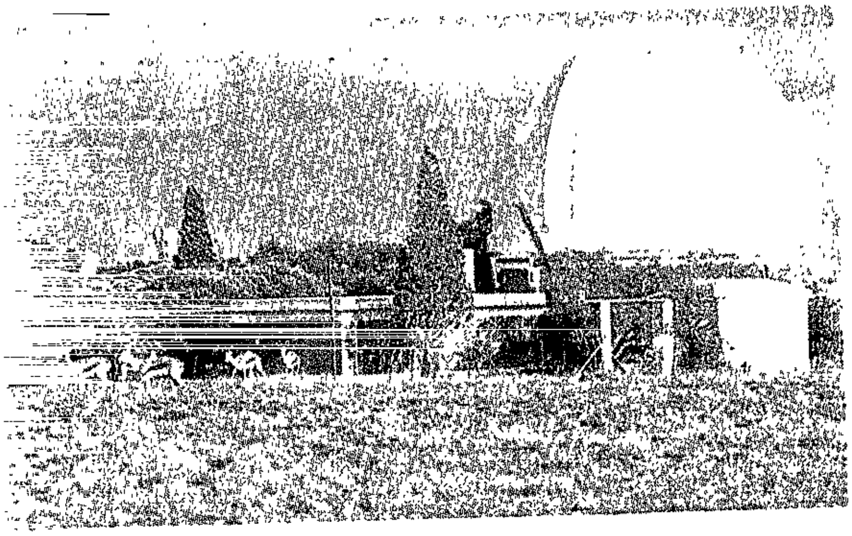
In the formal and semi-formal sectors, loans of up to R750 000 — and sometimes more — are available.

"We offer a range of financial packages designed to cater for businesses in various stages of development," says Labuschagne.

In addition to playing financing and developmental roles, the SBDC is involved in rendering a wide range of support services to promote entrepreneurial development.

Courses offering training in business skills at levels ranging from basic to advanced business management are offered at various centres in the region — and in the first five months of this year attracted more than 7 200 inquiries.

Expertise is also made accessible to small businesses.



Wildlife on Naval Hill in the heart of the city.

Middestad Centre is not hit by the soft market

(30) B Day 30/8/91

TRADING conditions in Bloemfontein's retail letting market, as for the rest of the country, are tight, says Ampros retail leasing manager Derek van den Bergh.

But although the market is soft, the 20 000m² Middestad Centre — acquired by Ampros as part of the Compass Property Holdings portfolio — is fully let.

"The Middestad Centre, with its location in the centre of the CBD, its excellent tenant mix and good parking, is the jewel of the portfolio," says Van den Bergh.

Alterations are underway to accommodate the CNA in a 1 000m² store, making it the third largest tenant in the centre.

Newcomer Porterhouse Steakhouse is to take 550m².

Other majors include Furniture City in 3 000m², Shoprite in 1 500m² and Ackermans in 1 000m².

Middestad also boasts one of the largest hairdressing salons in the southern hemisphere, Maison Coster.

"Although the centre is fully let, we are still receiving inquiries from prospective tenants, while all the existing traders report excellent turnovers," says Van den Bergh.

Customers will get help with new tax

Sowetan 30/8/91

(3D)

By JOSHUA RABOROKO

WHILE speculation on the effects of VAT is rife, many consumers still do not even fully understand the ins and outs of the new tax system.

To help customers, two companies - Woolworths and Sales House - have embarked on a comprehensive VAT education campaign which, if not equipping every customer with all the details of VAT in their daily lives, will certainly help them as far as their retail purchases are concerned.

To ensure that the messages they are displaying at all their points of sales are fully understood and retained by customers, Woolworths has published an A-Z guide to the tax, available at all till points.

In addition, consultants have been appointed at every store to help customers who require further explanations.

The programme, hailed by customer councils as one of the most comprehensive to be instituted by any retail chain in South Africa, is the brainchild of Mr Ray Schur, newly-appointed financial director of Woolworths.

He has assembled a committee of nine in-company executives, each a specialist in particular areas of merchandising.

The nine members represent systems and procedures, stores, buying, suppliers, franchisers and exports, and communications.

"The question uppermost in all South African customers' minds today - and the one that has been least addressed up to now - is: 'What are the changes that VAT will make to my daily purchases?'

"This has been a priority in the Woolworths communication on VAT ands its implications," he said.

With the recent reduction in VAT, retailers now need to begin re-educating their consumers, says Sales House managing director Mr Ian Thomson.

FM 30/8/91 (30)

BERGERS

Changed business (30)

Activities: *Retail clothing.* FM 30/8/91
Control: *Directors 68,3%.*
Chairman: *H Mauerberger. MD: M Jacobson.*
Capital structure: *20,2m ords. Market capitalisation: R61m.*
Share market: *Price: 300c. Yields: 4,9% on dividend; 11,4% on earnings; p:e ratio, 8,7; cover, 2,3. 12-month high, 320c; low, 180c. Trading volume last quarter, 321 000 shares.*

Year to Dec	'87	'88	'89	'90
ST debt (Rm)	0,9	0,9	4,3	10,6
LT debt (Rm)	0,2	0,3	0,5	3,4
Debt:equity ratio	nil	nil	0,29	0,72
Shareholders' interest	0,31	0,33	0,30	0,23
Int & leasing cover	26,5	29,3	19,4	4,1
Return on cap (%)	18,6	23,3	21,8	20,2
Turnover (Rm)	45	63	84	144
Pre-int profit (Rm)	4,2	6,6	9,4	13,9
Pre-int margin (%)	9,4	10,5	11,3	9,7
Earnings (c)	12,9	20,5	30,2	34,3
Dividends (c)	6,3	9,5	13,0	14,7
Net worth (c)	34,3	45,3	62,5	69

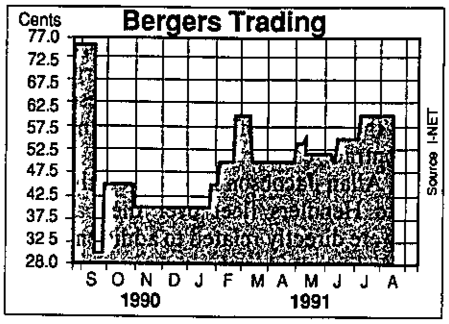
It's no longer the same old Bergers business. The original trading chain still exists, but the holding company now incorporates the high-fashion, yuppie retailer, Hylton Weiner, as well as the middle-of-the-road, credit-based operation formerly known as Independent Fashion Holdings (Infash).

Infash was acquired last September, in a deal which took effect from March 1 1990, when that business was showing signs of deterioration (*FM* September 14 1990). Infash's share price was 75c when Bergers bought 54% for 30c a share. Total investment for Bergers was R1,8m. But the purchase meant bringing to book a company with a debt:equity ratio of 2,14, whereas Bergers itself had virtually no debt.

This, and the additional borrowings needed to fund the buy-out, accounts for the leap in Bergers' gearing. According to MD Mervyn Jacobson, because the internal rate of return generated by the group is greater than the cost of borrowing, it was cheaper to pay cash than to issue paper.

Infash was bought for strategic reasons. It was felt that it would be cheaper to buy a credit-based PWV retail chain than to try to establish one there from scratch. Of the three divisions of Infash, the Capri stores were sold, and the Lady J stores are continuing to trade as they are; but the primary focus is on the Jones outlets, which are aimed at the brand-conscious and more affluent black market. Jacobson says trading now is "satisfactory" and margins are improving.

Bergers merged its business with that of Infash, which has been renamed Bergers Trading Holdings (Bertrad) and Bertrad's year-end was changed from February to December 31. Bertrad figures are for a 10-month period and so are not directly comparable with previous years. In any event,



absorption of Infash into Bertrad has changed the trading base entirely. Bergers Group (holding 94% of Bertrad) is now listed as a pyramid.

Jacobson considers Hilton Weiner has turned out to have been "a very good investment." The 11 existing stores are trading well (a cash-based business), and suitable controls have helped productivity and profit. It is to be expanded to 13 stores by the year-end and is proving to be a sound profit contributor.

Chairman Howard Mauerberger notes that without acquisitions, the original Bergers turnover would have shown a 26% increase. Bergers is to issue its interim report soon, but I understand that turnover at Bergers is running about 23% ahead of the same time last year. In this environment, that is good going and indicates that, on a p:e of less than 9, the share offers sound second-line investment value in the retail sector, where the average p:e is 16,4. *Gerald Hirshon*

COMMERCE - GENERAL

1991

SEPT. — OCT.

Metro plunges to deep in the red

B/Day 2/9/91 (30)

MARCIA KLEIN

THE Metro Group has fallen deeply into the red with a R53,2m attributable loss in the year to end-June against a profit of R27,5m the previous year.

The dramatic drop in earnings a share to a loss of 79,4c (profit of 41,3c) was more severe than the loss of around 45c a share forecast when the Premier Group took control of the wholesale group from Tradegro less than four months ago.

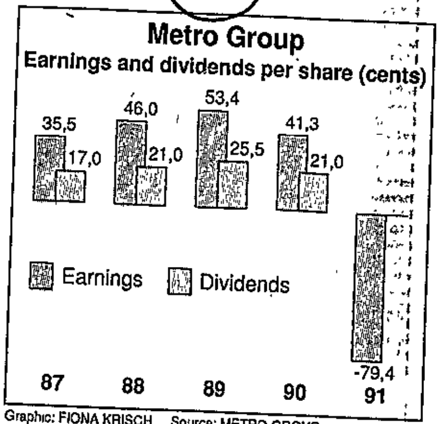
However, directors said results included those of the Fairways retail division which had since moved out of the group.

Excluding Fairways, the group's loss of 50,8c (earnings of 49,5c) a share provided "a more meaningful reflection of the group's affairs", they said.

Directors hoped that after the group's recent drastic restructure, it would return to profitability in financial 1992.

Metro had already fallen into the red at the December interim stage.

As part of Metro's reorganisation, the Frasers Greenstein Rosen division was closed and the Fairways retail division merged with that of Score Food Holdings to form a separate retail group, Score Supermarkets, to be listed later this year.



Graphic: FIONA KRISCH Source: METRO GROUP

Directors said Metro would "no longer have any stake in the new Score Supermarkets".

Curtailed and discontinued operations — including the Frasers closure — and goodwill are reflected in an extraordinary item of R190,8m.

Turnover increased by 16,4% to R4,06bn (R3,49bn), but Metro reported a loss of R14,7m (income of R71,4m) at the operating level.

☐ To Page 2

Metro

B/Day 2/9/91. (30)

☐ From Page 1

Directors said the "crippling interest bill", which increased by 47,5% to R31,7m (R21,5m) would be substantially reduced through the R142m rights issue in November. They said that after the rights issue, the balance sheet would look much healthier with shareholders' funds standing at around R221,6m (R75,1m).

After the merger of the cash and carry interests with Score Food Holdings, the rights offer and the disposal of the supermarket operations, the pro-forma balance sheet showed that total interest bearing debt would be reduced from R145,8m to R53,7m.

Pre-tax losses were R46,5m (income of R49,8m), and R7,5m (R20,5m) tax was paid on the profits of some companies in which Metro had an interest. This saw losses after tax at R54,0m (income of R29,4m).

At the earnings level, continuing operations showed a loss of 69,3c (earnings of 44,7c) a share. Excluding Fairways, continuing operations showed a loss of 40,7c (49,5c earned) a share.

Metro, which declared a dividend of 21c a share in the previous year, passed on a dividend for financial 1991.

MD Carlos Dos Santos said Metro had returned to its core business of cash and carry wholesaling to small traders throughout the country.

With the group's refocus on its core business, the reconstructed balance sheet, substantially reduced borrowings, and the effect of the rationalisation programme, he said, and given reasonable trading conditions, the group could return to profitability in the coming year.

W Tvl boycott suspended

Star 2/9/91 (30)

The nine-week-old consumer boycott of Carletonville's white businesses in the western Transvaal was suspended yesterday pending the outcome of a court action against the local town council.

The Consumer Boycott Co-ordinating Committee said it would challenge the Carletonville Town Council's refusal to allow protest marches if organisers did not accept responsibility for damages. — Sapa.

Turnaround expected for Metro

(30)

Star 2/9/91

The heavy losses posted by Metro Cash and Carry (the former Metro Group) in the year to June 22 could be reversed in the current year with the restructuring of the company, managing director Carlos dos Santos says.

The group showed an attributable loss of R53,24 million, against profits in the previous year of R27,46 million.

This equals a loss of 79,4c a share, against the previous earnings of 41,3c. No dividend is being paid.

The group has been acquired by the Premier Group and reorganised.

Mr dos Santos says Metro has returned to its core business of cash and carry wholesaling to small traders throughout the country.

Following its merger with Tradór, Metro now comprises 208 cash and carry outlets, five Trade Centres and six Builders Bucket outlets.

After the takeover and offer to minorities Premier holds 69,6 percent of Metro. — Sapa.

-BUSINESS-

No easy road for Porter

B | Day
3/9/91
(30)

MARC HASENFUSS

DIFFICULT trading conditions in the new and used car markets continued to hamper Cape Town-based motor retailer Brian Porter Holdings in the year to June 1991.

The group reported a 14% decline in earnings to R2,2m (R2,6m) or 78,2c (91,4c) a share, but a 7% increase in turnover to R307m (R287m). The final dividend was maintained at 13c, but total payout was slashed by 16% to 21c (25c) a share, covered 3,73 (3,66) times.

Commenting on the results, chairman and MD Brian Porter said volumes and margins in the prestige car market dropped significantly. Operating profit showed a decline of 6% as operating margins were squeezed to 2,4% (2,8%).

3/9/91

Brian Porter Holdings has recovered steadily from a 35% decline in earnings at the interim stage.

The share was offered at 490c yesterday, just under the July high of 500c. Its current net asset value is 809c (752c).

Trade starts as boycott is suspended

Sowetan 3/9/91

(30)

BUSINESS life trickled back into Carletonville yesterday after the devastating nine-week consumer boycott was suspended pending the outcome of a court action against the town council.

OWN CORRESPONDENT

During the boycott Carletonville's business centre, usually bustling with activity, resembled a lazy Sunday afternoon as turnovers plummeted.

Yesterday morning, relieved businessmen were preparing themselves for the return of business, with a number reporting the "shoppers are back in town".

Sunday's boycott suspension follows several attempts to resolve the boycott - sparked off by the refusal of the Conservative Party-controlled council to grant unconditional permission for a protest march.

The announcement of temporary relief to the town's businesses came after a two-day meeting between community representatives and the Carletonville Chamber of Commerce.

The Consumer Boycott Co-ordinating Committee said yesterday it would challenge in court the town council's refusal to allow protest marches if march organisers did not accept responsibility for damages resulting from the protest action.

A negotiating forum made up of members of the Chamber of Business and the Boycott Co-ordinating Committee would continue discussions to iron out differences, the groups said in a joint statement.

The Chamber of Business has welcomed the lifting of the boycott and expressed confidence in the negotiating forum to resolve further points of discord between different sections of the community.

However, spokesman Annatjie Claassen emphasised that the boycott has merely been suspended: "There is still a lot to do before it is called off."

Major supermarkets mum on their mark-ups

Star 3/9/91

(30)

While food prices continue to rocket, South African supermarkets claim to have one of the lowest mark-up rates in the world. JOHN MILLER investigates.

A RECENT London newspaper survey which looked at 10 food items in leading chain stores across England, Germany and the United States showed that the average mark-up at some British stores was at least double that on similar goods in Germany and a third more than in America.

Figures from the European Commission in Brussels said the cost of British food has risen by a third since 1985, compared to 9 percent in Belgium, 10 percent in Germany and 18 percent in France.

Pick 'n Pay and the OK were not prepared to give The Star the exact South African mark-ups "because of the extremely competitive nature of supermarkets in South Africa".

Pick 'n Pay has a net margin of 2,69 percent, which works, pre-tax, to 2,7c to the rand. OK says its margins are less.

Each put tomatoes, bananas, sugar, eggs and milk in a low category.

In the medium range of about 5 percent to 15 percent, Pick 'n Pay included rump steak, frozen chips, chops and yoghurt, with OK rating frozen chips and pork chops in the same category.

In the high mark-ups — from about 15 percent to 25 percent, Pick 'n Pay included strawberries. OK also included strawberries, as well as rump steak.

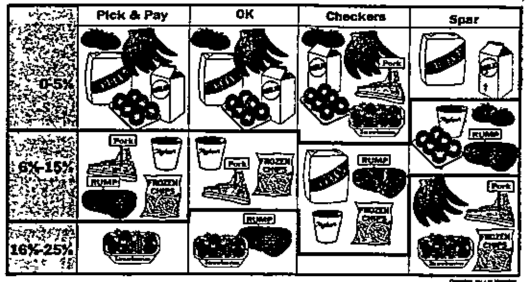
Using the same table, Spar managing director Mike Dobson included sugar and milk in the low category, with yoghurt, steak, eggs and tomatoes in the medium category and strawberries, bananas, chops and frozen chips in the high category.

A spokesman for Checkers said it would not disclose its percentage mark-ups, saying only that tomatoes, strawberries, bananas, pork chops, eggs and milk were all in low categories.

Sergio Martinengo, managing director of Checkers, said regular increases in food prices could be blamed on inflation, monopolies in the manufacturing sector, shrinkage and the Government.

Mr Dobson said that in the major lines of food, there were only between one and three manufacturers in South Africa, which was caused partly by the large corporations becoming bigger, and because there was no open trade with overseas suppliers.

Sean Summers, food and merchandise director for Pick 'n Pay, blamed rocketing food prices on manufacturers' stranglehold and the profits made by middlemen. □



Average mark-ups . . . on 10 food items at four stores.

COMP

Ackermans' R1m UCT fund

BDay LINDA ENSOR 4/9/91

CAPE TOWN — Pick 'n Pay chairman Raymond Ackerman and his wife Wendy have contributed R500 000 towards the Raymond and Wendy Ackerman Academic Support Programme in Cape Town University's Commerce Faculty.

Pick 'n Pay has also donated R500 000 to the fund.

The establishment of the fund was announced last night by UCT vice chancellor Stuart Saunders. (20)

The fund will make it possible for the faculty's two-year bridging programme to continue. It will also finance the post of a course co-ordinator for broader education development in the faculty.

The bridging programme is run by economist Pundy Pillay. He says it enables disadvantaged students to do their first year courses over two years, leaving time for intensive tutorials to counter the effects of an inferior education.

There are 40 students on the course at present.

Labour costs blamed for high food prices

Star 4/9/91

Labour costs were a major cause for increasing food prices, Anthos Yannakou, Fedfood's general manager (planning), said at a meeting in Pretoria of the South African National Consumer Union.

He said the consumer price index for food remained above the overall CPI.

However, wages had risen at an alarming 17 percent a year, lowering productivity to an "abysmal" 40 percent of that in the developed world.

Other cost inputs in the R14 billion-a-year food industry that had increased were transport, packaging and distribution.

In the retail trade, large increases were recorded in rentals and shrinkage, while sales had declined due to the recession.

The country's food industry was mostly domestically orientated. Only five percent of production was exported.

The industry did not make unreasonable profits.

Figures relating to the four major participants (Tiger, Premier, ICS and Fedfood) showed shareholders had received 1,1 percent of sales as dividends, 2,3 percent of sales had been retained for future expansion and R552 million had gone into capital expenditure. — Sapa.

Tight controls make SRG star of the Wooltru group

BDay 5/9/91 (30)

LINDA ENSOR

CAPE TOWN — Speciality Retail Group (SRG), the Wooltru division consisting of Truworths, Topics and several speciality concepts, this year emerged yet again as the star performer in the group.

The division keeps a low profile, but since its formation in 1988 it has consistently maintained a momentum of profit growth that must be the envy of other retail chains.

SRG has been relatively unscathed by the recession.

MD Eddie Parfett keeps a firm grip on stocks and margins, with the result that while SRG may be the smallest division by sales in the R3,3bn Wooltru clothing and food retail group, it has performed the best.

Parfett is steeped in the trade, having worked with Wooltru for 30 years. He is on the Wooltru board, and established the high fashion, high margin SRG division in 1988.

In the financial year to end-June SRG produced a 39% rise in after-tax profit on a 22% growth in sales. The Woolworths chain increased turnover by 14% but did not generate a growth in profits. Makro, hampered by its costly new store programme, produced a 6% after-tax profit increase on a 34% rise in sales. Overall, the Wooltru group notched up a 12% rise in earnings a share.

Over the past five years, SRG has:

- ☐ Nearly trebled sales to R548,2m from R191,7m; and
- ☐ Increased profits by 600%. Over six years the figure is 1 000%, though admittedly off a low base.

"We are reaping the benefits of planning over the past nine years," says Parfett.

Refurbishment

He says SRG gained market share in the 1991 financial year and outperformed the rest of the clothing retail trade for most of the winter. He emphasises that SRG's focus on credit sales, which represent about 80% of total sales, was not the only reason for its performance. More important, he believes, was the correct choice of goods.

Priority is given to making stores attractive, and refurbishment is undertaken every seven years. About 25 to 30 stores are refurbished annually.

The high quality of internally trained management and sophisticated systems complete the ingredients for SRG's success. The systems ensure bad debt is kept within budgeted limits and the quality of customers has meant that despite the recession, SRG's collections experience has not deteriorated.

Perhaps fundamental to the formula is that SRG allows the individual chains and niche developments independence and freedom to develop separately while giving them the benefits and economies of scale of a shared infrastructure.

There are 190 Truworths stores and 100 Topics stores. About 11 new stores are planned for this year with major refurbishments in the pipeline for Truworths in Eloff Street, Johannesburg, and Adderley Street in Cape Town. For Topics the most important development is a new store in Eloff Street.

Two developments are the mail order or home shopping division and the franchising of Truworths in Gaborone.

Parfett says franchising will be employed only beyond SA's borders and only on the condition that Truworths' standards are met. Visits to a number of countries elsewhere in Africa are planned with a view to opening up there.

SRG might have sailed through the recession so far but Parfett does not believe it is possible for profit growth in the current year to match the previous year's performance. The higher the base, the more difficult it is to keep the pace, especially in the current tough climate.

However, real growth is budgeted for.

Tight controls make SRG star of the Wooltru group

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However, real growth is budgeted for.

Union warns on boycott (30)

THE United African Motors and Allied Workers Union of SA has warned against a call to boycott black-owned businesses in Mabopane.

The union's assistant general secretary, Mr Peter Makgathulela, said the people behind the call were mistaking a friend for an enemy. Sowetan 5/9/91.

"Our aim is to rally and unite the dispossessed, oppressed African masses, not to destroy them." - *Sowetan Reporter.*

Indian traders offer to quit Guguletu

30

South 5/9/-11/9/91

By Sabata Ngcai

INDIAN wholesalers in Guguletu, Mr Ahmed and Yusuf Moosa, have offered to sell their business — despite support from shoppers — following tensions with some township businessmen.

The offer by the Moosa brothers was made in a meeting convened by the Western Province Chamber of Commerce (Wepcoc) last month.

Mr Yusuf Moosa said that they offered to sell in order to defuse the situation after they had heard about complaints against them.

He said that tension had arisen when it became evident that he was trading as a retail outlet.

"The residents had demanded that we should also sell loose items to the community as they could not all afford to buy in bulk," he said.

He described the tension as "competitive rather than racial".

A Guguletu businessman, Mr Agreement Manitshana, said he had heard that there was tension, but said "everybody is free to compete in the business world". Mrs Rhoda Mona of NY43, said the Moosa brothers should stay. "We need them to serve the community."

"Anything we buy in the men's shop is cheaper than in any other shop around here," said an NY2 resident, Mr Tami Mabhija.

The Moosa brothers only recently moved into the building after their application to the Small Business Development Corporation (SBDC) was granted. The long-vacant premises had been advertised by the SBDC.

Managing Director of the SBDC, Professor Wolfgang Thomas, said; "As far as SBDC is concerned, wholesalers also operate as retailers."

Wepcoc spokesperson, Mr Themba Pasiwe, declined to comment.

Bergers is at full stretch

B Day 6/9/91. (30)

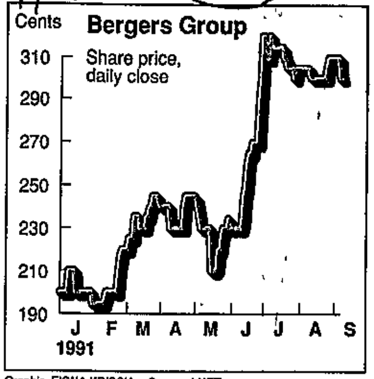
MARCIA KLEIN

CAPE-BASED clothing retailer Bergers' 16,5% increase in earnings to 12c (10,3c) a share for the six months to end-June bodes well for improved full-year earnings compared with financial 1990. In that year earnings grew by only 13,6%.

The group, which controls Bergers Trading Holdings (Bertrad) and a southern African chain of 262 stores trading as Bergers, Hilton Weiner and Jones, lifted its turnover by 66,3% to R70,8m (R42,6m).

Bergers executive chairman Howard Mauerberger said the large increase in turnover growth stemmed from last year's acquisition of Independent Fashion Holdings (and its Jones, Capri and other stores) and the Hilton Weiner chain.

Mauerberger said the three trading divisions — Bergers, Hilton Weiner and Jones — opened 12 stores and closed eight during the year. It was planned to open a further 14 stores in financial 1992.



Graphic: FIONA KRISCH Source: I-NET

The Jones division was being refocused, and its Capri stores had been sold. Mauerberger said the division was being expanded, and seven of the group's 26 new stores in 1991 would be under the Jones banner.

Mauerberger said the common problem in retailing of stock losses arising from burglaries, armed robberies and shop-lifting continued to be a cause for concern.

The situation was aggravated by consumer boycotts and unrest, and the Jones division, which traded mainly in the PWV area, was particularly hard hit.

Mauerberger expected margins to be under pressure as the chains fought to preserve market share, but said the group was confident of another year of satisfactory growth.

Operating income was up 16,5% to R3,8m (R3,3m) and attributable income up 16,7% to R2,4m (R2,1m).

MD Mervyn Jacobson said that, excluding the acquisitions, Bergers Group turnover growth would have been 23%.

The increase was better than that of most other retailers, he added.

Jacobson said that trading conditions had been better than expected until March, but had then collapsed, and continued to be weak until August. However, it looked as though trading would be better in the run-up to Christmas.

Woolworths goes head-hunting at Edgars

Star 6/9/91

By Tom Hood (30)

CAPE TOWN — A big shake-up has begun in the Woolworths retail chain with the appointment of Carol Grolman — who has been head-hunted from Edgars Stores — as its first marketing director.

Woolworths has also enticed Edgars' merchandise director Farrell Ratner, who has already made an impact as director responsible for non-food buying.

Miss Grolman had been with Edgars for 12 years and Mr Ratner for 27 years.

The recruitment of top-notch outsiders is almost unheard-of in the conservative Woolworths empire and follows what the directors called its "poor performance" in the year to June 30.

Chief executive Colin Hall says clothing sales were particularly hard hit and grew by a disappointing 11 percent. Clothing prices generally jumped by about 20 percent last year.

Profit by the Woolworths' clothing and homeware division, a cash business, dropped after intense competition put margins under pressure and brought high markdowns.

Woolworths was also hit by a swing from cash to credit buying — a swing that benefited Wooltru's Specialty Retail Group, which includes the Truworths clothing chain.

The group derives 80 percent of its business from credit and pushed sales up 22 percent and profit 39 percent.

Analysts believe the management at Woolworths was caught out by sticking to the previously successful Marks and Spencer formula and believing that if the quality was top-class, the customer would continue to pay higher prices each year.

But the recession forced many hard-up customers into buying on credit or moving to cheaper shops such as Pep and Shoprite.

As a result Woolworths is making unprecedented efforts to move a mountain of clothing stocks.

Stocks held by Wooltru group mounted by R87 million to R347 million — a third higher than the level of R260 million a year ago.

Country-wide sales are offering record discounts for cash. The company is advertising heavily in newspapers and television — a far cry from the days when it said proudly it did not need to advertise because its reputation and guarantee of quality were enough to generate business.

Woolworths will be reinforced by Miss Grolman when she ends her contract with Edgars in a few weeks. She is one of the country's top marketers.

She master-minded The Edgars Club concept and was behind the launch of a number of in-house brands including the new Goose Bay range of textiles.

Two people have been appointed to replace Miss Grolman, says Edgars' chief executive George Beeton. Her work is being split and Mario da Silva will become creative director and Sam Michel technological director.

Acquisitions help Bergers hold up

30

Star 6/9/91.

The Berger group kept its head above water for the six months to June, scoring a 16,7 percent increase in attributable profits.

The group said yesterday that profits for the period were R2,425 million compared with the previous R2 million. Earnings per share were 12c (10,3c) No dividend was declared as this is done annually in March.

Turnover jumped by a hefty 66,3 percent to R70,8 million from 1990's R42,58 million. This, said the group, was as a result of aquisitions that took place in 1990 and had not been consolidated in the 1990 interim figures.

Without these takeovers, the group estimates that turnover growth would have been 23 percent.

Berger Trading Holdings, the operating division, recorded attributable income of R2,5 million and earnings per share of 2,8c. — Sapa.

METRO FM 6/9/91

More nasty surprises (30)

Results for the year to June are even worse than expected. At the interim, though Metro had a bottom-line loss, there was still an operating profit of nearly R30m. For the full year, there is a R14,7m loss at operating level. The bulk of trading losses — more than R13m — came from retail arm Fairways.

To some extent, these results are academic. After year-end Premier took over control and merged the group with Score. A new management team under Score's Carlos dos Santos is already in place.

Dos Santos says that the group could return to profitability this year as it has refocused on its traditional cash-and-carry. It has even changed its name from Metro Group back to Metro Cash & Carry.

Retail interests will be hived off into a separate company, Score Supermarkets, in which Metro will have no interest. Premier deputy CE Gordon Utian says Metro's losses are in line with a due diligence report, but the poor performance of Fairways was underestimated.

CASH DRAINS

Year to June 30	1990	1991
Turnover (Rbn)	3,49	4,06
Operating profit (loss) (Rm)	71,4	(14,7)
Attributable (Rm)	27,5	(53,2)
Earnings (c)	41,3	(79,4)
Dividends (c)	21	—

Metro also published results excluding Fairways, which show that the wholesaling interests made a small trading profit of R1,5m — not enough to offset losses of R3m from conventional wholesaler Frasers Greenstein & Rosen, which is being closed.

Operating losses, however, are dwarfed by the continued interest burden and extraordinary items. Metro, including Fairways, paid interest of about R32m, leading to an attributable loss of R53m. Extraordinary losses, estimated at R170m at the time of Premier's offer to minorities, have crept up to R190m. Management's attempt to buy out Frasers Greenstein & Rosen failed and the cost of closing that business alone is R90m. Losses for the closure of at least 30 stores have also been provided.

FM 6/9/91 (30)

Interest-bearing debt of R146m will fall to R54m after the Score merger, rights offer and sale of Fairways. Utian is adamant that the group will return to true cash-and-carry and will no longer carry debtors.

Proceeds of the rights issue will not be available until mid-November. The interim, due at end-October, is unlikely to be in profit after interest. By the next year-end in April, though, Utian is confident that Metro should have an operating margin of at least 1%, rising to 2,5% within two years. This is still below the 3% of Metro's heyday and should be a realisable target.

Stephen Cranston

RETAILERS FM 6/9/91

Footing the VAT bill

The cost of accommodating the last-minute cut in the VAT rate is more an irritant to businesses than a financial burden. But the move deepened the rift between government and the private sector over the general handling of the VAT issue. (30) (~~320~~)

The rate reduction last month from 12% to 10% left a bitter taste in the mouths of businesses that from the beginning had called for VAT to be introduced at 10%. They now face the financial and logistical inconvenience of repricing merchandise, reprinting customer information pamphlets and re-organising administrative and cost systems around a lower rate.

Over in aisle 6 ... *keeping pace with VAT changes*

The total cost to retailers is impossible to determine, but probably runs into several millions of rands. And this doesn't include the staff costs, mainly in overtime, to meet

continue

FM 6/9/91

the month-end deadline for introducing VAT. (30) (~~320~~)

Pick 'n Pay chairman Raymond Ackerman says all the hassle could have been avoided had government listened to private sector calls for an add-on system, as with GST, rather than an add-in system.

Rate changes then could have been accommodated by a mere switch of a key. He says government's insistance on the "price you see is the price you pay" approach is an attempt to hide the tax from the public so that consumers blame businesses for higher prices.

Though Pick 'n Pay's point-of-sale price scanning system means that prices on products don't physically have to be changed to cater for the rate cut, the prices of the 35 000 lines in the hypermarkets and 10 000 lines in the supermarkets must be renegotiated with suppliers, Ackerman says.

For Woolworths, the problem is more serious. Financial director Ray Schur says "each and every one" of 8m-10m items of merchandise must be reticketed. In addition, the chain is stuck with 140 000 pamphlets explaining VAT at 12%.

Checkers MD Sergio Martinengo says the direct cost to his organisation of catering for the rate cut is about R250 000. "What comes out of this exercise is that government needs to consult business before it acts. An add-on system would have avoided the problem we now face." He says a group of retailers will approach Finance Minister Barend du Plessis for some form of tax concession to compensate for the extra costs incurred in adapting to the rate reduction.

Shoprite MD Wellwood Basson estimates the wasted printing costs to his company at about R130 000, with additional costs of about R70 000. He doubts that asking Du Plessis for tax concessions will meet with success.

Clicks MD Trevor Honneysett says that while his company has not incurred significant direct in-store costs because high turnover means repricing can be delayed until the last minute, the staff costs involved in preparing for the conversion to VAT at 12% have been high.

"My fear is that the rate will revert to 12% in the not-too-distant future and we will have to repeat the whole exercise. An add-on system would have been far better." ■

Metcash looks better after the shake-out

S Times (Bus) 8/9/91 (30)

METRO Cash & Carry (Metcash) — formerly Metro Group — lost R53-million in the 51 weeks to June 22, 1991.

But a breakdown of the figures shows a glimmer of light.

- The exclusion of Fairways Supermarkets, which housed the retail operations and has since been sold to Score Food, reduces the attributable loss to R34-million.
- Discontinued operations at Frasers Greenstein and Rosen were responsible for R6,8-million of the R34-million loss.
- The cash-and-carry operations of Score Food have been merged with Metcash.

After the rights offer, the Score merger and the Fairways disposal, Metcash will have interest-bearing debt of only R53-million on shareholders' funds of R221-million.

Allied

This compares with the actual figure at June 1991, including Fairways, of debt of R149-million on funds of only R75-million.

The interest bill of R26-million was the major problem in the 1991 year. Excluding Fairways, and taking out the losses from discontinued operations. Metcash's continuing operations earned R1,5-million.

The directors expect better things from Metcash now that it is a 70%-owned subsidiary of Premier Group.

Metcash will become purely a wholesaler and distributor of food and allied products. The operations will consist of Metro Cash & Carry, Trador Cash & Carry and Trade Centre. Score Supermarkets will house the Score and Fairways retailers.

Metcash will raise R142-million through the issue of 57-million units. Each unit comprises one new ordinary share in Metcash and one ordinary share in Score Supermarkets. Metcash members can subscribe for 85 units for every 100 Metcash held on October 11 at 250c a unit.

By JULIE WALKER

The money will be used to reduce borrowings of both Metcash and Score Supermarkets.

In consideration for the acquisition of Score Food, 40,6-million new Metcash and 18,6-million Score Supermarket shares will be issued.

The shares will be distributed to Score Food shareholders in the ratio of 269 Metcash and 123 Score Supermarkets for every 100 Score Food held.

This scheme, proposed by Metcash to members of Score Food, will result in the delisting of Score Food. The scheme meeting is to be held on September 30.

Before the scheme, 100 Score Food had a market value of R715, earnings were R52,20 and the net asset value R237. After the scheme, the value of 269 Metcash and 123 Score Supermarkets is given as R834, earnings minus R5,79c and the net asset value R413,32.

This represents an increase in net asset value of almost R176 for every 100 Score Food.

Headed

If the merger had been effective for Metcash's year to June 22, 1991, and using the most recent annual results of Score Food and Score-Clicks (which holds 59% of Score Food and in which Premier has a 54% holding) Metcash would have looked much better.

Its net asset value would have increased from 112c to 134,7c, its loss a share attributable to its continuing operations would have been reduced from minus 40,7c to a profit of 1,4c and its total loss a share would have been only 2,8c as opposed to the 79,4c declared.

Score-Clicks' net tangible asset value would have been 195,9c higher at 285,3c a share and its net asset value 2,9c higher also at 285,3c. Its earnings would have been 8,2c lower at 17,8c a share.

Metcash will be headed by Carlos Dos Santos.

CARLOS DOS SANTOS: The boss

Violet spots the forgeries

Business Times Reporter

COUNTERFEIT banknotes circulating widely throughout South Africa are bad news for retailers.

But they have sparked a mini-boom for suppliers of detection equipment.

Start-up company Counterfeit Security Systems (CSS) says orders for a SA-developed ultra-violet detector have outstripped market forecasts.

"We have been surprised by the demand," says Ari Halpern, who developed and manufactures the CSS unit, which sells for slightly more than half the cost of imported units.

"We have kept the cost low so that small retailers can afford to protect themselves against forgeries," says Mr Halpern.

Delta charged up to make acquisitions

S Times 8/9/91.

By IAN SMITH

DELTA Electrical Holdings, bright spark of the JSE's electronics sector, has not entirely escaped the effects of the recession, but it is in fine shape to take advantage of an upturn in the economy.

The difficult trading conditions, which have probably damaged its proud six-year run of 30% compound earnings growth, could provide acquisition opportunities — if the right companies in the right sectors come up for grabs.

Strong cash flow, which has become characteristic of the group, reduced borrowings at the June 30 midyear to R2,6-million from R3,8-million at the end of last year.

With R2,9-million cash on call Delta is looking at acquisitions, says managing director Evan van Zyl.

"But we would have to be satisfied that the company and its products or services would fit into the group."

Happy

The group's progress, in which net income jumped from nearly R3,8-million in 1985 to R27,1-million last year, came from a happy mix of acquisition and organic growth.

Delta gives the management of operating subsidiaries great autonomy. In many cases management retains a minority stake.

"It provides greater motivation," says Mr Van Zyl.

He is happy with the per-

was declared — 8c for the same time last year.

Investors are obviously confident of the group's ability to return to stronger growth because the share price is at a high of 940c.

Mr Van Zyl says the group made its plans to ride out the recession some time ago and great attention was paid to managing assets and keeping the balance sheet in good shape.

Rubber

"We have tightened up wherever necessary and everyone has kept a close watch on costs. The result is that all the companies are in a good position to take advantage of any upturn or new opportunities."

Delta has subsidiaries operating in five general divisions.

It is the SA leader in electrical repair engineering and has 12 repair shops operating under several names. At the end of last year acquisition Metalplus, which carries out mechanical repairs, was brought into the division.

Both sectors have been affected by the slowdown in the mining industry, but coastal operations have helped to sustain results.

Listed

In the insulation and conductions division are Trans-

Acquisitive Musica is aiming for 100 stores

BDay 9/9/91

30

MARCIA KLEIN

MUSICA's management has budgeted for higher turnover for the year to end-March 1992 on the back of a continued increase in its number of stores.

Chairman George Goosen said in his annual report that the music retailer had opened the 1991 financial year with 39 outlets and closed with 46.

Since year-end it had opened two new stores and acquired Michael's Record Centre's two-store business in Port Elizabeth.

It had also converted its Durban Workshop outlet into a classical store and opened a larger pop music store in the same centre. Two new outlets were to open in October, and other new stores were planned.

In the year to end-March, a huge tax hike and extra shares in issue reduced Musica's 48% rise in pretax profits to a 5% decline in earnings. Investment analyst Robin Pegler said tax losses had ended. Any future improvement in tax would give a similar after-tax increase to that of financial 1991, when the 51% tax rate saw profits after tax 11% up on the previous year.

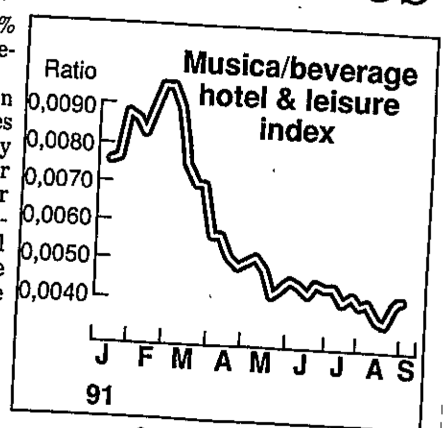
Conversion of debentures into ordinary shares later this year would put additional shares in issue and dilute earnings.

Goosen said that with 51 stores in operation "and a modest capital restructure in the offing", Musica was set to become a 100-store specialist music group by 2000.

The capital restructure referred to a resolution increasing the company's authorised share capital and the conversion of debentures into ordinary shares in October. In December 1990 a capitalisation issue awarded ordinary shareholders bonus shares in the ratio of five to one, adding 15,9-million shares to Musica's listed issued capital.

Musica would declare an interim dividend for the six months to end-September.

It had increased market share with the help of a 20% increase in trading space and its shopping card. Pegler said margins, which increased from 7,6% to 8,2%, were unaffected.



Graphic: LEE EMERTON Source: I-NET

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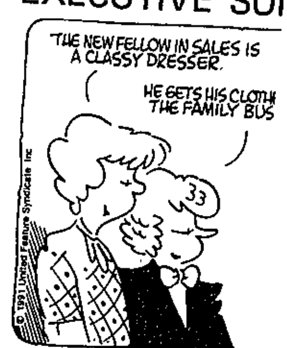


Acquisition proves to be a really Smart move

B10ay 10/9/91. (30)

MARCIA KLEIN

RETAIL clothing chain Smart Centre Holdings (Smart) has exceeded all expectations in its first full year of reporting since listing in July last year.

The company, which was acquired in February by the Pepkor group from Tradegro, has reported a 31% rise in attributable profit to R10,3m (R7,8m) for the year to end-June, well above the 12% forecast in the company's pre-listing statement.

Smart's share, which has more than doubled since the Pepkor acquisition, closed yesterday at 415c. The share had eased slightly off its year's high of 425c achieved last month, but was still nearly four times higher than its low of 110c recorded in November last year.

Chairman Christo Wiese said the market had significantly re-rated Smart Centre.

During that time turnover grew by 41% to R182,0m (R128,9m) and operating profit rose by 42% to R26,3m (R18,5m). Wiese said both these growth rates were achieved despite extremely difficult trading conditions "and the negative effect the acquisition of Kappa and Patrick Daniel had on margins". Despite the two acquisitions during the year, operating margins improved slightly to 14,5% (14,4%).

MD Charles Fox said the start-up costs of the new acquisitions and the high growth in existing business pushed borrowings to R26,2m (R5,2m) and gearing to 47% (8% at the interim stage). The interest bill was 45% higher at R4,2m (R2,9m).

A 54% hike in taxation to R10,8m (R7,0m), saw profit after tax 30% up at R11,3m (R8,7m). After a R2,4m extraordinary item, which reflected the write-off of goodwill during the year, retained income was R7,9m (R8,1m).

Growth

Earnings were 30% up at 30c (23c) a share on an increased number of shares in issue. An 18% higher dividend of 10c (8,5c) a share was declared, with an increase in cover to 3 (2,7) times.

Shareholders have been offered bonus shares in lieu of a cash dividend.

Fox said although this was its first full year of reporting as a public company, it was Smart's tenth consecutive year of increased profits. During that time the company's turnover had grown from R10m to R182m and its operating profit from R500 000 to R26,3m.

Smart was well positioned to benefit from the growth of the affluent black market, Wiese said.

port

Business confidence slides yet again . . .

(30) CT 10/9/91

By AUDREY D'ANGELO
Business Editor

BUSINESS confidence slipped again in August, for the second month running. The SA Chamber of Business (Sacob) confidence index dipped to 88,2% from 88,4% in July and 88,6% in June.

Sacob chief economist Ben van Rensburg says there is mounting scepticism in the private sector about the efficacy of a tight monetary policy in bringing down inflation — particularly when government spending remains high.

He points out that "the current unemployment situation is very serious and becoming graver by the day."

And the retail sector, which was relatively buoyant for most of the downswing, is now being hit by the fall in real disposable income.

Pointing out that uncertainty is affecting the business mood Van Rensburg emphasises that this would be made worse if the introduction of VAT were postponed.

"Changes to the system at such a late stage, and the possibility of further changes prior to the introductory date, have served to increase the level of uncertainty still further and have made business decision-making still more difficult.

"It is now extremely important that VAT's introduction take place as scheduled, if further damage to the economy and a deepening of the recession is to be avoided."

Van Rensburg says the situation is complicated by the fact that some sectors of the economy are starting to anticipate the upswing while others are still experiencing recessionary conditions.

"This phenomenon is common around the turning points of the business cycle. But the disparities in sectoral performance are probably being exacerbated by other, noncyclical, influences such as the pending introduction of VAT, which has seen a large-scale postponement of corporate purchases.

"There continues to be a great deal of uncertainty amongst both the consumer and business about the impact of VAT's introduction on prices in the short term."

Van Rensburg says that in spite of negative factors such as continued high inflation and its implications for interest rates "there is still some basis for optimism that a new upswing is imminent and that it will be sustained for far longer than those experienced during the past decade."

There are clear indications that "when the upswing does get underway its sustainability will have been improved by factors such as this country's relatively low gearing and improved access to world markets.

"The fact that the upswing seems to coincide more closely with an upswing in the international business cycle will also mean that this country's export performance will increase at the same time.

"This implies that, despite an inevitable sharp rise in imports, pressure on the balance of payments will be limited by continued growth in exports and the monetary authorities will be able to allow the upswing to progress for longer before trying to curb the demand for imports."

He said they had conformed to SABS

Retail repossessions are on the rise

Star 11/9/91.

Certain mortgage lenders are sitting with in excess of R500 million worth of repossessions and near-repossessions of retail investments.

This is the estimate of Neville Berkowitz, whose authoritative Property Economistpublication, circulated within the industry, has been monitoring events in the market for more than a decade.

And with interest rates likely to remain high in the foreseeable future, more retail centres are likely to end up in mortgagees' hands, he believes.

Added to this, the closure of at least two Checkers centres and the tightening up of the group will materially affect certain retail developments.

"How many more Debruyn-plan and Greenfield collapses do we have to endure before the penny drops that retail developers are overdeveloping?" Mr Berkowitz asks.

The Central Statistics Service currently documents about 57 liquidations in the category of wholesale and retail trade, catering and accommodation services for the month of June, down slightly from 74 the same time last year. These come after about 62 in May this year. Total liquidations in this category in 1990 numbered 503.

Despite these and earlier warnings, Mr Berkowitz estimates that retail space with a value of between R2 000 million to R2 500 million a year is continuing to be built.

As companies and pension funds are only likely to finance between R500 million to R700 million of new retail space annually, some R1 500 million of new developments are being funded via mortgage finance at current high interest rates.

"This overdevelopment of space is depressing retail rental levels across the country as supply outreaches demand, on the one hand; and on the other major retailers have to expand to keep their market share. This game of 'catch' is affecting developers, tenants and property owners' profits and viabilities."

The Property Economist has quantified new retail space built annually over the last five years at about 500 000 sq m. In the light of the current oversupply, it recommends that only 150 000 sq m be built annually.

From its research, the Property Economist has found that some 250 000 sq m are required annually, when the economic growth rate is between 1,5 percent to 2 percent a year. Assuming a total development cost of some R3 000 a square metre, then total annual retail development, at 1991 figures, should be in the region of R450 million. Compare this with the R2 400 million spent in the year to March 1991 and the oversupply is self-evident.

30

"To match the actual supply of new space built requires a 4 percent real retail spending growth rate annually on a long-term basis. The last five years have only averaged a 1,2 percent growth rate," he says.

He advises developers to carefully measure likely retail turnover per square meter in any area and build to demand.

To tenants, Mr Berkowitz says: concentrate on profitability per store rather than market share of retail spending.

Investors, he says, should look very carefully at retail investments and developments.

"The opportunity areas in the retail market place are occurring in the mega centres such as Sandton City and Eastgate for example, and in the CBDs of the major cities. The reason for this is primarily due to increased urbanisation and the economic empowerment of blacks," Mr Berkowitz says.

Neville Berkowitz . . . "more retail centres likely to land up in mortgagees' hands."

Tembisa puts problems in focus

Sowetan 12/9/91

30

THE Tembisa Industrial Association has called for a meeting of industrialists, local political leaders, clerics and local principals to discuss problems facing the township.

An association spokesman said the meeting was due to take place at the Tembisa Industrial Park hall yesterday.

Representatives of the TPA, Eskom, the North-East Rand Chamber of Commerce and the East Rand Industrialists Network had agreed to attend, according to the association.

The association was also keen to involve others, with an interest in the Tembisa area, in the meeting.

Subjects for discussion include the power switchoff to some 50 businesses in the area - which the association believes affects both black and white businessmen - and boycotts and stay-away actions.

Those needing further details should contact Frank Tshetla on (011) 926-2802 or 926-2700.

- *Sapa*

Foschini's profit rises above the hard times

B Day 12/9/91 (30)

LINDA ENSOR

CAPE TOWN — Clothing retailer Foschini said yesterday that despite difficult trading conditions its after-tax profits for the six months to end-June rose 21%.

Net income rose to R23,9m (R19,8m) on a moderate real growth in turnover. Earnings a share reached about 230c and a scrip dividend of one share for every 129 held — equivalent to about 132c per share — has been declared compared with the previous interim cash dividend of 86c.

The lower tax rate contributed to the performance as pre-tax income increased 16,4% to R46m (R39,6m). The group will change its year end to end-March, the end of the peak retail period, so the next results will be for a 15-month period.

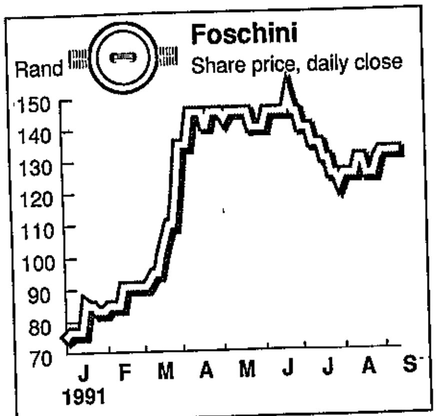
Joint MD Clive Hirschsohn said trading conditions were tough with political unrest, stayaways and boycotts adding to the unsettled economic climate.

"We are finding people very price conscious," Hirschsohn said, adding that credit sales represented about 82% of total sales, up from 78% a few years ago.

"Margins are very much in line with what they should be. Historically, Foschini has had a high profit-to-turnover ratio and is a number of percentage points above the marketplace. This has been maintained."

He said satisfactory results for the 15 months to end March were expected provided there was no deterioration in the economic or socio-political situation.

Foschini's decision to declare a scrip dividend rather than cash was based on the need to conserve cash following its recent R130m acquisition of a 35,3% stake in Oceana Investment Corporation, listed on



Graphic: FIONA KRISCH Source: I-NET

the London and Johannesburg stock exchanges. The purchase was financed out of borrowings.

Hirschsohn said a scrip dividend would be paid for the next three years. He would not disclose the current gearing but said it had increased substantially as a result of the acquisition. "It is no strain on our normal facilities and we can certainly service the debt," he said.

Oceana made a recent bid for UK fashion chain Etam, acquiring 32,4%. It now has a 33,3% interest in the company of which it hopes to gain control. Foschini owns 35,3% of Oceana's 33,3% and will equity account Oceana in the year-end figures. Last year to end-January Etam made a profit of £8m and the market is expecting it to make between £10-£11m this year.

Lefic, which holds 50% of Foschini, has also declared a scrip dividend on the basis of one share for every 139 held, equivalent to R66 (43c) a share.

COMPANIES

Pick 'n Pay ripe for better year

MARCIA KLEIN

PICK 'n Pay's results for the current year would hinge on the performance of its investments in equity-linked insurance contracts, analysts said yesterday.

The group's results for the six months to end-August are expected to reflect a much improved performance to that of the year to end-February, when attributable earnings grew by 4,5% to R88,6m on an 18,4% turnover rise to over R5bn.

In the annual report, directors said results were lower than forecast due to shrinkage, start-up costs of the Food Hall division and a decline in investment income.

B/Day 12/9/91.

At year-end, investment income had declined from R14,2m to R6,7m, and chairman Raymond Ackerman said in the annual report that consideration was being given to disposing of these investments at an appropriate time.

(30)

However, analysts expect the group's investments to yield far better returns in the current year on the back of a buoyant stock market.

Also, they said results for the year to end-February had been commendable considering the recessionary climate and the poor results reported by the other major retailers.

With directors expecting the Food Hall to contribute to profits in the current year, the anticipation of a significant reduction in shrinkage, and a better yield from investments, analysts said the group was poised for a better year.

Foschini offers share alternative to dividends

30

Star 12/9/91

By Tom Hood

CAPE TOWN — Almost R11 million will be slashed from Foschini's borrowings by giving shareholders shares instead of an interim dividend.

If shareholders want cash, they can sell the shares, say the directors.

They will get one new share worth R132 for every 129 held, equal to R1 A share and a 16 percent improvement on the 86c cash interim paid last year.

Sale of the shares will not be taxable.

Earnings for the first half rose 21 percent to almost R24 million, a figure described as very satisfactory in a climate aggravated by boycotts and stayaways.

Second-half profits are expected to maintain the momentum.

The group's four chains, with more than 700 stores, are continuing to open new shops. Seven were opened in three shopping centres in one day last week and 15 are expected to open this year.

The company's year-end has been changed from December to March to tie in with trading patterns.

Food sector to pass on VAT benefits

(30)

LESLEY LAMBERT

VATWATCH achieved another victory yesterday when representatives of all sectors of the food industry agreed to support its campaign to pass cost benefits of the new tax on to consumers.

This follows the SABC's decision, after discussions with Vatwatch on Tuesday, to reduce TV licence fees in line with the reduction in the VAT rate to 10%.

A hundred representatives of the food and grocery sectors agreed at a meeting with Vatwatch to pass on savings estimated at R6bn. B/Day 13/9/91.

But, in another development yesterday, Vatwatch came under strong attack from the VAT Co-ordinating Committee which claimed it was "propagating" the new tax and called on organisations participating in it to withdraw.

The committee, established by organisations such as Cosatu and the ANC, which are opposed to aspects of VAT, said two Vatwatch participants had withdrawn while the National Civics Co-ordinating Committee had suspended a series of workshops with the VAT watchdog.

Responding to the attack, Vatwatch chairman Prof Louise Tager said: "Vatwatch was never founded to defend or explain VAT but simply to ensure that if and when VAT is introduced, consumers get a fair deal."

At yesterday's meeting with the food industry, many of the companies repre-

□ To Page 2

VAT

B/Day 13/9/91. (30)

□ From Page 1

sented agreed to sign a Vatwatch pledge to pass on savings in the form of lower prices or slower price increases. They also agreed to maintain pressure for the exemption of more basic foodstuffs to relieve the poor. Among those that signed the pledge were Game, Spar, Metro Cash & Carry, Score Supermarkets, Fedfood, Premier Food, I & J, Unilever and Blue Ribbon Bakeries.

Unilever chairman Nigel Clayton said cost reductions from the removal of GST on advertising and other intermediate costs would be passed on provided retailers and wholesalers did not increase their profit margins.

Retailers undertook to do their "level best" to bring prices down.

But while all participants were unanimous in their intentions to address VAT's impact on prices, they said there were factors that would limit their ability to make the new tax deflationary.

Inflation, recent fuel price increases and statutory food price increases would reduce the savings from input credits, Game MD Clive Weil said yesterday.

He said retailers were also concerned about the lack of any clear signals to show that suppliers intended reducing prices.

Premier Food financial director Mike Renwick said while Premier would do all it could to reduce the impact of VAT, input credits would affect only a fraction of its sales, limiting the scope of its ability to pass on benefits.

● Comment: Page 8

Furniture superstores trigger big price war

BDay 13/9/91 (30)

A PRICE war has been raging in the office furniture and supplies industry over the past few months following the entry of new players into the market.

Recent moves to find alternatives to the sluggish traditional office supply market have seen the establishment of price-competitive office supply "superstores".. The concept also follows recent trends in the US, where office supply superstores have become one of the latest retailing phenomena.

Two new entries into the market are Mathieson & Ashley subsidiary Officemart, which opened shop in March, and Makro's Makroffice, which began trading in August.

The much older Cecil Nurse is also involved in what industry players confirmed was certainly a price war.

Cecil Nurse MD David Levin said he was proud of claims by other industry players that he had started the price war.

Comparisons between catalogues of the major players have indicated that Cecil Nurse could undercut

MARCIA KLEIN

most prices by between 10% and 15%.

Levin claimed that Cecil Nurse had always been the cheapest and could continue to be, mainly due to the company's high volumes and low overheads.

He said there was nothing new about discounting office furniture, except that the new entrants were selling stationery as well.

Resources

Officemart's entry into the market could also have been the spark that caused the war.

The company had been advertising heavily since it opened in March, and Officemart MD Anton Fick claimed that his company had captured 35% of the market in the Johannesburg area since establishing itself.

Fick said not only did the price war benefit the consumer; it also cleaned up the industry. But he also said the price war would exert some pressure on Officemart.

However, he said the company had the resources to weather the storm. He was not sure that Officemart would bring its prices down to meet those of its competitors, and said it might introduce some innovations in terms of products, financing, marketing and own label house brands.

While Officemart had not found it easy in the current climate, Fick said it had made massive gains in a bad period.

Makroffice opened its first low-margin, high-volume store last month, selling stationery, office electronics, janitorial and canteen supplies and furniture. Makroffice directors could not be reached yesterday for comment.

METRO-SCORE

Return of the prodigal

FM 13/9/91

30

A proven trader is back in charge, but is he still hungry enough?

Carlos dos Santos has come home to Metro, the company which taught him the wholesaling business. Metro today is far less healthy than when he left it — on its knees, it could have become an unwanted orphan like Checkers had Premier not rescued it.

After he left Metro in 1979, Dos Santos built up a high-flying company, Score, which soon after its 1984 listing traded on a p:e of 32. Now both Score and Metro have fallen from grace. Metro, which was relisted in 1986 at 500c a share, touched 800c in 1987 and then dropped to present levels of 315c. Score rocketed up from R1 at listing in 1984 to R22, before sliding back to around R6 during the past two years. Store shares generally have been favourably re-rated, yet Metro and Score have been relegated to the third division. Metro made a massive R53m loss in 1991, while attributable earnings of Score Foods fell by 47% to end-February.

Premier has given Dos Santos another chance — as MD of a giant cash-and-carry operation merging Metro with Trador, the wholesaling division of Score. It is not only his reputation that is on the line. Premier chairman Peter Wrighton and his deputy, Gordon Utian, have promised their shareholders that Metro will give them material benefits within three years.

Both companies had lost focus on their core businesses: Dos Santos says that Score and Metro made some good acquisitions in cash-and-carry but, from 1986, they tried to move into businesses they did not know or understand. Score was dragged down by the 1986 acquisition of the full-service supermarket chain, Grand Bazaars. Metro found itself controlling a mix of conventional wholesalers, mine stores and supermarkets when Tradegro, in its wisdom, gave it control of most of Frasers and of Jazz Stores.

Metro has had little management stability recently. Since early 1989, there have been four Metro CEs: Cecil Smith, Tony McDiarmid, Donald Masson — and Dos Santos.

More fundamentally, there was a radical change in corporate culture, away from the hands-on trading instincts of founder Lionel Katz into a more institutional management environment, first in the amorphous Kirsh Trading Group and later as a subsidiary of a life assurer, Sanlam. McDiarmid and other managers were brought in from the conservative Frasers group and they mixed uncomfortably with Metro's street traders.

There was, for example, a clash of cultures when it came to stock control. Corporate management wanted to get stocks down — yet a cardinal rule of Metro under Katz was that whatever goods its customers wanted *should* be available.

Another vital ingredient in a low-margin business is financial control and Katz understood this. He recruited some bright young accountants, such as Dos Santos — and, later, men like Alan Sack and Steve Hochstadter, who maintained a balance between trading instinct and good disciplines.

After Sack and Hochstadter left to join FSI, following McDiarmid's appointment, the overall expenses of the business became too high and Metro's working capital ratios became strained. In the battle for market share, traders were allowed to pay post-dated cheques, leading to an upsurge in debtors. In 1987, Metro carried few. In 1988, after the Frasers deal, debtors ballooned by well over 300%; by 1990, they grew a further 41%.

The cultural clash with Premier should not be as marked. Utian contends that Premier has been a trading business from its inception and has an intimate understanding of the fast-moving consumer goods market. Premier has presented Dos Santos with a clean balance sheet by writing off R190m and by underwriting a R142m rights issue in November. The food group has a vital interest in maintaining a strong cash-and-carry infrastructure to distribute its own goods. Metro is its largest single customer; Premier has pioneered trade with neighbouring countries.

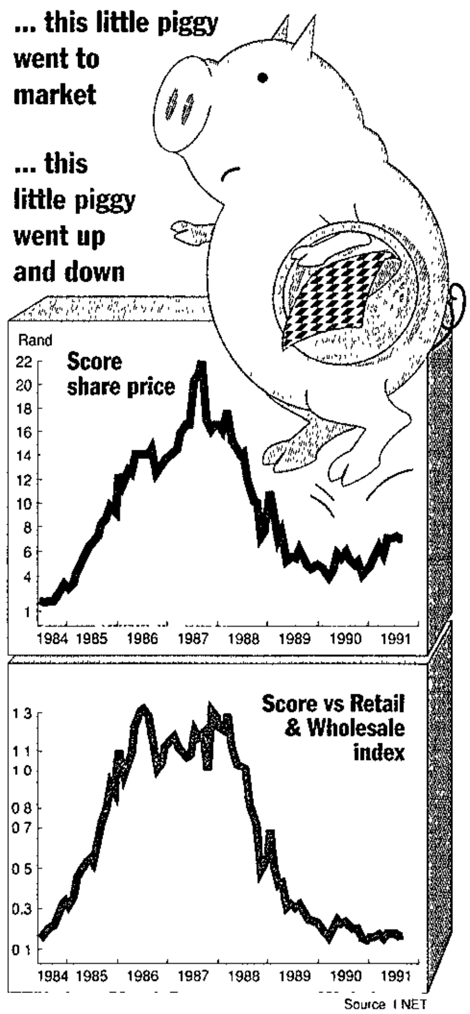
Specifically, Premier will not use Metro as a general acquisition vehicle in the way Tradegro did. On October 14, Score and Metro's retail interests will be listed as Score Supermarkets, which will also be a Premier subsidiary. Metro will then be a pure cash-and-carry business. It will not have any interest in the retail trade, other than indirectly through its voluntary franchises Lucky 7 and Four Square.

"We are participants and not investors," says Utian; "but Carlos will run the business as long as he keeps within our parameters. Normally, when we make an acquisition, we have to go through a learning phase. This time we have been able to put a man who has been a trader all his life in charge."

But Dos Santos does not have an unblemished business record, especially over the past four years. In 1987, even after the Grand Bazaars acquisition, Score had no net borrowings. By 1991, debt had increased more than tenfold to R48m. Gearing was exceeding 100%, almost unheard of in a cash trader. On the credit side, the acquisition of Clicks in 1988 was an excellent move. In that case, Dos Santos took over a good business, confirmed Trevor Honneysett's position as MD and let him run it.

Dos Santos is highly regarded among traders as a hands-on operator, a true shopkeeper. The Score Group flourished while Dos Santos remained actively in charge of operations, often working 15 hours a day, seven days a week. But problems arose when he started devoting more time to other business interests, such as the group's investment in the PTC chain in Malawi and his own investments in game and wine farms. After the former Cashbuild CE Albert Koopman, a regular speaker on human resources, left Trador early this year, Dos Santos took the helm there personally.

Since the Metro-Score deal was announced in May, Dos Santos has moved to the Metro offices, closed the Score head office, split up the wholesale and retail divisions and merged the wholesale management. He should make Metro profitable but can he ensure that it continues to produce real earnings growth? A report from Irish & Co reckons that management could



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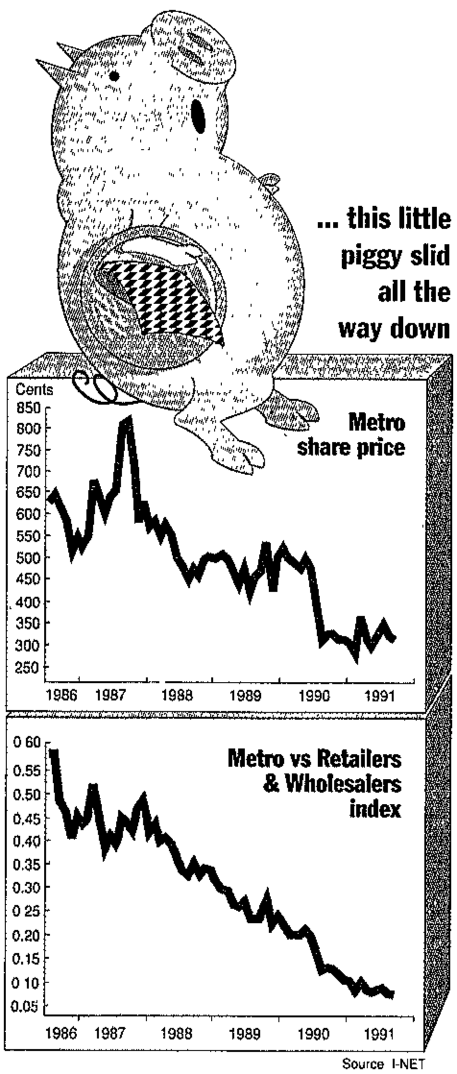


be Metro's Achilles heel. Many of the best managers trained by Metro are now working for other companies. Nevertheless, the best available of the former Trador and Metro teams have been selected at head office and rationalisation has provided an opportunity to remove some weaker managers.

Dos Santos can also shed weaker stores, though he has a powerful union to consider. So far, the plans are relatively modest. About 30 stores will go in areas where Trador, Metro, Cashmart and Frasers Cash 'n Carry overlap. Metro had not rationalised much after the Frasers acquisition, nor after Cashmart was bought from Tongaat-Hulett in mid-1990. All but three of the Trador stores duplicate with Metros; Frasers has 16 duplications with Metro out of 35.

Trador will not have a separate management team, but the name will be kept and it will run its own promotions. In towns with room for two stores, one will carry the Trador name and will compete to some extent with the Metro outlet. Dos Santos says, however, that the Cashmart and Frasers names will disappear.

It might be tempting to close more marginal stores in remote country areas, but Dos Santos says Metro is the grocery distributor which can reach the areas other chains cannot or will not try to reach. And Metro has a large number of lines which are barely profitable but must be carried as a service to customers.

National distribution is a strength, but also a liability for Metro. It needs to take on a range of specialist competitors. Over the past two years, Makro grew about six percentage points faster than the industry, whereas Metro grew about four percentage points slower. Makro, which concentrates on units of 16 000 m² or more, had not grown much when it was jointly owned by its Dutch parent and Safren. When Wooltru took it over in 1987 and subsequently poached Mark Lamberti from Jazz, it took off. It is planning to double its trading space and sales by 1995. Lamberti says Makro will remain a dedicated urban hyperstore wholesaler, but he does not rule out Wooltru's entry into Metro's core rural market.

Metro's answer to Makro, Trade Centre, is a weak profit contributor — but the outlets will not be sold.

Metro is easily the biggest player in its market (see table), but it faces stiff competition. Metro has a 30% share of the total wholesale market, including independents which cannot easily be measured and about a 10% share of the grocery market.

Apart from Makro, Pick 'n Pay's Price Club is emerging as the most important of the corporate competitors and, unlike Makro, it builds traditional 6 000 m² units. Sites vacated by Metro or Trador offer expansion opportunities. Shield, formed by Metro "graduate" Theo Muller in 1973, is the pillar of a chain of independent franchises. There are also strong regional cash-and-carry chains, notably the two Tiger Oats subsidiaries, Browns in Natal and Radue-Weir in the eastern Cape.

Much will depend on the growth of the wholesale market. According to Perry & Associates, there was cumulative real growth of 34,9% in the wholesale chain sector between 1985 and 1990, compared with just 1,8% for the retail chain sector. Direct distribution by manufacturers to small stores became prohibitively expensive — and even if manufacturers wanted to get into townships and remote areas, violence had to be considered. Thanks to the cash-and-carry system, Lever Bros, for example, has reduced its direct customers from 18 000 in the Sixties to 3 000 today.

VAT could slow the trend towards cash-and-carry. Many independent wholesalers have turned a blind eye to GST when selling to non-traders. And many, especially in the informal sector, simply have not charged GST.

All traders are likely to buy more from hypermarkets and other retailers. But at least corporate wholesalers, who have administered GST fairly, now operate on a level playing field with independents.

Dos Santos says it is time for a wholesale price differential from suppliers, as the wholesalers contribute to savings in distribution costs. In practice, giants like Pick 'n Pay, OK Bazaars, Spar and Checkers can often buy at keener prices than wholesalers. But the combined Metro-Trador will have a turnover of more than R5bn and will be as big as any of the retailers.

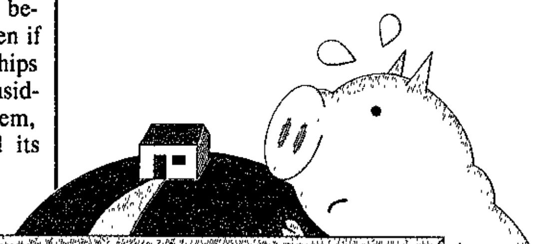
The stock market is divided on Metro's prospects and even its supporters believe it would be expensive at more than 380c. Dos Santos may not be hungry enough to turn the business around and then keep it firmly on a growth track, and Premier's own management time is thinly spread — they still have to worry about the problems at Gresham and Twins.

Metro is already trading profitably and should have a positive bottom line after the November rights offer. But it is still a long way from anything resembling blue-ship status. Competition is fierce and margins will remain low.

As the giant of the industry, Metro may not be well placed for rapid change, or for a swift restoration of the culture that was so successful under Katz.

Ultimately, the key will lie partly in the depth and the quality of management now available and in the next generation of management. There may be life with Dos Santos — while he remains fully committed to hands-on management — but is there life after him?

Stephen Cranston



... this little piggy struggled home

	1985		1988		1989		1990	
	Sales Rm	Market share %	Sales Rm	Market share %	Sales Rm	Market share %	Sales Rm	Market share %
Metro	1 018	53,1	2 382	61,8	2 774	59,4	3 200	57,3
Frasers*	230	12,0	-	-	-	-	-	-
Trador	190	9,9	523	13,6	690	14,8	875	15,7
Makro	330	17,2	559	14,5	711	15,2	896	16,0
Shield	148	7,7	340	8,8	425	9,1	512	9,2
Price Club**	-	-	50	1,3	70	1,5	100	1,8

*Absorbed into Metro from 1988 **Started in 1987

Source SALES DIRECTORS' HANDBOOK

FM 13/9/91

SCORE SUPERMARKETS (30)

Seeking synergies

FM 13/9/91

A new retailer, Score Supermarkets, will be listed on October 14. It includes Score's limited assortment supermarkets and the similar supermarkets which form Fairways, itself a merger of the Frasers retail interests with the old Jazz Stores and Dee Bee.

The new group will be created when Score Foods shareholders are given shares in both Metro and Score Supermarkets (see cover story). Score Foods will then be delisted. Both Metro and Score Supermarkets will be Premier subsidiaries.

Score Supermarkets' pro forma figures do not make encouraging reading. They show the combined group made an operating profit of just R3,5m on sales of R611m in the year to end-June 1991.

The margin of barely 0,5% is below those of even the weaker supermarket chains, such as Checkers and OK. In 1987, it enjoyed an operating margin of 3,2%; operating profit fell by 62% since its peak in 1989. Score has 158 000 m² of trading space, which gives sales of less than R4 000/m². This is about a quarter of the sales/m² achieved by Pick 'n Pay, for example.

The deterioriation of earnings has been more marked because of the interest burden. While Score had interest income of R4,3m in 1987, by 1990 it was paying R1,1m in interest, which is forecast to increase to R6,6m in the 10 months to April 1992. EPS would have been 0,9c this year. There was a steady decline from 7,4c in 1987 to present levels. From November this year, however, debt will be wiped out, as Score will receive proceeds of R55m from the Metro rights issue.

The listings document predicts EPS of 2c for the new Score Supermarkets for the 10 months to April 1992. The annualised forecast is operating profit of R10,3m, attributable earnings of R3,5m and EPS of 4,6c. In practice, it is likely to be lower, as this assumes that the R55m rights offer proceeds were available for the full year; they will be received only in November 1991.

(30)

Score and Fairways chains should be a good match. They are both rural chains, but there are only seven stores which operate in the same areas out of 186. Fairways sold most of the urban Jazz Stores during 1990, when 34 stores were closed. The four distribution centres will be consolidated into one at City Deep, Johannesburg. In many cases, each operates the only supermarket in town, particularly in the eastern Transvaal and neighbouring homelands, as well as Swaziland and Lesotho.

Analysts believe that the rural market will not show growth. But MD Chris Burgess says the chain is not in the bush but in significant rural nodes such as Giyani, Bushbuck Ridge and Thohoyandou. The population is growing in all these centres.

The chain concentrates on basic goods, carrying few luxury lines to sweeten the margin. But Burgess expects that there will be significant cost savings from the merging of the two head offices. He says that shrinkage is considerably lower than average, as there is central distribution and there are close relations with staff, as 72% of management is black.

Based on the annualised earnings forecast for the year to end-April 1992 of 4,6c a share, a forward earnings multiple of around 8,5 could result in a trading price of almost 40c. But Score Supermarkets has yet to achieve earnings at this level. It may be more realistic to expect an initial forward p:e around six, giving a trading price of about 28c. The new group will probably need a year or so of consolidation, to show what the merged operations can achieve.

Stephen Cranston

STOCK SHRINKAGE (30)
FM 13\9\91\

Fighting a losing battle

Retailers are seeing more and more merchandise walking out the door. An amount equal to 1%-1,2% of the more than R70bn turned over by the retail trade last year was lost to shoplifting and staff theft, says Errol Ashman, MD of Lodge Service, a security firm that specialises in helping retailers curb stock shrinkage. For some retailers, shrinkage amounts to as much as 10% of turnover.

The alarm bells have gone off throughout the industry. SA Druggists chairman Johan van der Walt attributed a 12% drop in earnings per share in its last financial year largely to a surge in theft. Eddie van der Berg, Dion's loss control executive, admits "it's threatening growth." Ashman says it is become an industry in its own right.

Gordon Thom, Fidelity Guards' retail services manager, says some shoplifters regard retailers as a source of stock for their own trading operations, others as a source of income. Still others, the unemployed, rely on pilferage for food and clothing.

But shoplifting actually accounts for a small proportion of theft losses. Ashman puts it at 25% — it was 15% two years ago — and Thom says it is as little as 5%. The staff, not the customers, are the big problem. Thom says 80% of shrinkage can be traced to staff dishonesty and 15% to error (marking goods incorrectly and bad invoicing). Ashman blames 55% of shrinkage on the staff and 20% on errors.

It is no secret that the pickings for staff prepared to be crooked are excellent. In fact, says Ron Haywood of the SA Chamber of Business, it is not uncommon for potential employees to ask the current workers what they can take away, in addition to their salaries. If security appears too tight, they look for a store that is a softer touch.

Sakkie Joubert, who heads Pick 'n Pay's efforts to control stock losses, says there is a lot of customer-cashier collusion, but the biggest problem is fraud at the back door.

"We've had incidents of receiving managers signing for goods worth R100 000, but leaving half the consignment on the truck to be sold by the truck driver, who splits the proceeds with them. A back-door receiving manager at a hypermarket could sign for as much as R2m worth of goods a month. If only R1,5m worth comes into the store and the rest is sold for R100 000, the manager pockets R50 000."

Pick 'n Pay's control systems eventually can identify these scams, but Joubert concedes that some managers could pocket as much as R100 000 a month before getting caught. He tells of one shipment worth R42 000 that was signed for "but didn't come into our stores; it was sold to three

continued

FM 13/9/91 (30)

small retailers, whom we were able to trace."

While crooked staffers are getting more sophisticated, shoplifters are becoming more dangerous. Dion's Van der Berg says 20% of the shoplifters arrested by his security staff are armed. None have used those arms, but several assaulted the guards who were apprehending them, he says.

The customer-staff collusion takes on many forms. One example: a staff member packs a R1 500 microwave oven in a box for one worth R500 and marks the box. All the "customer" has to do is look for the marked box and pay R500 for a R1 500 microwave. In customer-cashier collusion, the cashier "sweethearts" the microwave sale by either ringing up a microwave with a much lower value or not passing it over the barcode scanner.

"Sweethearting", Van der Berg says, is a major problem — and it is growing. Efforts to control it have not been successful, he says. "We can't change the fact that 10% of the human race is completely honest, 10% is completely criminal and 80% will commit a crime if the price is right — if they think the pickings are worth the risk." ■

MUSICA FM 13/9/91

Earnings diluted (30)

Activities: *Retails recorded music tapes and accessories.*
Control: *Directors 79%.*
Chairman: *G S Goosen; MD: D G Goosen.*
Capital structure: *19,1m ords. Market capitalisation: R7,6m.*
Share market: *Price: 40c. Yields: 5,0% on dividend; 12% on earnings; p:e ratio, 8,3; cover, 2,4. 12-month high, 40c; low, 10c. Trading volume last quarter, 154 000 shares.*

Year to Mar 31	'88	'89	'90	'91
ST debt (Rm)	0,32	0,64	2,0	2,3
LT debt (Rm)	—	0,92	1,1	1,4
Debt:equity ratio	n/a	0,80	1,74	1,46
Shareholders' interest	0,45	0,14	0,18	0,17
Int & leasing cover .	51	8,7	3,7	3,6
Return on cap (%) ..	12,2	12,9	20,0	19,2
Turnover (Rm)	3,4	10,5	20,6	28,4
Pre-int profit (Rm) ...	0,30	0,84	1,57	2,3
Pre-int margin (%) ..	8,8	7,9	7,6	8,2
Earnings (c)*	1,7	4,7	5,1	4,8
Dividends (c)*	—	1,17	1,67	2,0
Net worth (c)*	6,1	4,3	7,6	8,5

* Adjusted for 5-for-1 cap issue.

Though EPS deteriorated, 1991 could be described as an encouraging year for Musica. Turnover rose by 38%, partly because trading space was increased by 20% following the addition of seven new stores, taking the total

continue →

COMPANIES FM 13/9/91

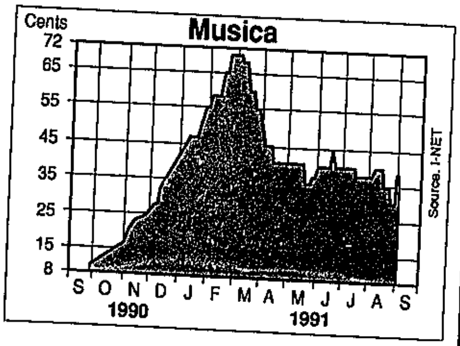
to 46 by the financial year-end. (30)

Nevertheless, says chairman George Goosen, organic growth in the existing stores, some of which were refurbished, was 25%, indicating that market share was gained and that the company is well accepted in the market.

Turnover growth was eclipsed by pre-tax profit, which improved by 48%. Goosen says margins were improved by better store design and effective promotions such as the Musica shopping card, which tends to generate greater customer loyalty and repeat purchases.

EPS fell because of a higher tax rate, as well as issue of additional shares in lieu of dividends (477 540), to long-serving employees (75 500), to the Staff Share Trust (22 200) and a bonus capitalisation issue (15,9m). In the previous year the tax rate was 34,5%, but in 1991 the assessed losses were eliminated and the rate rose to 51%.

In September 1990, the listing was moved from the DCM to the Retail and Wholesale



sector. The issue of additional shares at the end of last year meant little in rand terms to the balance sheet. Stock, at R8,6m, was R3,6m higher than a year ago. This was mostly financed by creditors and borrowings, though the latter was not substantial; cash flow was marginally positive.

The directors, rightly, are trying to find ways of increasing liquidity. The 1990 bonus share dividend option saved R244 000. This year, shareholders are being offered six bonus shares for every 100 held, which could avoid a cash outflow of R340 000. Effects of this should be evaluated in the light of the debentures being compulsorily converted on October 4, when six ordinary shares are to be issued for each debenture. This will mean 4,5m new shares will have to be serviced through an after-tax dividend rather than by pre-tax interest.

Retailing prerecorded music is a growth market in SA. Musica should be able to achieve real EPS growth, provided it can improve its financial structure without diluting earnings unduly.

Gerald Hirshon

FM 13/9/91 (30)

BERGERS

Unfortunate timing

It is difficult to build up a clear picture of the way the Bergers group traded in the first half of the year, based simply on the interim results to end-June. Inclusion of Infash in the consolidated accounts clouds the issue.

Infash's business is quite different from that of the original Bergers stores (*Fox* August 30) and the interim report makes no distinction between the two. However, comment in the market is that the heyday that credit-based, quasi-fashion businesses like those in the Infash stable were enjoying, came to a full stop between March and May.

It's plain that the 66% rise in first-half turnover arose from acquisitions rather than buoyant trading. Also, because of the reconstruction of the Infash entities, the growth of both pre-tax profit and EPS by roughly 17% was derived primarily from the cash-based sales of the more basic merchandise marketed through the Bergers stores which, by themselves, recorded turnover growth of 23%.

The inclusion of Infash, therefore, dampened turnover growth. It's probable this will remain the case for the rest of the year, or at least until consumer discretionary demand expands again.

The directors refer to "the tough trading experienced in the first six months" and they note that "these are expected to continue for the rest of the year."

Margins will obviously come under increasing pressure as the chains fight to retain

CASH BASED

Six months to	Jun 30 '90	Dec 30 '90	Jun 30 '91
Turnover (Rm)	42,6	101,1	70,8
Pre-tax profit (Rm)	3,3	7,3	3,9
Attributable (Rm)	2,1	4,8	2,4
Earnings (c)	10,3	24,0	12,0
Dividends (c)	—	14,7	—

market share during this period. This hostile retail environment emphasises that the timing of the Infash purchase (it has brought a significant amount of costly debt into the group) was unfortunate, to say the least.

The directors also say that they "are confident of achieving another year of satisfactory growth." Even so, considering the performance that can reasonably be expected from Infash at present, the group will have done well if EPS growth for the rest of the year is close to or ahead of inflation.

As with so many other counters in the retail sector, the shares are off their peak of 320c. At 300c, and given the good growth record of the group over the past four years, the share may offer good value at the existing yields (almost half the retail sector average) But it would seem prudent to see how the Infash stores contribute to profits before taking the plunge.

Gerald Hirshon

REACHING FOR A LIFELINE

(30)

FM 13/9/91

Car sales down 19%, bakkies and minibuses down 24%, trucks and buses down 41%. If August's figures don't get across the message that the new-vehicle market is close to despair, then nothing will.

And, motor industry officials warn, it will get worse before it gets better. The National Association of Automobile Manufacturers predicts that sales will drop again this month, before climbing back — maybe.

Good news for manufacturers, though, is that government has agreed to compromise on new local content rules.

Following talks this week with representatives from Customs & Excise and the Board of Trade & Industry, motor companies expect VAT to be removed from the excise duties imposed under the Phase Six local content programme. As a result, the local content target, raised from 70% to 78% on September 1, will be reduced.

To what extent is not certain because government and industry disagree on the level at which it's pitched now. The 78% target was imposed after government blamed the inclusion of VAT for pushing excise duty levels from 35% to 39%. The industry countered that VAT accounted for only 1,5 percentage points of the increase and the new target level should have been around 73%. It says government wants the rest to make up the shortfall in the fund, from which it rewards companies exceeding local content targets.

It is understood that no decision has been made about lifting the 2,5% ad valorem duty on cars and 2% on commercial vehicles. Government says it needs the money to make up the shortfall caused by reducing VAT from 12% to 10%. But the industry argues that vehicles, particularly trucks, should not be included in the luxury-goods category from which Finance Minister Barend du Plessis intends to recoup the money.

AUGUST VEHICLE SALES

	1991	1990	% change
Cars			
August	16 620	20 460	−18,8
January-August	137 468	142 733	−3,7
July (16 234)-August			+2,4
Light commercials			
August	7 688	10 131	−24,1
January-August	68 275	76 217	−10,4
July (8 182)-August			−6,0
Medium commercials			
August	309	464	−33,4
January-August	2 849	3 312	−14,0
July (411)-August			−24,8
Heavy commercials			
August	462	784	−41,1
January-August	3 795	5 229	−27,4
July (472)-August			−2,1
Total sales			
August	25 079	31 839	−21,2
January-August	212 387	227 491	−6,6
July (25 299)-August			−0,9

Source: Naamsa

BUSINESS AND THE CONSTITUTION

Lifelines to survival

(30) FM 13/9/91

Business fears that certain constitutional safeguards have been ignored

The business community's view of a new constitution is unambiguous. In June, the SA Chamber of Business (Sacob) published detailed proposals compiled by a team of 15 lawyers and economists, including Unisa's Marinus Wiechers, as a contribution to the constitutional debate.

They centre on economic aspects that Sacob believes must be considered and, in some cases, entrenched in a new constitution. The chamber's director-general, Raymond Parsons, said at the time that if businessmen and investors were going to take a "vigorous interest" in the quality of the political system that will emerge from the negotiation process, they had to make their views known.

Since then three key political parties, the National Party, the Democratic Party and the ANC, have published or finalised (in the case of the ANC) their respective constitutional plans — and apparently given scant attention to Sacob's proposals.

None of the three documents contains a message of particular hope for businessmen. Those who were looking for a champion will have been disappointed.

It's not that the proposals exclude specific rights business believes should be entrenched in a new constitution to create a climate conducive to growth; but they don't include them either. At best, they're there by implication only, hardly an assurance on which to plan the future.

The fear, of course, is that pressures for such short-term goals as job-creation, transport subsidies and expanding welfare packages — even leaving aside the issue of nationalisation — will prove an unsustainable drain not only on the Treasury but will impede growth through confiscatory taxes. And the problem is that the NP hardly has a sound record when it comes to fostering free enterprise. The huge bureaucracies with which SA remains saddled were the product of just such social engineering

However, there's little doubt that both the NP and the DP adhere — broadly speaking — to free-market principles and will negotiate a new constitution on that basis The ANC on the other hand, wants a "mixed economy" with, it seems, considerable State intervention In doubt are what the parties regard as the specific constitutional rights as they affect business on the basis of the Sacob document

Some would argue that these are issues for negotiation — but are they? A clear and detailed statement of fundamental rights is surely the foundation on which to construct a broader constitutional plan It leaves little doubt as to where a party is coming from or going to Business would then know where it stood

The ANC's Bill of Rights is of little comfort If anything, because of its emphasis on so-called "third generation" rights, such as the right to a job, it could undermine what businessmen regard as some of the fundamental rights important to their own enterprises

The DP has tried to meet the need. Its economic policy, published earlier this year, mentions a Bill of Rights to protect, inter alia, "the right to private or co-operative ownership of property and the right to embark on individual or collective enterprise." But there's no further reference in the party's constitutional proposals published last month

The Nats — past-masters at ignoring business needs — included, somewhat ironically, as one of 10 "basic points of departure" for a new constitution the need to "promote a market-orientated economy, coupled with private initiative and social responsibility,"

Sacob's Parsons ... *concern at what's been left out*

but gave no further details. The plea for "social responsibility," coming from such a source, is particularly rich — but there must be the suspicion that when it comes to paying for the programmes which must arise out of such an ideal, the business community will be required to dig deeper into its pocket. Increase the tax burden, and you discourage investment — whether here or from abroad.

None of the plans refers specifically to the constitutional protection of business, property or contractual rights (key issues of principle according to Sacob). And while all three support a Bill of Rights, only the ANC's has been published in any detail — but comes nowhere near the sort of assurances Sacob sought in its June document.

Sacob neither wants nor expects a direct role in negotiations, but believes certain "broad constitutional questions" must be addressed by the business community. It wants a constitution that upholds "certain key values" important to business and society as a whole and inspires confidence in foreign investors and bankers

It accepts that an economic system can't be constitutionally entrenched, but wants certain concepts fundamental to a market economy and business confidence safeguarded, including the law of persons, property and contract. To acquire direct constitutional meaning, Sacob believes these principles have to be taken up as specific articles of the constitution and should be entrenched in a Bill of Rights.

It also wants an independent Reserve Bank (a principle supported by both the NP and DP) and some form of entrenched constraint on taxation without which the benefits of ownership could be rendered meaningless.

Judged against the plans of the three parties, Sacob may well ask why it bothered publishing its proposals (copies of which were sent to all the main political groups) Alternatively (and its most likely course), it can knuckle down and try even harder to have its views heard and acted on

Ken Warren, Sacob's legal manager and a member of the team that drew up the plan, agrees that against the background of the chamber's needs as set out in the document, the proposals of the three parties require "further refinement" to inspire business confidence in a new constitution

He accepts that the issues of concern to Sacob are usually dealt with in a Bill of Rights, but would like to see more detail from the parties on what and who they plan to protect.

However, the fact that all three groups agree on the need for a constitutionally entrenched Bill of Rights is encouraging "The crux is — will attention be given to the issues we have raised?" In any negotiations or consultations regarding a Bill of Rights, Sacob will insist on the inclusion of the principles in which it believes, he says.

Ken Andrew, head of the DP's national advisory policy committee, has a different approach. "In terms of constitutional proposals, business in the first instance needs to look at whether they are practical, workable, reasonably efficient and conducive to creating a climate for growth To expect more than a Bill of Rights in relation to business needs is unreasonable."

He believes the negotiators will have to be careful not to tie the new constitution too tightly to current economic thinking because of the changes in policy that obviously occur depending on priorities. "What we should look at is protection of the basic rights needed to create the climate in which business can get on with its work "

He believes Sacob can and should ask political groups for details of their policies on specific issues and agrees that business, like all interest groups, should lobby for its views to be taken up at the negotiations.

James Selfe, a member of the committee that drafted the DP's constitutional proposals, believes they come closest to meeting the broad parameters of the Sacob document.

The ANC, he says, appears to favour excessive State interference in the economy and the NP, though advocating blocks on government manipulation, has a credibility problem, having itself manipulated the economy for so many years in favour of its own constituency

The NP's Stoffel van der Merwe says the party has not ignored the concerns of the business community. Initially, the NP considered including economic guidelines in its constitutional proposals, but eventually realised they would either be so broad as to be meaningless or so narrow that they would hamper a future government, so ditched the idea.

The party is currently considering a set of specific economic principles which it hopes to publish soon. They will "firmly establish" the integrity of private ownership and free enterprise and, coupled to a Bill of Rights, should address business concerns.

Van der Merwe says the NP is waiting for the final report from the Law Commission on a Bill of Rights before finalising its own proposed Bill of Rights which will probably include specific economic rights to be read in conjunction with the party's constitutional proposals

At this point, none of it is much comfort to businessmen. The lack of commitment by the political groups to the safeguarding of specific rights is worrying. Expediency could drive a coach and horses through vagueness.

The lesson for business is that it must keep pushing for the inclusion of those constitutional guarantees it believes are essential to the maintenance of free enterprise and the promotion of economic growth.

It must also be aware that it could be alone. The fickle nature of politicians, particularly in times of transition, means that allies taken for granted in the past may find new friends. ■

New residential dawn will turn . . .

Jo'burg into a 'people city'

Star 14/9/91

30

FRANK JEANS

AS the city council moves ahead with its grand plan for the revitalisation of Johannesburg, it is now taking a serious look at the main ingredient which will make it all work — people.

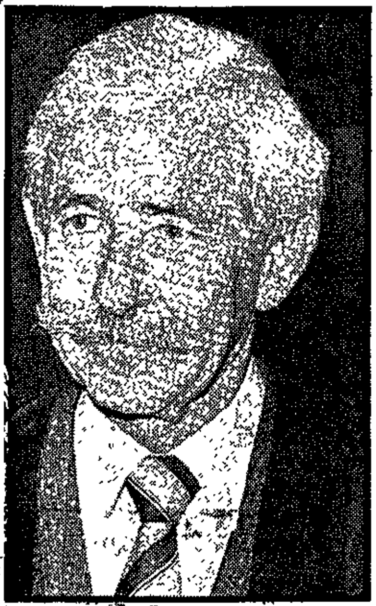
The Eloff, De Villiers and Frederick streets enclave is pinpointed as the scene of a new residential dawn for Johannesburg — the beginning of a massive population build-up to serve the capital-intensive commercial and retail expansion.

'Unprecedented'

In a recent interview, Councillor Eddy Magid, chairman of the City Council's Planning and Development Committee and deputy chairman of the Management Committee, said:

"The whole act is coming together and to see the development work now in progress in Johannesburg, one can only conclude that the CBD has not seen any evidence of a recession. The on-going programme of development is unprecedented."

Emphasising the need to see the residential component as vital to the success of the overall plan, Mr Magid, pointed out the council is considering the establishment of blocks of flats soon which will be the "forerunner to similar undertakings in the city".



IT'S ALL COMING TOGETHER: City planner Eddy Magid.

He also pledges the council to avoiding bureaucratic bogdown so as to get action now for the development of homes. And in line with this attitude has been the streamlining of the council's Planning Department, where plans are now being approved on average in 10,5 working days.

Incentives, too, for the property owner and developer must inevitable follow and the entrepreneur "looking for specific advantages from the council" to get residential projects on to site should contact Ian Symon, executive director of Planning and Development.

"The major commercial developments such as Bank City and Turbine Square will create thousands of new job opportunities downtown so that the timing has never been better for new residential development close to the workplace," he added.

Bank City alone will be home to an office army of 6 000 and this number will swell to an estimated 10 000 with the coming on stream of other prime property assemblies, Turbine Square and Sage Properties' retail and office venture which straddles Eloff Street and between De Villiers and Pritchard Streets.

Perimeters

The latter goes through council this month and construction is due to begin soon.

Adding to the new look will be the re-emphasis on pedestrianisation, with Kerk and Eloff, Plein and Smal streets all coming into carless areas and buses re-routed around perimeters of the city.

There will be the pedestrian link, too, with the newly-planned Kaserne bus and taxi terminus which, along with its commercial component, will cost R550 million.

The billion rand spread will involve, for the first time, what has long been mooted by property pundits — the "air link" with Braamfontein.

Consistent with the council's policy to deck the rail lines from Queen Elizabeth Bridge to End Street, the council has agreed in principle to the R600 million conference and trade centre to be put together by Rail Commuter Services, Transnet and the Harrison Street Consortium.

WEEKEND INSIGHT

Who packs the heftiest clout in BIG Business?

(30) ARG 14/9/91

Robin (*Who Owns Whom*) McGregor is likely to stir new controversy in the business world by spotlighting the actual economic clout exerted by share-market investments on a rand-for-rand basis. MICHAEL CHESTER reports.

Robin McGregor

THERE are brickbats as well as bouquets in a new analysis that puts the JSE's market leaders under the microscope and measures the actual economic clout each of them wields for every rand invested in fixed assets.

The analysis is by Robin McGregor, who has been making waves since the first edition of his *Who Owns Whom* reference books, which have now become business bibles.

Never intimidated by size, he now rocks more boats with a radical analysis that casts a critical eye on real economic performance on a rand-for-rand basis. Surprises abound as he tracks performance in terms of what each one contributes to gross domestic product — the ultimate measure of national wealth.

GDP is one of those terms with little appeal outside economic circles. But McGregor argues that GDP is the gauge of economic growth on which all else depends — from employment to housing to education.

He sets the scene by putting into perspective the performance of the South African economy in global terms, with all comparisons in US dollars to ensure a level playing field.

The results hurt. South Africa should find little comfort in its annual GDP of 88245 million — even though this equals the combined total GDP of all 35 of the other African countries south of the Sahara.

South Africa still carries only a third of Australia's economic clout in GDP terms. And its GDP is less than half that claimed by poverty-stricken Mexico.

Average GDP works out at 3 000 per capita for the world at large. In the US it climbs to 20 000; in South Africa it trails behind at 2 900.

In turn, more than two-thirds of South Africa's overall GDP is generated by the private sector. The balance comes from government spending and State operations such as Eskom, Transnet, Armscor and the Post Office.

Companies listed on the JSE account for a formidable 42,6 percent of the total. And it is among the stock-market giants that the analysis rivets attention.

McGregor is braced for some nit-picking about the precision of one or two statistics, due to what he calls the notorious obsession with secrecy that spreads to a lack of full disclosure in many annual reports.

But he is confident that a three-month computer search for figures, plus some informed guesswork, has provided the evidence needed to hand out his mixture of bouquets and brickbats.

The first yelps are likely to come from the mining industry, followed by the banking sector, retailers and beverage and engineering companies.

True, in 1990 the mines generated 32 percent of GDP from the stock market's total. Far less impressive, however, is their contribution to national wealth on a rand-for-rand investment basis.

When the GDP they generate is taken as a percentage of their combined fixed assets, the mines drop towards the bottom of the list. For every R1 of fixed assets in the mining industry, GDP benefits by no more than 88c.

It leads McGregor to the conclusion: "We cannot rely on the fortunes of the mining industry in general and the gold mines in particular. They depend to an alarming degree on pure sentiment and absorb a considerable proportion of our limited capital."

When it comes to value for money he hands the biggest bouquet to the printing and publishing sector, which for every R1 in fixed assets produces a GDP of R2,39.

Banks to run furniture debts

S Times (Bus) 15/9/91

By JULIE WALKER

JD GROUP, the furniture retailer comprising Joshua Doore, Price 'n Pride, Bradlows and Score Furnishers, is to sell its debtors' book to a consortium.

The buyers — Nedbank, Standard Bank, Senbank, Finansbank, Volkskas and Volkskas Merchant Bank — will own 100% of JD Sales, the book bought at net asset value without recourse to the seller.

JD Group will receive a management fee for administering the book, as well as a preference dividend through its subscription for a share entitled to the distributable profit of JD Sales.

The consortium will fund R1 000 and JD Group R750 of every R1 750 sales.

JD Group chief executive David Sussman says: "The quality of our debtors' book is extremely high. The consortium appointed an independent auditor to verify the quality of our book. Its findings bore out everything we claimed about it."

The deal removes the banking element from JD Group balance sheet. At December 1990, long-term borrowings were R115-million. Now they are virtually zero. Loans and investments have risen from R11-million to R188-million, reflecting the investment in the preference shares of JD Sales.

JD Group becomes a cash operation with capacity to expand. It has R58-million cash compared with R80 000. The consortium gains access to 400 000 account holders plus the paid-up ones, to which its members can market other services.

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McCarthy queries high tax on motors

(30) S Times (Bus) 15/9/91

By DON ROBERTSON

THE motor industry is often punitively singled out by the Government instead of being supported so that it can create jobs, says Brian McCarthy, chairman of McCarthy Group.

Mr McCarthy asks in his report for the year to June why company cars are excluded from input tax credits under Vat when other goods of a capital nature enjoy this benefit.

He also asks why fringe benefit tax on company cars, although sound, is so high.

Factors such as these inhibit sales and reduce the size of the market which ultimately results in a loss of jobs.

Sales last year were 4% below the 10-year average to 1990 and labour-cost increases have far outstripped productivity.

Mr McCarthy says: "There is no doubt that SA's endemic inflation problem is closely bound to the problem of wage escalations inevitably exceeding productivity gains."

Nevertheless, the group is in a sound position to fund growth and investment, although earnings in the current year are expected to fall marginally.

At the end of the last financial year, interest-bearing debt stood at 10% of shareholders' funds and the group had cash resources of R71-million. This and the disposal of the truck rental division for R19-million helped the company to post a modest increase in earnings to 59,8c a share from 58,6c.

Interest

The interest bill was reduced by 43% to R7-million, profit margins were held at 3%, the Yamaha division did well and the property portfolio grew to R43-million from R38,9-million.

The group's share of full maintenance leasing was strengthened through a joint venture with Stannic. The stake in Midas was raised to 36,3%.

Mr McCarthy believes new-vehicle sales will fall by 2% this year with increased pressure on margins.

Mr McCarthy's projection on earnings in the current year is subject to there being no unfavourable socio-political developments and labour unrest. An improvement in investor confidence is required.

Should the economy be free of restraints, his earnings forecast could be conservative.

Salt shipper

UNICORN Lines has extended its contract with Walvis Bay Salt Refiners to carry bulk salt from Walvis Bay to Durban for 12 months.

About 350 000 tons will be shipped in a 19 800-ton bulk carrier. The salt is produced in evaporation pans at Walvis Bay and is used by the chlor-alkali industry in SA.

Office deal

ANGLO Dutch Office Furniture has won a R3,4-million order for Standard Bank's premises at 78 Fox Street, Johannesburg. Five other companies competed.

[...]war Marlin

stone for export to the Middle East in particular. The turmoil there since last August had a very negative effect on our business."

Sales to the Far East improved since April, but the pace of recovery is slow. In America and Europe, demand is still patchy.

Marlin has strengthened its marketing team in the hope that the upturn will gather momentum.

"The worldwide market for granite is still immense

THE WEEK IN

A SUMMARY of the week's corporate announcements.

MONDAY: Adprom members offered 35c a share cash, Adprom to delist. Fininfo members offered 70c a share. It will also delist. Underground operations at Barplats' Crocodile River to close immediately, opencast to be wound

14% of official[...] nage is reduce[...] 90 000. If finan[...] mine may be cl[...] THURSDAY: [...] Gentyre warn[...] ment at No 6[...]

Debtors' book sale revives JD Group

B/Day 16/9/91

(30)

MARCIA KLEIN

FURNITURE retailer JD Group — a subsidiary of W & A Investments — has refinanced itself by selling its debtors' book to a consortium of banks for R414m in cash.

The refinancing follows last week's cautionary notice warning shareholders of pending changes at W & A's Gentyre subsidiary. These are widely believed to involve the sale of W & A's interest in Gentyre to Continental Gummiwerk, the German tyre maker.

JD Group, which encompasses Joshua Doore, Price 'n Pride, Bradlows and Score Furnishers, has also announced a 15% drop in earnings for the six months to end-June because of harsh trading conditions in the furniture retailing industry.

The sale of the debtors' book to a consortium involving Nedbank, Standard Bank, Senbank, Volkskas Merchant Bank, Volkskas Bank and Finansbank will see JD Group free of debt.

Its long-term borrowings will be slashed from R115,2m at the December year-end to R273 000, according to its pro forma balance sheet. The group will have a cash balance of R58,8m (R80 000 at year-end).

Chairman David Sussman expects the group's cash balance to grow during the next three years, "giving JD Group the opportunity to grow and diversify its business into allied types of products". He will not be drawn on any plans.

Sussman says the deal "has removed the banking element from the group's balance sheet without undermining its earnings potential". The deal, which is at book value and without recourse to JD Group, changes the nature of the group's business and eliminates gearing, he says. "This solves what is regarded as an endemic problem in instalment sale retailing".

In terms of the deal a new consumer finance company, JD Sales, will be formed. It will acquire the group's debtors' book through funds provided by the consortium, and will provide instalment sales facilities to customers. Finance facilities will be provided for an initial three-year period at no additional cost.

☐ To Page 2

JD Group

B/Day 16/9/91

(30)

☐ From Page 1

JD Group will retain control over the debtors' book by continuing to manage it on behalf of JD Sales.

JD Sales will be funded by consortium members as ordinary shareholders and JD Group as the holder of a redeemable preference share in JD Sales.

For every R1 750 advanced to debtors, R1 000 will be contributed by the consortium and R750 by JD Group through its preference share interest.

☐ Several stockbrokers believe refinancing of the greater FSI group is necessary. The group acquired a large part of its debt burden in 1987 when investors, headed by Jeff Liebesman, successfully bid for Mannie Simchowitz's company. They were forced to make a comparable offer to minority shareholders, and found that many accepted the cash offer after the stockmarket crash of October 1987. Since then, management has focused on reducing group debt by selling assets.

Case for appropriate rules

B/Day 17/9/91.

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KEITH FOSTER and GWYNNE MAIN

IT WAS gratifying to see Eric Louw take a shotgun to the enemies of entrepreneurship ("Mollycoddling will not breed entrepreneurs", Business Day, September 12), but he hit one of his own men in the process.

Louw implies that the drive for appropriate regulation goes hand in hand with subsidised loans; he also links it to negative economic policies like import substitution, protection and subsidisation.

The fact is that appropriate regulation has nothing in common with these discredited policies, and rather promotes all the desirable factors he discusses. Most of the parties who have been arguing in favour of appropriate regulation in SA have also argued against such false "incentives".

To evaluate SA entrepreneurs' performance, Louw draws comparisons with successful provinces in northern Italy. It may be true that Italy has a "chaotic bureaucracy" and is fairly heavily regulated. But a closer examination would reveal that Italians have effectively deregulated themselves by ignoring the rules. For example, Milan, which is the fashion world's leading producer of leather goods, especially shoes, has only one officially registered shoe factory.

The complete absence of regulation is as undesirable as excessive regulation. The goal is appropriate regulation — a level of regulation which maintains standards where necessary, provides protection against sharp practice, and lubricates the relationships in business.

But the Italian example does illustrate the need to re-examine obsolete regulatory frameworks. When legitimate businessmen in great numbers resort to civil disobedience (and we have plenty of this in SA) they are showing us that the regulations are inappropriate.

Italy is a sophisticated, educated, relatively wealthy country with a developed commercial infrastructure more or less equally accessible to all in a homogenous population. Black SA entrepreneurs, by contrast, are emerging from three centuries of deliberate undereducation, artificially imposed poverty and unfair obstacles in business.

Yet, in asking for appropriate regulation, they are not asking for privileges or compensation; they only want equality of opportunity and the removal of bureaucratic obstacles which mostly have their origin in an ideology which no longer applies.

This will have positive effects for the economy as a whole. Appropriate regulation means that an inefficiency in the economic system is eliminated; state expenses are reduced and resources previously tied up in non-productive and counterproductive policing become available to be employed usefully.

Louw says "it is a tough, competitive world out there. Firms in the more successful countries have spent the past few decades sharpening their claws. . . ." Once again, he is unwittingly making a strong case in favour of appropriate regulation, because this stimulates the competition he recommends for SA.

Much of the existing regulation inhibits the establishment of a new small enterprise, and in so doing, protects established businesses from competition.

If our small enterprises were relieved of all the inappropriate regulation that strangles them, the very wolves Louw calls upon to shake up the sheep of the existing business community would emerge from their ranks.

Finally let us address the successful specialisation and global marketing he refers to. We are a little vague on the Danish furniture industry, but certainly the example of Silicon Valley supports our case. The personal computer boom began with one person, Stephen Jobs, who dropped out of college when his garage business, Apple Computers, started to succeed. Apple, as well as the rapidly emerging software companies, had the advantage that their industry was developing faster than anyone could hope to regulate. It is the classic example of the potential of individual entrepreneurship and small enterprise.

In Hernando de Soto's book The Other Path, which has become a widely used "bible" on Third World development, there is a photograph which perfectly captures the essence of what the drive for appropriate regulation is all about. It shows a group of research students holding up a printout of the procedures to set up a small industry in Peru. The printout is 30m long.

We have plenty of local examples: before deregulation started in SA, Nafcoc showed that a black businessman had to go through more than 40 processes before he could start a retail business. Bureaucratic absurdities like this have no useful purpose. They are the product of regimes which generated regulation in huge volume to give themselves a purpose, to defend ideological principles, or to create advantages for those in or allied with power

The removal of these costly, unproductive restrictions is not "mollycoddling", it is simply bulldozing the rubble of previous structures before starting afresh.

☐ **The authors are chairman and co-ordinator of the Sunnyside Group, a coalition of 50 agencies actively lobbying for the introduction of appropriate regulation for small enterprise.**

LETTERS

Boycott to end

(30) CT 17/9/91

Own Correspondent

DURBAN. — The two-week consumer boycott of Matatiele, which is estimated to have cost the town more than R10 million in lost turnover, is to be suspended from tomorrow, according to Town Clerk Mr Errol Putzier.

Mayor fights for business support group

ARG 17/9/91

VUSI KAMA
Staff Reporter

SUPPORT for a project that sought to correct the "wrongs of the past" was partly responsible for inspiring Cape Town's new mayor, Mr Frank van der Velde, to run for office.

Addressing guests at the third birthday party of the Triple Trust Organisation in the city, he said TTO's community development programmes were encouraging.

One of the TTO projects is the "Township MBA", a business management training programme for the unemployed.

He said he had always wished that Cape Town could be given the opportunity to be self-sufficient, and TTO, in supporting the informal sector, was doing much to meet that need.

"(The City Council) is very conscious of the importance of the growth of the informal sector in our economy and we are most grateful to the TTO for their mammoth contribution in this regard," he said.

The Argus Cycle Tour Fund is one of the sponsors of TTO, which has trained about 2 000 township entrepreneurs in the last three years.

Lessons in sewing, artificial flower-arranging, sheepskin slipper-making, knitting and leather-painting are given at 13 centres around the Peninsula.

The organisation runs four linked projects to help the unemployed become successful business people.

The Neighbourhood Training Trust provides skills in business administration; in a course that lasts for eight weeks the Self-Help Financing Trust provides mini-loans to help people start up their own businesses; Africa Trading Co-operative Trust buys raw materials for sale to workers and helps with marketing; and the Community Enterprise Services provides a consultancy service.

VAT 'could harm small businesses'

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BDay 18/9/91.

SHARON WOOD

SMALL business could be devastated by the implementation of VAT, Free Market Foundation executive director Leon Louw said yesterday.

Speaking at a tax conference in Johannesburg, Louw said if government allowed small business to supply imputed input credits to bigger business it would solve the problem. But if not, small suppliers would lose their businesses.

Companies with turnovers of less than R150 000 a year do not qualify as VAT vendors, therefore firms supplied by them cannot get input credits.

Many businesses had already sent letters to their suppliers saying if they did not qualify as a vendor, trade with them would be terminated, said Sacob chief economist Ben van Rensburg.

Anglo American group tax consultant Marius van Blerck said: "VAT is not going to prejudice small businesses and will, in fact, benefit them because they will not have to bear indirect tax in the future.

"The number of suppliers who have less turnover than R150 000 is very small."

He added that small business could easily apply for registration.

Van Rensburg disagreed saying the registration forms were very difficult to complete and were beyond the capability of small businesses.

But he said he was not sure whether small business would be disadvantaged to the extent believed because most of them were consumer-oriented.

Those dealing with other businesses would suffer, he added.

University of Western Cape economics professor Lieb Loots said small businesses were vociferous about how they would be disadvantaged by VAT.

The solution was fairly simple: deemed or imputed input credits would level the playing fields.

Speakers at the conference complained about the way government had handled the implementation of VAT and the uncertainty it had created.

Van Blerck said it did not make sense to drop VAT to 10% and forgo the planned reduction in corporate tax rates when most of the opposition to VAT tended to focus on its effect on basic foodstuffs.

Government rather should have followed the fairly widespread practice in other countries of imposing a standard rate of about 15%, and subject a reasonably wide range of basic foodstuffs to VAT at a special low rate of about 5%.

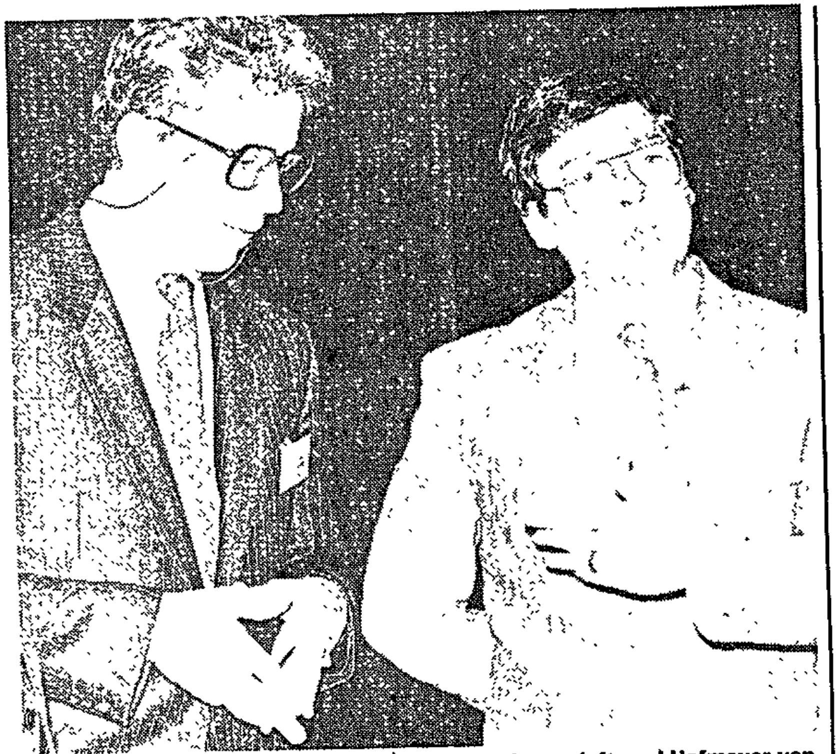
"There is every likelihood that this is a system that will generate VAT revenues at least 40% higher than our current system," he said.

Meanwhile, LINDA ENSOR reports from Cape Town that the Cape Town Chamber of Commerce, in a letter to Finance Minister Barend Du Plessis, has pleaded for urgent action to remove VAT from a range of basic foodstuffs, to increase the amount allocated for the relief of the poor and for a special aid programme.

And in a statement it opposed the postponement of VAT as proposed by the ANC and Cosatu, saying that the costs of doing so would be considerable.

In the letter to Du Plessis, chamber vice-president Herbert Hirsch criticised some of the provisions of VAT and the manner of implementation which he said were unhelpful in this time of "difficult transition".

He said the "almost meaningless" provision of R220m for the relief of the poor must be increased by at least five times and that an efficient and fair special aid programme must be in place and functioning by the time VAT was introduced.



Free Market Foundation executive director Leon Louw, left, and Hofmeyer van der Merwe senior partner Henry Vorster at yesterday's Tax for the Future conference in Johannesburg. Picture: CATHERINE ROSS

SAB sends mission to overseas banks

MARCIA KLEIN

TOP SA Breweries (SAB) executives are leaving for Europe later this week on a financial public relations visit.

Group financial director Selwyn MacFarlane said the SAB delegation, headed by executive chairman Meyer Kahn, would visit major banks in an attempt "to re-open critical contacts with the German and Austrian business communities".

The delegation, which also includes MacFarlane and group financial manager Ian Somerville, will be giving major presentations in Berlin, Frankfurt, Munich and Vienna. BDay 18/9/91

MacFarlane said the visit was aimed at

Australia 'first level

CANBERRA — Australia is set t[o] the first level of sanctions against a spokesman for Foreign Mini[ster] Gareth Evans said yesterday.

Australia would support suc[h] vote at the Commonwealth Head Government meeting next mont[h] Harare, he said.

Australia includes in the phase cultural and scientific changes, direct air links and restrictions.

"The idea would be to lift the phase at the Harare meeting.

Boycott cost town R1,5-m

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Sowetan 18/9/91.

SAPA

THE 17-day-long Matatiele consumer boycott will be suspended today.

It is believed that the boycott has cost the businesses in the town nearly R1,5-million.

The Matatiele Town Clerk, Mr Errol Putzier, said the decision to suspend the boycott was reached at a meeting on Saturday between the Matatiele Consumer Boycott Co-ordinating Committee and the town's liaison committee.

Grievances

An MCBCC spokesman, confirming the suspension, said the authorities had promised to attend to the grievances.

The municipality has begun working on the bus terminus preparing, among other things, for the building of proper shelters for vendors.

Other demands were that public amenities be opened to all races and that protest marches be allowed without stringent conditions being attached.

The MCBCC spokesman said the demand for the resignation or transfer of the district magistrate would be referred to the Department of Justice.

Sale of Checkers likely this month

(30)

B/Day 18/9/91.

MARCIA KLEIN

SANKORP was expected to announce the sale of Checkers before the end of the month, market sources said yesterday.

The well-connected sources said five serious contenders had been identified, and they were expected to make bids for the retail chain.

They were Pepkor's Shoprite, SA Breweries, the privately owned Bauermeister Group, an Israeli consortium and the Dutch Unigro group, which is known to have been involved in discussions with Sankorp.

The sources said another consortium headed by former Checkers MD Clive Wiel could also be in the running.

However, Wiel said yesterday his company, Prefcor, had looked at Checkers some months ago.

He said the group merely held general discussions on the issue, and that Prefcor's only interest would be in a number of Checkers stores which could be converted into Game stores.

Shoprite MD Whitey Basson was not prepared to say if his company had any interest in buying Checkers. He did say, however, Shoprite would be interested in looking at certain stores if they fitted the Shoprite profile.

The proposed sale has been on the cards for some time following Sankorp's stated intention of unbundling holding companies Tradehold and Tradegro, of which Checkers is a subsidiary. Checkers would effectively be sold through the sale of Tradehold.

After numerous discussions, the sale was shelved some months ago until unbundling had taken place.

A minority shareholder recently caused a hitch by opposing the Tradegro group's unbundling plans in court. However, industry sources do not expect problems when the scheme is brought to court again on Tuesday.

Sankorp GM investments Etienne le Roux would not be drawn on any developments, other than to say that he had been talking to "a lot of people".

A decision would be made only when court proceedings were finalised, and he expected there would be argument for more than one day, judging by the papers to be presented.

Despite speculation that SAB had either shown an interest or had been asked to bid for Checkers, financial director Selwyn MacFarlane said SAB believed the acquisition of Checkers would be "most inappropriate".

A major player in the Israeli consortium is believed to be Shalom Shpilman, who is involved in the diamond industry.

Shpilman could not be reached for comment.

Checkers for sale

Shoprite, SAB among the top contenders

(30) CT 18/9/91

Own Correspondent

JOHANNESBURG. — Sankorp was expected to announce the sale of Checkers before the end of the month, market sources said yesterday.

The well-connected sources said five serious contenders had been identified, and they were expected to make bids for the retail chain.

They were Pepkor's Shoprite, SA Breweries, the privately owned Bauermeister Group, an Israeli consortium and the Dutch Unigro group, which is known to have been involved in discussions with Sankorp.

The sources said another consortium headed by former Checkers MD Clive Weil could also be in the running.

However, Weil said yesterday his company, Prefcor, had looked at Checkers some months ago.

He said the group merely held general discussions on the issue, and that Prefcor's only interest would be in a number of Checkers stores which could be converted into Game stores.

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Big and small are now looking for business links

Star 19/9/91

30

The closeness of links between corporate giants and budding mini-business ventures has played a major role in the economic miracles of countries in the Far East. South Africa is being urged to follow the pattern reports MICHAEL CHESTER.

ONE phenomenon that has always struck South African researchers as common to the economic miracles of several Far East nations in recent years has been the close interdependence between the giant corporations and the thousands of mini-business operations that have been spawned.

Dr Ben Vosloo, managing director of the Small Business Development Corporation (SBDC), found one of the most spectacular examples inside the Sony electronics empire in Japan.

He discovered that the Sony production lines relied on the supply of no less than 70 to 75 percent of all components from scores of outside mini-factories handed orders on a sub-contract basis.

Rather than engage in competitive combat, the Davids and Goliaths were pooling their particular roles and talents to develop new products that regularly take world markets by storm.

"They have discovered that brain-power and the best production methods are not the exclusive preserve of industrial giants," says Dr Vosloo. "Small informal and semi-formal businesses have a lot to contribute as well."

The joint approach to production exercises was similar at most, if not all, of the big corporations in Japan. The pattern has now been copied with success by neighbours, who form a growing list of economic tigers emerging around the Pacific rim — from Singapore and Taiwan to Hong Kong and South Korea.

"Every time one delves into the secrets of success," says Dr Vosloo, "the identical pattern is found — a central business core, packed with research and marketing know-how, surrounded by scores of small companies that act as supplier satellites.

"It's significant that virtually all the Western industrial nations, from the United States and Canada across to Britain and Germany, are now following the pattern.

"The formula, of course, is ideally suited to South Africa now that bureaucratic red-tape is being removed to release the full potential of the latent talents of a new generation of small entrepreneurs."

The first impetus has been provided by the SBDC with the creation of a special unit at its Pennyville industrial hive, between Johannesburg and Soweto, to concentrate on the single assignment of developing closer links between big and small business and more sub-contract work.

The order books are already fattening as the corporate giants learn the value of the budding entrepreneur, especially an increasing number of black small businessmen struggling to find a toehold in the economic mainstream.

SBDC central region chief Jo Schwenke can immediately name such business titans as the Anglo American Corporation, Barlow Rand, Anglovaal, Iscor, Eskom, Gencor, JCI and Anglovaal among the new customers coming to small business operators with sub-contract orders.

"The concept is spreading with enormous speed," he says.

"On recent counts, the value of sub-contract orders has already climbed as high as R36 million — and it seems the sky is the limit.

"Our projections show the total could soar into hundreds of millions of rands inside the next few years. There is even talk of hitting a R1 billion jackpot by the mid-1990s."

Mr Schwenke says the list of sub-contracts already stretches from overalls and maintenance services, to engineering components and transport networks.

Exchanges are so brisk that the SBDC now produces special publications such as its own "Contact-maker" and "Business Link-up Directory" to encourage more contact between big and small business.

The potential of sub-contract work has been selected as one of the main themes of the Small Business Week that starts on September 30 with a nationwide programme of events to highlight the role of the informal and semi-formal sector.

Experts from both the Anglo American and De Beers conglomerates, who have formed their own small business initiative unit, will be joining SBDC executives to run special workshops in Johannesburg to examine ways of cultivating many more small/big business links.

The first workshop will be held at the SBDC City Hive on October 1, and a second at Pennyville on October 3. □

The Star

Goliath loves David

30 Sowetan 20/9/91

The closeness of links between corporate giants and budding mini-business ventures has played a major role behind the economic miracles of countries in the Far East. South Africa is being urged to follow the pattern, reports MICHAEL CHESTER.

Industrial giants and small businesses are working together.

ONE phenomenon common to the economic miracles of several Far East nations has been the close interdependence between the giant corporations and the thousands of mini-business operations that have been spawned.

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Combat

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Secrets

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Finally, business for Africa

30 CT 20/9/91

Business Staff

MORE than 600 business leaders from the Cape to Cairo are expected to attend the world's first all Africa business conference, Sidco '91, to be held in Cameroon next month.

The three-day conference, aimed at exploring opportunities in a changing Africa, is being arranged by the Movement for Dialogue and Co-operation (MDC), an international foundation for Africa based in Paris.

Sidco '91 (Semaine Internationale du Dialogue et de la Coopération) will take place in Yaounde, capital of Cameroon from October 29 — 31 and will be attended by business leaders from more than 30 African states, including South Africa, as well as North and South America, Europe and Asia.

MDC president Mr Desire Atangana will make a presentation to business leaders at the President Hotel in Cape Town on September 25 at 5.30pm.

For details contact Jacques Verster (011) 8862440.

Retailing straggler is looking for a road to recovery

(30

LESLEY LAMBERT

B/Day 20/9/91.

CHECKERS has become a textbook case of how not to run a supermarket chain.

In the past two decades, a series of new owners and MDs has tried to restore consumer confidence in the retail chain and to make it as profitable as its competitors. The MDs' terms of office have been relatively short and have usually ended on a controversial note.

The new measures they introduced had short-term effects but contributed less to the restoration of the chain's long-term health. This may be because much of their energy was invested in reacting to events in the market and, in some cases, undoing their predecessors' policies. This stop-start corporate planning sent out mixed messages to customers in a sector in which consistency and consumer-friendliness are crucial to success.

Some important decisions, such as the initial inclusion of GST in prices which gave the impression of comparatively higher prices, and the introduction of trolley deposits, almost certainly dented market share. The results of marketing moves such as the colour yellow, the decision in the 1980s to advertise in-house and the "just up your street campaign" were questionable, contributing perhaps to the chain's relatively low level of sales per square metre.

Rather than enticing bulk shoppers into Checkers stores, some analysts believe the "just up your street" campaign may have left many with the erroneous impression that Checkers was simply a convenience store to be visited for those smaller necessities left out of the big monthly shop at OK Bazaars or Pick 'n Pay.

Surveys have shown that the colour yellow, bright and cheerful by most accounts, was also associated with certain smells or dirt. This is why Checkers is slowly adding light blue and grey to its corporate livery, says MD Sergio Martinengo. "Turnover increased by 30% when we refurbished the Killarney store in our new colours," he says.

The on-off negotiations by parent Sankorp to sell Checkers have demoralised an already demotivated staff. Martinengo was reported earlier this week as saying he was considering resigning because of the prolonged uncertainty he and his staff had been subjected to. He has already lost two main board directors and about 12 senior managers since January.

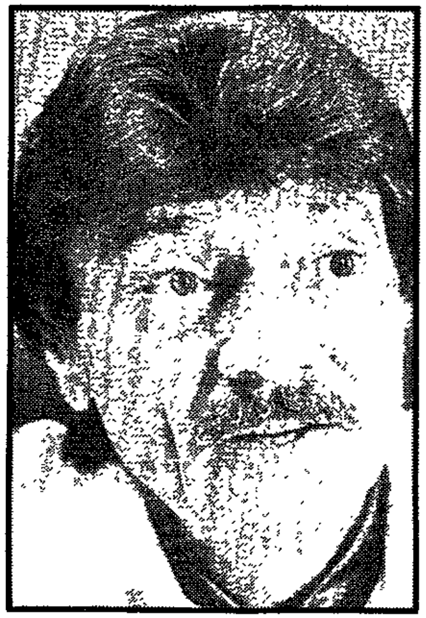
Checkers' lineage is chequered, to say the least. Raymond Ackerman was employed by the Herber family to establish Checkers in the 1950s. He left in the mid-'60s to run his tiny chain of three Cape Town-based Pick 'n Pay discount stores.

In the 1970s, Checkers appeared to perform well under the management of Bob Harvey but, when Natie Kirsh bought the supermarket chain, he discovered that the previous managers had done little to plough back the revenue Checkers had generated. Kirsh had a furious legal squabble over the price of Greatermans — Checkers' controlling company — when he realised where the previous management of Isaac Kaye and Dusty Miller had left the company.

Kirsh employed Gordon Utian, then of Tiger Oats, as MD. Realising that the chain was losing ground to OK Bazaars and Pick 'n Pay, Utian immediately set about increasing market share. Under his management Checkers made hefty initial write-offs which led to some early healthy profits. But its fortunes changed again when the economy went into recession and Utian's strategy of investing capital needed for stock in new stores backfired.

When Clive Weil took over as MD in 1985, after a rumoured fall-out between Utian and Kirsh, he inherited a company close to bankruptcy. Weil put the brakes on new store development and refurbishment and turned his attention to marketing.

A highly visible strategy which included his appearances in advertisements appeared to produce results and after four years, he had turned a R43m loss into a R24m profit. But concern about the company's underlying financial health and its ability to sustain growth in an economic downturn was confirmed when Checkers succumbed more quickly than its competitors to the downturn.



MARTINENGO

Weil's departure was also sudden and controversial. It was reported that Tradegro chairman Donald Masson eased him out by negotiating an unsatisfactory remuneration package when his contract expired.

Martinengo, who was Weil's financial director, succeeded Weil after several weeks during which Masson stated publicly that he was looking further afield for a replacement.

He faced the mammoth task of addressing the fundamental financial problems and negative perceptions which had built up during the years and, at the same time, surviving the prolonged economic recession and keeping his staff motivated.

During the first six months of the financial year ending June 1991, Checkers lost more than R400 000 and shed market share. Martinengo confirmed it maintained this trend during the second half.

Checkers' main financial problems, says industrial analyst Sydney Vianello, are its high cost structure, coupled with a relatively low level of sales per square metre.

One of its major costs, rental, is higher than that of its competitors because it does not own the properties from which it operates. While its wage bill is relatively low, it employs fewer staff to serve customers — which may contribute to its low level of sales per square metre, says Vianello. Stores are smaller on average than those of its competitors, and more expensive to maintain.

Another problem is Checkers' merchandise mix which does not include enough of the higher margin general merchandise other supermarkets use to cross-subsidise their food shelves.

Martinengo says he has been decentralising Checkers into five autonomous divisions in the merchandise and operational areas. He is also aiming to improve efficiency through tighter control and rationalisation at head office.

Having been a follower rather than a leader in the new technological advances which have become crucial to supermarkets' competitiveness, Checkers is in the process of implementing scanning systems which should improve profitability by enabling the supermarket group to control shrinkage and underpricing as well as to identify profitable lines. And, in an effort to improve customer perceptions, Martinengo is refurbishing older stores and paying more attention to micro-marketing techniques, such as the tailoring of stores to suit their customer environment, which supermarkets like Pick 'n Pay have perfected.

A major long-term plus factor is the opportunity offered by political changes which will boost population densities in many areas Checkers serves.

Perry & Associates partner Neil Ross believes the benefits of these measures should soon start flowing through. But Vianello argues that refurbishing and scanning costs could amount to a prohibitive R200m.

Ironically, the first signs of its restoration may coincide with the sale of Checkers. Market sources believe Sankorp will strike a deal with one of an estimated five contenders by the end of the month.

The asking price is understood to have shrunk substantially since Checkers was first put on the market. That would be no surprise. Judging by the unimpressive results of a string of chief executives, turning Checkers around will not be easy.

COHEN FOR *FM* CONFERENCE

FM 20/9/91

30

Black consumers now control about half of the spending power in SA, a fact of life that hasn't eluded smart retailers. In turn, the retailing sector has rebounded and investors are once again showing a great deal of interest.

As a veteran of Punky's, Grand Bazaars, Ackermans and Specialty Stores, Stewart Cohen is well-placed to talk about the challenges facing retailers in this period of high inflation, increased competition and political and economic uncertainty. He will speak on "Retail Strategies for the Nineties" when he addresses the *FM* Investment Conference next month.

Since 1986 he has been joint MD of Specialty Stores, a chain of 171 shops comprised of Milady's, The Hub, Mr Price's Factory Shop and Footgear.

Since 1983, he also has been a partner in Cohen Chiappini & Associates, which is involved in apparel buying and exporting, retail consulting and franchise development. He specialises in marketing, systems and store development.

Cohen earned degrees in commerce and law at Rhodes University and an MBA at the University of Cape Town.

He spent four years as MD of Ackermans, a chain of 35 stores selling apparel and home textiles. When Edgars acquired the chain in 1981, Cohen stayed on for a year, then decided to start his own business in Cape Town.

☐ The conference is at the Carlton Hotel, Johannesburg, on October 31 and November 1. The fee is R1 295 but R1 195 per delegate if a company sends more than one. Bookings through Fiona Vigliotta on (011) 497-2134.

MARTIN JONKER HOLDINGS

Higher tax rate

FM 20/9/91

Activities: *Sells new and used motor vehicles, parts and petrol; provides supporting workshops.*

30

Control: *Directors 71%.*

Chairman: *L W Dekker.*

Capital structure: *28m ords. Market capitalisation: R11,2m.*

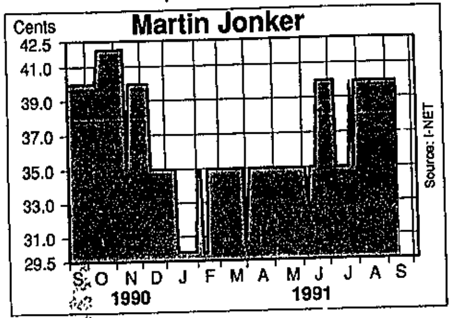
Share market: *Price: 40c. Yields: 5,0% on dividend; 5,5% on earnings; p:e ratio, 18,2; cover, 1,1. 12-month high, 40c; low, 32c. Trading volume last quarter, 10 000 shares.*

Year to Feb	'88	'89	'90	'91
ST debt (Rm)	3,1	9,2	10,8	10,3
LT debt (Rm)	0,78	0,63	0,50	0,40
Debt:equity ratio	4,62	2,70	2,4	2,2
Shareholders' interest	0,09	0,15	0,15	0,14
Int & leasing cover .	1,27	3,17	1,6	1,3
Return on cap (%) ..	10,0	9,8	14,3	13,5
Turnover (Rm)	61	77	137	157
Pre-int profit (Rm) ...	1,3	2,4	4,5	4,6
Pre-int margin (%) ..	2,2	3,1	3,3	2,9
Earnings (c)	3,2	10,9	6,2	2,2
Dividends (c)	—	4,0	2,0	2,0
Net worth (c)	(61,2)	13,0	17,0	17,2

In this economic climate there is little to commend an investment in this motor vehicle retailer. That is not meant as a negative assessment of management or the business. Rather, it is a reflection of the present and the potential state of the motor market in the short term.

In the 1991 year Martin Jonker Holdings performed creditably at the sales level and lifted turnover by 14,5% in a market that declined in volume terms. Sales at least kept pace with inflation but the group was unable to muster any growth in operating profit. Interest paid rose to R3,5m from R2,8m and reduced pre-tax profit to R1m (R1,7m).

Chairman Leendert Dekker notes that the assessed loss was used during the year. The effective tax rate was 42% compared with nil in 1990. Attributable profit therefore declined by 64%, with EPS at 2,2c, well below that of the previous year's 6,2c.



Other than a 19% rise in stock, evidently financed by suppliers, there is no change of any note in the financial structure of the company. Dekker says that, to reduce borrowing costs, it has been decided to sell a fixed property then lease it back. He estimates that the cash flow benefit of R3m will result in net interest savings of about R246 000.

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This cannot come soon enough. If MJM is to generate real growth, it is essential in this economy to make full use of the assets. It does not make sense to borrow against them if the internal returns generated by the business are too low to cover the cost of borrowing.

Prospects for the motor trade over the next 12 months are not encouraging. Interest rates may fall by a percentage point or two but not by much more. And until there is a strong annual increase in fixed investment, it is difficult to see demand for new vehicles strengthening enough to allow groups like MJM to enjoy real growth.

The share, at 40c, offers a reasonable dividend yield of 5%. But the earnings multiple of 18 is too high, particularly when compared with the sector average of just less than 9. There may be good reason for the optimism that the market is expressing by keeping the share price at this level, but the fundamentals hardly favour such a bullish outlook.

Gerald Hirshon

JD GROUP FM 20/9/91

Selling debtors (30)

It was well known that JD Group was looking for a joint finance company to ease its debt burden. JD Sales has been formed through the sale of JD Group's debtors' book for R414m, with effect from July 6, and the arrangement did not come a moment too soon.

A downturn in furniture sales was evident in the April to June quarter, when sales advanced by a paltry 3%. JD Group covers the spectrum of furniture businesses, from upmarket Bradlows to lower income Score, with the discount chains Joshua Doore and Price 'n Pride in between. The discount chains were less affected, though they also suffered.

Finance costs increased relentlessly, rising by 63% in the June interim, reducing interest cover from 2,7 to 1,5. Apparently, JD Group had over-provided for tax and a R1,9m tax credit is reflected in the income statement. Thanks to this, attributable income was 15% lower, though pre-tax income was virtually halved.

Inevitably, cash flow was squeezed. Budgeted collections were more than R16m below budget, as fewer customers paid in advance and there was an R8,8m shortfall in deposits and cash sales.

Certainly, JD Group's balance sheet now looks much healthier. JD Group is left with R59m in cash and minimal long-term borrowings. Unlike the traditional joint finance company, JD Sales has no recourse to the JD Group for bad debt. Nevertheless, JD Group will still finance 43% of the debtors book and will own preference shares in JD Sales. All the ordinary shares will be held by a consortium of banks including Nedbank, Volkskas, Finansbank and Senbank.

The new company's structure differs in certain important respects from that of the comparable finance company, FirstPref, set up recently by rival Prefcor and First National Bank. Prefcor did not sell its old debtors' book and it is responsible for 25% rather than 43% of the funding.

Also, JD Group has not sold its stock to its finance company, thereby retaining assets on its own balance sheet. Financial director Colin Stein says the banks will now be much closer to the business, as they will own the debtors' book. He says the banks are now partners in the business.

Stein says credit granting will still be done by the individual JD Group chains, according to agreed criteria which are the same as in the past. He says that "meaningful" information about JD Sales will be disclosed in the JD Group annual report. Stein insists there will be no material effect on earnings. Instead of receiving income on its financial operations, JD Group will receive a preference dividend from JD Sales.

Since the deal was announced, the share price has fallen from 425c to 400c. It is down from 615c since good year-end results were released earlier this year. JD Group will need to make effective use of its inflow of funds — its debtors book was the group's largest asset but it can't be sold again.

Stephen Cranston

FURNITURE FALTERS

Six months to	Jun 30 '90	Dec 31 '90	Jun 30 '91
Turnover (Rm)	271	374	301
Operating income (Rm)	27	57	25
Attributable (Rm)	13	38	11
Earnings (c)	35,7	107,5	30,4
Dividends (c)	8	14	7

Continue →

FOX FM 20/9/91 (30)

Unexpected hiccup at Pick 'n Pay

(30)

Star 21/9/91.

TOM HOOD

THE wheels came off in a catastrophic recession. This was the candid explanation by Pick 'n Pay chairman Raymond Ackerman of the supermarket group's first hiccup in profits growth since its listing in the 1960s.

This happened in the half-year to August, when sales were below budget, margins were trimmed, operating profit dropped R4,5 million and thoughts of staff retrenchments were expressed for the first time.

However, both the share market and Mr Ackerman are confident of the future — the company's shares stand an at all-time high, the R6 billion turnover level is likely to be breached this year; R100 million spent on scanning and computer equipment is expected to pay off; a big cash inflow will stem from the sale of R70 million of insurance policies and the opening of new stores will start to bring benefits.

In spite of the profit hiccup, the interim dividend was maintained at 12,5c, though dividend cover was lowered to 3,25 from 3,34.

"If I was not confident of the second half, we would not have paid out so much dividend," said Mr Ackerman in an interview.

However, a real problem was looming on the labour front.

The problem centred around "flexibility" — moving supermarket staff to where they were most needed.

The unions had turned this down, Mr Ackerman said, and the company was in the difficult position of carrying extra people who were not being productive when they could be moved to far more productive resources within the company.

Sales for the first half-year increased by 15,6percent to R2 815 miillion, which was below budgeted figure. Since June "sales were very hard to come by." Profit pre-tax was R58,7 million, a drop of R4,5 million on a year ago.

Earnings slipped by 3,2 percent to 40,44c a share.

The value from insurance investments increased by R10,6 million of which R5,3 million was taken into account.

Although Mr Ackerman was disappointed by the drop in profit, he said turnovers were above the inflation rate.

An encouraging factor was that market share increased to 32,1 percent, its highest ever and showed market share was not being lost to competitors.

After the introduction of Vat, Mr Ackerman believes business will pick up and that a good increase in second-half figures will give a boost for the whole year.

AEG 21/9/91

(30)

PICK 'n PAY SALES BELOW BUDGET:

First dip in profits

TOM HOOD
Business Editor

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"If I was not confident of the second half, we would not have paid out so much diividend," said Mr Ackerman in an interview.

"If you are three points down at half-time during a rugby match, it does not mean that you will not win the game. You just have to knuckle down and really look after the basics."

Pick 'n Pay got its management team together this week for a tough scrummaging session, he said.

"We got out the naartjies and biltong and we are quietly confident of winning."

However, a real problem was looming on the labour front, he warned.

The problem centred around "flexibility" — moving supermarket staff to where they were most needed — and although the company had a good relationship with the unions after long negotiations, the unions had turned this down.

As a result the company was in the difficult position of carrying extra people who were not being productive when they could be moved to far more productive resources within the company.

"Pick 'n Pay will pursue negotiations with the unions," said Mr Ackerman. "Failing this the company may have to consider retrenchment as a last resort."

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An encouraging factor was that market share increased to 32,1 percent to its highest ever and showed market share was not beiing lost to competitors.

Shortages including markdowns were well below 1 percent and a great improvement on last year, which meant that technology and systems were working as had been promised.

After the introduction of Vat, Mr Ackerman believes business will pick up and that a good increase in second-half figures will give a boost for the whole year.

Generally, the company was in excellent shape. The Food Hall concept was developing well, the new hypermarket in Northgate opened above expectations and the company was poised to make "excellent profits" if the turnover and the economy turned.

A Pantry would open in the Village Walk scheme in Sandton in the Transvaal and another was planned for Cape Town's new Waterfront.

Big boycott is planned

CPress 22/9/91 (30)

N transvaal towns will be hit soon

CP Correspondent

POLITICAL organisations in the two conservative northern Transvaal towns of Tzaneen and Duiwelskloof are jointly planning a massive consumer boycott there from October 4.

Tzaneen/Duiwelskloof Consumer Boycott Committee (TDCBC) chairman Muntle Pasha said this week that the ANC, Azapo, PAC, trade unions, church and business organisations in the area were supporting the boycott and were represented in the 12-man boycott committee elected last weekend at Modjadji College of Education.

Pasha said meetings were being held by the TDCBC every Friday and posters and pamphlets were being prepared.

The call for the consumer boycott of white business centres around a number of demands. These include a call for the arrest of those responsible for the Bindzulani massacre of July 17 when four black people – two petrol attendants and two security guards – were shot dead at a filling station near Nkowankowa.

The case is being handled by Gazankulu police with the assistance of the Tzaneen police, but no arrest has been reported.

"When a white couple was shot and the wife killed near Tzaneen early this year, the police and the SADF made certain they searched for those who shot them. Every scrap of information was broadcast on TV and radio and was also published in newspapers, because a white life was lost," said Pasha.

"When a black life is lost, it is considered no big deal in South Africa."

Other demands are that there should be free political activity in the two towns, a halt called to the harassment of trade unionists in the area and the removal of SADF personnel from townships and villages.

Also demanded are the dismantling of bantustans and the immediate reopening of Tivumbeni College of Education.

According to Pasha, the boycott will be indefinite but will be reviewed from time to time from the end of October.

Recession pricks Pick 'n Pay bubble

(30)

S Times By IAN SMITH (Bus) 22/9/91

RETAILING best-buy Pick 'n Pay, which has so far bucked the recession, has announced a shock R4,6-million drop in pre-tax profit to R58,1-million in the half-year to August 31.

Taxed profit was R31,7-million compared with R32,7-million in the same time last year.

Chairman Raymond Ackerman blames the "catastrophic recession", which has dealt a severe blow to cash sales.

Good news for shareholders is that Mr Ackerman says the board is "very confident" of a better second half, which will give good results for the year — a happy augury for the continuation of its unbroken 23-year record of profit increases since it opened its doors.

Insurance

The interim dividend has been maintained at 12,5c a share in spite of a 3,22% decline in earnings to 40,44c a share.

The severity of the slowdown is shown by a 10,6% decline in trading income after a 15,6% turnover increase to R2,8-billion, which is below budget. Investment income up from R2,3-million to R7,7-million accounted for the smaller fall in pre-tax income.

The value of the group's equity linked insurance contracts increased by R10,6-million, of which R5,3-million has been brought to account.

Pick 'n Pay will benefit from the Christmas trade in the second half-year and the group has taken measures to compensate for the recession.

Mr Ackerman says that once it was apparent the turnovers budgeted for March and April would not be maintained, expenses were cut and they came out well below forecast.

Shortages, including markdowns, were well below 1%, showing that the group's systems and technology are working.

Heavy investment in new stores cost capital in the first half-year and many will produce results only in the second six months.

The group has also invested heavily in scanning equipment, which it believes is essential to have in place before Vat's introduction.

Since the end of the period Pick 'n Pay has decided to sell insurance policies which will bring at least R70-million into cash resources.

"Interest on this money will be most beneficial," says Mr Ackerman.

But he is far from happy. Negative factors, including the recession, mean the company must be particularly conservative in turnover budgets for the rest of the year.

"There is a real problem looming on the labour front," says Mr Ackerman. "The problem centres on flexibility, and although the company has a good relationship with the unions they have turned this down after long negotiations.

"This puts the company in the difficult position of carrying extra people who are not productive when they could be moved to far more productive centres within the company."

Reluctant

Mr Ackerman says the company will continue to negotiate with the unions, but if the talks fail it will consider retrenchment "as a last resort".

He says institutional reluctance to invest in new projects means that there will be a quieter than normal store-opening programme in the second half.

The introduction of scanning has cost a lot in time and money, but the benefits will be shown in the current six months and after.

"I am confident that sales will improve after the implementation of VAT and early in the new year.

"It is not easy trading in the present climate, but I am quietly confident of the whole year's trading."

Shopkeepers stock up

S Times (Bus) 22/9/91 (30)

Business Times Reporter

SMALL shopkeepers have stocked up ahead of Vat's introduction, says Neil Ross, senior consultant at Perry & Associates.

These shopkeepers are GST registered and have bought stock to take advantage of their exemption certificates.

August and September will thus have been boom months for wholesalers and October will be quiet.

Mr Ross says blacks buy large quantities of groceries for the informal trading sector. Traders have bridged the distribution gap and managed to get goods to the people where they live or work.

The sector is driven by need and convenience. Many consumers buy from informal outlets in spite of high mark-ups because they cannot easily shop regularly elsewhere.

Informal shopkeepers also make their wholesale purchases on the basis of convenience — where they are made to feel welcome and their needs are met. Wholesalers have positioned themselves for this.

However, if it is more convenient, informal operators buy stock at retail outlets and this could change the retail-wholesale split of business.

Move over TDCBC men

Sowetan 23/9/91

FOUR members of the Tzaneen/Duiwelskloof Consumer Boycott Committee have been subpoenaed to give affidavits in an intended case of subversion against the committee's chairman, Mr Mmutle Phasha.

The subpoenas were delivered on Thursday to Mr Charros Banda, Mr Mike Mashele, Mr Humphrey Mokgobi and Mr Moses Mahasha, all members of the committee.

They are to appear before a magistrate on October 2, or make affidavits relating to a consumer boycott planned to start on October 4 in Tzaneen and Duiwelskloof, in the north-eastern Transvaal.

Phasha is to be charged with subversion.

The boycott committee, composed of representatives from the Azanian People's Organisation, African National Congress and Pan Africanist Congress as well as church and black business representatives, was formed on August 18.

The committee planned to launch the boycott demanding the arrest and conviction of white rightwingers who allegedly killed five black workers at Nkowa Nkowa Motors outside Tzaneen on July 19.

They are also demanding the security firm which employed some of the workers, Wolkberg Security, and the garage owners should undertake to support the spouses and family members of the five victims.

A few months ago the TDCBC ignored an invitation to meet the two town councils.

White businesses in the two towns have formed an organisation, known as the Tzaneen Pro Action Committee, which has sent letters and pamphlets to shopkeepers saying it intends to either stop the boycott or minimise the effect.

In a statement on Saturday after an emergency meeting, the boycott committee said the subpoenas were intended to intimidate the community. - *Sapa*.

Consumer to reap VAT benefits

Chain stores promise: 'No price hikes'

B/Day 23/9/91.

30

MARCIA KLEIN
and SUSAN RUSSELL

MAJOR retail chains and manufacturers yesterday made a public pledge to pass on to customers the cost benefits derived from VAT.

They also promised their pricing policies would fairly reflect these benefits.

In a separate statement, Woolworths announced it would subsidise until October 13 the prices of basic foodstuffs previously exempt from GST.

The pledge by 17 companies, including Pick 'n Pay, Checkers, Spar, Metro, Score, Game, Fedfood, Premier Food Industries and Unilever, arose from a meeting called by Vatwatch last week and out of concern that there would be huge price hikes following VAT's introduction.

Major companies were called on to adopt the pledge which urged suppliers to pass on to them any cost benefits, to pass these on to customers, to ensure pricing policies fairly reflected any VAT benefits, and to encourage others in the business community to adopt the pledge.

Vatwatch's Prof Louise Tager said the pledge was a message aimed at both consumers and business in an attempt to make them aware of VAT savings.

"I am very concerned that the full implications of the system have not connected in the minds of the entire business section," she said.

Tager pointed out that because of the savings businesses would enjoy, prices should not increase at all.

Some signatories said yesterday the expected savings derived from VAT would be minimal.

Premier Food Industries MD Willem de Kok said while his group subscribed fully to the pledge, it did not expect any significant savings to flow through following the introduction of VAT.

He said Premier had done a straight calculation on the effect of the introduction of VAT on its food basket. With only brown bread and maize meal being VAT exempt there would be a 4,8% increase on the price of the basket.

Fedfood MD Jan du Toit said his group would make every effort to keep the food prices as low as possible. However, he said the huge figures which had been mentioned in terms of savings on input tax were hypothetical, especially regarding the mass produced products where savings frequenty were only a fraction of a cent.

The first major group to announce it would actively pass on VAT savings to customers was Woolworths.

Woolworths financial director Ray Schur said more than 200 basic food items which were free of GST would be subsidised by Woolworths, effectively keeping the prices at pre-VAT levels.

Meanwhile, Cosatu spokesman Neil Coleman said while the signatories' intentions were laudable, this meant the public had to rely on the good faith and promises of retailers.

What was needed to prevent price abuse, Coleman said, were statutory enforceable safeguards.

● Comment: Page 10

McCarthy plans for another difficult year

B Day 23/9/91 (30)

MARC HASENFUSS

SA's largest vehicle retailer, the McCarthy Group, has budgeted for a marginal decline in earnings in the year ahead, in line with the expected fall in the new vehicle market and increased pressure on margins.

The group predicts that national new vehicle sales will decline by a further 2% in the year ahead.

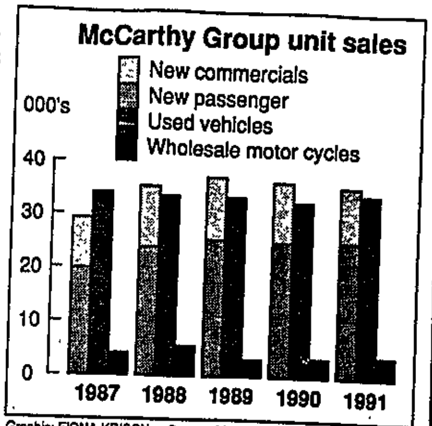
Chairman Brian McCarthy said it would be the third successive year in which unit sales have declined. This was the main factor causing group earnings to stagnate.

Uncertainties arising from VAT had led consumers to defer spending, particularly on items such as new and used cars, he said. "This problem will be behind us before the end of the calendar year."

McCarthy said favourable socio-political developments, minimal industrial unrest and greater investor confidence could render the group's earnings projection conservative.

The market's confidence in McCarthy's long-term strength is justified by the group's share price. The share has shown renewed investor interest recently and recovered from 275c in January to 480c last week, which is just below its July high of 495c.

Shareholders' faith was further vindicated by the group's better than expected results in the year to June, in which earnings were lifted to 59,8c (58,6c) a share after a 19% decline at the interim stage.



Graphic: FIONA KRISCH Source: McCARTHY GROUP

McCarthy said cash flow from trading, coupled with stringent management of stocks and debtors, resulted in interest bearing debt reducing to R23m. The interest bill fell by 45% to R7m (R12m) and interest cover rose to 15,2 times.

Gearing stands at a healthy 10% while cash resources are at R71m.

"The group's strong balance sheet places it in a sound position to fund future growth and investments," said McCarthy.

During the year McCarthy Motor Holdings opened a new dealership for MMI in Alberton, new Volkswagen dealerships in Verwoedburgstad, a Nissan dealership in Pretoria and a Toyota dealership in Tongaat.

Yamaha Distributors Power and Sport extended its product range by acquiring Motor Cycle World.

The group recently formed a joint venture company with Standard Credit Corporation (Stannic) to provide credit instalment finance and full maintenance leasing (FML).

McCarthy said that in recent years there had been a steady trend, locally and internationally, towards FML. The group intended to be a major player in the field.

Dismal news from Pick 'n Pay boss

(30)

B/Day 23/9/91

LINDA ENSOR

CAPE TOWN — Pick 'n Pay chairman Raymond Ackerman had dismal news for shareholders and the supermarket chain's employees at the weekend. Not only did the group record its first interim profit decline in the six months to August 31, but retrenchments are inevitable over the next few months.

The group turned in a 3,2% decline in earnings from R32,7m to R31,7m and from 41,8c to 40,4c a share. At the August 1990 interim stage, earnings had increased by 15% to R32,7m on an 18,7% turnover rise to R2,4bn. However, earnings had increased by only 4,5% to R86,6m by the February

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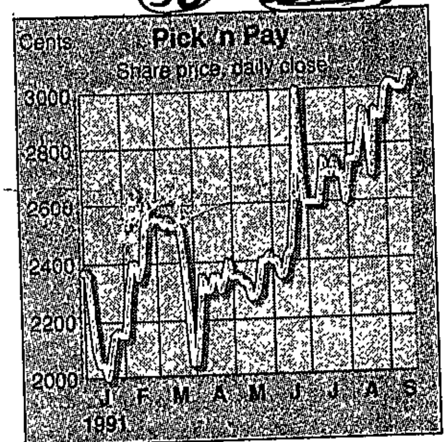


Graphic. FIONA KRISCH Source I-NET

Pick 'n Pay

B/Day 23/9/91

1991 year-end.

Accounts published at the weekend show that despite a 15,6% turnover rise to R2,8bn (R2,4bn), interim results were down by 10,3% to R53,1m (R59,2m) at the operating level.

The operating profit was hit by the fact that retrenchments were delayed by agreements with the union. And, before year's end, between 1 000 and 2 000 people faced being retrenched unless the SA Commercial, Catering & Allied Workers' Union (Saccawu) accepted the principle of "flexible" employment practices during the looming wage negotiations.

So far the union had been reluctant to negotiate this principle. If it persisted in doing so, Pick 'n Pay would have to consider retrenchments as a last resort, Ackerman told a weekend media conference.

He said the group's inability to redeploy and relocate unproductive workers from one store to another during the six months to end-August acted as a constraint on its ability to rationalise in the face of a "catastrophic recession". The cost of carrying these workers was between R1,2m and R2,4m a month.

MD Hugh Herman said that turnover was running at about 18% in March and April, dropping dramatically from May

(30)

☐ From Page 1

onwards, but the group had not been able to reduce expenses such as labour costs — about 60% of the total — quickly enough to keep them in line with this slide in sales.

Also, about R70m of the more than R100m invested by the group in scanning systems for VAT was included in expenses in the six months to end-August.

These problems contributed to the fact that while Pick 'n Pay's interim turnover rose, margins fell to 1,89% (2,43%) and trading income by 10,3% to R53m (R59m).

Investment income of R7,7m from insurance policies and a lower tax rate softened the bottom-line fall in earnings a share of 40,4c (41,8c) to 3,2%. The dividend was maintained at 12,5c.

Ackerman said an important feature of the results was the 40% decline in shrinkages and the increase in market share to 32,1%, despite the drop in turnover. Shrinkage, including markdowns, was well below 1%, indicating the success of the technology and systems introduced.

Cash resources fell to R4,6m (R21,3m) in the first half because of capital expenditure on scanning systems.

Ackerman was confident about the second-half performance, which will come off a low base, and said the annual result should show an increase in earnings.

Founder sells 26% of Pennypinchers

Bday 30/9/91 LINDA ENSOR (30)

CAPE TOWN — Pennypinchers Holdings' (Penpin) founder and CE Fasie Malherbe has sold his 26% stake in the buildings materials group to First National Corporate & Investment Bank (FNCIB) for R3,5m.

The announcement was made today simultaneously with the interim report for end-June which shows that Penpin suffered a loss of 19,06c (profit 10,63c) a share.

The deal was struck at 56c a share which is considerably lower than the share price which closed on Friday at 75c and an offer will therefore be made to minorities.

PG Bison, which has a 47% stake in Penpin, has the option to buy up FNCIB's stake over two years.

Malherbe is to relinquish his position as CE but will remain with the company as non-executive chairman. The post of CE has not yet been filled.

The recession in the building industry hit Penpin in the six months to end-June. While turnover grew 25% to R119,7m (R96m), severe competition and the sale of excess stock saw margins plummeting to leave an operating loss of R4,4m (profit R3,5m). The attributable loss was R4,5m (profit R1,9m).

☐ To Page 2

Pennypinchers

Bday 30/9/91. (30)

☐ From Page 1

An additional strain was the burden of costs associated with the restructuring of the group, refurbishing of existing stores and the closure of non-profitable branches. Two clear divisions, a retail and wholesale division, have been created and emphasis has been placed on cash sales. The "one-stop-shop" concept is expected to produce higher margins with lower operating costs.

Financial director Percy Bishop said on Friday the improvements flowing from the restructuring should result in a turnaround during 1992. Subsidiary Pennypinchers Board, which suffered an interim loss of 3,7c (profit 4,9c), would be delisted shortly.

Malherbe, who founded Penpin as a single low-cost store in Cape Town in 1979, saw it grow to a chain of more than 50 outlets, with 1 200 employees and a turnover expected to exceed R250m this year.

"We built Pennypinchers with an entrepreneurial, informal style. Given its tremendous growth in recent years, the company now needs a more structured approach," Malherbe said.

Retail figures hint at turnaround

B|Day 23|9|91. (30)

SHARON WOOD

SIGNS of an economic turnaround emerged when retail sales rose by 14,0% year-on-year in July and expected sales for the third quarter increased by 13,6% compared with last year.

Figures released by the Central Statistical Service on Friday showed real expected sales for the third quarter fell by 4,1% year-on-year, but the figures are volatile.

The seasonally adjusted trend shows a bottoming out in retail sales after a steady decline since early this year and provided further indications of a possible turnaround in economic activity in the second quarter.

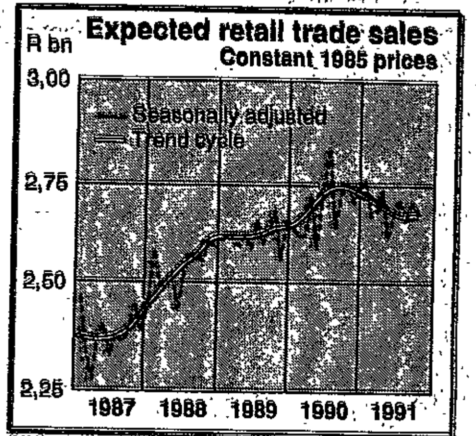
But Standard Bank chief economist Nico Czypionka said while it was true retail sales were bottoming out there was no great potential for a rebound.

Savings had been run down and consumers were suffering from salary pressures, he said.

Nedbank chief economist Edward Osborn said he was surprised by the uptick in retail sales because of continued recessionary conditions.

He said this did not indicate a definite recovery and he would only be convinced of a recovery if an upward trend continued for two to three months.

Two features in the economy were working against retail sales: low incomes because of the recession and a freeze on spending prior to the implementation of VAT. Spending would bounce back once VAT was in place, he said.



Graphic: FIONA KRISCH Source: CSS

Pick 'n Pay optimistic despite first-half decline

Star 23\9\91

Finance Staff

(30)

Although Pick 'n Pay reported a decline in profit for the first time since its listing in the 1960s, chairman Raymond Ackerman is confident of a return to earnings growth in the second half of the year.

This is reflected in the fact that despite the profit hiccup, the interim dividend for the first half of financial 91 was maintained at 12,5c, though dividend cover was lowered to 3,25 from 3,34.

"If I was not confident of the second half, we would not have paid out so much dividend," said Mr Ackerman in an interview with Tom Hood in Cape Town at the weekend.

He said the board was confident of coming in with a good increase for the whole year.

He was, furthermore, confident that the R6 billion turnover level would be breached for the first time this year after sales rose by 16 percent to R2,82 billion in the first six months.

He listed three developments as the main reasons for his optimism:

- Expenditure of R100 million on scanning and computer equipment, which should pay off handsomely.
- A big cash inflow stemming from the sale of R70 million worth of insurance policies.
- The opening of new stores would start bringing benefits.

"Generally, the company is in excellent shape. The Food Hall concept is developing well, the new hypermarket in Northgate opened above expectations and the company is poised to make excellent profits if the econmy turns."

In his chairman's statement with the interim results, Mr Ackerman said that action had already been taken to stem the fall in profits, which was limited to a 3,22 percent drop to 40,44c a share.

"Once it was apparent that the initial turnover budgeted for March and April would not be maintained as the economy worsened, expenses were cut and total expenses came out well below budget," he said.

Mr Ackerman described the economy as being in a state of "catastrophic recession".

Yet it seems other retailers have been far worse hit than Pick 'n Pay — its market share rising to 32,1 percent, its highest ever.

The share market seems to reflect Mr Ackerman's confidence. Pick 'n Pay's share price last week rose 50c to a record R30,50, with the share trading on an earnings yield of 3,6 percent.

Despite his confidence, real problems were looming on the labour front, Mr Ackerman warned.

The problem centred around "flexibility" — moving supermarket staff to where they were most needed.

And although the company had a good relationship with the unions after long negotiations, the unions had turned this down.

As a result the company was in the difficult position of carrying extra people who were not being productive when they could be moved to far more productive areas within the company.

"Pick 'n Pay will pursue negotiations with the unions," said Mr Ackerman. "Failing this, the company may have to consider retrenchment as a last resort."

Newly listed Prefhold makes impressive start

B|Day 24/9/91 (30)

MARCIA KLEIN

IN its first set of published results since listing on the JSE last month, Prefcor Holdings (Prefhold) has increased its attributable earnings more than fourfold to R37,2m (R8,6m) for the year to end-June.

The group, which comprises the 10-store Game chain, the 195-store Beares furniture group and Clobea's 62 fashion stores, saw turnover rise above the R1bn mark, 36,8% up on sales of R737m the previous year. Operating income more than doubled to R114,8m (R52,2m), reflecting management's recent focus on stock management, finance and merchandising, chairman Terry Rosenberg said yesterday.

Even after accounting for a 27,5% rise in interest payments to R42,1m (R33,1m), pre-tax income more than tripled to R72,6m (R19,2m). A hike in the tax bill to R35,1m (R10,4m) saw net income rise to R37,5m (R8,8m).

Rosenberg said the first income distribution to ordinary shareholders and holders of convertible debentures would be made in the 1992 financial year, and dividend distributions were expected for the six months to December.

He was confident the group would meet its projected forecasts in financial 1992. Prefhold's pro-forma income statement showed that turnover would rise by 27% to R1,27bn in the year to end-June 1992. Operating income would rise by 44,5% to R167m (R115,6m), and attributable income by 14,6% to R42,4m (R37m).

Arrears

Rosenberg said sales for July and August, totalling R178,9m, were 102% of budget and were 29% above the previous year. These figures went against reported retail trends, and showed how strongly the group's businesses were trading in their markets, he said.

In August collections were 104% of budget, and Rosenberg said one of the features of the last 14 months was the consistency of the collection rates and low arrears.

Beares Group chairman Hymie Sibul said the chain had exceeded profit forecasts for July and August. He was "quietly confident" that Beares would continue to take market share from competitors and achieve forecast profits.

Bee Gee CE Gordon Regnard said turnover had grown impressively in the first two months of the financial year and profit growth was well in excess of the inflation rate.

The Game division's plan to double its number of stores in the next few years, was "well in hand", chairman Clive Weil said. A new Transvaal store would be opened before Christmas.

Prefhold was listed on the JSE last month after a R263m offer of ordinary shares and convertible debentures at 500c each. Yesterday the share lost 40c to close at 410, after reaching a high of 475c and a low of 390c since the group's listing.

Prefcor beats weak trend in retail sales

By Jabulani Sikhakhane 30

Star 24/9/91

Recently listed Prefcor Holdings (Prefcor) is confident of meeting its forecast earnings for the year to June 1992.

At R178,9 million, sales for the first two months of financial 1992 are up 102 percent on budget and 29 percent higher than the previous year.

Performance

Executive chairman Terry Rosenberg says this performance is against reported retail trends.

For the 12 months to June 1991, Prefcor beat its prospectus forecast with its turnover of R1 008,4 million slighty higher than forecast.

Attributable income was R37,2 million from R8,6 million the previous year. Prefcor controls Game Discount World, Beare furniture group and Clobea (Bee Gee).

The Beare furniture group is the largest contributor to Prefcor figures, chipping in about 60 percent of turnover and over 90 percent of pre-interest profits.

A further breakdown, however, reveals that furniture accounts for 35 percent of total Prefcor sales and 50 percent of pre-interest profits, while appliances, household goods and clothing bring in 65 percent of sales and 50 percent of pre-interest profit.

Mr Rosenberg says credit granting in the Beare furniture group remains selective. Collection rates showed consistency and in August they were up 104 percent of budget, while arrears had also been low.

The chairman of the Beare group Hymie Sibul is confident of taking market share from competitors and achieving forecast profits.

Mr Sibul's optimism is backed by the Furniture Traders Association's executive director Frans Jordaan, who says the decline in sales of furniture, appliances, TV and audio equipment appears to have been stopped.

Breakdown

FTA's figures show that for the three months to July sales were up 6,3 percent.

A breakdown shows that at current prices, sales of furniture rose 3,5 percent, appliances 8,7 percent, and TV and video 6,3 percent.

Sales to blacks continued to grow faster than the other market sectors.

For the five months to December, sales are expected to show an improvement.

"The traditional yearly sales pattern indicates that from October to December there is a significant increase in sales.

"This year we believe that when VAT replaces GST we could also experience an upturn.

"Another factor that makes us optimistic is that the signing of the peace accord could mean a decrease in township violence, boosting sales," says Mr Jordaan.

Prefcor's other divisions, Bee Gee clothing chain and mass merchandiser Game Discount World, also expect to beat their forecasts.

COMPANIES

Specialty beats slump in sales

MARCIA KLEIN

DURBAN-based clothing retailer Specialty Stores increased its earnings 6% to 28,6c (27,1c) a share in the six months to August despite depressed consumer demand.

The retail chain, whose holding company Storeco was recently taken over by joint MDs Stewart Cohen and Laurie Chiappini in a deal worth R18m, had forecast low profit growth for the first half of the year. B/Day 25/9/91

Specialty, whose interests include retail chains Milady's, The Hub and cash chains Mr Price and Footwear, increased its turnover by 15% to R125,3m (R109,1m) after showing a 43% sales growth in the first half of the previous financial year.

Operating profits were 10% up at R11,6m (R10,6m), and a decline in operating margins to 9,2% from 9,8% reflected competitive trading, Cohen said. The 11,3% margin achieved in the last full financial year confirmed that trading was better in the second half, which included the Christmas period, he said. (30)

A 36% hike in the interest bill to R2,7m (R2,0m) saw pre-tax income only 4% up at R8,9m (R8,6m). Gearing rose to 30% from 25%, reflecting an increase in borrowings to R21,7m from R16,2m.

Chiappini said Specialty's determination to better balance its cash and credit retail operations was proving successful. However, the group was still largely credit-based, and continued to concentrate on gearing. Expenses had been tightly pruned during the period under review, he said.

Retailers spread their wings

Developers look to rural areas

Star 25/9/91.

(30)

Allison Lurie

Massive retail overdevelopment of South Africa's so-called white areas is leading developers to look elsewhere to place their funds, principally to black rural areas.

On top of Old Mutual Properties' recent announcement that it would be entering the Soweto retail market, comes news of similar moves by other major players in the market, one of whom, David Kuper, has long been involved in these types of ventures.

Sanlam Properties general manager Dolf Muller told The Star that Sanlam Properties was currently identifying locations not necessarily within South Africa's borders but also in the Lebowa and Gazankulu area, and expects to get at least one if not two centres off the ground by the end of the year.

Among customers in these areas would be migrant workers, platinum mine employees and others engaged in industry in the area, who either have to bring their food from the major central business districts on taxis or buses, or carry them over long distances from the centres that exist in these towns to their villages.

Mr Muller envisages smaller "no frills" shopping centres, typically in the region of R7,5 million to R10 million a piece, with supermarkets, chemists, dairy outlets and farm hardware supply stores as necessary tenants.

Sanlam will more than likely carry out the developments in-house or contract developers with which it has worked in the past.

Besides Sanlam and Old Mutual, which are restricted to development within South Africa's borders, private syndications have long ago crossed the country's borders and set up centres in black homelands. Botswana, which recently saw the entry of First National Bank and the setting up of an AECI ash plant, appears to be the next attractive proposition to retailers.

Mr Kuper, the developer of Westgate and Balfour Park, has led many private consortiums over the last decade into places like Lesotho (where he has seven centres), the Transkei (three), and the Ciskei (one) as well as in South Africa itself.

In all, he has developed some 30 centres over this time, some of which have been on-sold to institutions. The centres are typically managed by I Kuper & Company, which is now a wholly owned subsidiary of Investor Property Group. Mr Kuper is chairman of both companies.

The developer says he is currently trying to buy or lease land in Botswana with a view to setting up six to seven small centres varying in size from 3 000 square metres to 6 000 square metres at a cost of R4 million to R5 million each.

These centres, like his previous ones, will be positioned in heavy traffic areas, off the main CBDs of regional and mining towns such as Gaberone and Francistown. He admits that site assembly is not easy.

In Lesotho, Kuper is in the process of completing his seventh centre, at a cost of R3 million.

This shopping centre is situated in Mafeteng near Wepener on the South African border.

The 6 000 sq m site has a total lettable area of about 3 200 square metres and the 12 tenants include names such as Savilles, Pep, Allstan, and Guys and Girls, some of which are local black national chains and the rest South African. Rentals average R25 a square metre gross with annual escalation clauses of 12 percent. Local builder Scarab is responsible for the construction of this centre, and has been involved in the other Lesotho ventures.

The sixth centre, now fully developed, is at Maputsoe, near Ficksburg in the Orange Free State. The latter is the main entry point into Lesotho from the province and carries much buying trade.

The R5 million scheme included the redevelopment of the bus station and incorporates an informal trading area, managed by Market Master, a Lesotho government body which controls informal local traders.

The centre was finished a year ago and tenants are Scotts, Pep, Ellerines and some South African nationals and local retailers. Of a total site area of 12 000 sq m, the total lettable area is 4 000 sq m. Average rentals are R25 a square metre gross with 12 percent escalation clauses.

In addition to these centre, Mr Kuper has developed one in Mohalieshoek, three in Maseru, and one in Buthe Buthe, totalling in all some R20 million.

"We have in fact set up a Lesotho office to help manage our centres there, and we are looking to do the same in Botswana," says Mr Kuper.

Developer David Kuper . . . centres in heavy traffic areas.

Vat guidelines for industry

Star 25/9/91

The imminent application of value added tax (VAT) on September 30 has spurred the property industry to issue guidelines.

Last week saw the publication by Ampros of a booklet on VAT and its implications for players in the market.

Though admittedly an administration hassle, most people associated with the property market have welcomed the introduction of VAT.

Summing up its major thrust, Laurence Kaplan of Werksmans says most sales of commercial or industrial property will be subject to VAT, as the seller would generally be a vendor as defined by the VAT Act.

A vendor is defined as a person or entity who ~~or which~~ conducts an enterprise with a turnover exceeding or likely to exceed R150 000 a year.

"Commercial or industrial property which has not been developed and which is sold by a person or entity not defined as a vendor by the VAT Act, will not be subject to VAT."

"If the purchase is a vendor as defined by the Act, however, he will be entitled to a notional input credit payable either by that credit being set off against his output taxes (for the tax period in question), or at latest, within 21 days of the submission of his VAT return for the tax period in question," he said.

It needs to be said that the VAT system requires frequent submissions to the receiver by "vendors" of a return setting out their output taxes and input credits.

Mr Kaplan says it is important to note that where an industrial or commercial property is being sold through the sale of the close corporation or company owning it, no VAT will be payable on the sale of the shares (unless it is a shareblock), nor on the sale of the members' interests — or on the cession of the loan accounts, if applicable.

There will, however, as has always been the case, be a stamp duty of 1 percent of the consideration attributable to the shares.

Mr Kaplan highlights one of the major advantages of VAT for the property industry: "The effect of VAT is that whereas in the past, transfer duty of 5 percent would have been payable on the sale of a commercial or industrial property to a company or a close corporation, a transaction of that nature is now subject to VAT and is tax neutral from both the seller's and the purchaser's point of view.

"The reason for this is that the seller will pay 10 percent VAT on the purchase price which he will usually build into the purchase price, and thus collect from the purchaser, and the purchaser will obtain an input credit in respect of the transaction."

According to one real estate agent, the neutralisation of transfer duty in most commercial and industrial property deals is a great plus for the industry as there will be higher returns on commercial and industrial property.

Specialty reports modest growth

Star 25/9/91.

By Sven Lünsche (30)

The results of Specialty Stores for the six months to end-August reflect the dramatic slowdown in consumer spending on semi-durable goods.

Specialty Stores, which controls the 141-store Milady's fashion chain and the seven-store Hub speciality chain, today reported a modest six percent earnings growth in the interim period.

Earnings per share rose from 27,1c last year to 28,6c on the back of 15 percent rise in turnover to R125,3 million (R109 million) and a 10 percent increase in operating income to R11,6 million (R10,6 million).

The interim dividend was lifted from 9,5c to 10c.

The company says the operating margin fell from 9,8 percent to 9,2 percent, reflecting the adverse trading conditions.

Profit growth was held back by a 36 percent surge in the interest bill to R2,7 billion (R1,87 billion) as borrowings were raised from R16,2 million to R21,7 million.

Improvement

The group's business is largely credit-based and joint managing director Laurie Chiappini says that there has already been a marked improvement in the balance of its cash and credit retail operations.

"Our expenses have been tightly pruned and our group is well positioned to benefit from an upturn in trading conditions," Mr Chiappini says.

The slowdown in growth was forecast in the group's annual report, as the first half is traditionally the weaker of the two trading periods.

Joint managing director Stewart Cohen does not expect a significant upturn in consumer demand, but he is confident that earnings growth over the previous year will be achieved.

Pyramid company Storeco, whose only income is derived from a 63,2 percent holding in Specialty Stores, raised earnings per share from 19,1c to 20,1c and lifted its interim dividend from 19c to 20c.

SCHALK SAVES . . . Western Province loose forward Schalk Burger

(30)
CT 26/9/91

Checkers sold

Cape firm Pepkor buys chain store

Own Correspondent

JOHANNESBURG. — The Cape-based Pepkor group had bought the troubled Checkers chain of stores from parent Tradegro in a deal said to be worth R120 million, market sources said yesterday.

The deal would see Pepkor acquire Sankorp's interest in Tradegro and Tradehold, the holding companies of Checkers, Coreprop, and the Stuttafords/Greatermans department stores, they said.

An announcement issued today by Tradegro, Tradehold and Cashbuild follows an announcement yesterday by the Pepkor group and its food-retailing subsidiary Shoprite.

A source close to the Tradegro group said that "inferences could be drawn from the two separate announcements".

The managing director of Shoprite, Mr Whitey Basson, would not comment "because of the delicacy of the situation", and Tradegro managing director Mr Donald Masson said a full announcement would be made this week.

Pepkor and Sankorp directors could not be reached.

Analysts said the deal would make sense in that Tradegro had been looking for a buyer for the under-performing group.

Last year Pepkor walked away from negotiations with Tradegro after the two parties disagreed on the price.

The deal was made possible yesterday when the proposed scheme for the unbundling of Tradegro was sanctioned by the Rand Supreme Court.

In terms of the scheme, Tradegro would distribute its shares in the Metro Group, Cashbuild and the Premier Group to Tradegro and Tradehold shareholders, and convertible instruments would be converted into ordinary shares.

A Tradegro source said an out-of-court settlement had been reached yesterday between Tradegro and the minority shareholder who had opposed the scheme. The settlement, which took place before the scheme went to court, was for an undisclosed amount.

Analysts said the inclusion of Shoprite in Pepkor's announcement indicated that it would take control of Checkers, "but it was unlikely that Checkers would remain in one piece".

Shoprite, which acquired the 27-store Grand Supermarket chain for R49,4m in August last year, to bring its store count to 72, had previously expressed interest in some of Checkers' 168 stores.

Speculation yesterday was that it would retain certain stores, including some in rural areas.

Shoprite was well represented in the Cape but wanted to increase its presence in other areas.

It was expected to sell off unwanted stores to Pick 'n Pay, Prefcor and other major retailers, including the Spar Group and the OK.

But analysts said this could be difficult if Pepkor decided to keep the stores in prime locations.

Analysts expressed some concern over the deal as Shoprite would be faced with having to sort out management and morale, and would have to turn Checkers around.

With Shoprite still bedding down its Grand Bazaars acquisition, the deal could spread management very thin, the analysts said.

On the plus side, analysts said Shoprite was one of the few retailers which could be considered emergent and which had potential for growth.

An analyst said he was not sure if the Checkers stores would be converted to Shoprite or if they would retain the Checkers name and identity; Pepkor would have to figure out how powerful the Checkers name was. He said the move would be good for the food-retailing industry, which was overtraded.

Another analyst said the possibilities open to Pepkor were great. These included keeping Checkers as it was, franchising the stores, selling some of the stores or converting them to Shoprite, and disposing of the ones not suited to Pepkor.

There would also have to be some tax benefits for Pepkor, as there were not likely to be any trading benefits in the near future.

Wooltru is confident despite tough climate

B Day 26/9/94 (30)

LINDA ENSOR

CAPE TOWN — Wooltru's turnover in the first six weeks of the current financial year is running at 18% more than last year and chairman David Susman is confident that a real profit increase will be achieved.

However, trading conditions are still cause for concern and Wooltru CE Colin Hall says in the annual report that in unit terms food, clothing, footwear and liquor sales are well below those of last year.

In his statement Susman said the group's potential had been enhanced by an aggressive investment programme which involved about R375m over the past three years. Of this R166m was spent in the year to end-June. This year capex of R248m is planned.

The capex programme will not involve excessive debt as Susman says the strong cash flow of the group enables it to contain borrowings "to a very comfortable level". Borrowings increased by R121m last year to R285,6m bringing debt equity to 40% from 29%. Further borrowings of R84m this year are expected.

New investments in financial assets of R32m were made and stockholdings increased by 33% compared with a sales increase of 22% because of the opening of two Makro stores.

Last year the group's trading space in SA increased 8% while more than 20 new stores were opened in neighbouring countries.

"The group is stronger and more focused. It is relatively undergeared, has a positive cash flow and brands with growing customer appeal. It has some catching up to do, particularly in parts of Woolworths," Hall said.

"Until the economy improves it will be difficult to grow earnings ahead of a high inflation rate. When it does, the benefit of the substantial investments recently made must be brought to account in profit growth and returns which are well above industry averages."

Woolworths MD Syd Muller said merchandise in the chain's clothing and homeware division lost its market share last year. Turnover rose only 11% despite the increase in the number of customers.

"The increase in the incidence of poor quality garments and fabrics which had to be rejected is concerning and resulted in a further loss in turnover," Muller said.

Shrinkage

Woolworths' clothing and homeware margins came under pressure as its markdowns were high and shrinkage increased. Its food division on the other hand increased sales by 27%, indicating a growth in market share.

Woolworths overall profitability fell 6%. Speciality Retail Group on the other hand increased sales by 22% and profits by 39%, while Makro upped sales by 34%, increased market share by 13,5% and earnings by 6,1%.

Makro spent R19m in refurbishments, R35m on the relocation of the Germiston flagship store and R30m on a store in Durban.

Pepkor 'takes on troubled Checkers'

30

BDay 26/9/91

MARCIA KLEIN

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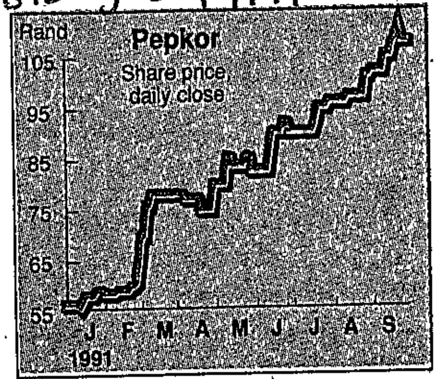

Graphic: FIONA KRISCH Source: I-NET

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☐ To Page 2

Checkers

BDay 26/9/91

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☐ From Page 1

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CT 26/9/91

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Ensuring they're making ends meat

30

Star 26/9/91

By John Miller

Boerewors butchers beware — that's the message from meat laboratory head Dr Willem Botha.

Dr Botha said that once municipal health inspectors began checks on butchers, he expected the number of offences to increase.

He said that since the regulations on boerewors and braai wors or sausages changed several months ago, there had been a slight increase in the amount of below-standard products tested.

Unscrupulous

He believed that soya was still being used by certain butchers to supplement meat in the making of boerewors even though a small percentage of the vegetable protein is permitted in braai wors.

"At least the public now has the law on their side since the regulations were introduced."

He said unscrupulous butchers would continue to get around the regulations until municipalities stepped up inspections.

None of the three major supermarket chains has reported an increase in sales since the quality of boerewors and braai wors was gazetted.

Blue Ribbon managing director Gareth Ackermann agreed that proper policing of the boerewors and braai wors market was needed to maintain standards.

The new regulations have not led to any changes in the standard of these products sold at Checkers, Pick 'n Pay and OK as they have for a few years continued with the same recipes.

Johannesburg City Council's deputy medical officer Dr Claude Newbury said inspectors regularly visited butchers and took samples for testing.

Since the new regulations were gazetted there had not been any fines imposed, he said.

A first-time offender is subject to a R100 admission-of-guilt fine.

Anyone who wishes to complain about the standard of boerewors or braai wors may telephone the city council on (011) 407-6111.

Raymond Ackerman

Ackerman offers helping hand to small businesses

South 26/9 – 2/10/91. (Business) 30 ~~153A~~

WHEN Raymond Ackerman left Greatermans 24 years ago to set up business on his own, he had to "battle it out" in order to survive.

It was difficult to borrow money and there was no national emphasis, as there is today, on the importance of promoting small businesses.

Nobody had even thought of setting up a Small Business Development Corporation to help small businesses.

Today, he is executive chairman of one of the largest supermarket chain stores, Pick 'n Pay, but still makes time to lend a helping hand to businesses just starting out.

Ackerman says that he knows from experience just how tough it is to start out as a small businessman.

Hard work and tenacity are vital for survival, but guidance and advice can be a great help, he argues.

He also believes that the small business sector has a very important role to play in South Africa today as both a wealth and job creator, so it deserves support.

As a result, his group is a major shareholder in the Small Business Development Corporation, and it provides practical support and, where necessary, advice to small business owners.

In the Transvaal, the SBDC has eight Price Clubs which offer special wholesale prices as well as general business advice to small businesses.

This has not yet got off the ground elsewhere in the country, but Ackerman hopes that it will soon.

Nationwide, it is also Pick 'n Pay's policy to back small industrialists and some lines such as stationery are already largely being supplied by these concerns.

Lists of other potential suppliers are constantly updated and circulated to stores around the country.

Market 'approves' Checkers deal

Finance Staff Star 27/9/91

Amid continued silence from the Pepkor and Sankorp camps the market yesterday gave its approval to a deal, which could see Pepkor emerge as the holding company of Sankorp's vast retail and wholesale interest.

Market sources speculated yesterday that Sankorp could sell its interest in the Tradegro group, whose holdings include Checkers and Stuttafords, to Pepkor.

Shares in Tradegro, Tradehold and Pepkor's chain group, Shoprite, which is likely to swallow most of the 160 Checkers stores, rose sharply on the JSE yesterday, after the companies issued cautionary notices.

Crucial to the deal was a decision in the Rand Supreme Court on Wednesday to sanction Sankorp's unbundling of Tradegro, after an out-of-court settlement was reached with a minority shareholder who had objected to Sankorp's scheme.

Tradegro proposed distributing its shares in Metro, Cashbuild and Premier to its shareholders.

Sankorp spokesman Chris Pretorius would not comment on the rumouredPepkor/Tradegro tie-up, but added that nothing had been finalised and that no deal had been signed.

Pepkor public relations manager George Stander did not deny there was a deal in the offing, adding that that an announcement was due shortly.

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Yesterday Tradegro shares rose 15c to 165c while those of its holding company Tradehold jumped 17,7 percent to 105c.

Shoprite continued to attract interest gaining a further 25c to close at 575c.

Sankorp interest

Sankorp holds 73,6 percent of Tradehold and it is widely mooted that this stake will be sold to Pepkor in return for a strong Sankorp interest in Pepkor and its pyramind company Pepgro.

Sanlam already has a sizeable stake in the Pepkor group. It controls about 13 percent of Pepkor and 20 percent of Pepgro.

Tradegro's assets are a 68,9 percent stake in listed building materials retailer CashBuild, 100 percent holdings in Checkers, Coreprop and Department Stores (Stuttafords and Greatermans).

Pepkor is expected to pay between R75 million and R120 million for the loss-making Checkers, and then sell off some of the group's unprofitable 160 outlets and merge the remaining stores with Shoprite.

Analysts pointed out yesterday that the deal would be a major boost to Pepkor as it would acquire Tradegro's huge assessed tax losses and thus reduce its own tax rate, which is running at an effective 41 percent.

Ed Hern Rudolph industrial analyst Syd Viannello suggested that the announcement of the deal has been held up by the Receiver of Revenue, who would have to approve such an arrangement.

Mr Vianello also suggested that Sankorp might go about the deal in such a way as to retain a stake in Tradegro.

"To make efficient use of high tax payments and huge assessed losses, Tradegro might buy the operations of Pep Stores and Shoprite and to pay for these, issue shares to Pepkor," Mr Viannello said, "Pep and Shoprite may then be delisted and the minorities will get shares in Tradegro."

That way Sankorp would still retain a stake in the group, but gain better management for the Tradegro operations.

Other suggestions yesterday were that CashBuild could be sold separately to Plate Glass which cautioned its shareholders last week. One dealer said Plate Glass may also be buying Penny Pinchers, which issued a cautionary notice yesterday.

PICK 'n PAY FM 27/9/91

Slow half

(30)

For the first time in its history, Pick 'n Pay has recorded a reduction in earnings growth in the first half of a trading year. It is a result which again emphasises the severity and duration of this recession. It also suggests that the company's future earnings growth will be governed increasingly by macroeconomic cycles rather than internally generated expansion.

Chairman Raymond Ackerman says that spending has been curtailed even on the most basic foodstuffs. Since May, he says, there has been a clear reduction in basket size; a consumer trend to less frequent shopping trips; and an evident cutback in the demand for mielie meal, samp and beans.

These trends are the basic cause of a slowing in the group's turnover pace for the six months to end-August to 15,6%, with little, if any, real growth. Ackerman, in fact, says that the group's data on price increases for all the merchandise it sells shows an inflation figure of 12,9% for the year.

The turnover budget was originally set well above this level. To make matters worse, operating income was severely chopped back by rising costs, of which labour accounts for about 60%. The margin dropped to 1,9%, compared with 2,4% for the comparable period in 1990 and to 2,58% for the whole of the 1991 fiscal year. Operating income fell by 10,3% to R53,1m.

Fortunately, investment income, related

Pick 'n Pay's Ackerman ... *expects a better second half*

mainly to the increased market value of insurance policies, showed a healthy gain, of which R5m was brought to book in the period. This helped by offsetting the payment of net interest, an unusual charge on Pick 'n Pay's accounts as the group generally has large cash balances which earn substantial interest.

During the latest reporting period, however, cash balances were used up and additional short-term borrowings were required to fund the installation of the costly hi-tech scanning system needed before the introduction of VAT; for capex on the Northgate Hyper; and for the development and refurbishing of other stores. Had the value of the insurance instruments declined rather than risen, the 7% drop in pre-tax income could have been considerably worse.

Attributable earnings fell by only 3,2%, with EPS following in line. Ackerman emphasises that the 16,5% increase in stock is not a function of unsatisfactory sales, but is a result of the initial stocking of new stores.

Healthier note

That is the extent of the bad news. Better news is that Ackerman is looking for the year to end on a healthier note.

First, he says, turnover for the year should reach R6bn. This means achieving sales growth of 16% for the 12-month period. It also means that sales for the second half have only to grow by 13%.

When compared with the sales performance for the first half, that looks an easily attainable target given the inclusion of Christmas trade.

Next, Ackerman is budgeting for the annual margin to be about 2,33%, a material fall from the 2,58% realised for the whole of 1991. But the margin for the second half this year would be considerably higher at 2,7% which, despite the depressed economy, would be attained largely from the benefits of price scanning. This saves labour and reduces shrinkage, both of which are now well under control.

As a result, the second-half operating income should reach R87m, an improvement of about 17% on the year-ago period. It also means that total operating income for fiscal 1992, at roughly R140m, will be about 4,7% higher for the year as a whole.

Also, the insurance investments have been sold for about R70m. Interest income from this source, income from the Blue Ribbon Meats investment and net interest received will amount to R13m, taking pre-tax income for the year to R153m (R140m), a 9,3% increase. Assuming the tax rate remains the same as last year, this rate of advance should flow through to EPS.

So the news is not altogether gloomy. It now remains to be seen whether consumers will spend enough in the stores to make these targets attainable.

Firm prices of industrial shares, including Pick 'n Pay, suggest that investors believe Ackerman's estimates are within reach, and that the first half's backward step does not necessarily indicate a trend. *Gerald Hirshon*

FM 24|9|91 FOX

SPECIALTY/STORECO (30)

Digesting expansion

Specialty Stores suffered from the squeeze on middle-income customers, but at least managed to increase earnings by 6% in the six months to August 31 — a result in line with management predictions that growth would be slow in the first half.

Specialty is still digesting recent expansion, as well as the costs of refurbishment of its speciality clothing stores. Its turnover has increased by 64% over the past two years. At 28,6c, EPS have more than doubled since 1987.

Sales increased in the six months by a modest 15%, mainly because Specialty has been watching the quality of its debtors books. Most of the business is conducted through six-months' revolving credit in the Milady's and Hub businesses, and the potential for bad debt had been identified.

Nevertheless, credit sales have held up better than cash sales. Just one new Milady's was opened, at Witbank, and six new cash stores in the Mr Price or Footgear chains. But joint MD Stewart Cohen says the group gained market share, as real spending on semi-durables is down by at least 3%.

The accounts show gearing rising from 25% to 30%, but this was still below the 44% recorded for the full year.

continue ->

FM 24|9|91 (30)

There was pressure on operating margins, which fell from 9,8% to 9,2%. This is down from the margin of 11,3% achieved in the last full year. However, the second half generally accounts for more than 60% of the full year's profit as it includes the all-important Christmas period.

On the rolling 12-month results, Specialty, at 650c, offers a p:e of 8,5 and a dividend yield of 4,3%. The recent performance fell roughly in the middle range of recent retail results, and should have little effect on the share price. The pyramid, Storeco, is relatively underrated at 1 200c a share. Each of its shares holds two shares in Specialty Stores.

Stephen Cranston

SLOW AND STEADY

Six months to	Aug 31 '90	Feb 28 '91	Aug 31 '91
Turnover (Rm)	109	137	125
Operating inc, (Rm)	10,6	17,1	11,6
Attributable (Rm) ..	4,5	7,9	4,7
Earnings (c)	27,1	48	28,6
Dividend (c)	9,5	18,0	10,0

Right up Pepkor's st

Star 28/9/91.

(30)

Checkers

PEPKOR has emerged as a new retailing giant with a potential turnover of close to R6 billion following its take-over of the Tradehold group and its subsidiaries including Checkers.

The new group, if successfully integrated and able to overcome the problems at Checkers, could pose a serious threat to front-running Raymond Ackerman's Pick 'n Pay.

Pepkor chairman Christo Wiese and Tradehold chairman Marinus Daling also said their joint announcement yesterday that Pepkor would be buying a substantial interest in listed subsidiary Cashbuild.

Tradehold, owns 54,6 percent of Tradegro which in turn owns 100 percent of the 170-store Checkers chain, 100 percent of property group Coreprop and the specialist department stores Stuttafords/Greatermans.

It also holds 68,9 percent of JSE-listed Cashbuild. Sankorp, Sanlam's investment arm, owns 74 percent of Tradehold.

Cashbuild is a highly profitable company which retails building materials through more than 50 cash and carry stores. In the year to June 1991, Cashbuild increased turnover by 21 percent and earnings by the same amount.

Analysts point out that Cashbuild is one of the companies well-placed to benefit from investments in much-needed black

JABULANI SIKHAKHANE

housing.

Pepkor, which is controlled by Pepgro, holds over 88 percent of clothing retailer Pep and an 80 percent stake in Shoprite, a food retailing operation.

Thinking in the market is that Pepkor intends retaining profitable Checkers stores and injecting these into Shoprite. Unprofitable stores will be sold.

Game Discount World, run by former Checkers' managing director Clive Weil, has already said that it might be interested in some of the Checkers' stores to put them under the Game banner. Spar and Pick 'n Pay have also been mentioned as possible buyers of any throwaways.

Unbundling

Yesterday's announcment said that although the agreement for the sale has been finalised, it is subject to certain conditions precedent. It is believed that these conditions may relate to head leases on some of the Checkers stores and the tax implications of the deal.

Pepkor is paying tax at an effective rate of 41 percent, while Tradegro has huge assessed losses which could provide relief to Pepkor.

The takeover, the announcement says, follows Wednesday's sanctioning by the Rand Supreme Court of the scheme of arrangement to unbundle Tradegro.

Mr Wiese said the acquisition was in line with Pepkor's stated aim to become South Africa's leading group in mass market retailing and diversified activities.

Mr Daling, who is also chief executive and deputy chairman of Sankorp, said Sankorp was satisfied with the offer from Pepkor and believed that the management experience, proven expertise, and knowledge of retailing will enable Pepkor to develop the full potential of the new group.

"That should add a tremendous amount of value to all the relevant companies."

Of interest though is how the Pepkor group will fund the deal. Possibilities are that it could issue shares to Sankorp, which could be deferred for say two years. Sanlam already has significant shareholdings in Pepkor/Pepgro.

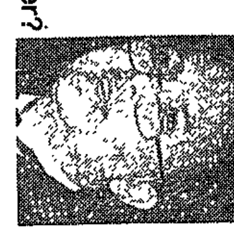
The rationale for the share issue, instead of cash is that Pepkor would need a lot of cash to turn Checkers around.

Pepkor could also combine shares with a cash payment to be realised from the sale of some of the operations.

Just up Christo's street!

Cape tycoon bags Checkers — and then some

☐ **WIESE:** R150-million takeover?



(30) ARG 28/9/91

TOM HOOD

Weekend Argus Business Editor

CAPE tycoon Christo Wiese pulled off a major coup this week and became head of the country's largest group of supermarket companies.

Mr Wiese and his Pepkor team finished a deal last night that gained control of retail groups with a market capitalisation of more than R150 million.

Their enlarged empire will have a turnover of about R8 billion, making it the country's biggest retail group, he said.

The cost of the takeover will not be revealed until full details are announced.

But confirmation of the deal was announced early to allay fears and uncertainties among management and workers in the businesses being taken over.

By taking over Tradehold, an investment holding company in the Sanlam empire, Pepkor gets a majority stake in Tradegro, which owns the 170-outlet Checkers retail chain, Coreprop, the group's property arm, and Stuttafords-/Greatermans specialist department stores.

Cashbuild operates more than 50 building materials cash-and-carry stores.

Announcement of the takeover was made jointly by Pepkor's chairman, Mr Wiese, and the chairman of Tradehold, Mr Marinus Daling, chief executive and deputy chairman of Sankorp.

Mr Wiese said he was not in a position to give further details other than to say the acquisitions were in line with Pepkor's stated aim to become South Africa's leading group in mass-market retailing.

"Its immediate effect, I believe, is to help boost staff morale and to remove the uncertainty that has surrounded the future of the Tradegro businesses in the recent past," he said.

Mr Wiese declined to say anything about Pepkor's plans for Checkers.

However, he added: "Under very difficult conditions in the year to June, Checkers did much better than was generally suspected."

A big question mark remains over Checkers. The deal is subject to "conditions precedent", which analysts believe refer to a sale of some Checkers outlets.

Some stores were said to be not operating well and others had expensive leases — factors that were crippling Checkers.

● A "substantial" number of jobs could be at risk with the imminent exit of Checkers from the basket of supermarket chains, reports JOHN SHERROCKS.

Ironically, the demise comes in the midst of an advertising campaign — estimated to cost about R2 million — celebrating the 35th birthday of the huge Checkers operation.

Analysts believe the Checkers name will be lost with the carving up of the outlets between market players. Shoprite is expected to take about 70 of the stores, with Pick'n Pay expected to make a play for between 20 and 25 premises. Spar is also likely to be a keen bidder.

With the OK Bazaars rationalising it will probably keep out of the game.

Chris Gilmore of stockbrokers Frankel Max Pollak Vinderine speculated that Pick'n Pay might shut down Checkers stores it acquires in a competition-squashing move.

He was fairly certain that a number of the unprofitable outlets would be closed. Although he would not be drawn on a figure, he felt a "substantial" number of jobs would be lost if events followed the predicted course.

Helen van der Berg of brokers George Huysamer and Vennote forecast that Stuttafords/Greatermans would be the subject of a management buy-out and that the new owners will try "with difficulty" to offload Coreprop.

Mr Daling said last night that he was satisfied with the transaction.

"Tradehold/Tradegro started a year ago to look at unbundling the group. Sankorp consequently announced that it would disinvest from its unbundled interests — if a satisfactory offer was received.

Businessland makes venture to the Cape

30

ARG 28/9/91

Computer Correspondent

BUSINESSLAND has expanded its operation to Cape Town where it has opened a new branch specifically targeted at the laptop market.

The new branch is headed by Ms Hazel Levin, Businessland's laptop specialist in Johannesburg for the past two years.

"During the past two years, we have made inroads into the laptop market in Johannesburg and we see great potential in the Cape, says Mr Rostowksy, managing director of Businessland.

Based on sales in the PWV area, Mr Rostowsky estimates that the Cape market can support 150 laptops per month, and Businessland aims to gain at least 10% of this market within the next few months.

With products from selected brands that have proved to be popular, Businessland will primarily target the corporate market and the Cape Town operation will benefit from the expertise gained in Johannesburg.

"Our existing infrastructure will provide simultaneous access to the latest technology trends and product offerings in this ever-changing market", says Ms Levin.

Economic community on cards for the New Africa

S/Times 29/9/91 (30)

By CHARLENE SMITH

THE first all-Africa businessman's conference — including 150 South African businessmen — will be held in Cameroon at the end of October.

The conference — which has as its central theme "Exploring Opportunities in a Changing Africa" — hopes to foster regional and continental co-operation. In terms of the Lagos Plan of 1980, Africa is aiming for an African Economic Community by the turn of the century.

At present the continent has 11 regional economic blocs, as opposed to three for Europe and one in Asia.

Economists believe the continent has to streamline and improve regional and continental co-operation if it is not to be completely marginalised and cut out of the major economic blocs developing in Europe, the Americas and the Pacific Rim countries.

The conference is organised by the Movement of Dialogue and Co-operation. Eight hundred delegates, of whom 600 will be businessmen, are expected to attend from every country in Africa.

There will also be delegates from major international non-governmental organisations and businessmen and government representatives from Europe, Asia, Latin America and the United States of America, according to local organiser, Mr Jacques Verster.

Dr Ian McRae, chief executive of Eskom, will be one of the main speakers.

A number of SA companies are sponsoring black businessmen to ensure that any benefits are not restricted to the corporate sector — in fact, small business and the informal sector will be a key part of the talks.

Daily workshops will enable businessmen to debate a variety of topics, including agriculture and rural development, energy, mineral and hydro resources, computerisation and development; African markets and obstacles toward economic expansion.

The conference will be opened by President Paul Biya of Cameroon.

Pepkor takes over Tradehold

(30) B/Day 30/9/91

MARCIA KLEIN

THE Pepkor group is to take over Tradehold in a deal which will see it assume control of all of Tradehold's remaining subsidiaries, including the Checkers retail group.

Pepkor announced on Friday that the acquisition of a controlling interest in Tradehold and of a substantial interest in Tradegro subsidiary Cashbuild would become operative on October 11.

Tradehold subsidiary Tradegro's wholly owned interests include Checkers, property arm Coreprop and the Stuttafords/Greatermans department stores. It also has a 68,9% interest in listed building materials company Cashbuild.

In February Pepkor acquired Tradegro's interest in Smart Centre for R31m, and in April the Premier group acquired Metro, which housed Tradegro's cash and carry interests.

Pepkor chairman Christo Wiese and Sankorp spokesman Kobus du Plessis yesterday would not been drawn on details of the deal, but Du Plessis did say that Sankorp believed the price was fair. Market sources last week estimated the value of the deal at R120m, excluding the Cashbuild acquisition.

The unexpected inclusion of Cashbuild appears to have followed pressure from Pepkor. During the past few months Sankorp repeatedly said Cashbuild was not for sale, but Pepkor announced it would acquire "a substantial interest" in the company, which operates 50 building materials cash and carry stores.

Wiese said yesterday that Pepkor had twisted Sankorp's arm as Cashbuild fitted

To Page 2

Pepkor

B/Day 30/9/91

(30)

From Page 1

very well into Pepkor's mission statement and was an excellent business.

Du Plessis said the issue of the sale of Cashbuild had arisen during the negotiations, and it was a matter of give and take.

The Tradegro and Cashbuild acquisitions would follow implementation of the scheme of arrangement for the unbundling of Tradegro.

Wiese said that the acquisitions were in line with Pepkor's aim "to become SA's leading group in mass marketing retailing and concentrically diversified activities".

The immediate effect of the deal would be to boost staff morale "and remove the uncertainty that has surrounded the future of the Tradegro businesses", Wiese said.

Sankorp CE and Tradegro chairman Marinus Daling said Sankorp was satisfied with the offer and believed that Pepkor's management experience, proven expertise and knowledge of retail would enable it to develop the new group's full potential.

Market sources said Tradegro's results, expected to be dismal, could have significant tax loss implications for Pepkor.

Rethink protests, urges top retailer

(30)
Star 30/9/91

Consumer Reporter

The Government had shown it was flexible by zero-rating additional foodstuffs, and it was time for the anti-VAT lobby to rethink mass action, Pick 'n Pay chief Raymond Ackerman said yesterday.

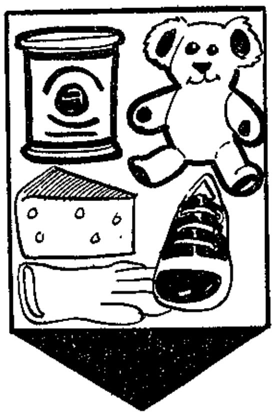
Supermarkets, although faced with last-minute price changes, have welcomed the zero-rating of more foods.

Finance Minister Barend du Plessis announced the zero-rating — for six months — of samp, mealie rice, whole mealies, dry beans including soya beans (whole and powdered), lentils, fresh milk, canned pilchards (for human consumption) and powdered milk and blends which were GST-exempt.

Mr Ackerman, who was also involved in last-minute lobbying for more zero-rated foods, said the Government had shown itself to be caring and flexible, even at this late stage, and called on the Co-ordinating Committee on VAT and Cosatu to call off the planned protests and continue negotiations.

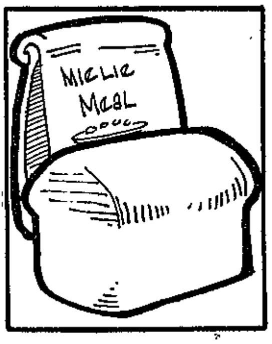
Mr Ackerman, who joined employees changing prices yesterday afternoon, said the task facing the store was absolutely enormous.

OK Bazaars managing services director Taffy Hewson said the chain was pleased about the latest announcement. "It doesn't mean a lot of work ... it just means getting in early tomorrow to change the ticketing on those items," he said yesterday.



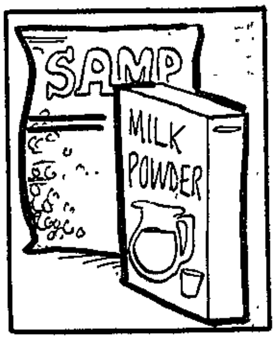
DECREASE IN PRICES DUE TO A DROP IN THE RATE:

Goods already carrying GST including:
Clothes
Foods not GST-exempt
Toys
Shoes
Make-up
Furniture
Household appliances



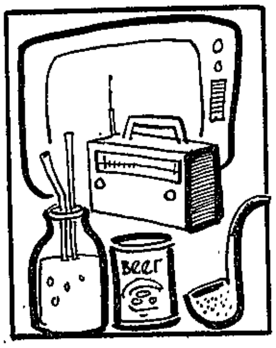
ZERO-RATED ITEMS:

Brown bread
Mealie meal



ZERO-RATED FOR 6 MONTHS

Samp
Mealie rice
Whole mealies (for humans)
Dry beans (including soya)
Lentils
Fresh milk
Powdered milk and blends
Canned pilchards (for humans)

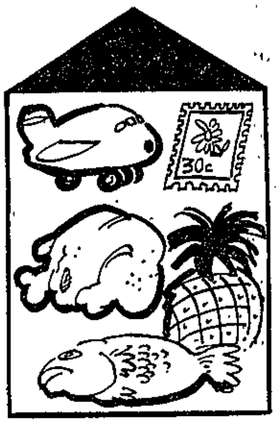


PRICES STABILISED

Increase in excise of "luxury" goods to offset drop in rate include:
Televisions
Radios
Vehicles
Tobacco
Cooldrinks
Alcohol

SERVICES NOW CARRYING VAT

Accountant fees, electricity, water, refuse removal, sewerage, gas, lawyers' and advocates' fees, aerobics classes, game/nature reserve entrance fees, zoo fees, veterinary fees, motor/household insurance, private medical services, medicines, hotel accommodation, TV licences



INCREASE DUE TO INTRO OF VAT

Goods previously GST-free include:
White bread
Margarine
Butter
Rice
Meat
Chicken
Fruit
Vegetables
Stamps
Local airfares

The message for budding entrepreneurs is: go for it!

30

Star 1/10/91.

Small Business Week has drawn new attention to the massive potential role of small companies and black entrepreneurs, reports MICHAEL CHESTER.

THE SA Chamber of Business yesterday outlined plans to build a series of new bridges to ensure a faster flow of black mini-business ventures into the economic mainstream.

A main objective is a dynamic boost for the budding informal and semi-informal small business sector as a new generation of entrepreneurs breaks through red-tape barriers and emerges in the post-apartheid era.

The new initiatives were confirmed by Sacob deputy director-general Ron Haywood at a conference at Sun City that was among the highlights of a nationwide programme of special events marking Small Business Week.

Heavy emphasis is also being placed on the potential role of the small business sector in providing more job opportunities to help crack the chronic unemployment problem.

Mr Haywood said Sacob had formed a Small Business Forum to make certain that the development of the sector was higher on the agenda when new economic strategies were under discussion at national level.

The Department of Trade and Industry was being pressed to establish a special new division that would be assigned to focus specifically on closer liaison between all Government departments on issues that affected small and medium business operations.

Sacob wanted the Cabinet to consider following the British example of creating the special portfolio of Minister of Small Business to guarantee more encouragement of budding entrepreneurs.

Emphasis was also being placed on the need for big firms to plan the allocation of more subcontracting work to mini-companies, buying more supplies from small manufacturers and funding more joint ventures with small businesses.

If proof were needed about the massive potential of the small business sector, said Mr Haywood, South Africa should examine the role of thousands of mini-firms behind the economic miracles achieved by countries around the Pacific Rim.

Unemployment solution? . . . Ben Vosloo (left) and Ron Haywood seek end to economy's bias towards big business.

In Japan, 60 percent of industrial firms were run by small businessmen, most of whom were supplying components to the giant corporations. In Taiwan, as many as 90 percent of all manufacturing companies were mini-operations.

South Africa needed to consider not only the potential economic clout that could be wielded by the small business sector, but also the number of new jobs that would be created by more entrepreneurial ventures.

In Britain, through a range of state assistance schemes, new small businesses were launched at the average rate of 100 a day during the 1980s and created no fewer than 1 million new jobs.

A bigger role for small and medium enterprises (SMEs) in future economic planning has also been demanded by the Small Business Development Corporation.

SBDC managing director Dr Ben Vosloo told the Sun City conference: "It is absolutely essential that economic policy should not continue to be biased in favour of large corporations."

SMEs deserved at least equal opportunities in economic development. At the moment, their political influence was not even remotely commensurate with their combined contribution to economic activity.

The Government, he argued, would do well to examine the real shape of the South African economic machine.

No fewer than 700 000 out of 800 000 companies in the formal sector were in the small/medium size bracket. Between them, they provided 2,4 million jobs and accounted for at least 30 percent of South Africa's economic muscle.

Also to be considered was the phenomenal growth of the informal sector since the relaxation of barriers that long held black entrepreneurs at bay. The small informal business ventures that had emerged had already created 4,4 million jobs and provided about 15 percent of total gross domestic product.

Dr Vosloo said a cohesive strategy to nurture entrepreneurship and job creation had become crucial in a search for solutions to avert a potential catastrophe in terms of unemployment and social unrest.

Yet in the 1991 Budget, the Government had allocated more than R1 411 million in export promotion schemes — which would largely benefit only big companies — compared with only R75 million towards the SBDC small business development programme.

"We need to redress the imbalances that at present exist between policies aimed at supporting the activities of big business and policies aimed at the small and medium enterprises," Dr Vosloo said.

"No economic miracle is going to happen through foreign investment and export promotion schemes alone. There will be no kick-started short cuts to a more prosperous and equitable society.

"We must refocus on the true nature of economic development — a do-it-yourself process at grassroots level in the cities and towns and villages.

"We need to rediscover the enterprising individual who takes risks, who breaks new ground and who plays an innovative role in our economy." □

Govt to champion small businesses

30

B/Day 2/10/91.

THEO RAWANA

TRADE and Industry Minister Org Marais is poised to set up a section in his department to focus specifically on small to medium businesses, says Sacob deputy director-general Ron Haywood.

Addressing a Small Business Week conference at Sun City, Haywood said that after his chamber had discussions with Marais and his director-general Stef Naude, instructions were issued immediately to investigate the possible involvement of the department in the development of small business.

"Action is already taking place. In Dr Marais I believe we have a prospective government champion of small business," said Haywood.

He saw this section acting as a "liaison forum" for various government departments which had an impact on small business.

Stressing there was urgent need to develop this business sector, Haywood said: "Although we have numerous development organisations and groups (estimated at more than 80), one very important player is missing and that is a government which has a co-ordinating role to 'develop and champion' small business."

He said the private sector should have a more cohesive, unified approach in addressing the development of small business.

Sacob believed, after discussions with its member chambers, that the best way to promote the cause of small business was to form a "Small Business Forum" whose objective would be to ensure that the small business perspective was taken into account when Sacob's national policy — and that of member organisations — was formulated.

This forum would promote local and international trade in the small business sector, identify regional needs and opportunities and develop the potential for growth of this sector, Haywood said.

The forum would also gather useful information relative to the small business practitioner, and disseminate information pertinent to this sector among members.

Big business could be "part of small business" by planned purchases from this sector, joint venture funding, sub-contracting, in-house small business units, continued financial support and training.

Marais could not be reached for comment yesterday.

SBDC community development manager Mandi Maepa explains Small Business Week to a group visiting the City Hive in Johannesburg yesterday.

Picture: ROBERT BOTHA

New standards for agricultural products

B/Day 2/10/91.

GERALD REILLY

PRETORIA — Agriculture Minister Kraai van Niekerk yesterday announced the implementation of new legislation to enforce quality standards on agricultural products.

Van Niekerk said the Agricultural Products Standards Act consolidated the Dairy Industry and the Agricultural Export Acts and incorporated some sections of the Marketing Act.

He said the provisions would control sales on local markets and the export of specific farm products, and laid down minimum requirement for packaging.

Quality control was an important component in local and international marketing of farm produce, he said, adding that it was government's approach to let industries apply quality control on its behalf.

Zambian

B/Day 2/10

LUSAKA — Zambia expect[s] 1,7-million bags of maize fron using some of its copper expo[rts as] collateral, Finance Minis[ter] Chongo confirmed yesterday.

Chongo said his governmen[t] a loan from a commercial ba[nk] the maize, but he refused to n[ame] or the amount involved.

The government has also i

Black business is moving into the CBD

B/Day 3/10/91

THE past three years have seen interest and uptake of small space, primarily in the Johannesburg CBD, by black business, says JH Isaacs director Steven Kesler.

(30) (Estate)

"We are seeing the beginnings of interest from emerging small businessmen.

"More businesses operating in the black markets have moved into or are in the process of taking space in the CBD," he says.

A feature of the Johannesburg CBD is that as existing tenants move into better grade space, such as from C-grade space to B-grade space, black tenants are moving into the vacated space.

Many of the black entrepreneurs are taking shorter leases of between one and two years and need to be educated about the function and purposes of leases and their legal and financial implications, Kesler says.

The Indian business community is also interested in the CBD and has been buying existing buildings.

"The new SA, with substantial black representation in Parliament, could see more contractual government business being awarded to the black business, which will result in good growth in this area over time," Kesler says.

Many Indians have, like the institutional markets, taken a long-term view of the property market in the CBD and have implicit faith in the value of this property as a hedge and store of value.

Some properties have been bought at a good price for refurbishment and redevelopment by Indians.

The CBD remains the focal point of business and retail shopping for the black consumer, Kesler says.

"Therefore, the area has tremendous potential."

Embattled Rusfurn's rights offer pegged as high as R300m

30

B/Day 3/10/91

MARCIA KLEIN

TROUBLED Rusfurn's imminent rights offer has been pegged as high as R300m, market sources estimate.

The sources suggested yesterday that if the offer was for this amount, which is way over the group's market capitalisation of R89m, the furniture retail group could be hard-pressed to find takers. This despite the fact that the offer would be cheap, with shares plunging since January to close yesterday at a yearly low of 55c.

However, Rusfurn's new CE, Laurie Korsten, said the rights offer was in the process of being discussed, and a figure would only be known following a weekend board meeting. The group's results, which are expected to be dismal, are due to be published next week.

Analysts said yesterday that Unidev, which has a 22% stake in Rusfurn, would probably not take up its rights. Also, a large amount of shares are owned by directors of the company. This could mean that Senbank, which would underwrite the issue, would find itself with a huge stake in the company.

Analysts said Rusfurn had to come to the market as it was suffering terribly in terms of cashflow. However, this was the worst time for a rights offer considering the state of the furniture industry and Rusfurn's poor rating . The company would obviously make the offer attractive with the inclusion of convertible debentures and other instruments.

In a major shake-up at Rusfurn in July, CE Geoff Austin resigned his post and the group announced that Senbank would underwrite a rights issue following negotiations to restructure the group's capital base.

At the December interim stage interest charges had risen by 138% to R31,7m, reflecting the funding needs of the debtors' book which had a gross value of R1,1bn.

At that time analysts said a R100m sum which had been reported as the offer amount was "possibly very low". Since then the share has shed 40c to close yesterday at its yearly low of 55c, after reaching a high of 160c in February.

Equikor profits

EQUIKOR Holdings has pointed out that a report in Business Day on September 27 stated it had posted a 43% drop in attributable profits to R2,3m for the half year to end-June, with earnings down at 0,8c (1,4c previously) a share. In fact, Equikor reported a 7,8% improvement after tax to R2,28m (R2,11m) with earnings unchanged at 0,8c. Business Day regrets the error.

Tradegro set to raise R61m

B/Day 3/10/91.

MARCIA KLEIN

TRADEGRO and holding company Tradehold yesterday announced they would raise more than R95m in rights offers to increase Tradegro's capital base.

In terms of the offers Tradegro is to raise R61,3m while Tradehold will follow its rights with a R33,9m issue.

The announcement arose from allegations by minority shareholder Ronnie Finger that the unbundling constituted a reduction in Tradegro's share capital. His outcry caused sanctioning of the unbundling to be postponed until September 25.

Tradegro said yesterday it would increase its share capital through the rights issue "to eliminate any suggestion" that this was the case.

In terms of the offer, ultimate holding company Sankorp would subscribe in cash for the full amount of the offer at 85c a share. It would subscribe on its own behalf and on behalf of shareholders who accepted the offer. Sankorp had subscribed for the shares on September 25 in order for the scheme to be sanctioned.

The Tradegro offer was for 72,2-million ordinary shares at 85c in the ratio of 39 new ordinary shares for every 100 shares held on November 1. (30)

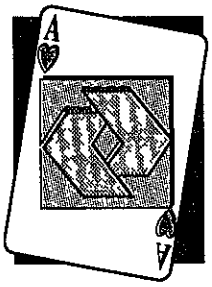
In terms of the unbundling, shareholders would receive shares in Metro Cash and Carry, Cashbuild and the Premier Group as well as cash, and convertible instruments would become ordinary shares.

Last week Sankorp and Pepkor announced that agreement had been reached for Pepkor to take control of the remaining companies in the Tradegro fold, including Checkers, Coreprop and the Greatermans-/Stuttafords department stores.

CHECKERS-TRADEHOLD-PEPKOR

Swallowing the whale FM 4\10\91.

Christo Wiese's plan to revive Checkers will have to be radical (30)



Pepkor chairman Christo Wiese is no stranger to taking risks — his career has included diamond prospecting and standing as a parliamentary candidate for the PFP. But a takeover of Checkers must rank as the biggest gamble of his career.

It is no great exaggeration to say that Checkers has proved a notorious retailers' graveyard. It has not had too many really profitable periods in its 35-year history and in almost every recession it has plunged into the red.

This will not be the first time Wiese has considered taking on Checkers. In September last year he was involved in negotiations that could have led to Pepkor acquiring Tradehold (holding company of Tradegro, which controls Checkers), but on that occasion he backed off. These, and other talks over possible acquisitions, resulted in Wiese developing a reputation in the market for "touching but never tagging."

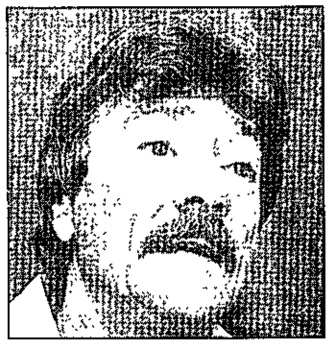
A sticking point then was the price for the wholesaler, Metro, an obstacle which was removed when Metro was sold to Premier Group. But Wiese has slowly picked the eyes out of Tradegro, buying Smart Centre and the Frasers mine stores. Though until now Wiese has remained reluctant to enter into any really large deals — especially when involving companies outside the group's core areas — Pepkor, which had R194m of cash on its balance sheet in February, has continued to acquire aggressively.

When the *FM* went to press, no details of the agreement struck between Sankorp and Pepkor had been released. Terms of the deal will obviously be important — but by no means the only — factors affecting its ultimate success. However, Sankorp's Etienne le Roux says half of Sankorp's holding in Tradehold has been sold to Pepkor — about 37% of Tradehold's total equity — with the undertaking to top it up to 50% if insufficient minorities accept the Pepkor offer.

Le Roux says Sankorp wanted to sell control of Tradehold to a proven retailer with the expertise to help Checkers achieve its potential. Sankorp also wanted minorities to be given the same offer. It avoided a sale of Checkers alone, which as an unlisted company may not have required an offer to minorities.

Tradegro is a different business from the one that Wiese considered buying into last year. By October 11, it will have unbundled Tradegro's remaining shares in Metro, Cashbuild and Premier and about R9m in cash, all of which will be passed on to shareholders. Checkers is now its only significant asset, other than a further cash holding of as much as R200m.

Talks are well advanced for the management buyout of Coreprop and Stuttafords-Greatermans. Greatermans' management has an option to buy 20% of the department store chain. Coreprop will be a specialist property developer, owning few properties of its own once it has disposed of the Tradegro head leases by June.



Martinengo

It's unlikely that Pepkor will be bound to any undertaking to keep Checkers running, but it has good reason to ensure it remains a going concern. In its June 1990 accounts, Tradehold showed tax losses of R204m, and these will not have been reduced much this year. Full use can be made of these losses only if Checkers — or whatever is left of Tradehold after a restructuring — is trading profitably.

One of the key challenges facing Wiese would be to find ways of dealing effectively with the poorly performing stores, particularly some unprofitable ones where Checkers has been unable to end its leases. At last, landlords are starting to budge. MD Serge Martinengo has had 12 weak stores on his hit list, though the problems have been addressed at three, those at Krugersdorp, Roodepoort and Brackenfell.

Payment of a large settlement has apparently resolved the impasse at the Brackenfell store. It's understood that the landlord, Ronnie Finger, was given a generous lump sum to end the lease and as a settlement of his legal action to prevent the unbundling of Tradegro. The lease will now end in June. It is also expected that solutions will be found soon for two other problem stores, the Rosebank Galleria, and Brickhill Road, Durban.

Le Roux says Cashbuild has been included as part of a package deal. The building supplies company, whose customers are almost all black, will fit neatly into Pepkor's present market profile. But Checkers has a middle-to-upper-income customer base, with little in common with Pepkor's traditional markets. The Cape group would thus be broadening its market profile but also be moving into unfamiliar territory.

Shoprite, held 80% by Pepkor, will almost certainly be involved in the absorption of Checkers. Shoprite is currently involved in retailing — for cash — food, clothing and household goods. It has expanded rapidly in recent years, but remains relatively small, with sales of R732m in the year to end-February 1991, about a fifth of Checkers' turnover of about R3,5bn.

The extent of its involvement will presumably depend on marketing as well as financial considerations. There is some overlap between the Shoprite and Checkers target markets, though there are also clear differences. Shoprite must have its eye on Checkers stores in more downmarket and rural areas. The "coloured" Checkers stores such as Bethelsdorp, Port Elizabeth, and Ennerdale, south of Johannesburg, could be among these. Others include some of the older and smaller stores, such as the one in Bertrams, Johannesburg.

Perhaps as many as 40 stores would fit naturally into the Shoprite category. Shoprite would then become a major force in the Transvaal and Free State. It has 72

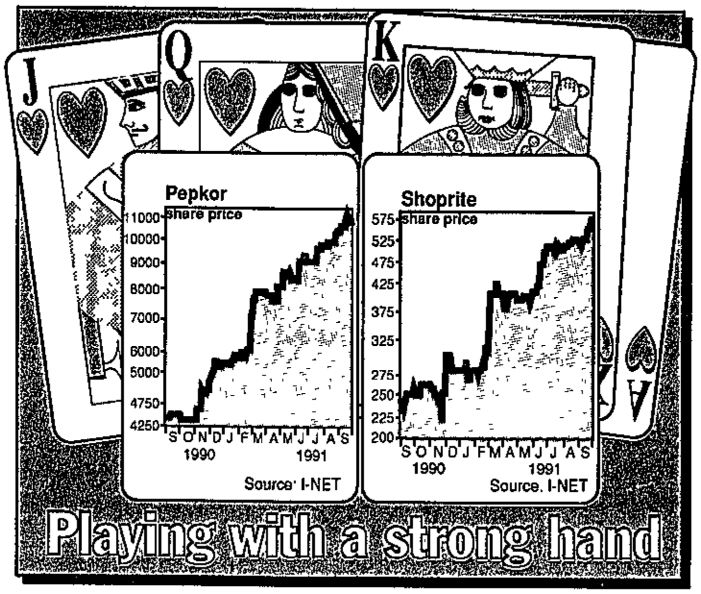
continue

FM 4/10/91 (30)

stores, mostly smaller than the Checkers units. With close to 120 stores, Shoprite will have enough outlets to amortise the cost of TV advertising realistically, and to set up a central distribution centre in the PWV.

Checkers may represent Pepkor's best, and perhaps only, opportunity to become a major force in white suburbia. However, according to consultants Perry & Associates, Checkers' market share was projected to decline from 15,3% in 1990, to 13,1% in 1992, and to just 10,6% in 1995.

But Checkers has improved its productivity and efficiency through tighter controls and rationalisation at head office. It still needs to improve its sales per m² and ultimately to increase its operating margins, which have not exceeded 1% in the past five years. Shoprite enjoys a much stronger operating margin, which reached 3% in 1989 and 2,8% in 1990.



Shoprite is still digesting its takeover of Grand Supermarkets from Score, which for several years tried unsuccessfully to turn Grand Supermarkets around. After this acquisition, Shoprite's margins dropped to 1,8%. If Shoprite does absorb a large number of Checkers stores, then the task of returning to former margins will be daunting.

One advantage is that there is little geographical duplication between the two chains. Also, there could be a sharing of information technology. Shoprite has a pilot Electronic Data Interchange system to streamline communication with suppliers; Checkers is slowly expanding scanning and has a Shelf Space Management system to measure productivity in-store.

Much will also hinge on the ability of management to handle the change. Shoprite MD Whitey Basson expanded the group from an eight-store chain in 1980 to its present size, but he has yet to prove himself as a large chain operator. However, Pepkor has other strong managers, particularly MD Arnold Louw, who is credited with a good part of the group's success over the past few years.

Other retail chains were asked which Checkers stores they would like to acquire. Pick 'n Pay looked at 20 of them, and expressed an interest in seven plum stores, including Killarney and Sea Point. However tempting it would be in the short term, if Checkers is to remain in upmarket areas it will not be keen to sell such stores. A few smaller ones could go to Spar.

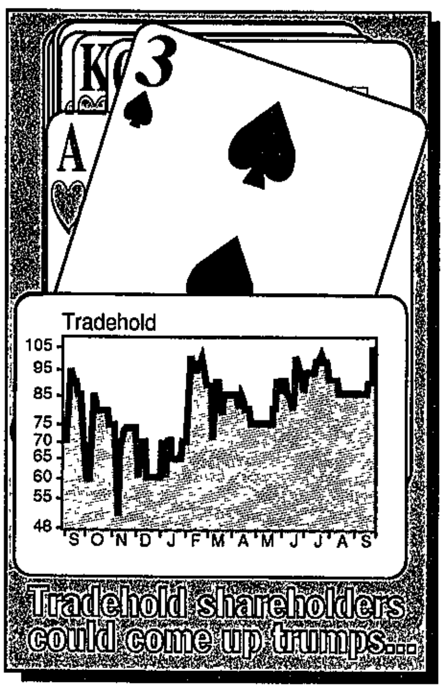
Game Discount World, owned by Prefcor, however, could make some purchases. Game chairman Clive Weil and CE John Williams are, respectively, the former MD and merchandise director of Checkers. Both men obviously have an intimate knowledge of the group's stores.

Williams points out that there is room for a nonfood retailer in areas which are overtraded in supermarkets. Most of the Checkers stores fit into Game's parameters, which are to run stores between 2 500 m² and 4 000 m².

With rival Dion having become less aggressive owing to the problems at parent Rusfurn, Game is in a position to gain market share.

It may make sense to continue to operate Checkers and Shoprite as two different brands, just as Wiese has opted to keep the Pepkor and Ackermans names. But there would be little point in running two separate head offices. When Score acquired Grand Bazaars (subsequently renamed Grand Supermarkets), Grand kept its own head office, which was a major cost centre.

While plums might fall into Game's lap, Pepkor's job will be tougher. A complex restructuring will almost certainly be needed.



There are numerous options, but this is the most popular scenario in the market: Shoprite does not have the cash to buy Tradehold itself without a rights issue, so Tradehold will acquire Shoprite, leaving Pepkor with two operating companies, Pep Ltd (holding Pep Manufacturing, Pep Stores and Ackermans) and Checkers-Shoprite.

As with most mergers, corporate cultures may not easily be melded together. Though, again, there will be overlaps, Shoprite has been built up largely by Afrikaans retailers; Checkers is a Johannesburg-based, multi-ethnic group which has been run by a succession of Jewish traders.

Approaches to labour relations may also differ markedly. Checkers has gone through a painful learning process with trade unions. Shoprite is still non-union, and pays among the lowest wages in the industry.

At present, top management at Checkers do not seem worried at the prospect of the changes ahead — not altogether surprising, considering the many months of rumours and on/off negotiations. Morale was rock-bottom after Sankorp announced that it planned to put Checkers on the market.

Pepkor has told Martinengo that nobody in Checkers will lose his or her job and that Checkers will continue to run as a separate chain. "We have a clear message that Pepkor will not interfere with management," Martinengo says.

Even so, it must be assumed that rationalisation that has occurred so far will be accelerated.

By any measure, the Checkers acquisition represents a reversal of philosophy for Pepkor. From 1986 to 1989, Wiese sold non-core businesses such as House of Monatic. He told the *FM* then that the strength of the two core businesses was being clouded by other problems. Pepkor was credited for its sharp focus on an area in which few retailers were prepared to venture: the lower-income market.

Shares of Pepkor and Shoprite have both been favourably rerated this year. Pepkor's p:e has increased from 7,6 a year ago to 15,9; Shoprite's from 9,5 to 19,9. Pepkor's rating has to move into line with the true blue chips of the retail sector.

Investors' response to this deal will be influenced by whatever Wiese reveals about his intentions. He is running an entrepreneurial and financially strong group which may be capable of at last putting some pep into Checkers.

Some competitors believe that a much smaller chain comprising selected stores could be turned into a success story. But the acquisition may also create enough uncertainties to cloud Pepkor's image for quite a while.

Stephen Cranston

Sacob puts small business up front

(1538) THEO RAWANA (30)

SACOB would call on government to extend the Trade and Industry Deputy Minister's portfolio to include small business, the chamber said yesterday.

The chamber's annual convention in Pretoria on October 15 and 16 would highlight the importance of the small business sector as a job-creator, Sacob said in a statement.

"A motion will be introduced calling on the government to launch a major initiative to support, supplement and promote the efforts of small business support agencies, and to extend the portfolio of the deputy minister of Trade and Industry to include small business," the chamber said.

"A considerable small business support network has evolved in SA over the past 10 years and the development is a recognition of the importance of the small business sector." BDay 4/10/91

Sacob deputy director-general Ron Haywood told a Small Business Week conference at Sun City on Tuesday that talks with Trade and Industry Minister Org Marais and director-general Stef Naude had resulted in government ordering an investigation into the possible involvement of that department in small business development.

Edgars denies links with bargain scheme

Sowetan 4/10/91

(30)

THE Edgars Stores group has advised the public not to rely on the assertion that it or any of its affiliates will grant discounts to members of Unicard Limited.

Edgars yesterday denied it or others in the group were associated with Unicard's "discount distribution system operating on an incentive pyramid scheme which is legal".

The group said: "Edgars Stores Limited operates as Edgars, Sales House, Jet Stores, Express and Decisions.

"Neither the company nor its businesses have entered into or even discussed any arrangement of any kind with Unicard Limited." - *Sapa.*

FM 4/10/91 (30)

MCCARTHY FM 4/10/91 (30)

Adapting operations

Activities: *Retails new and used motor vehicles.*
Control: *Amic 25%; Anglo American Corp 4,8%.*
Chairman: *B C McCarthy; Joint MD: D Saville, T J Swart.*
Capital structure: *86,5m ords. Market capitalisation: R403m.*
Share market: *Price: 466c. Yields: 4,5% on dividend; 12,8% on earnings; p:e ratio, 7,8; cover, 2,5. 12-month high, 495c; low, 275c. Trading volume last quarter, 999 000 shares.*

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	11,9	20,2	23,1	2,2
LT debt (Rm)	12,3	17,4	17,8	20,7
Debt:equity ratio	0,15	0,15	0,10	nil
Shareholders' interest	0,43	0,41	0,40	0,40
Int & leasing cover .	5,1	4,5	3,3	4,8
Return on cap (%) ..	19,0	20,9	21,0	19,2
Turnover (Rm)	177	239	274	289
Pre-int profit (Rm) ...	60,8	98,1	99,5	105,5
Pre-int margin (%) ..	3,4	4,1	3,6	3,6
Earnings (c)	36,2	61,7	58,6	59,8
Dividends (c)	13	21	21	23,5
Net worth (c)	161	226	220	250

The acid test for any company is its ability to adapt to changes in its operating environment. Applied to McCarthy, there is not much management can do about the current recession in the motor industry which, for the past two years, has been characterised by severely depressed sales of both new and used vehicles.

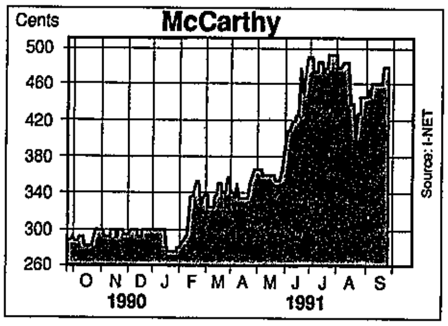
But what it can do — and has done — is to ensure as far as possible that these conditions do not undermine the group's underlying

McCarthy's McCarthy ...
improving market share

financial strength. In this context, the 1991 annual report makes interesting reading and, in many respects, provides a blueprint for what companies, particularly trading companies, can achieve under unfavourable business conditions.

Put simply, McCarthy's 1991 balance sheet is one of the strongest ever published by this traditionally conservative group. Even more interesting is the fact that, measured on the basis of gross return on funds employed (excluding interest-free liabilities), the group was more profitable in 1991 than in 1989 when its earnings peaked.

In achieving this, chairman Brian McCarthy singles out three factors on which management attention was focused; one operational and two that can be broadly classified



as asset management. On the operational front, the group succeeded in further improving market share in respect of both new and used vehicles sales — its share of the total dealer market in new vehicles edged up to 12,6% from 12,3% in 1990, while, as regards used vehicles, McCarthy notes that group sales improved by 4% whereas the total market declined slightly.

That, as McCarthy points out, compensated to a degree for the lack of volume growth in vehicle sales. But in terms of the overall results achieved last year, the intensified concentration on asset management is of major interest.

The two aspects here that are mentioned specifically were control of expenses and corrective action taken in respect of underperforming operations. In a trading company such as McCarthy, expense control often boils down to structuring operations to suit current business conditions — in other words, ensuring that the scale of operations is appropriate to existing turnover levels.

Action on this front succeeded in curbing cost increases (including wages) to under 6%, which was in line with the rate of increase in turnover. This underpinned trading margins and the effect was that the group was able to add R5m to its pre-interest profit last year whereas in 1990, on a sales increase of almost 15%, it achieved a profit gain of only R1,3m.

Apart from expense control, a second aspect that contributed to the improved trading performance was the sale of the truck rental business. In 1990, this operation cost the group R1,6m in attributable income, so not only did the sale eliminate this earnings drain, but the R19m raised through the dis-

continue →

WOOLTRU FM 4|10|91 (30)

Underlying strength

Recent results from some of the larger participants in the retail sector tend to suggest that the 1991 year's figures posted by Wooltru were quite good. A deeper examination of the accounts is also reassuring, though there are problem areas.

The earnings performance was below some market forecasts and the figures look even less favourable when the growth of only 9,4% in pre-interest profit is considered. Also, the 82-store Woolworths chain, a major profit contributor, failed to make budget. But this, with the costs associated with Makro's new store openings, conceals the strengths in this group of retail specialists.

Woolworths MD Syd Muller says more customers shopped in the stores but sales rose by a disappointing 13,9% as shoppers continued to swing towards credit and away from cash purchases. Sales volumes declined. Much of the increase in the value of sales was generated in the three full-line stores and two food-only outlets that came on stream during the year.

Markdowns, mostly in the clothing and homeware divisions, were high; margins in these areas were constantly under pressure and increased shrinkage also took a toll. Woolworths' profitability index (calculated by the group) declined by 5,9%.

This situation should be seen in the perspective that Woolworths' food sales grew by 27%, though this was with help from the new outlets. Muller says this division, which operates on lower margins than clothing and homeware, remains a substantial profit contributor. It appears that profitability of clothing and housewares fell by considerably more than the profitability index.

Speciality Retail Group (SRG), on the other hand, turned in a sparkling performance. Its sales — about 80% on credit — advanced by 22,4% and its profitability index rose by 35%. Truworths, the main contributor to SRG's profit, enjoyed sales growth of 25% and, according to SRG chairman Eddie Parfett, attributable profit growth was well ahead of this.

The 60-outlet Truworths Man and the newer Daniel Hechter chain lifted sales by 60% and 45% respectively and contributed usefully to profits. The 100-store Topics increased sales by 21%, with profit well ahead of budget. All the SRG operations trade mainly on credit.

In its bid to take full advantage of major competitor Metro's troubles, wholesaler Makro expanded its market share by 13,5%, with its sales up by 34%. New store openings increased trading area by just over a fifth. But the good performance of the existing stores, whose profit rose by 37%, shows the recent success of Makro. MD Mark Lamberti notes that the cost of increasing and refurbishing floor space, as well as promotional activities, restricted growth in the profitability index to only 1,7%.

The big question now is, how will the group perform this year? Woolworths has taken a rather radical step in head-hunting two senior staff from Edgars. Farrell Ratner had been with Edgars for 23 years; his forte is retailing men's and women's clothing, an area which pulled the Woolworths trading result down. Carol Grolman is reputed to be a marketing specialist with particular skills in credit management and control.

Lamberti contends that Makro is on the brink of rapid growth because previous expenses in the older stores will not be repeated for some time, while increased sales and market share derived from the new stores should improve profit. Parfett says that SRG plans a "real increase" in both sales and profits this year.

As the graph shows, the share price topped out in May and is now trading in a range above R75. If it drops below that level, it could fall towards R60. Much now depends on the way consumers behave in the increasingly tough economic environment whittling away at disposable incomes. If demand is

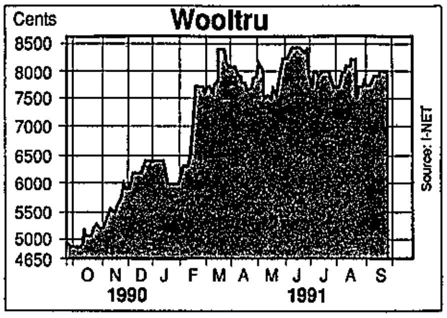
Continue →

severely curtailed from present levels, then Wooltru will have a bad year. But if spending continues to grow in line with inflation, there should be an improvement on the 1991 performance.

Gerald Hirshon

Activities: *Retails clothing, food and general merchandise.*
Control: *Widely held by institutions; Old Mutual holds more than 25%.*
Chairman: *D R Susman; Chief executive: C A Hall.*
Capital structure: *34,8m ords. Market capitalisation: R2,59bn.*
Share market: *Price: 7 450c. Yields: 2,3% on dividend; 5,7% on earnings; p:e ratio, 17,7; cover, 2,5. 12-month high, 8 425c; low, 4 850c. Trading volume last quarter, 142 000 shares.*

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	11,8	4,5	9,4	7,0
LT debt (Rm)	79,6	68,1	155,2	278,6
Debt:equity ratio	0,3	0,1	0,23	0,36
Shareholders' interest	0,48	0,43	0,49	0,47
Int & leasing cover	6,9	7,9	10,8	9,3
Return on cap (%)	22,1	24,9	23,6	19,8
Turnover (Rbn)	1,67	2,1	2,7	3,3
Pre-int profit (Rm)	141	203	274	300
Pre-int margin (%)	8,4	9,7	10,1	9,1
Earnings (c)	179	269	375,4	422
Dividends (c)	80	112	150	170
Net worth (c)	879	1 000	1 636	1 828



Wooltru's Hall ... *luring top executives*

WESTERN CAPE — BUCKING THE TREND

FM 4/10/91

The economy of the western Cape grew at a rate of nearly 2% last year, compared to a fall of just under 1% for SA as a whole, according to the region's economic development promotion agency, Wesgro. This estimate, made by local economists, is in line with developments during the first half of the Eighties when the western Cape outperformed the rest of the country. (30)

Wesgro CE David Bridgman says growth is the result of success in the region's export orientated sectors including fruit, some areas of fishing, clothing and some manufacturers of other finished products. Together with a strong trend in property development, this boosted the western Cape and set a pace that is likely to continue for the rest of the decade.

Bridgman says foreign investor interest in the region is growing, particularly in tourism, while potential SA investors from outside the region are showing increasing interest in technology-based businesses which have shown annual compound growth of 10% in the western Cape over the past five years.

He adds that foreign investors are generally interested in joint ventures rather than their own operations. Their main concerns about SA are political uncertainty, tax rates and productivity levels. They are attracted to the western Cape by the lifestyle it offers management, trade prospects and the good skills base.

Bridgman believes the obstacles to investment in the region are fewer than the rest of SA. "We could do even better if obstacles in the country as a whole weren't holding us back."

ANC calls on small businesses to meet their social obligations

By David Canning Star 4/10/91

DURBAN — Small businesses will soon be called upon to meet their responsibilities for social upliftment, Don Mkhwanazi, president of the Black Management Forum, said in Durban.

Mr Mkhwanazi, convenor of the ANC economic task force in Natal, told The Daily News/SBDC Small Business Conference that small business had largely escaped attention regarding social upliftment and black economic empowerment because the main focus had been on large companies.

This would be short-lived.

"If small businesses do not take a pro-active approach, the might and pressure of the disadvantaged masses will be felt sooner rather than later," he warned.

There was a general impression that small businesses were the worst employers and exploiters of the people.

Yet small to medium-sized businesses were well poised to make black economic empowerment a reality. This included potential for joint ventures and partnerships, hands-on management training, and worker empowerment.

Worker empowerment would include educational assistance for employees' dependants, training of the workforce, sharing of information, housing subsidies and loans.

There was no reason why small business should not also be involved in social upliftment.

Turning to the SBDC, he said the organisation had to correct a perception that it was a "white" institution serving white interests.

Its non-racial approach must be reflected in its management structures, number and value of loans and assistance to black-owned business.

Whites accounted for about 74 percent of loans in value terms and blacks for only 14 percent.

Another criticism was that the SBDC was no longer a lender of last resort but was directly competing with, and no different from, the conventional banks.

30

FM 4/10/91 (30)

PENNYPINCHERS HOLDINGS

FM 4/10/91. (30)

Passive no more?

Famous last words: "We will remain investors rather than managers," P G Bison financial director Angus Band (*Fox*, May 11 1990) commented on Bison's role in underwriting Pennypinchers Holdings (Penhold)'s R10m rights issue at that time. That issue took Bison's stake to 46%.

Now founder Servaas (Faasie) Malherbe has sold out his and his family's 26,4% trust holding, or 6,26m shares, at 56c a share to First National Corporate & Investment Bank (FirstCorp), which is acting in concert with Bison, or its nominee.

Bison has a two-year option to acquire all the shares bought by FirstCorp at 56c plus holding costs. If this is not exercised, FirstCorp is then entitled to put all the shares to Bison. In either event, Bison will end up with 73,5% of Penhold. In effect, FirstCorp is warehousing Malherbe's shares for Bison.

In terms of the rules of the Securities Regulation Panel, an offer to minority shareholders, also at 56c, is being prepared. Acceptance is not recommended by the Penhold board — not surprisingly, as the market price ahead of the announcement was 75c and it has since actually firmed 5c — but FirstCorp will provide any cash needed.

The group has grown rapidly. Since the listing in 1986, it has twice come to the market (*Companies*, June 1 1990) with rights issues to ease the growing dependency on borrowings which, by December 1990, had taken debt:equity to 0,94.

Till now, Malherbe, with his management team, has been the prime motivator of branch managers. He will be missed. Band reckons management is competent to run the business and that Bison will simply play a supportive role, but it seems inevitable that its involvement will become deeper and more frequent. No new CE has yet been named.

Interim results just released are not good. While turnover rose 24%, operating income after interest has swung R7,9m to a R4,4m loss and the interim dividend is passed. Margins were hit by severe competition arising from the recession in the building industry and by the almost complete restructuring and refurbishing of the group and its outlets.

Current liabilities rose by 28% over the past 12 months, partly because of the trading loss, but total liabilities have dropped R5,8m since December. NAV has declined to 94c from 120c, according to company figures.

Band and financial director Percy Bishop believe that performance will improve over the next six months and expect a return to profitability in 1992. Since the probability is that recessionary conditions will persist until at least mid-year, a return to profits by then will be quite a triumph. But the response of the market price suggests investors (or speculators!) are hopeful.

Gerald Hirshon

IN THE RED

Six months to	Jun 30 '90	Dec 31 '90	Jun 30 '91
Turnover (Rm)	96,0	132,3	119,7
Pre-tax profit (Rm)	3,5	2,6	(4,4)
Attributable (Rm) ..	1,9	1,3	(4,5)
Earnings (c)	10,3	4,9	(19,1)
Dividends (c)	4,0	3,0	—

VAT will be 'nightmare' for some

S Times (Buss) 6/10/91

JOB CREATION managing director Ian Hetherington believes the introduction of Value Added Tax (VAT) will be "a nightmare for the disadvantaged and the small".

"We are introducing an extremely pure form of VAT which has not been tried anywhere else in the developing world. The basic problem is the compliance costs for the small people. They would have to keep, for them, relatively sophisticated records.

"This will involve them in hiring at least part-time bookkeeping help, purchasing books and filing cabinets and finding storage space to keep all VAT records for five years. It is unlikely to cost less than R5 000 a year.

"VAT is going to split the economy permanently into two — with very little interface between the two. The small and legally unregistered, and the large who want tax invoices or a price that is 10 percent lower than the VAT inclusive price." The SBDC's central region chief, Jo Schwenke, said that as the cut-off for VAT registration was R150 000, it was highly unlikely that a business not doing a turnover of R12 000 a month would be in a position to satisfy big business in any case.

"However, if there were a case where a small business wasn't going to get the contract solely because he wasn't registered for VAT purposes, we would intervene somehow by registering a special marketing company for that purpose by negotiating with big business, or ensuring that the three conditions for registration are fulfilled.

"We believe that even the smaller business, that is one with a turnover below R150 000 which is involved in sub-contracting, should register — and can register with our aid."

Championing the cause of all SA's little people

S|Times (Bus) 6/10/91. (30)

THIS week some 60 organisations participated in the fourth annual Small Business Week, the purpose of which is to highlight the potential of small business development in South Africa. But what is the true state of affairs for the small entrepreneur? Is he still hampered by rules and regulations? Is access to finance any easier? What opportunities does he have to train further in his chosen business? DAVID JACKSON reports.

SOUTH AFRICA has seen a very close association between the State and big business and it is about time that the policy-makers in the State discover the remainder of the team.

The man speaking is Dr Ben Vosloo. The typically forceful champion of small business has been managing director of the Small Business Development Corporation for a full decade now.

Ten years on, there is a renewed sense of urgency. Entrepreneurship and small and medium enterprise development (SME) have become the leading themes of world development economics in the 90s. But South African decision-makers, Dr Vosloo explains, are dragging their feet.

"In this country's command positions there is a total lack of realisation of the key role to be played by SME entrepreneurs in building a prosperous future.

"People do not seem to realise that all the other production factors — labour, natural resources and capital — are of no avail if you do not have entrepreneurial drive and talent behind them. The entrepreneurs are the people who mobilise the production factors to produce the goods and services for which there is a market.

"Somehow this basic truth, call it the ABC of economics, is not properly understood by policy-makers and politicians. They are expert in spending money, but not in creating wealth.

"This is a tragedy, and if we don't realise it, if wedon't start giving recognitim to this factor, future generations will pay a very leavy price."

Share

Dr Vosloo hampnered home this point durig the Small Business Confrence at Sun City.

He said that of the about 800 000 formal business entities in South Africa, an estimated 85 percent — or 700 000 — can be classfied as SMEs. Their estimatel share in terms of the GDP is about 30 percent and they employ about 2,4 million persons, which is about 17 percent of the economically active population of 14,3 million.

These figures exclude the informal business sector which, Dr Vosloo says, probably involves an additional 4,4 million people, accounting for more or less another 15 percent of the GDP. That brings the total SME contribution to the GDP to 45 percent — as well as accounting for the employment of about 6,8 million people.

Hence Dr Vosloo's call for an SME development strategy: an equal opportunities policy that would provide equal opportunities to all businesses "in making use of the opportunities, but also in keeping a share of the rewards".

Dr Vosloo told Business Times: "In the new South Africa, hopefully, the governments of the future will be more sensitive to the needs of the small and medium enterprise sector of the business pyramid, because one has to be careful that the State is not captured again by big business."

Does he derive a sense of achievement from the past 10 years?

"We have done a number of things of which we are proud in that we assisted in the rediscovery of the importance of small business entrepreneurship. We have assisted in the deregulation process in the sense that people who used to be prosecuted are now allowed to earn an income for themselves all over the country.

Need

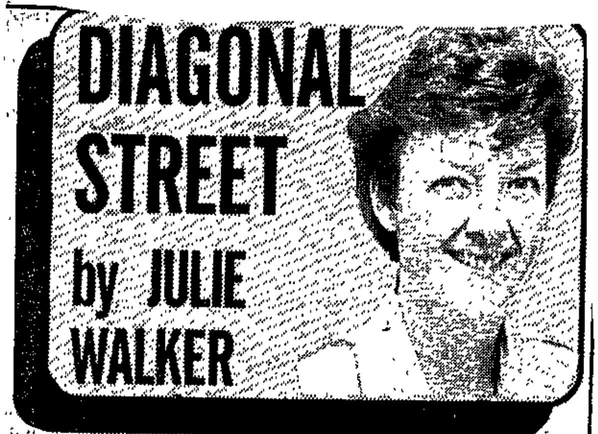
"We have assisted more than a million enterprises with some form of guidance and counselling and more than 31 000 businesses with financial assistance."

And the next 10 years?

"We should continue to assist black entrepreneurial development because that's where the need is greatest, but we also have to act as a conduit for skills transfer. Many of the skills are still in the hands of the modern sector and we have to mobilise it.

"I would like to see more partnerships developing between black and white as a means of technology and skills transfer, and I would like to see us focusing more on extended skill development programmes.

"The only way to overcome these problems would be to look at adult skills development programes to help people to acquire the skills necessary to find employment and to find self-employment."



Objection thwarts Tradegro

S/Times (Bus) 6/10/91 (30)

AN objection by a holder of 1 000 shares out of 69-million Tradegro in issue was enough to result in the postponement of a scheme of arrangement between Tradegro and parent Tradehold.

The objection was that the unbundling of Tradegro constituted a reduction of share capital. The scheme will now take effect from 14 October.

Tradegro ordinary members and holders of other equity instruments registered this coming Friday will receive 5,2 Metcash, 8 Cashbuild, 1,3 Premier Group shares and R5,40 cash for every 100 Tradegro held.

Tradegro's convertible instruments will be converted into ordinaries one for one plus 8c a share.

Tradehold's equity holders will get 3 Metcash, 4 Cashbuild and one Premier. Debenture holders will get another 8c a share and A debenture holders 5c. Odd-lots and fractions will be sold for the members' account.

Tradegro's directors have scotched the notion that the unbundling is a reduction of capital by announcing rights offers in Tradegro, and in Tradehold so that it can follow its rights.

To avoid other scuppering attempts, major shareholder Sankorp subscribed for all the shares to bridge the rights issue. Members who wish to follow the rights can do so at a later date.

Tradegro members can subscribe for 39 shares for 100 held at 85c and Tradehold 48 new Tradehold shares at 55c for 100 held. The last day to register is November 1.

Nice profits for the crafty

S Times (Buss) 6/10/91. (30)

THREE quarters of the way through 1991 and my hypothetical portfolio of shares is a mixed bag.

With the benefit of hindsight, selling Impala at R68,50 and Ellerine at R72 would have netted handsome profits.

Impala has dropped on weakness in the price of platinum-group metals.

Ellerine has been significantly rerated in the past two years. Results are due this month and if they hold water, the share price can rebound.

I still have confidence in AVI, Trencor, Dalys, Sun Bop, Royhold and ICH. Although they turned off their highs recently after good runs, they have the potential to do better.

Julie Walker's portfolio for 1991

1991	Jan 1	Peak	Sep 30
Ellerine	4650c	7200c	5700c
Chubb	610c	800c	540c
Trencor	5500c	10200c	9500c
ICH	930c	2000c	1850c
FIT	1260c	1450c	950c
Impala	4500c	6850c	4800c
AVI	7100c	12100c	12000c
Sun Bop	1975c	3650c	3000c
Royhold	270c	450c	430c
Dalys	2500c	5000c	4900c
index	2668	3540	3278

Chubb has been a disappointment. I expected the leading security company to boom in the prevailing hostile environment, but the share price indicates otherwise.

If an investor had 1 000 of each of my selections, the portfolio's value would have increased by 49% at the end of September. Cashing in at every share's high and the crafty would have made 70%.

Cashbuild assured of a free rein

S/Times (Buss) 6/10/91. (30)

By CIARAN RYAN

CASHBUILD management was given two hours warning that the company was being sold to Pepkor last week. Most employees, including directors, read about the deal in the Press.

"Obviously we are disappointed. We were not consulted about the deal and then presented with a *fait accompli* at the last minute," says Cashbuild managing director, Gerald Haumant.

"This was despite a number of guarantees from Sankorp that they would retain their interest in us.

"But the change of ownership will have a neutral effect on us. I have been given assurances by Christo Wiese and the Pepkor management that they will not interfere in our management style and leave our human resources policies alone."

Sankorp disposed of Metro in a similar way. Earlier this year Sankorp gave Cashbuild management an assurance that they wouldn't be sold "even at 500c a share", turning down offers of a management buyout on this basis. Cashbuild directors are angry at what they see as Sankorp's high-handedness.

The market has been speculating for some time that Sankorp would sell its remaining retailing interests to Pepkor, but no-one, including management, believed the highly-rated Cashbuild would be part of the deal.

Pepkor is to acquire Sankorp's interests in Checkers, Greatermans, Stuttafords, Coreprop and an effective 32% in Cashbuild, the listed building materials supplier.

The unbundling of Sankorp subsidiary Tradegro will be sanctioned by the Rand Supreme Court on October 14. Tradegro will distribute its interests in Metro, Premier and Cashbuild to shareholders.

Earlier this year Premier took over 70% of Tradegro's interest in Metro and combined it with its existing holding in Score, creating a virtual monopoly in the cash and carry business.

The new Metcash — comprising Metro, Trador, Cashmart, Frasers, Metrobuild and Builders Bucket — over 200 stores in all — is headed by ex-Metro man, Carlos dos Santos. Tradegro's 47% interest in Smart Centre was sold earlier in the year to Pepkor for R31-million.

Cashbuild was the jewel in the Tradegro group, reporting a compound earnings growth of 35% after five years. Turnover for this year to June 1991 was R387-million, 20,5% up on last year.

The company has grown to 68 outlets in 13 years with an ungeared balance sheet, funding itself entirely out of working capital. Apart from Smart Centre, it was the only company in the Tradegro group to shine.

CHRISTO WIESE

It was started as a division of Metro in the late 1970s by Albert Koopman and Gerald Haumant, where building materials were sold alongside consumables.

It was eventually decided to form a separate company, operating out of separate premises. When Metro opened in a town, Cashbuild generally opened too, often taking out sub-leases where Metro had the head lease.

Then Metro absorbed Frasers which had a policy of selling everything under the roof, a strategy later tried by Metro with little success. When Tradegro mooted the idea of unbundling its assets, Metro was already battling with stock turnover and squeezed margins.

It started to look for new markets and eventually opted to go into direct competition with its former subsidiary, Cashbuild, selling building materials in several Metro stores under the name Metrobuild.

Relations between Cashbuild and Metrobuild deteriorated rapidly, resulting in a price war in some stores, at a time when both were still part of the Tradegro group.

Then Premier stepped into the breach and took over Metro and Score. Score subsidiary Builders Bucket and Metrobuild were also taken over by Premier, creating Cashbuild's largest competitors with added bulk purchasing muscle.

Now Cashbuild is trying to free itself of sub-leases in which Metro has had the head lease.

Symptomatic of the deteriorating relationship is the fact that Metro jacked Cashbuild's rent up by 250% in one store, and may do it again in other stores. Mr Haumant says he is trying to negotiate separate leases in the remaining premises.

"We saw the writing on the wall some time ago and took steps to extricate ourselves from these sub-leases."

Cashbuild pioneered "participative management" in retailing and as a result has virtually no labour problems or work stoppages. The few stores to have union representation have higher shrinkage than those where workers committees are active.

Workers are also given extensive rights in the running of stores.

The key to its success is sticking exclusively to cash sales. Metro and Trador's turnover includes substantial credit sales which place a strain on the cash flow.

The future for Cashbuild is bright, says Mr Haumant.

"We have about 10% of the building materials market and we believe we can make this grow to 30%. But much of our new growth will come from Africa and we will be opening a store this year in one of the countries to the north."

Whether Pepkor chooses to regard its stake in Cashbuild as a mere investment remains to be seen. Given Cashbuild's track record of earnings growth, there seems little point in tampering with a highly successful formula.

NEV

Law set to ensure that price you see is the price you pay

Star 7/10/91

(30)

Consumer Reporter

Retailers who advertise their products with huge prices excluding VAT and small VAT-inclusive prices may soon find themselves on the wrong side of the law.

Regulations are being drafted to counter advertising where the VAT-inclusive price is smaller and less conspicuous than the pre-tax amount. The draft regulations are expected to be finalised this week.

A spokesman for the Department of Finance said the regulations would stipulate that the VAT-inclusive price be no smaller or less clear than the exclusive price.

This follows representations by Vatwatch chairman Professor Louise Tager as well as the Advertising Standards Authority after several advertisements appeared with huge prices which excluded VAT and less conspicuous VAT-inclusive prices alongside.

Professor Tager said the organisation was pleased steps were being taken as Vatwatch had received numerous complaints regarding such advertisements, which diluted the VAT promise of "the price you see is the price you pay".

She also said Vatwatch would do all it could not to create unrealistic expectations — but expected the business community to make more than just token gestures.

"Business and consumers now have a splendid opportunity of moving away from a culture of believing that cost and price increases are inevitable — because they are not," Professor Tager said.

"On the contrary, the literally billions of rands of sales tax savings in the manufacturing/distribution process can and must lead to cost and price reductions."

The very least consumers expected from business was a consistent price adjustment reflecting the sales tax reduction from 13 to 10 percent, she added.

Professor Tager said the correct implementation and invoicing of VAT between businesses should do away with the immense GST costs with which the business sector had previously been burdened.

This, in turn, would mean significant savings, which business ought to pass on to consumers.

Apart from price adjustments due to the tax rate, the business sector had the potential for eliminating tax as a cost being borne by business.

"When one takes into account how VAT-related savings on transport, advertising, printing and consumables are inevitably going to reduce business costs, I am confident that those who implement VAT correctly will be able to pass meaningful savings on to their consumers," Professor Tager said.

While the elimination of GST on capital purchases would take a while to filter through the system, each link in the chain had a responsibility to ensure their supplier's cost savings became visible at some stage.

"The elimination of sales tax as a cost provides the business sector with a golden opportunity of gaining a competitive edge; without having to sacrifice profitability, most businesses can, via VAT, reduce costs and therefore prices — thus making their products and services more attractive in the market," said Professor Tager.

Checkers reports R8,3m pre-tax loss

B/Day 8/10/91 (30)

MARCIA KLEIN

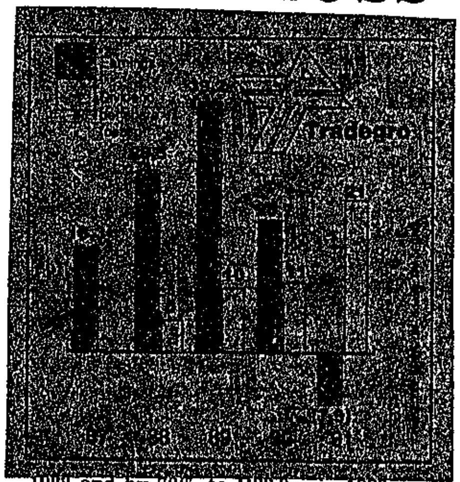
TRADEGRO's June year-end results reflect Checkers's tale of woe, but should please shareholders who will receive healthy dividend increases.

Tradegro shareholders are set to receive 21c (6c) a share in a final dividend in cash and specie, while holding company Tradehold will pay 58,7c (3c) a share.

The results show Checkers — about to pass into Pepkor's hands — lost R8,3m at the pre-tax level, a dramatic drop from its 1990 profits of R18,2m. The loss was incurred on an 8,3% increase in turnover to R3,4bn (R3,2bn).

Tradegro directors said Checkers — whose future had been in the balance for most of the year — had failed to achieve its targets in terms of both sales and margins. Losses were incurred despite savings in operating costs, with shrinkage remaining a major problem.

Checkers' profit history shows that after reporting a R42m loss in financial 1986, it came back into the black in 1987 and continued to show dramatic growth for the following three years. The R6,6m pre-tax profit in 1987 grew by 114% to R14m in



1988 and by 70% to R23,9m in 1989.

By June 1990 pre-tax profits had declined 24% to R18,2m and by the December interim stage Checkers had run into a pre-tax loss of R467 000 (profit: R9m).

Last week Pepkor announced it would acquire a controlling interest in Tradehold, which holds Checkers, Coreprop and Stuttafords/Greatermans through Tradegro. Pepkor would also acquire control of Cash-

☐ To Page 2

Checkers

B/Day 8/10/91 (30)

☐ From Page 1

build, which has moved out of the Tradegro group following its unbundling.

Checkers' future remains in question, with no details of Pepkor's plans for the chain being released.

The Rand Supreme Court has sanctioned the unbundling of Tradehold and Tradegro, which will see shareholders receive shares in Metro Cash and Carry, Cashbuild and the Premier Group, as well as cash. Following the unbundling and the R61m rights offer announced last week, Tradegro's investment will consist of Checkers, Coreprop, Stuttafords/Greatermans and net cash resources of R135m.

Tradegro's results, which show an attributable loss of R14,5m (profit: 38,4m), include the effects of the group's reorganisation and the disposal of Smart Centre to Pepkor and of Metro to the Premier Group. Of Tradegro's remaining interests, pre-tax profits at property arm Coreprop were down by 71,3% to R2,8m (R9,6m), and Stuttafords/Greatermans by 2,3% to R4,5m (R4,6m).

Checkers skids to R8,3-m loss

Star 8/10/91.

By Ann Crotty (30)

The difficulties surrounding Checkers' future are highlighted in the results for the year to end-June '91 released today.

These show the giant retail group suffered a chilling turnaround from a pre-tax profit of R18,2 million in financial '90 to a loss of R8,3 million in financial '91.

This was the major factor behind Tradegro's drop in pre-tax profit from R36,1 million to R15,5 million.

Proceeds

This '91 figure is lifted by R16,6 million, which represents the interest earned on the proceeds of the disposal of Rusfurn and Smart Centre.

If discontinued operations (Cashbuild, Metro and Smart Centre) are included, the Tradegro picture looks even grimmer.

This shows pre-tax profit slumped from R115,7 million to a loss of R3,6 million. There was a 7,5 percent increase in turnover to R7,7 billion.

The taxed loss was R29,28 million, compared with a profit of R79 million the year before.

At the per-share level, on a fully diluted basis, there was a loss of 7,9c, compared with earnings of 20,7c a share in '90.

Dividend

A final dividend of 21c (6c) a share in cash and in specie will be declared for a total of 26c (11c).

Although turnover was up eight percent to R3,43 billion (R3,17 billion), the board says Checkers did not achieve target sales and margins and "despite savings in operating costs, losses were incurred during the year under review".

It addsthat shrinkage continued to be a major problem.

Helped by the proceeds from the disposal of assets, Tradegro's total interest-bearing debt was down to R60,2 million from R118 million.

Public foots bill as pilfering rockets

Star 8/10/91

By Paula Fray
Consumer Reporter (30)

Widespread pilfering by staff and customers is costing South African retailers about R3,8 million each working day — up to R1,2 billion a year — according to American shrinkage expert and author Peter Berlin.

Mr Berlin, on a two-week visit to train local companies, was speaking during an interview with The Star yesterday.

He was brought to South Africa by Lodge Services, a local security company specialising in shrinkage. His visit coincides with the launch of a business abuse hotline to counter the problem.

Shrinkage, which is a loss of income through acts such as shoplifting, theft of company property, ringing up too little at tills, and unauthorised discounts, was ultimately paid for by the public, said Lodge Services SA managing director Errol Ashman.

Consumers paid for this through higher prices, fewer opportunities for growth and promotions, physical injuries, and loss of jobs when businesses closed, Mr Ashman said.

At this stage, existing figures for shrinkage were estimates, and plans were afoot for an anonymous official survey early next year, said Mr Ashman. Apart from the losses incurred, retailers spent an estimated R200 million a year to combat the problem.

Ongoing battle

According to Mr Berlin, each South African family could spend about R200 more a year if all shrinkage costs were passed on to consumers.

Grocery Manufacturers Association executive director Jeremy Hele said estimates of shrinkage for fast-moving goods such as groceries were between 1,5 and 2 percent of sales.

"The shrinkage problem is pretty bad. It's really an indication of the economic situation. It is one of those continuous battles ... as fast as the stores try to counter one method, the thieves come up with another."

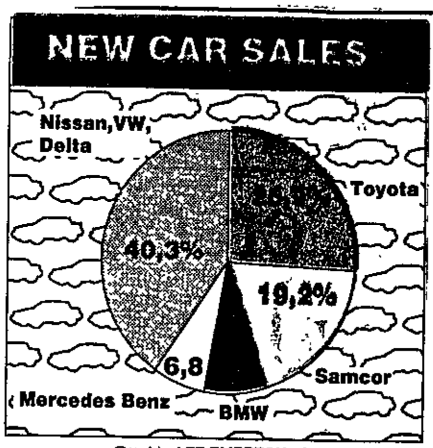
Retailers were extremely conscious about shrinkage, said Mr Hele. "If you don't control shrinkage, then it comes off the bottom line."

Mr Berlin said approaches to tackle shrinkage concentrated on personal rather than technological aspects of the problem. Factors that contributed to high shrinkage included staff morale, the rate of inflation, and unemployment.

"If the basic statistics of R3,8 million a day are correct, that would be a rate comparable to the US at this point," said Mr Berlin.

According to Mr Berlin, a 1 percent shrinkage factor was not unrealistic.

Fighting the problem meant "arresting shrinkage, not people", he added.



Graphic: LEE EMERTON Source: NAAMSA

Slump in vehicle sales continues

30

MARC HASENFUSS

NEW vehicle sales for September showed a year-on-year decline for the fifth consecutive month, but buying before the implementation of price increases and of VAT helped to drive sales above August's levels. BDay 9/10/91

Combined new vehicle sales fell 9% to 26 225 units compared with 28 738 units in the corresponding month a year ago, according to National Association of Automobile Manufacturers (Naamsa) figures released yesterday.

However, the September figures showed a 5% increase over the 25 079 units sold in the previous month.

Passenger car sales continued to weaken, slipping a further 5% to 17 029 units compared with 17 872 units. Passenger cars showed a slender 2,5% increase over the 16 620 units sold in the previous month.

Toyota continued to dominate the passenger sales sector, lifting its market share to 25,9% (4 410 units) in September. The group's market share had slipped to 23,9% in August when supply shortages were experienced.

Samcor had a strong sales month and captured 19,2% (3 270 units) of the passenger car market, MD Spencer Sterling said.

BMW held its market share at 7,8%

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Car slump

BDay 9/10/91 30

□ From Page 1

(1 328 units). Marketing MD Ivan Honeyborne said sales were restricted by a supply shortage in certain models.

Mercedes-Benz registered a lower 6,8% (1 158 units) market share for September but its share for the third quarter (July to September) was higher at 7,9%.

Management board member Peter Cleary said the introduction of VAT necessitated a look at combined sales figures for September and October as many customers delayed purchases.

"On a year-to-date basis we have shown the biggest growth in market share of all the manufacturers and have overtaken two manufacturers in unit sales this year."

Nissan, VW and Delta again declined to disclose sales figures.

VW supported the release of individual sales data, but said it was "not strategically advantageous" to release data until all manufacturers agreed to publish their data.

Toyota marketing MD Brand Pretorius said the September figures were better than expected as demand was stimulated by last-minute pre-price increase and pre-VAT buying.

Naamsa said the modest monthly improvement in sectoral unit volumes in September should be seen in context of the extremely low August sales base.

Passenger car sales at the end of the third quarter reached 154 497 units, 4% down on the 160 605 units sold in the same period last year. This is in line with industry expectations of around 205 000 unit sales for the full year.

Light commercial vehicle (LCV) sales dipped a hefty 15% to 8 374 (9 804) units but showed a 9% increase over August sales of 7 688 units.

The serious recession in the industry's medium (MCV) and heavy truck (HCV) sectors continued unabated during September and sales in these sectors recorded declines of 16,5% and 26,5% compared to the corresponding month a year ago.

'It won't last' agency still going strong

B/Day 9/10/91

THE Alternative Agency, which takes a 3% commission on the sale of property, is alive and doing well after two years, despite industry predictions that "it won't last three months", say partners Barry Cribb and Pauline Black. 9/10/91

The agency caused a stir when it cut commissions on sales to 3% — half the usual rate — thus offering sellers a potentially better price for their property, though for reduced services. 30

The agency does not take the prospective buyer to see the home for sale. It compiles and produces a brochure giving details of the properties on its books, and financial aspects. This is given to clients.

It puts interested parties in touch with the seller, and the prospective buyer is shown around the property by the owner. The same applies to showdays, when owners remain at home to meet the home-hunters.

The agency deals with all paperwork and advertising, and also the bond application.

"We really struggled at the start," says Cribb, "but we believed our policy could succeed, and we are holding our own."

Now the agency has decided to sell franchises. It has already sold one and is negotiating others in Cape Town and Durban.

"On average we sell between 10 and 17 houses a month. We focus on the northern suburbs — Jukskei Park, Johannesburg North, Sandton and as far as Weltevreden Park," Black says. "But we will take on homes in other areas."

By not sitting in on showdays and taking people to the houses, the agency is able to handle more houses, Black says.

Score to be delisted

B/Day 11/10/91

Business Day Reporter

THE Metcash scheme proposed to members of Score Food to delist the company has been approved. The scheme was proposed following the Premier Group's purchase of a controlling interest in Metcash, formerly the Metro Group, earlier this year.

In order to rationalise the wholesale and retail interests within the Premier Group, the decision was taken to merge Metcash and Score Foods.

Metcash has acquired the entire issued share capital of Score Foods which will result in the termination of the supermarket chain's JSE listing at the close of trade today. 30

The retail operations of Metcash/Score Food are to be hived off to Score Supermarkets, which in turn will be listed on the JSE from October 14.

Leading businessmen work behind the scenes to avert VAT crisis

B/Day 11/10/91.

LESLEY LAMBERT

LEADING businessmen are involved in private initiatives to resolve the VAT crisis, while organised business is considering collective action to avert a two-day general strike which could cost the economy an estimated R1bn.

Former Saccola chairman Anton Roodt confirmed yesterday there were "numerous diplomatic initiatives" taking place behind the scenes. A Sacob spokesman said leading businessmen — in their personal capacities — were trying to intervene with the authorities.

It is understood that organised business is also considering intervening in an effort to facilitate a settlement between government and the trade unions, which on Tuesday decided to call a two-day general strike in the first week of November.

Cosatu general secretary Jay Naidoo indicated this week that the trade union movement remained open to negotiation. Cosatu was conscious of the damage a drawn-out conflict would cause to economic prospects, he said.

Business spokesmen said yesterday there were significant obstacles to a resolution. Government and the unions had adopted tough stances. Government would neither accede to demands for additional relief nor agree to an economic forum ahead of multiparty talks, while the unions had been consistent in their demand for broad negotiation of the VAT system. If either were to back down it would be considered a political victory by the other.

Business was caught in the middle. It faced the possibility of a costly strike over demands it could not directly fulfil, labour consultant Andrew Levy said.

Organised business, employer bodies and individual companies are, meantime, preparing contingency plans in case the strike goes ahead on November 4 and 5.

Sacob is expected to release a document today with guidelines for its members in the event of a strike. It is also preparing a second document which will detail the effect of VAT on various income earners, should the strike be followed by demands for wage increases to compensate for VAT.

Levy said that depending on how Cosatu planned the strike, the rule of thumb for companies was likely to be no work, no pay and no disciplinary action.

"There have been some recent judgments in industrial relations cases which have said employers can dismiss for a stayaway, particularly if it is unrelated to labour matters and is unlawful. But there is always a distinction in industrial relations between what the law says and what a company should do. The nature of this protest is an expression of political freedom. It will hurt the economy but it is also a healthy sign of democracy. Any company

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VAT crisis

B/Day 11/10/91.

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which relies on the unique circumstances of some judgment would be unwise."

Levy believed that if there was a strike, it was unlikely to turn into a continuous general strike.

"No union will commit its members to a lengthy strike in times like this. The action will reoccur sporadically in the form of lunch-time demonstrations and demands for employers to intervene with the authorities. All companies can do is talk to shop stewards about orderly withdrawals."

In the case of a mass tax boycott, companies were likely to protect themselves by hiding behind the law, Levy said.

Seifsa director Brian Angus said the federation, which represented 3 500 companies employing about 350 000 in the steel and engineering industries, would discuss contingency plans next week.

Angus said he believed the unions might struggle to get widespread support in the current economic environment.

● Comment: Page 8

Phalaborwa boycott 'today'

PHALABORWA. — All white-owned businesses in this Northern Transvaal town will be boycotted from today, the Phalaborwa Consumer Boycott Committee announced yesterday.

The committee's demands are wide-ranging and include the disbanding of a SA Defence Force camp in the area, the removal of SADF members from the townships, recognition of trade unions and a minimum R750 monthly wage for all domestic workers.

"Despite changes that are sweeping the country and the world, Phalaborwa still remains one of the most conservative towns," the committee said.

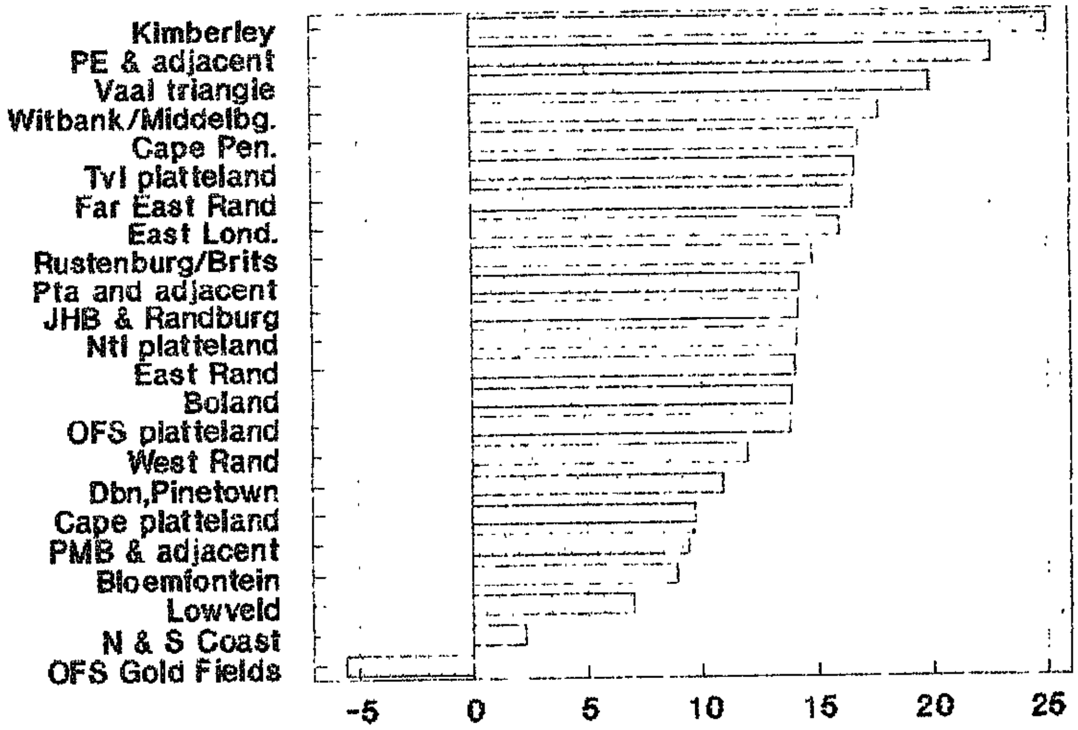
The boycott has been endorsed by, among other organisations, the ANC, SACP, Azapo and Cosatu. — Sapa

(30) CT 11/10/91

Kimberley leads pack in retail sales growth

Star 11/10/91 (30)

By Derek Tommey



Percentage change in retail sales — July 1990 to July 1991.

Although South Africa is in the longest recession in its history, there are still pockets of satisfactory growth, the latest retail sales figures issued by Central Statistical Services (CSS) show.

However, the overall picture shown by the July figures is of sales nationwide falling behind inflation.

Retail sales rose by just below 14 percent to R6,45 billion — about one percentage point below the inflation rate — which is not good news for manufacturers and retailers.

A little surprisingly, the figures show that retail sales in Kimberley were 25 percent higher than in the same month last year.

For a town which has clearly become a backwater, this is a turn-up for the books.

Retail sales in Kimberley in the first seven months of the year were above the national average.

And as the increase amounted to only R10 million, which can be easily generated, it would seem the figure must be fairly accurate and that Kimberley shopkeepers are enjoying a bonanza.

More understandable is the 22,6 percent rise in the Port Elizabeth area. The motor industry, inspired by the local content programme, has been spending on equipment and has entered the export market on a large scale.

The Vaal Triangle (Vereeniging, Vanderbijlpark and Sasolburg) ran third in the growth stakes, with sales up 19,9 percent on last year.

Increased export sales by Iscor and the conversion of the Sasol I plant from synthetic fuel production to chemical production might account for the rise.

Sustained coal exports would seem to be the main reson for the 17,7 percent rise in the Witbank, Middelburg and Bronkhurstspruit areas, and exports could account for the 16,8 percent rise in the Cape Peninsula.

Brakpan, Springs and Nigel (Far East Rand) did reasonably well, with a 16,6 percent rise. East London, which is benefiting from economic developments in Ciskei, had an increase of over 16 percent.

Retail sales showed no growth after taking inflation into account in the Rustenburg/Brits areas, Pretoria and surrounding towns, Johannesburg and Randburg, the Natal Platteland and the East Rand (Germiston, Edenvale, Alberton, Boksburg, Kempton Park and Benoni).

On the West Rand (Roodepoort, Westonaria, Krugersdorp, Randfontein and Oberholzer) the increase was well down on the inflation rate, probably as a result of reduced gold mining operations.

The 10,9 percent rise in Durban/Pinetown and the 9,4 percent increase in Maritzburg/Camperdown indicates that these parts of Natal are feeling the recession.

The 2,2 percent increase on Natal's North and South coasts confirms this and suggests it has been a bad year for its tourist industry.

But none of this is as bad as the situation in the OFS Goldfields (Odendaalsrus, Virginia and Welkom) where sales, after showing virtually no growth in the first half of the year, plunged almost six percent in July.

But when mines lay off thousands of workers, as has happened at Freegold, Harmony and Loraine, sales must suffer.

The figures show that Johanneburg-Randburg is SA's biggest market, accounting for 16 percent of all sales, with the Cape Peninsula the runner-up with 12,2 percent of total sales.

Interestingly, the Transvaal Platteland, which includes Klerksdorp, Potchefstroom, and points north such as Pietersburg, Potgietersrus and Messina, also ranks as a major market, accounting for eight percent of total turnover, making it larger than Pretoria with a 7,6 percent share.

Similar percentages are held by Durban-Pinetown (7,6 percent) and the Cape Platteland (7,2 percent).

FM 11/10/91

(30)

TRADEGRO

Bargain basement?

Preliminary results do not make Tradegro look a very attractive acquisition for Pepkor. It will hold R135m cash after the planned rights issue but remaining operating interests will comprise two small profit contributors in Coreprop and the department stores, while Checkers lost R8,3m pre-tax and, as a R3,4bn-a-year monster, could prove difficult to turn around. Checkers' sales targets and margins were yet again not achieved and shrinkage remains a problem.

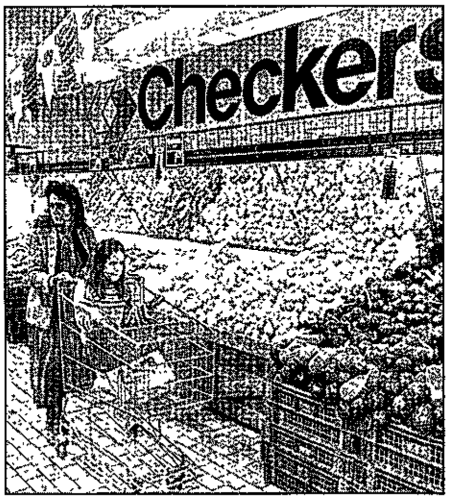
SHUTTING UP SHOP

Year to June	1990	1991
Turnover (Rbn)	7,2	7,8
Operating profit (Rm)	155	46
Attributable (Rm)	38,4	(14,5)
Earnings (c)	20,7	(7,9)
Dividend (c)	11	24

Continuing operations made a profit but only because of R16,6m interest earned on the proceeds of previous disposals like Rusfurn and Smart Centre. Tradegro lost 7,9c a share diluted for conversion of debentures, or 84,2c a share undiluted.

The bulk of the loss came from Metro but there were good pre-tax profits from Smart Centre (already part of Pepkor) and Cashbuild (soon to go the same way). Smart Centre, a credit clothing chain aimed at blacks, has pre-tax margins of 15,8%. Cashbuild has margins of 4,5%, higher than all remaining Tradegro businesses.

In spite of the losses, shareholders (including controlling shareholder Sankorp) will be offered a final dividend of 21c a share in specie: for every 100 shares they will receive



Checkers stores ... *difficult to turn around*

5,2 Metro shares, eight Cashbuild, 1,3 Premier and R5,40 in cash. Convertible instrument holders will receive an additional 8c a unit. Tradehold shareholders will receive three shares in Metcash, four Cashbuild and one Premier for every 100 shares.

The proposed post-dividend rights issue, R61,3m, is almost exactly the same as Tradegro's interest-bearing debt. Tradegro financial director Bill Chambers says the group was anxious not to reduce its share capital after the unbundling. Sankorp has agreed to underwrite the entire issue of 72m shares at 85c a share, well below the current price of 160c.

Chambers says that Checkers has been valued at anything between R80m-R550m, so even at the lowest valuation, just Checkers and the cash are worth R215m. If rumours of a R120m price tag (which would probably include about R35m for 37% of Cashbuild, to be bought from Sankorp after the unbundling) prove true, then Pepkor will receive 50% of Tradehold (which owns 54,6% of Tradegro) pretty cheaply. *Stephen Cranston*

Breaking down the old barriers

BDay 15/10/91 (30)

THE adage "trade follows the flag" is being rewritten in South Africa by the business community to say "the flag follows trade", says Sacob deputy director general Ron Haywood.

Developing

Chambers have long been involved in developing trade with foreign countries and with new markets opening up — particularly in the East Bloc — Sacob's relationship with chambers in other countries has facilitated many connections which otherwise would not have been possible, he says.

"Chamber networking enables interplay with specific businesses and businessmen.

"An example of this is the recent bilateral agreements concluded with the chambers of commerce in the USSR, Kenya, Hungary, Romania, Belgium, France and Spain and the contact which has already taken place between some of these countries and SA businessmen," Haywood says.

As chambers are seen to be non-political, it has been an easy avenue through which to open doors into countries which formally had no contact with SA.

"Through Sacob," Haywood says, "SA has been able to obtain observer status in the Preferential Trade Area Federal Chamber of Commerce and Industry, as well as the business council of SADEC.

"But not only Sacob, as a voice of business, is involved in opening doors.

"Other business organisations, such as Nafcoc and Fabcos, are also involved in these organisations."

Encouraging

Politicians are no doubt using the chamber movement and encouraging businessmen to go into new countries because business is unfettered by politics and can move about freely, he says.

"The apolitical nature of the chamber movement has been crucial in its success in breaking barriers and forging new ties. Business and trade is an invisible support system to the general public, but among businessmen it is a viable communication source to the greater business community.

"None of this takes into account the invaluable publicity, public relations effort and Press coverage given SA by such delegations and forays into foreign markets," Haywood says.

The primary interest in making contact with businessmen in foreign countries is to develop trade, identify investment opportunities, set up joint ventures and exchange technical information.

"This is particularly so for African countries as they see SA as understanding the African needs and having developed technology suitable for African conditions," he says.

The latest in the long line of delegations going abroad to take advantage of warming relations with SA were delegations from the chambers of commerce in Cape Town and Durban.

Both tours have gone to Europe.

Visited

Earlier this year, Sacob, with the Department of Trade and Industry and the Afrikaanse Handelsinstituut and various businessmen visited the Soviet Union, Hungary and Czechoslovakia.

Sacob director general Raymond Parsons visited Australia and Oslo.

While in Sydney, Parsons oversaw the establishment of yet another link in the chamber movement, the Australian/SA Chamber of Commerce, which added to the numbers of bilateral chambers of commerce already existing, such as the ROC/SA Chamber of Commerce and, says Haywood, another such chamber will be established soon.

Foreign delegations to SA have been swinging through Sacob's doors at an astounding rate since the emergence of the "new" SA, Haywood says.

"We received 59 delegations in the first five months of this year, including British, French, Canadian, Finnish, numerous African countries, the entire East bloc and even Red China."

RON HAYWOOD

Labour is showing a spirit of consultation

DEVELOPMENTS on the labour scene during the past year have seen dynamic changes, Sacob says in its annual report released this week.

"The adverserial climate has abated and there is a new spirit of consultation arising out of the successful conclusion of the Saccola-/Cosatu/Nactu accord of last year, which culminated in the Labour Relations Act of May, 1991.

"The past year has seen a continuation of the trend for social policy issues to become part of the relationship between employees and employers.

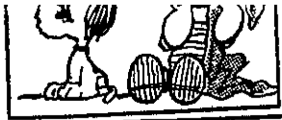
"This has led to the addressing of issues such as AIDS, a new strategy for urbanisation, health care and social responsibility.

"The supply of skilled manpower to meet the challenge of SA's need for economic growth continues to be cause for concern," Sacob says.

"Changes to manpower policy on a broad front will be to address this problem.

"Sacob is also strongly promoting the closer integration of education, training and career guidance.

"As it is unlikely, however, that a restructured education and training system will meet certain immediate manpower needs, Sacob has proposed changes to current immigration policy designed to encourage those immigrants with qualifications, skills and capital that are needed to come to SA."



Boycott hits businesses

B/Day 18/10/91. 30

VERA VON LIERES

WHITE businesses in Phalaborwa in the north-eastern Transvaal had suffered an 80% drop in business since the launch of a consumer boycott in the town last Wednesday, Phalaborwa Chamber of Business president Manie Kriel said yesterday.

Kriel said about 120 businessmen yesterday resolved to continue talks with the boycott committee in an attempt to settle the matter. He said the boycott was supported by the majority of local blacks.

The boycott was launched by the NUM last week in protest against phosphate mining company Foskor's refusal to recognise the union. NUM said it represented more than 60% of the 1 800 workers.

Foskor would not comment yesterday.

NUM spokesman Jerry Majatladi said most white businesses were being boycotted by the majority of local organisations.

Chambers now more relevant

B/Day 15/10/91

IT IS becoming difficult for business to operate in isolation and Sacob and its constituent chambers are becoming more relevant, says Sacob regional organiser Eric van Dyk.

"But because of the apolitical nature of the chamber movement and the wide range of members it represents, the role of the chamber is of considerable benefit to the business sector as a whole," he says.

Countrywide

Apart from its constituent chambers countrywide, Sacob has more than 120 direct members, the top conglomerates as well as national associations representing specific sectors, affiliated to it.

"Sacob in turn, is represented on no fewer than 60 outside bodies, where it makes the view of the business community known," he says.

(30)

"Some of the reasons forwarded by Sacob for the existence of chambers include:

- Assessing and evaluating the needs of the local business community;
- Monitoring development at a local level;
- Mobilising business opinion on local issues;
- Promoting and encouraging the pursuit of a high standard of busines ethics;
- Dissemination of information useful to the business fraternity;
- Creating opportunities to improve business skills;
- Creating opportunities for business contacts;
- Acting as a private sector agent promoting and upholding a private enterprise economic system;
- Eliminating as far as possible obstacles that may hinder the conduct of business in one way or another;

Network

- Providing means to allow individual businessmen to latch onto a huge business network at national level allowing them a share in the decision-making process of the country;
- Acting as a facilitator in bringing together various interests to address a specific problem of concern; and
- To be the voice of business.

Convention programme

THE SA Chamber of Business National Convention 1991 will be held at the Sinodale Conference Centre, Visagie Street, Pretoria, from October 14 - October 16.

The programme of events, which are open to the public, is:

- Tuesday, October 15, noon-1pm: Motion calling for an appropriate negotiating forum; 2pm-4.40pm: Motions on road funding and subsidisation of road transport;
- Wednesday, October 16, 9am-12.30pm: Economic Debate — Economic prospects for 1992 by Standard Bank MD Dr Conrad Strauss; Economic prospects and business opportunities by African Development Bank vice-president M Sangowawa, Abdijan; Investment in human capital by Independent Development Trust chairman Jan Steyn; 2pm-4.30pm: Motions on government spending and judicial reform; 7pm for 7.30: Gala black tie banquet at the Rembrandt Hall, Tukkies Sports Centre.

20 standing committees help mobilise opinion

B/Day 15/10/91 (20)

SOME 500 businessmen, including many of SA's captains of industry, serve on the 20 Sacob standing committees, where the opinions of business are mobilised, says Sacob regional organiser Eric van Dyk.

"These committees formulate proposals and comment on matters affecting business and these are then forwarded to the authorities," he says.

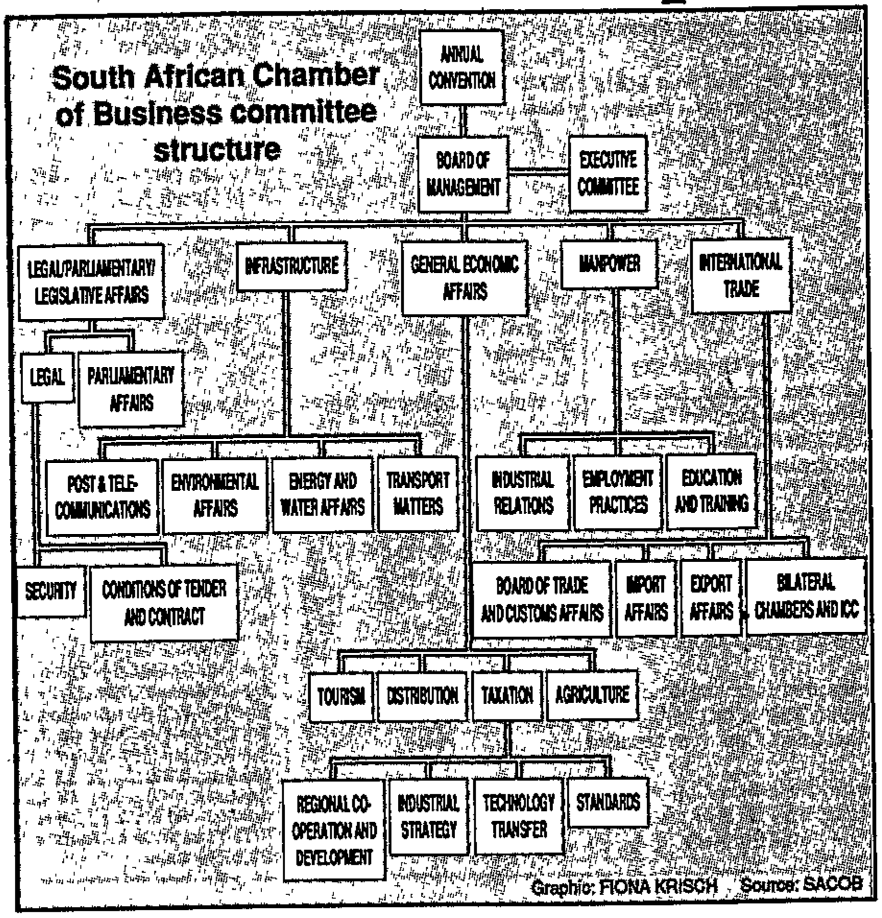
"People involved have a chance of widening their circle of business contacts, broadening their outlook and general understanding of the business environment and, in turn, feeding back information to their company for its benefit," he says.

Standpoint

The agricultural committee develops views on agricultural issues from a commodity and industry standpoint, while the board of trade, customs affairs and import control committee examines the implications for business of customs legislation and procedures, tariffs, import control and import surcharges.

This committee also monitors developments in the General Agreement on Tariffs and Trade (Gatt) as far as it affects SA's trade relations with contracting partners.

The conditions of tender and contract committee considers problems arising from tenders submitted to the public authorities and looks at all aspects of related government policy.



Graphic: FIONA KRISCH Source: SACOB

The distribution committee addresses all issues of day-to-day consequences to business, mainly focusing on the distributive trade and its relationships with consumers.

The economic affairs committee serves as a top level forum for discussing economic issues of consequence to the private sector, including inflation, privatisation, deregulation, budget procedures, economic priorities and government expenditure.

Energy and water affairs committee members consider the latest developments in terms of quality, supply and cost of various sources of energy and water with a view to ensuring the most efficient use of these resources and that business is not unduly constrained by the quality levels of supply and price of these resources.

Similarly, the environment affairs committee searches for solutions to environmental problems and examines proposed control measures to ensure they are technically attainable, economically feasible and aimed at the optimum balance between development and environmental protection.

To promote the country's export trade while giving consideration to overcoming obstacles that inhibit export, members of the export trade committee formulate proposals aimed at facilitating exports and the development of new markets.

The international trade committee takes things a step further.

It promotes two-way trade between SA and other countries and establishes and maintains ties with the International Chamber of Commerce, bi-lateral chambers of commerce, industries and economic relations, foreign trade envoys and various government departments.

The intellectual property law, legislative, security, standards and technology transfer committees pay attention to the impact developments in these areas have on business.

Given the rapidly changing industrial relations environment, the industrial policy and manpower committees have an important role to play.

Analyses

The industrial policy committee analyses the industrial environment in SA and highlights factors inhibiting development.

The manpower committee, assisted by three subcommittees, is a forum for discussing various issues and assists Sacob in developing appropriate policies and strategies in the fields of industrial relations, education and training, personnel practices, as well as social policy.

The taxation committee examines the country's taxation system and the effects it has on business.

Finally, transport, travel and tourism issues are considered by two committees of the same name.

Each takes a critical look at events and developments in those areas and formulates policies which further benefit business interests.

ob

Where businessmen spread their wings

(30)

SACOB offers businessmen an opportunity to become involved in and participate in endeavours aimed at creating a business environment favourable and conducive to the pursuit of profit motive and the free enterprise system. B/Day 15/10/91

According to Sacob, individual involvement and participation leads to collective action and economic progress and prosperity can be achieved through such collective action.

"It is the task of organised business to try to work closely with the authorities to bring about an overall environment in which business can prosper and optimise its performance," Sacob says.

As individuals, businessmen have little chance of achieving this. But working through a recognised national body like Sacob, much can be achieved.

According to several chamber presidents, no businessman can afford not to be a member of Sacob.

Immediate past president of the Benoni Chamber of Commerce Sam Grolman says Sacob's input is valuable.

"They are very efficient. As soon as something happens that we should know about, we are informed of the situation and kept updated. The committees cover every aspect of business and give us useful information," he says.

It is also comforting to know that one could, as a chamber member, pick up the phone to any of Sacob's specialists for advice and information, he says.

Power of association strengthens voice of business community

BDay 15/10/91 (30)

A SOCIAL analyst says: "In modern times, it is only by the power of association that men of any calling exercise their due influence in a country."

This, says Sacob director general Raymond Parsons, is the role which organised business in general — and Sacob in particular — plays in South African affairs.

Settling in

"When it was decided to merge the Federated Chambers of Industry and Assocom to form Sacob in January last year, it was agreed there would be a settling in period of two years.

"While the process is not yet complete, unity has been shown to be strength," he says.

"By strengthening its voice , the business community has been able to exercise a greater influence on the course of events."

The formation of Sacob coincided with the emergence of the new SA.

"Subsequent economic and political developments have demanded rapid responses from business and Sacob has been in a position to do so."

Sacob is today acknowledged to be a major voice for business in SA and as such is consulted by governments, extra=parliamentary groups and the media, he says.

"It has given a business perspective on events to visiting foreigners and to businessmen and governments abroad."

While Sacob's national profile may be that of a body concerned primarily with national issues, it plays an ever growing role in developing its network of chambers of commerce throughout the country, so keeping in touch with developments at local and regional levels.

But it is the challenge of guiding business down the path to a new SA that will be Sacob's real test of strength in the future, Parsons says.

"Sacob, as the largest employer organisation in SA, will have to respond to the threats and opportunities of the new SA.

"There will be major economic and social issues to be addressed on behalf of business."

But real vision for an employer organisation like Sacob goes beyond a list of issues.

"It is also a breakthrough to an understanding of the probable and desired impact of those issues on business as a whole," he says.

Knowing how trends will affect business is useful. But knowing what Sacob and its chambers should do to influence the new realities on behalf of business is critical.

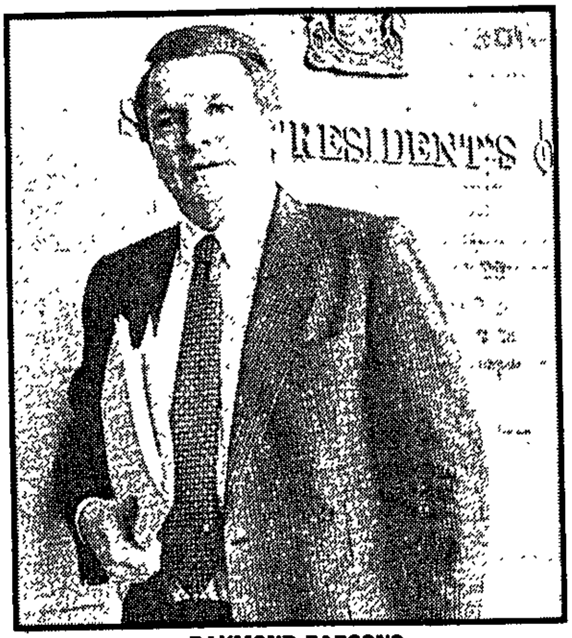
Challenge

"That is the challenge faced by Sacob and the chamber movement in the years ahead and we are changing our strategies accordingly," Parsons says.

"In this process, Sacob will continue to co-operate with organisations such as Nafcoc, Fabcos and the Afrikaanse Handelsinstituut whenever it is in our mutual interest to do so."

Business Day
SURVEY

By strengthening its voice, the business community has been able to exercise greater influence on the course of events. The formation of Sacob coincided with the emergence of the new SA and subsequent economic and political developments have demanded rapid responses from business. Sacob has been in a position to do so. MANDY JEAN WOODS reports.



RAYMOND PARSONS

Spotlight is on chambers

B/Day 15/10/91. (30)

SACOB has declared 1991 the Year of the Chamber.

The organisation, with 102 chambers affiliated to it, represents more than 35 000 members who employ between 1,5-million and 1,8-million people.

Regional organiser Johan Jacobs says: "With the merger of Assocom and FCI, a new role had to be established and the first year focused on consolidation.

"This year we needed to look inwards, at the organisational needs.

"Sacob has to ensure the chamber of commerce movement is established as the leaders in the field of business representation.

"To do this, the structures need to be in place, the service needs to be high, professionalism must rule supreme and communication be excellent."

Jacobs says a national strategy needs to be set in place to draw in grass-root opinion on issues such as tax, incentives, surcharges and daylight savings.

Flourish

"Our mission statement is to be the voice of business to create an environment in which the SA economy and its people can flourish and to provide a high level of service to its constituent chamber."

With this in mind, the following goals were established to promote the Year of the Chamber, he says.

"We aim to set up communication structures, to ensure the number of chambers in SA grows and to address issues affecting business, such as labour unrest, investment and policies.

Another goal is to improve the image of chambers .."

While membership growth in the black business community has been slow, there have been indications that black and Indian businessmen are willing to become affiliated to Sacob.

Results

"The Balfour Chamber of Commerce, for example, has 70% of its membership drawn from the black and Indian communities," he says.

The Year of the Chamber goals are already starting to show results.

Some six new chambers are expected to be established this year and a 30% growth in new chambers is projected in the next two years.

"We want to be the voice of business at local, regional and national levels," Jacobs says.

Key role in policy formulation

B (Day) 15/10/91 (30)

SACOB represents more than 35 000 companies through their respective chambers of commerce and industry — from corner shops to international corporations.

These companies between them are responsible for creating some 80% of the country's GDP.

Sacob chief economist Ben van Rensburg says: "It is vital for Sacob to participate in policy formation at all levels, especially at the coal face, where the private sector has a primary interest in economic policies being followed by government."

Nowadays, he says, no important economic policy matter is considered by government or its agents without consulting Sacob.

The organisation is expected to formulate business-sector driven views on all aspects of the economy, both at a national and regional/local level.

Topic

"In formulating a policy, Sacob starts off by referring a topic to one of the standing committees or to ad-hoc committees.

"If time allows, the views of various chambers are also canvassed so by the time Sacob approaches government it can say its submission is a broadly based, mandated business view on a particular matter," he says.

Sacob, for example, annually makes a submission to the Finance Minister on what its members have indicated should be addressed in the following year's Budget.

"Sacob has almost become a stepping stone for government to exercise itself in a new SA and it has become more consultative.

"In the past, Sacob's views were often not solicited by government.

"As recently as the PW Botha era, government had a confrontational approach to business organisations.

"But there is a shift towards becoming more consultative," Van Rensburg says.

Wide support for role of united business chamber

B10 aug 15/10/91 30

THE united voice of business has grown in stature since the formation of the SA Chamber of Business (Sacob) in January 1990.

This is evident when considering statements from some of SA's leading businessmen.

Nissan SA executive chairman John Newbury says: "Sacob is a vital organisation and ultimately all business organisations, such as the Afrikaanse Handelsinstituut and Fabcos for example, will unify under one body."

Nafcoc president Sam Motsenyane says the interests of black and white businessmen are different and until this changes there can be no thought of a merger between Sacob and other black business bodies.

"But as differences are minimised there will be a need for these organisations to address shortcomings in a spirit of unity."

Reserve Bank governor Chris Stals says the bank has great appreciation for the role played by Sacob.

"The Bank consults regularly with Sacob's executives and council members.

"We find Sacob objective in its assessment of monetary policy, even if monetary measures are at times unpopular with its members, but are in the longer-term interest of the country.

"Because of this objectivity and its rational approach to monetary matters, the Reserve Bank takes notice of advice given

JOHN NEWBURY

to it by Sacob.

"We believe in a viable and dynamic private sector and welcome advice from private sector representative bodies such as Sacob."

Pick 'n Pay chairman Raymond Ackerman says: "The decision to form Sacob was a good one.

"It is able to lobby for business in general and pursue the interests of business."

Sacob's influence on government policy is noticeable, as government often comes up with legislation which is not practical or thought through.

"Sacob has a history of influencing government to alter policy and adapt various laws," says Ackerman.

Newbury says: "Sacob's ability to influence government is a consequence of the seniority of its representation both at an individual and company level."

Trade and Industry acting director general Gerrie Breyl says Sacob is one of the leading employer organisations as well as an important mouthpiece of organised trade and industry.

"Close contact is maintained between the department and Sacob.

"Matters of common interest are discussed on a regular basis and it is policy to keep Sacob informed on departmental initiatives and developments that may be of interest to the local business community.

"We have an excellent working relationship and Sacob plays a constructive role in the private sector and acts as an effective intermediary between the business community and government."

Sacob's public profile has been enhanced by its representations of the business viewpoint to government and its ability to open doors for local businessmen abroad.

Tongaat-Hulett chairman CJ Saunders says a recent trip to Eastern Europe and the Soviet Union would not have been as successful as it was without the assistance of Sacob.

"Sacob made the trip worthwhile, as without the contacts made by it and the Department of Trade and Industry, it would have been almost impossible to have achieved what we did in two weeks."

Sasol director André du Toit says Sacob played an important role in breaking down barriers.

"Its relationships are valuable for all members of Sacob when they want to expand business in other countries," he says.

CHRIS STALS

RAYMOND ACKERMAN

The combined voice of big and small

B10 aug 15/10/91 30

SACOB has worked hard in the past year to consolidate its structures and develop its role as the voice of business.

It claims the right to be the voice of big and small business through its association with more than 35 000 businesses who are members of various chambers of commerce and industry.

Sacob has put together a list which highlights the benefits of belonging to a chamber.

These include:

- ☐ Access to medical aid and pension fund;
- ☐ Access to up-to-date business information;
- ☐ Association with other business people;
- ☐ Opportunities to advertise to other business people;
- ☐ Fraternising with other businessmen to gain information about modern business trends, markets, finance, influences, threats and opportunities;
- ☐ Gaining status by joining an organisation which acts as spokesman for business and has a voice in all levels of government;
- ☐ Enjoying greater negotiating power;
- ☐ Moving in influential circles and gaining business expertise through liaison and association with chamber members;
- ☐ Being taken notice of;
- ☐ Being able to meet or be introduced to the right people operating in the same field by way of social activities or involvement in chamber committees; and
- ☐ Getting access to local and foreign markets and associations and gaining import and export information.

Violence will drive away hope for future

BDay 15/10/91 (30)

WHILE there may be a degree of uncertainty and upheaval when rapid change is taking place, there should not be complacency about the current level of violence in SA, says Sacob director general Raymond Parsons.

In a recent speech, Parsons said that although the violence was confined to certain areas in SA, it had national and international implications.

"Sacob, through its widespread advertisements, has expressed the concern felt on this issue.

"The potential for conflict is high and the State President himself has warned that SA could slip into civil war.

"The violence is unacceptably high in terms of human costs as well as having a damaging impact on investors' confidence both here and abroad."

The endemic violence, from whatever quarter it comes, was undermining confidence in the propsects for peaceful change, he said.

It could eventually lead SA on a downward path to poverty and despair unless it was reversed.

"SA needs peace and political stability more than ever before if economic growth and job creation are to be achieved on a large scale.

Capital

"Without an inflow of long-term capital, the ceiling on SA's economic growth rate on the most favourable assumptions is likely to be about 2%, far too low to meet the needs of our population," he said.

There was a risk the economic upturn would be delayed if the level of violence was not reduced soon.

"This is not only because of the negative impact which the perceptions of violence is having on investment decisions, but also because consumer spending is being adversely affected."

SA had to guard against replacing external sanctions with an internal sanction — violence.

This, Parsons said, would equally place a ceiling on SA's economic performance in the years ahead.

"All South Africans should be concerned with the elimination of violence and its multi-faceted causes, which must be addressed by means of a total strategy enjoying wide support.

"Broad support is essential to implement strong security action successfully and to underpin a total strategy against violence," he said.

A major role in the creation of peace

BDay 15/10/91 30

BUSINESS is playing a major role in creating peace in the emerging new South Africa, says Barlow Rand mining and mineral beneficiation division chairman and Sacob president John Hall.

He was recently appointed chairman of the National Peace Accord.

The greatest contribution business can make is an intellectual one.

"Business has a role to play in economic terms and this is evident in the fact that its voice is being heeded to a greater extent than ever before.

"With the shortage of skills, collective wisdom will be needed and business can make a contribution here," he says.

The expertise business has to offer has to be brought to bear in all spheres of life, both nationally and locally, both in settling political issues and in resolving social problems like education and health care.

"Sacob has already proven its worth and as it becomes more representative of business it will attract even greater weight in the business community," he says.

While it is true that business is motivated by self interest, this interest translates into national interest as well.

"Anarchy in the country will mean a sharp downturn in the economy, which is bad for business.

"Business therefore has a vested interest in attempting to achieve a winning situation in the country.

"One would like to say business has tremendous credibility, but politicians have their own agenda.

"We can only bring people together if they wish it."

JOHN HALL

SA business team in China

Own Correspondent

JOHANNESBURG. — A top-level South African business delegation led by Barlow Rand chairman and current SA Foundation president, Mr Warren Clewlow arrived in Beijing yesterday to explore business opportunities in China for South African businesses.

CT 15/10/91

Mr Clewlow is accompanied by former SA UN ambassador and current SA Foundation director-general Mr Kurt von Schirnding, Tongaat Group chairman Mr Chris Saunders, Cullinan Holdings chairman Mr Neil Cullinan and Sasol deputy chairman Mr Paul Kruger.

Making a place for the small businesses

BDay 15/10/91

WITH 80% of the chamber movement comprising small businesses — defined as companies employing less than 20 people — it seemed natural for Sacob to establish a separate division to look after the interest of small business.

In June this year, the Small Business Forum (SBF) was established.

It was also an attempt to dispel the myth that Sacob only represented the interests of big business, says Small Business Forum secretary Nicky Fehrsen.

"A number of agencies which deal with small business were invited to participate in the SBF and this saw the formation of a unified body representing small business," she says.

The SBF has since become an independent body with Sacob handling its secretarial services and a number of chambers starting their own small business committees.

(20)

Advisory

Other organisations which have thrown in their lot with the SBF include the Small Business Development Corporation, the Small Business Advisory Bureau, the Wits University Centre for Developing Business, the Get Ahead Foundation, Sunnyside Group and the Standard Bank Small Business Unit.

There are some 65 members already, Fehrsen says.

Representatives of the SBF work with Sacob committees to ensure any submissions, policy formulations and lobbying includes the view of small business, she says.

While only a few months old, the SBF has already sunk its teeth into some hefty issues, such as investigating the effects of labour legislation on small business and training needs of the informal sector.

"We are also looking into the regular publication of a small business confidence level survey, such as the one done for business confidence by Sacob," Fehrsen says.

At the first meeting of the Small Business Forum were, from left, Forum vice-chairman Mike Bowles, Sacob deputy director general Ron Haywood, British Minister of Small Business Eric Forth and Forum chairman Colin Riggs.

Then there is the effect the liberalisation of liquor laws will have on small business (80% of liquor stores are owned by small businesses) and VAT.

"We have asked Sacob to ask big business not to institute policies where purchases from small businesses not registered as vendors will be prohibited," she says.

The SBF has already begun lobbying for government to appoint someone — ideally a deputy minister — to add small business to their portfolio.

"The Department of Trade and Industry is also looking into establishing a small business unit within the department," she says.

Slump in furniture sales expected to ease soon

B Day 15/10/91. (20)

MARCIA KLEIN

THE slump since March in sales of furniture, appliances, TV and audio equipment continued in the period June to August.

Furniture Traders' Association (FTA) figures released yesterday show an overall sales growth of 7,4% at current prices over the period.

There has been no real growth for five months following the 15,1% sales increase in March. But FTA executive director Frans Jordaan said he was expecting a boost in sales over the rest of the year.

"Firstly, we believe there will be a small post-VAT upsurge," he said.

Some people, who had considered buying in the two months preceding VAT's implementation, had held off in the hope of saving by buying after September 30. Also the main buying period for household purchases was mid-October to end-December.

The 12 months from September 1990 to end-August 1991 showed a brighter picture, with sales of audio, TV and appliances performing above the inflation rate, he said.

While the FTA was "not expecting fireworks from the September figures", Jordaan hoped overall sales would improve in the last quarter.

He said the furniture retail trade was known to be resilient during tough times, and better asset management would see it overcome "the temporary setbacks".

Used car market shows slight recovery

MARC HASENFUSS

USED vehicle sales had recovered marginally in the first six months of 1991, but a full recovery was being hindered by recessionary pressures, the National Automobile Dealers' Association (Nada) said yesterday.

B/Day 15/10/91.

Central Statistical Service (CSS) figures showed used vehicle sales (including motorcycles, buses and caravans) at 368 075 units; 7,5% ahead of the 342 037 in the corresponding period last year.

(30)

Nada chairman Errol Richardson said sales in the car and truck segments anualised out at 280 000 units (1990: 268 000). The small improvement in sales did not signal a recovery. "The market is still bumping along the bottom," he said.

Pepkor pays bargain price for Checkers

50 ARG 18/10/91

TOM HOOD
Business Editor

FOR around R55 million, Christo Wiese and his Pepkor team have picked up control of the Checkers chain of 169 supermarkets — a chain which, he says, would cost R1 billion to start up today.

And for its money Pepkor will also pick up control of Coreprop property business and the Stuttafords and Greatermans department stores — all of which are in Tradehold.

Disclosing the price, Mr Wiese said yesterday Pepkor would also pick up cash resources of R140 million and end up with R400 million in cash after consolidation at year-end in February 1992.

The deal also includes an additional R34,2 million to take Pepkor's stake in Cashbuild to a controlling 46 percent.

A cheerful Mr Wiese, announcing details of the deal in Cape Town, conceded it was a lot less than his original offer a year ago — "it could have cost double because our paper has doubled in that time".

The acquisition, he said, had been made at a substantial discount to net asset value.

Pepkor had the option to pay for the deal through the issue of shares at R105 each or cash. The share route would result in the issue of 685 000 new shares to Sankorp — representing four percent of Pepkor's market capitalisation.

About 15,740 million Pepkor shares are currently in issue.

Checkers would continue to trade under its own name and there were no immediate plans to close or sell off stores, he said. But there was "a huge rationalisation exercise to be gone through".

However, independent marketing consultants were investigating both Checkers and Shoprite, the Pepkor food retailing group, to establish whether they should continue to trade independently or, if they recommended one organisation, what name it should be given.

Mr Wiese said Pepkor had undertaken not to close or sell any store without consulting "all interested parties", including labour.

"Stores in overtraded areas will be rationalised to avoid duplication with the Shoprite chain.

"Decisions such as these will be rational and based on purely economic considerations to achieve Pepkor's overall objective of realising a profitable company with highly motivated and committed employees."

Mr Wiese was confident of being able to turn Checkers around. Its loss was "only some R8 million" on a R3,4 billion turnover this year — a figure he considered acceptable in times of deep recession when even market leader Pick 'n Pay reported a drop in profit.

Checkers also faced such problems as a strike and the effects of a "For Sale" hanging over the business all year.

"Our objective is to make the chain profitable," he said. "Our main contribution will be to address structural problems with management and remove any constraints that may hinder turning Checkers around."

Checkers' capital structure needed to be properly funded as it was believed to be undercapitalised and this would be atttended to. He did not rule out the possibility of a separate JSE listing for Checkers.

Both Checkers and Shoprite would continue to operate independently under their respective managing directors, Sergio Martinengo and Whitey Basson. Checkers HQ would remain in Johannesburg.

Mr Wiese said the takeover would transform Pepkor into a retailing group with more than R7 billion turnover, nearly four times the R1,9 billion achieved in its 1991 year.

The group now had dominant interests in the basic areas of food and clothing retailing through Checkers, Shoprite, Pep, Ackermans , Harties, Frasers and Smart Centre chains and in shelter through Cashbuild.

Pepkor will offer to buy out Tradehold minority shareholders for all or part of their shares at 57,7c a share. This is based on 190,2 million shares in issue after the proposed rights offer of 61,7 million new shares at 55c a share.

Pepkor will also offer 500c a share to Cashbuild shareholders for all or part of their stakes.

Consumer spending on clothes goes down

B Day 18/10/91 30

LINDA ENSOR

CAPE TOWN — Consumer spending on clothing over the last three months had been lower than planned for, Foschini joint MD Clive Hirschsohn said in an interview yesterday.

If the trend continued, the Christmas season would also not be as good as expected.

"Consumer demand is very weak and making projections is difficult as the pattern is uncertain. Factors extraneous to the suitability of the merchandise — such as socio-political developments — are affecting demand throughout the country," Hirschsohn said.

Confusion over VAT contributed to customer resistance to spend in spite of Foschini's clothing being 3% cheaper since the introduction of the tax.

Another trend, experienced by other clothing retailers, had been the switch to credit which now represented the major part of Foschini's business. The group had a book of about R350m which is self-financed so that the switch has had an impact on cash flow and borrowings.

While there had been an increase in bad debts, Hirschsohn stressed this was still within industry standards.

He said the Foschini group had attempted to cut operating costs by keeping the inflow of merchandise in line with projected sales as far as possible. A prudent view had been adopted towards capital expenditure, but Foschini would not cut back on strategic developments such as opening new stores and investing in new technology.

Hirschsohn said the Foschini group, which includes Markhams, Pages jewellery retailer American Swiss, had a high operating profit-to-turnover ratio, largely due to the improved productivity derived from its sophisticated technology.

About 20 to 24 new stores would be opened by the end of the year, with substantial growth taking place in Markhams, which had increased its 97 stores by 20 since 1989. Pages, a chain catering for the lower end of the market, has about 152 stores and American Swiss 135 stores. The more mature Foschini chain, which had 230 stores, would open about eight new stores this year.

Foschini's year-end has been changed from end-December to end-March and it will next be reporting for a 15-month period, which will cover two low-profit periods of January to March.

However, Hirschsohn said a real increase in earnings was planned for. At interim stage Foschini generated a 21% growth in net income to R24m (R19,8m). Last year earnings grew 33% to 762,2c (573c), while the compounded growth rate for the 10 years to 1990 was 21%.

Pepkor now Africa's biggest retailer

LINDA ENSOR

CAPE TOWN — Pepkor has paid R89,1m to Sankorp and Sanlam for a 50% stake in Tradehold and for a 32% direct stake in Cashbuild — which makes the group the biggest mass retailer in Africa, with a turnover of more than R7bn.

The acquisitions were made at a substantial discount to net asset value, Pepkor chairman Christo Wiese said yesterday, and at a price substantially lower than that offered by Pepkor a year ago. Control of Tradehold was acquired for R54,9m and the direct Cashbuild stake for R34,2m.

"The acquisitions are in line with our stated aim to become SA's leading group in mass market retailing and concentrically diversified activities," Wiese said. The acquisitions give Pepkor dominant interests in food and clothing retailing.

Pepkor now has effective control of Tradegro and its subsidiaries — Checkers, Stuttafords/Greatermans and Coreprop — as well as cash of about R140m after Tradegro's R61,3m rights offer. At its February 1992 year-end Pepkor will have cash resources of about R400m.

Through Tradehold, Pepkor will own an additional 14% of Cashbuild, giving it a 46% stake in the company.

● See Page 8

New share issue to pay for Pepkor acquisitions

(30)

B Day 18/10/91

LINDA ENSOR

CAPE TOWN — Pepkor's R89,1m deal for a 50% stake in Tradehold and for a 32% direct stake in Cashbuild would be paid for by the issue of 685 000 new Pepkor shares. This translates into a purchase price of 57,7c for each Tradehold share and 500c for each Cashbuild share.

Pepkor chairman Christo Wiese said yesterday he believed the risk/reward ratio of the acquisitions — which offered "enormous potential" for Pepkor — were very acceptable while carrying minimum exposure in terms of market capitalisation. The purchase price represents about 6% of Pepkor's current market capitalisation of R1,5bn.

Regarding the future of Checkers, Wiese said there was an urgent need to recapitalise the business, the aim being to restore the chain to profitability.

No store would be sold or closed without consultation with all parties and each store would be separately evaluated. Stores in overtraded areas would be rationalised to avoid duplication with the Shoprite chain.

"There is a perception in the marketplace that Checkers is an impossible business that cannot be turned around. We believe that the truth is different from that perception and have developed a viable game plan to restore Checkers to profitability. We do not believe that Checkers is properly funded."

He said Pepkor would remove the constraints in terms of undercapitalisation which prevented Checkers management from unlocking the potential of the chain.

Wiese said Checkers did well in the past year to contain losses at R8m on a turnover of about R3,5bn in a recessionary climate, especially as it had had a "for sale" notice attached to it.

Consultants are undertaking research into the marketability of Shoprite and Checkers. They could either be combined into one chain or continue to operate separately as Pepkor's food retailing arm. Checkers management has been incorporated into Shoprite's management under Shoprite MD Whitey Basson. Serge Martinengo will continue as Checkers MD.

The boards of Tradehold and Tradegro are to be reconstituted to reflect the change in control.

The acquisitions take effect from October 1 and will not have a material impact on Pepkor's earnings in the financial year to end-February 1992.

An offer is to be made to Tradehold and Cashbuild minority shareholders to purchase their shares, including shares issued in Tradehold's rights offer of 61,7-million shares to raise R34m. No offer is to be made to Tradegro minority shareholders.

Pepkor also has an option, which has to be exercised before March 16 1992, to acquire Sankorp's entire stake in Tradehold at the same purchase price.

TRUCKING BACK?

30

FM 18/10/91

Sales of commercial vehicles, devastated in the build-up to VAT, are showing tentative signs of recovery. Errol Richardson, of the McCarthy Group, SA's biggest vehicle dealer franchise, says his dealers have reported a 20% rise in sales during the first 10 days of October.

While most of the recovery seems to be at the lighter end of the market, heavy trucks and buses are also faring better than they have in months.

Commercial sales have plunged this year since government announced that the introduction of VAT on September 30 would entitle buyers to claim back VAT as an input credit on capital goods. Car sales did not qualify. Many potential buyers, offered an effective 13% saving by waiting for the demise of GST, have since stayed out of the market. Dealers and vehicle manufacturers have been waiting anxiously to see whether the arrival of VAT would signal a recovery.

Richardson, who is also chairman of the National Automobile Dealers' Association, describes the early signs as encouraging but warns against expecting a long-term market recovery. Rather, he expects a temporary "flutter" before settling down.

Nico Vermeulen, director of the National Association of Automobile Manufacturers, says that despite the current boost, trading conditions in all vehicle sectors — cars and commercials — will remain difficult for the foreseeable future.

SEPTEMBER VEHICLE SALES

	1991	1990	% change
Cars			
September	17 029	17 872	−4,7
January-September	154 497	160 605	−3,8
Aug (16 620)-September			+2,5
Light commercials			
September	8 374	9 804	−14,6
January-September	76 649	86 021	−10,9
Aug (7 688)-September			+8,9
Medium commercials			
September	344	412	−16,5
January-September	3 159	3 701	−14,6
Aug (309)-September			+11,3
Heavy commercials			
September	478	650	−26,5
January-September	4 308	5 902	−27,0
Aug (462)-September			+3,5
Total sales			
September	26 225	28 738	−8,7
January-September	238 613	256 229	−6,9
Aug (25 079)-September			+4,6

Source: Naamsa

Partners sue The Wheel for R12m

By DON ROBERTSON

A CONSORTIUM of Durban businessmen is suing The Wheel Shopping Centre, 90% owned by Momentum Life and First National Bank (FNB), for more than R12-million. S/TIMES (BUSS)

The R90-million Durban shopping and cinema complex was completed in October 1989, but the consortium claims contractual obligations by the life assurer and the bank have not been fulfilled. 20/10/91

The consortium consists of Ivan Dodd, Len Hudson, Derrick Lobban and Francis Whitby, who owned the property.

The Wheel Shopping Centre is owned 78,5% by Momentum, 11,5% by FNB and 10% by the consortium.

The consortium issued a summons in the Supreme Court, Durban, for R3,7-million on September 10 and a declaritor was submitted in the Supreme Court, Johannesburg, for R9,5-million this week. This will ask the courts to establish the legality of this claim.

The consortium has taken legal advice about other claims. 30/ 202

Stalemate

Letting agent Ellis Associates has sued The Wheel for R153 000.

Momentum executive director Peter du Toit says the position between his company and the consortium has "reached a stalemate and the matter will be decided by the courts".

Mr Du Toit says Momentum was obliged to repair alleged sub-standard work on the project and rectify problems with the air-conditioning system.

He says The Wheel has been a good investment and is 96% let.

Mr Dodd, head of the consortium, says Momentum and FNB have not funded the loan account as agreed and have not paid other amounts due in terms of the development agreement.

"Management fees, the balance of the professionals' fees, certain rents and the funding of the loan account and interest have not been paid."

Mr Dodd denies that the project was sub-standard. He says all electrical work was approved by the Durban City Council.

WHAT IT LOOKS LIKE FROM THE TOP

Jo'burg rents on a Vienna waltz

S|Times (Bus) 20|10|91

(30)

LES WEIL, chairman of JH Isaacs property group, contributes to an occasional series by experts on factors affecting the economy.

JOHANNESBURG, a gateway to Africa, could have a similar experience to Vienna in the late 1980s when rents rocketed and investment yields fell several percentage points as Eastern Europe opened its doors to the West.

I believe that expanding trade and tourism, movement of embassies from north to south and concentration of business in major SA urban areas will put pressure on rents and prices in all categories of real estate.

Although rents and values are on a plateau, everything points to a large increase soon after the next economic upturn.

Johannesburg, like Vienna, is pivotally placed at the entrance to a major developing market and it would not be surprising if rents increased dramatically — as they did in Vienna between 1986 and 1990 when they quadrupled.

Neither should one be surprised if, subject to a reasonably settled socio-political environment, investment yields from SA properties were to fall — perhaps by as much as two percentage points.

Modern

Vacancies have increased in the past 12 months because of the economic downturn, and this has enabled tenants to negotiate more favourable terms.

As a result of many major banks and institutions having moved to new and more modern facilities, there is a greater oversupply of B- and C-grade space in the main urban centres, compared to A section.

If, however, there is an upturn in 1992, available space is likely to be taken up over 24 months and rents could rise hugely from 1993.

In real terms, office rents have fallen since the early 1980s and now stand at 75% of their 1982 values.

In the prime financial area of Johannesburg and sought-after locations, such as Rosebank and Sandton, rents for A-grade office accommodation are about R30 a square metre a month gross — it includes operating costs of about R6m^2 a month.

Annual increases on rent average 12% and on operating costs 15%.

Important

Although there is some expansion of office and retail developments in the financial area of downtown Johannesburg, decentralisation is accelerating.

Since the mid-1970s, about 25% of office space has moved out of the main central business district. Notwithstanding that the relative percentage of decentralised development is likely to escalate, the CBD will remain important, especially in relation to development in or around the financial node.

Prime industrial and warehousing accommodation close to the highway systems averages R10/m^2 a month gross for 1 000m^2 units. Rents for increasingly popular mini-units tend to be higher, and were up to R14/m^2 a month early in 1990. But they have dropped to about R12/m^2.

A new strategy by the Government relating to industry and export is likely to stimulate industrial investment, which has been on a downward trend for some time. When the economy improves, industrial property rents could rise rapidly.

It is interesting that last month the rate of inquiry for smaller industrial units increased. Because this type of inquiry usually leads the other sectors, it could represent an early indication of the new upward trend.

In spite of depressed consumer spending, retail rents remain in demand. Medium-size stores in prime locations are about R80/m^2 a month and up to R120/m^2 a month is being paid for smaller stores. Most retailers report poor sales in the past two to three months and the warm winter could not have helped.

Mixes

A continuation of low turnovers could force landlords in some centres to "accommodate" tenants if strategic mixes are to be maintained.

The property unit trust sector represents an index of commercial properties of all types. The average investment yield in the past decade has been slightly more than 9%.

The current historical yield is slightly above 10% and relative to the financial and industrial index the sector represents excellent value.

The spread of forecast yields, which is the norm for the property business, ranges from about 9% for a top-class office building to 10,5% for good-quality industrial lease-backs. Lesser properties would carry yields of more than 12%.

Having regard to the costs of replacement, existing buildings generally offer better value than new developments — provided they lend themselves to adaptive use.

There is a general shortage of good-quality investment properties, in part caused by the closed nature of the South African economy. Too much money is chasing relatively few hard assets.

Although competition among contractors has reduced the annual escalation cost in building below the inflation rate, this can be expected to change when the turnaround comes, thereby further increasing costs of development, which must be reflected in major increases in rents.

Bargain buy caps Christo's career

S|Times(Buss) 20/10/91. 30

CHRISTO WIESE has topped a year of startling acquisition growth for his Pepkor group with a career coup — the bargain-basement purchase of 50% of Sankorp's troubled Tradehold.

By IAN SMITH

Mr Wiese, now chairman of the group he once worked for in school holidays, celebrated his 50th birthday putting the finishing touches to the deal which lifts Pepkor's turnover from R1,9-billion to more than R7-billion a year.

It also establishes the biggest retail group in Africa.

But he shrugs off any suggestion that Pepkor has bitten off more than it can chew.

Mr Wiese says: "If there were any danger of that we wouldn't have bitten."

The deal brings under Pepkor control the 169-store Checkers supermarket chain, the Stuttaford-Greatermans specialist retailers, the Coreprop property business and the successful Cashbuild building supply retailers.

It puts Pepkor firmly in the lead in retail sales in all the basic areas of clothing, food and building supplies.

Pepkor's bill for the acquisitions is R89,1-million, about 6% of its market capitalisation of nearly R1,5-billion. The price represents a large discount to net asset value, says Mr Wiese. Much of the payment will be in Pepkor shares at R105 each.

Sanlam is already the second-largest shareholder in Pepkor and the deal should raise its stake from 15% to about 18,5%.

The market has rerated Pepkor since its acquisition spree started in August last year with the R50-million buyout of 27 Grand supermarkets.

Strength

The share price moved from R44 a year ago to R97 immediately before details of the Tradehold deal were announced.

On Friday Mr Wiese had not yet totted up the number of outlets in the group, which now comprises Pep, Ackermans, Shoprite, Harties, Frasers, Smart Centre, Checkers, Stuttafords-Greatermans and Cashbuild.

"It must be between 1 700 and 1 800," he says.

Underlining the strength of the group, he says Pepkor will have cash resources of about R400-million after consolidation at the yearend next February.

The acquisitions, effective from October 1, are not expected to have a material effect on Pepkor's earnings and net asset value this year.

But Mr Wiese is enthusiastic about prospects for Checkers and Cashbuild.

Checkers, he says, represents the biggest challenge with its poor profit record and history of disparate management. He concedes that the group desperately needs recapitalisation, but this should not be a problem.

CHRISTO WIESE: Buying spree

Pepkor went into the deal with eyes wide open.

"We first looked at Checkers 15 months ago, but things did not work out. We have got a much better deal this time," says Mr Wiese.

Start-up costs for a similar-size retail chain would be at least R1-billion.

Pepkor's aim is to return the chain to profitability. It has pledged that no shop will be closed or sold without consultation.

Checkers managing director Serge Martinengo will continue to head the chain. He says the changed control has removed much uncertainty, which hurt staff morale while the group was up for sale.

Remarkable

Mr Wiese says Checkers' achievement in keeping losses to R8-million on turnover of R3,4-billion in spite of recession and staff uncertainty was remarkable.

Pepkor, which produced net profit of R78,5-million in the last full year, is due to announce interim results soon.

Mr Wiese says: "They will show how well we have digested our acquisitions."

Buoyant Smart aiming for continued growth

BDay 22/10/91 (30)

MARCIA KLEIN

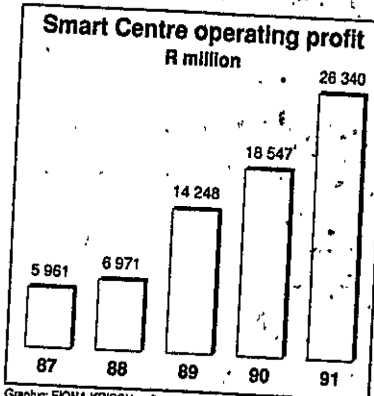
SMART Centre was hoping for continued growth in financial 1992, despite the fact that consumer spending was likely to remain depressed.

But Smart, which was recently acquired by Pepkor from the Tradegro Group, would show a lower rate of growth than in previous years, MD Charles Fox said in the company's annual report.

New chairman Christo Wiese said the market had rerated Smart since Pepkor acquired a 47% stake in the company on March 1. Since then it has upped its stake to 55%.

Wiese said the rise in the share price, with the share more than doubling since the acquisition to close yesterday at 425c, was also partially fuelled by its excellent performance during the year.

MD Charles Fox said this was the 10th consecutive year that Smart Centre had reported an increase in profits. During that time turnover increased from R10m to R182m and



Graphic: FIONA KRISCH Source: SMART CENTRE

operating profit from R500 000 to R26,3m.

Margins in the year to end-June were 14,5% compared to 14,4% in the previous year, despite start-up costs incurred through the acquisitions of Kappa and Patrick Daniel.

But the acquisitions and the high growth in existing business pushed borrowings up to R26,2m and gearing to 47%. Fox said Smart would place strong emphasis on improved asset management and containment of borrowings in the current financial year.

Improved productivity was reflected in sales per square metre increasing by 39% to R3 355.

Shareholders were offered bonus shares in lieu of a cash dividend at year-end. Fox said the cash saved on bonus shares taken up would be used to sustain a higher growth rate than the normal sustainable growth rate of the company. Pepkor has taken up the bonus offer.

The problems in Kappa's merchandising mix had been largely resolved, and it was expected to make a positive contribution to group profits in this financial year. Both Patrick Daniel and Kappa currently contribute less than 10% of group turnover.

Fox said that Smart Centre would consider further acquisitions if they fitted into the company's strategy.

Smart's year end will change from June to February, in line with the Pepkor Group, and the next report will cover an eight month trading period. Wiese said this period would be a tough one.

No growth in earnings for Wooltru

B/Day 22/10/91

LINDA ENSOR (30)

CAPE TOWN — Wooltru is not expecting a growth in earnings this year.

Chairman David Susman says that due to poor trading conditions the group has had to revise its estimates which indicated "little likelihood of growth in earnings for the current year".

"Since the end of the financial year, consumer expenditure has deteriorated further. Real growth rates, even in essential goods such as food and clothing remain negative and seem likely to remain so well into 1992."

However, present dividend levels should be maintained and the group would continue to invest heavily in new assets and systems, Susman said at the recent Wooltru AGM.

New car sales at five-year low — McCarthy

30

SA's total national new vehicle market for the July to September quarter was the lowest for the past five years, and the second lowest since 1978, McCarthy Group chairman Brian McCarthy said.

B/Day 23/10/91

Speaking after the group's AGM in Durban yesterday, McCarthy said the total vehicle market for the first quarter was 76 603 units — 14,4% lower than for the same period last year.

Business Day Reporter

"Furthermore, throughout the last decade only once, in 1986, were sales lower for the July to September period than they were in the quarter just ended," he said.

However, the company showed a 3% increase in attributable profits from R50,1m to R51,4m for the year to end June while turnover for the year was nearly R3bn against R2,7bn in 1990.

Drop-Inn thefts cost nearly R1m

B|Day 23/10/91 (30)

LINDA ENSOR

CAPE TOWN — Liquor retailer and wholesaler Drop-Inn achieved a 30% increase in earnings a share in the six months to end-August, if certain adjustments are made to the previous interim figures.

The interim dividend remains unchanged at 5c.

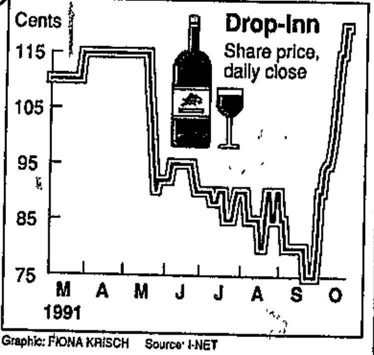
Earnings a share of 10,32c were notched compared with the previous pro forma interim figure of 7,94c, calculated to take account of "the sale of properties and Benny Goldberg's and the R940 000m worth of stock losses".

The stock losses were caused mainly by theft. Stock values were misrepresented and stock shortages covered up to conceal the thefts.

In the year to end-February earnings dropped 3,5% because of the thefts. Profits for the 1990 financial year were adjusted by R746 000 to take account of the thefts.

At the annual meeting in July, chairman Sam Berk said Drop-Inn had lost R1,69m through stock thefts and possible misrepresentations about prepaid expenses.

Directors say Drop-Inn is "continuing to pursue its remedies" in relation to the losses.



Graphic: FIONA KRISCH Source: I-NET

They say the results reflect the benefits of reorganisation and restructuring over the past two years, adding that the improvement in the balance sheet was due to better cash flow gained from better asset management. Shareholders' funds fell to R19,7m (R28m).

Turnover rose 24% on the adjusted basis to R56,7m (R45,7m), but margins came under pressure with operating income rising only 16,4% to R2m (R1,8m). Drop-Inn benefited from a lower tax rate.

The directors add: "Should the group's trading performance be sustained, the earnings per share for the current year will approximate those of last year. The company's export programme to Holland is showing good results."

PR facade hides true state of SA's development efforts

B|Day 24|10|91.

ERIC LOUW (30)

WHILE it is widely acknowledged that entrepreneurship plays a vital role in the economy, there is not much agreement regarding how, or even whether, entrepreneurs should be assisted in the process of starting and growing their businesses.

With the possible exception of lobbying for appropriate regulation, attempts to stimulate entrepreneurship amount to interventions in a complex socio-economic system, the full effects of which are difficult to control and measure. If development organisations really knew what they were doing we could safely applaud their efforts. Unfortunately, this is not the case.

Present-day entrepreneurship promoters are rather like 19th-century physicians, who understood but poorly their patients' bodies and their diseases. They based most of their treatments on supposition, heuristics and trial and error.

Through lack of knowledge and skill, many doctors did far more damage than good. Happily, succeeding generations of doctors learned from the mistakes of their predecessors and from research. The fruits of their learning are obvious.

If entrepreneurship promotion succeeds in traversing its own learning curve, it will become a genuinely useful instrument with which to pursue goals such as job creation, economic growth and the equalisation of wealth. Perhaps one day it will be possible to prescribe, with confidence, specific entrepreneurship-promotion measures to treat specific economic ailments, but we are nowhere near the point at present.

Despite what many entrepreneurship promoters would like their sponsors to believe, and despite the fact that there are many dedicated organisations trying to assist entrepreneurs, it is not possible to claim that entrepreneurship promotion has had a positive net effect on job creation, economic empowerment and growth. It is important to understand why the impressive statistics trotted out by development organisations are not to be trusted, and why this misinformation can be damaging.

First, the opportunity costs of funds channelled to a particular programme are seldom brought into the equation. In the light of this country's resource crisis, it is not enough to demonstrate that funds are being well used — it is imperative that the funds be used in the most effective way possible. It is inexcusable to tie up funds in a programme that is inching towards a goal when there may be other programmes that could race towards that goal. In this regard, it is important to distinguish programmes that address the causes of SA's economic problems (such as Bantu education and mercantilism) from those which merely patch up the symptoms.

Second, the question of marginality is seldom discussed. It would be easy to quote examples of less-than-scrupulous organisations claiming to be able to transform our economy. However, it is more instructive to examine the position of a major player with a high degree of integrity, such as the Small Business Development Corporation.

The SBDC claims to have "promoted 280 000 job opportunities at an average cost of R3 831 per job" since its inception (Marketing Mix, September 1991). This devalues the entrepreneurs' contributions in terms of creativity, effort and their own money. It also ignores the possibility that many of the entrepreneurs who were given subsidised loans could have funded their businesses in some other way.

Are we to believe the SBDC has single-handedly created more than 5% of the formal jobs in SA? If that is the case, then the commercial banks, which lend vastly more money to small businesses than does the SBDC, must have created the rest of the jobs — an absurd conclusion. And if the SBDC is really so good at creating jobs, perhaps it would be wise to give them a few billion rands more so they can wipe out unemployment completely. In reality, while some development organisations may make useful contributions, these contributions are marginal at best.

Third, many organisations avoid tackling the really difficult problems. They inevitably take the line of least resistance and help clients who are accessible and easy to work with. They thereby exclude clients who may have a greater need and excellent potential, but who are difficult to serve.

It is, for example, easy to provide subsidised loans to white clients who come close to meeting commercial loan criteria. It requires a more innovative approach to set up a viable lending operation for black clients not able to get bank loans. Organisations which shy away from this challenge and channel most of their funds to white entrepreneurs cannot claim to be a vehicle for black economic empowerment. They, however, often make such claims, using smoke-and-mirror tactics to conceal rather than reveal what they are doing. For example, while the SBDC supports more black than white entrepreneurs, it channels close to two-thirds of its funds to whites.

Finally, interventions can distort markets, displace jobs, create dependency and shield beneficiaries from competitive forces — to the ultimate detriment of the economy, other businesses and even the beneficiaries themselves.

The real problem with these distortions is not so much that development organisations are less effective than they might be, but that the motivation to improve their effectiveness is blunted. Because their "customers" (the beneficiaries) have far less power than conventional customers, development organisations are less sensitive to market forces than commercial organisations. Development organisations do not need to be good at development in order to survive — they need to be good at fund-raising and fund management.

Any genuine attempt to evaluate the effectiveness of a development organisation's work is a direct threat to its management's vested interests. As a consequence, evaluation projects are sometimes rigged to produce results that support the organisation's propaganda.

Alternatively, when objective independent evaluations are performed, the results are seldom made available to the public. It would be useful if evaluations of Development Bank of SA programmes were more widely available. As it is, however, the net effect is that learning grinds to a halt, old mistakes are repeated when they can ill be afforded and stakeholders are lulled into believing the country's problems are being taken care of.

This article is not an attempt to criticise the work of development organisations — it is entirely possible that some excellent work is being done. But little effort is devoted to discovering what is being done well and what poorly, while a great deal of time and energy is devoted to shaping perceptions.

The article also implicates the funders of development organisations whose first priority is often to get as much PR mileage out of their sponsorship as possible. Even though research may be the best tool for helping development organisations to become more effective, who wants to sponsor such an unphotogenic activity, especially when it cannot be translated into a specific number of grateful beneficiaries? Worse still, the results of research may take some of the warmth out of the glow induced by other activities.

The time has come for development organisations and their sponsors to drop the PR facade and start building on what is of real value behind it. If they fail to do this, then the facade will be torn down anyway, together with anything of value.

There is a growing cynicism among the purported beneficiaries of entrepreneurship development. Unless development organisations can demonstrate the value of their work, "entrepreneurship promotion" may become a dirty phrase in the SA of the future.

☐ **Louw is senior consultant at the Wits Business School's Centre for Developing Business.**

COMPANIES

Motor slump affects CMH

MARC HASENFUSS

DURBAN-based vehicle retailer Combined Motor Holdings (CMH) put in a sluggish interim performance as trading conditions in most sectors of the motor industry deteriorated. 30

Operating margins were smashed by the recession in the retail motor industry and operating profit showed a hefty 37% decline to R3m (R4,8m) despite a 16% jump in turnover to R200m (R171m) in the six months to end-August. B/Day

The 7% year-on-year decline in combined new vehicle sales to September 1991 dampened the effects of CMH's expansion programme. Last year the group opened four vehicle dealerships and a large truck outlet near Pinetown. These acquisitions were expected to boost CMH's turnover to over R500m by year-end.

CMH currently retails mainly through Ford, Nissan/Uno and MMI franchises and on a smaller basis through Delta, Mercedes-Benz/Honda and Toyota.

A slight reduction in the interest bill and a significant cut in taxation restricted the bottomline slump to 29%. A reduced 2,1c (3c) a share dividend was declared on earnings of R1,2m (R1,7m) or 6,4c (9c) a share.

Sales are not expected to improve significantly after the introduction of VAT and "hence no general recovery is expected in the current financial year".

Directors were not available for additional comment yesterday and the performance of the group's parts and service divisions could not be gauged.

These two sections, according to the group's last annual report, contributed well over 50% to operating income.

The spares industry has started to show a recovery in the last few months and motor retailers have been looking to increased after-market business to offset low new and used car sales.

The share was untraded yesterday at 125c, below its September high of 135c. Net asset value stands at 143c a share.

Traders 30 flock to fair in Bulawayo

B/Day 25/10/91

MICHAEL HARTNACK

HARARE — SA companies have snapped up exhibition space at next April's Central African Trade Fair in Bulawayo following the removal of a Zimbabwean ban on their participation.

Trade fair GM Graham Rowe told the Zimbabwean Financial Gazette 27 SA exhibitors had confirmed their participation and another 20 were expected.

President Robert Mugabe's government has also rescinded 11-year-old bans on participation by South Korean and Taiwanese exhibitors, but they have not responded.

The presentation of an SA government stand at the fair was reportedly mooted by diplomats when they met their Zimbabwean counterparts in Pretoria last month, to discuss re-negotiation of the 1964 "most favoured nation" trade agreement Zimbabwe inherited from the Rhodesian government.

Zimbabwe's reaction is not yet known.

South Africans have not participated since 1979.

Because of the increase in the number of exhibitors, only limited space could be offered each one, said Rowe.

Germany aims for stronger SA links

B/Day 25/10/91

BILLY PADDOCK

GERMANY hoped to develop and intensify economic co-operation and other relations with SA to help strengthen the economy, German Agriculture Minister Ignaz Kiechle said yesterday after meeting Foreign Minister Pik Botha in Pretoria.

Favourable political and economic development in SA would have a positive impact on neighbouring countries and could be a driving force for stability in the sub-Saharan region, he said in a statement.

Botha said he was pleased Germany would continue to contribute to southern Africa and other parts of the world in need of development despite the tremendous demands made on it in the reconstruction of east Germany in a new unified Germany.

During their meeting he had explained to Kiechle the difficulties of designing a new constitution and had emphasised the necessity of economic growth in southern Africa in order to support whatever constitution was agreed upon, Botha said.

"Without economic growth there will be no future for any of us in South or southern Africa."

Kiechle said southern Africa should pull together economically and politically and only if SA survived would the rest of southern Africa have a chance.

Earlier Kiechle held discussions with President F W de Klerk on bilateral relations between the two countries.

De Klerk said they had exchanged information on the progress of German reunification and the economic challenges flowing from it. "I also gave him some indication of plans to improve agriculture in SA and broaden private property ownership through development schemes."

Kiechle said he and De Klerk had agreed peace was possible in SA only with economic development.

Kiechle also met Agriculture Minister Kraai van Niekerk, ANC secretary-general Cyril Ramaphosa, members of the ANC Land Commission and representatives from other groups including agricultural, business and research organisations.

German Agriculture, Food and Forestry Minister Ignaz Kiechle examines a wooden African statuette at a curio shop in central Johannesburg yesterday. Kiechle, who is on three-day visit to SA, met President F W de Klerk, cabinet ministers and ANC officials yesterday. Kiechle said Germany hoped to help strengthen SA's economy.

Picture: ROBERT BOTHA

Churches maintain stand on sanctions

B/Day 25/10/91

CAPE TOWN — There should be no general lifting of sanctions against SA until violence was controlled and agreement reached on an interim government, representatives of local and international churches said in a major policy statement in Cape Town yesterday.

The document, known as the Cape Town Statement, is the outcome of a four-day conference held under the auspices of the World Council of Churches and the SA Council of Churches.

It called for the establishment of a peace-keeping agency with all major political groups represented, for a general amnesty for political prisoners and exiles, and for restitution for blacks who had lost land and opportunities under apartheid.

University of Cape Town theologian Prof Charles Villa-Vicencio, one of the drafters of the statement, said in an interview that details of what sanctions could be lifted were not discussed because the church was not competent to make these decisions. — Sapa.

BUSINESS

Rent boycott at SBDC premises

(30) WMail 25/10 - 31/10/91

The Small Business Development Corporation has run into problems at its Dobsonville Industrial Park in Soweto, with tenants refusing to pay rent because of the adverse conditions.

By FERIAL HAFFAJEE

SOWETO entrepreneurs in the Dobsonville Industrial Park have refused to pay rent because they say conditions in which they have to work are ruining their businesses.

The industrial park, owned by the Small Business Development Corporation (SBDC), is not insurable and some tenants lost all their equipment in two fires this year.

They also claim many of the small businesses located there are going insolvent because the SBDC provides no back-up services to the tenants after they take up occupancy in the park.

Ike Diale, who manufactures sorghum beer, lost printed plastic, equipment and sorghum in the first fire. His business took a battering which saw production slide from 400 tons a month to the present 60-70 tons.

A second fire in August this year damaged cars which were at the panelbeaters which hire space in the park.

Diale says many clients lost cars in the fire and they are hesitant to come back to the park panelbeaters. The word has spread and park leaseholders are losing clients every day.

When the tenants complained to the SBDC they were told that there was nothing that could be done and that they should have secured insurance.

But Diale complains that no company will insure the park. It is a high risk because the partitions are made of corrugated iron, there are no fire hydrants, no hoses and no firewalls.

The insurance company told them that premiums would be too high to be a viable contract.

SBDC general manager for the Witwatersrand Joe Schwenke admitted that the industrial park presents insurance difficulties. He says that to ensure rentals were kept as low as possible, the buildings were built cheaply.

He says the SBDC can change the structures but tenants would have to pay higher rents. He adds that he offered to find insurance for tenants by using SBDC shareholders, many of whom are insurance companies.

After the first fire, four of the tenants started a rent boycott in protest at the SBDC's refusal to compensate them. They owe the SBDC some R100 000 in arrears.

After the second fire, they were joined in the rent boycott by the remaining four tenants who now owe R70 000.

The SBDC took the rent boycotters to court where judgment was given against them, compelling them to pay their rent and arrears. Schwenke says that the SBDC is hesitant to evict the Dobsonville tenants. Instead he has set up a meeting with prominent businessman and SBDC board member Nthato Motlana which he hopes will solve the crisis.

Both the tenants and Schwenke agree that the only way out of the acrimony is for the park to be sold to the tenants. He says that the SBDC offered to provide 100 percent loans to the leaseholders but that this offer hinges on them settling their rent arrears.

But Diale and the other small business owners also complain that many of their colleagues in the mini-factories have gone bankrupt. "The SBDC says that it is interested in developing business people but developing someone is not just providing them with money," complains Diale.

He says there is no back-up for the renters after they take up occupation in the parks. "They are people who only know how to work with their hands, they have no business sense," he adds.

Schwenke admits that this has been a problem at Dobsonville. He says that the SBDC is moving away from the industrial park concept and increasingly using the hive idea.

Hives are warehouses sub-divided and rented to small businesses and have a full time adviser on the premises. But the parks only have a business adviser who is supposed to visit each tenant once a week and help them to sort out their problems.

"We understand clearly that loans alone are not the answer. But ultimately, the SBDC can only assist, the client must ultimately run the business. Whether that business makes it depends on the entrepeneur," concludes Schwenke.

A better route ... The SBDC is moving away from industrial parks and concentrating on the hive idea of sub-divided warehouses

Decor misses export benefits

B/Day 25/10/91

MARCIA KLEIN (30)

EXPECTED benefits from export incentives did not materialise for retail and wholesale-listed Decor Investment Holdings.

The investment holding company, whose interests are in the marketing and distribution of wall claddings, and the manufacture of furniture and louvre doors, dropped its attributable earnings by 40,8% to R902 000 (R1,6m) in the year to end-June.

Turnover fell 20,3% to R21,9m (R27,5m), and operating profits were 43,7% down at R1,2m (R2,1m). Directors said the benefits deriving from export incentives had not materialised.

Despite this, the group had traded at a satisfactory level.

PEPKOR/TRADEGRO FM 25/10/91

Bargain price?

(30)

In deciding to buy Checkers, Pepkor chairman Christo Wiese was encouraged by the fact that it could be bought for no more than 4% of Pepkor's market capitalisation. This seemed a small amount when weighed against the potential rewards, including, in his view, the opportunity for Pepkor to double its profit in the short term.

Whether such "opportunities" are realised will depend partly on how thoroughly the problems were analysed. Wiese tells the story like this: When the time came for him, Pepkor MD Arnold Louw and Shoprite MD Whitey Basson to make up their minds, Wiese briefed them to sleep on it and to give him their decision the following morning. Says Wiese: "If analysis had continued, we could have analysed it until death."

Louw and Basson both wanted to buy. Wiese says he made up his own mind to do so, when he considered that control could be bought for no more than the paper profit that Pepkor had already seen on its acquisition last year of Smart Centre — about R50m.

Vendor in the Checkers deal is Sanlam subsidiary Sankorp, which holds 73,4% of Tradehold. The purchase price of R54,9m values Tradehold at 57,7c a share. Pepkor

FM 25/10/91 (30)

has bought 50% of Tradehold for this price. It will extend an offer to minorities, who may tender their shares to Pepkor. Should the number of shares tendered by minorities be less than the amount needed to give Pepkor more than 50% of Tradehold, then Sankorp will sell to Pepkor, at the same price, additional shares to make up the difference.

Pepkor will pay for the Sankorp leg of the transaction in cash, or with Pepkor shares at R105 a share. Wiese says payment, to both Sankorp and to minorities, will probably be in Pepkor shares.

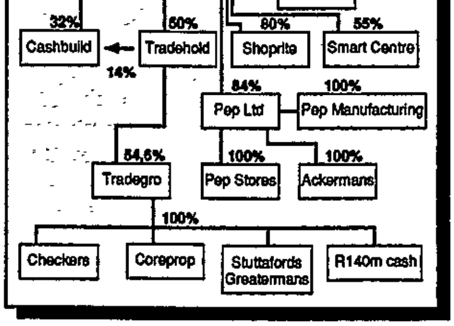
Pepkor has the option to buy Sankorp's remaining shares in Tradehold at the same price, terms and conditions. Should no tenders be received from minorities, and if Pepkor does not exercise its option, then Pepkor will control Tradehold with just over 50%. Should all minorities tender their shares and Pepkor's option is exercised, Pepkor would acquire 100% of Tradehold.

Tradehold owns 54,6% of Tradegro. According to Sankorp investments manager Chris Pretorius, the deal places a total value of about R234m on Tradegro, which wholly owns Checkers, Coreprop and the Stuttafords/Greatermans operations and also directly owns about R140m cash. If this cash is excluded from the calculation, Pepkor has bought control of the three operations, which together are valued at R94m.

In the year to end-June, Stuttafords/Greatermans produced a pre-tax profit of R4,5m. Placing an earnings multiple of 5,0 on this business, would give a conservative valuation of about R22,5m for Stuttafords/Greatermans, leaving a total value of R72m for Checkers and Coreprop. Coreprop remains entwined with Checkers — it owns and controls many of Checkers' leases — so it is difficult to get any closer to putting a value on Checkers itself.

Through its 50% interest in Tradehold, Pepkor will have an effective 27,3% in Tradegro. On that basis, it is argued that the effective investment in Checkers and Core-

continue →



FOX FM 25/10/91 (30)

prop is only about R20m, while the effective interest in Tradegro's R140m cash is R38,2m.

The R58,2m total is close to the R54,9m that Wiese is paying. It suggests that he picked up the controlling interest in Checkers for less than R20m — which must rank as a bargain price for an operation with 169 stores and reported turnover of R3,5bn in its year to June. It costs R3m-R4m to establish an average Checkers store.

Can Wiese turn the chain from a loser to a profit producer? He has no doubt that Basson, who will oversee the resuscitation of Checkers, will succeed in a relatively short time. Already, a number of the bad leases that have contributed to the chain's poor performance have been negotiated away. Moreover, there will be rationalisation between Checkers and Shoprite. There may also be some rationalisation in the food retailing industry, that could enable more respectable margins in the major chains.

How does this deal leave Sankorp? For a start, there would appear to be a number of faces covered in egg. But there should also be better prospects, especially in the long term. For now, Sankorp will retain 36,7% of Tradehold. It also gains a larger share in Pepkor, which Sankorp believes is best positioned to turn Checkers to good account. And it rids itself of a management burden with which it was not coping.

For Pepkor's management, the acquisition represents a major challenge. Basson contends that Checkers has "excellent" management which has had to operate with a "for sale" notice draped around them, and with numerous prospective buyers sniffing around. Basson is impressed that the loss could be curtailed to just R8m.

Wiese says the acquisition will not affect Pepkor's earnings this year. Pepkor shareholders, however, could do well to remember his reference to the Checkers purchase leading to a doubling of group profits. That seems a bold forecast at this stage. Even so, the best action for Tradehold minorities would be to accept the offer of Pepkor shares.

Gerald Hirshon

Eric Ellerine's happy about future — but . . .

S/Times (BUSS) 27/10/91.

(30)

ELLERINE Holdings chairman Eric Ellerine hopes the leading furniture retailing chain will open its 400th store by 1993.

That is a measure of the confidence Mr Ellerine and his team have in South Africa's future.

Mr Ellerine leaves nobody in any doubt that he lives in SA because he wants to — not because he is financially obliged to. He is confident enough about the future to incur borrowings within the group to allow it to expand.

But on a sobering note, he says the joker in the pack facing all SA's retailers is industrial relations.

"It puzzles me more than anything that we tabled a wage increase offer of 19,8% and the union rejected it. Only a thousand out of 3 860 union members are on strike, but it is enough to damage us.

"Candidly, I am at a loss to understand this scorched earth policy. This month it's our turn, next month it is someone else's. If there is not peace on the labour front, there is no hope."

At the end of the year to August 1991, Ellerine's gearing was 10%, capital being required to open 26 shops. Another 13 have since been opened.

At a presentation to the Investment Analysts Society, Mr Ellerine was asked why Ellerine had chosen to depart from a proven debt-free business by borrowing to fund expansion.

He replied: "To stop analysts from pointing fingers at us for not using every muscle available."

Referring to Ellerines' debt-free tradition, he quipped that the group's principal bankers had banked with Ellerine for many years and now it was time to change.

Mr Ellerine believes that a view can be taken that either SA is doomed and has no future, or that there will be life after death.

ERIC ELLERINE: Never anything for nothing

"We have tremendous faith in a future for all our people. It might be all doom and gloom at present and we need a bit of sustained peace. When the economy improves, Ellerines is poised for a vertical take-off."

He says it has never been necessary to come to shareholders for money. If an investor had put R9 000 into Ellerine shares in 1988 when they averaged R9, the capital appreciation at August 31 this year would have been R53 000. The all-in return including dividends exceeded 70% a year in those three years.

Mr Ellerine says the group now does business with higher-income earners in addition to the customer base on which it was founded in 1940.

It trades under six retailing names which compete with one another.

Ellerine is the only listed furniture retailer to make full provision for deferred tax. This most conservative method has placed the group in a sound position at a time when competitors are becoming obliged to sell their debtors' books.

Mr Ellerine says: "In my experience, banks don't do anything for nothing. I have never had something for nothing in my life and I am proud that we manage our book as well as we do. We don't have to sell it and I hope we never will."

Mr Ellerine says that generally speaking, a great deal of professionalism has found its way into furniture retailing among the group's competitors in the past five years.

But he maintains that the quality of Ellerine's R550-million debtors' book is still the highest. Even so, it made greater than a 30% provision against doubtful debt and unearned finance charges.

Some competitors provide as little as 18% — a totally inadequate figure in Mr Ellerine's estimation.

"Ours might be a little high, but in this economy it is fair to provide for a rainy day."

Collections have eased by 0,2% — not marked, but still a significant amount of the whole book.

Investors are warned to expect lower interim earnings than were achieved last year — unless Christmas sales outstrip expectations.

In the longer term, accelerated urbanisation, housing developments, higher disposable incomes and the group's general strength, financial and geographical, will stand it in good stead.

The shares at R56 are on 7,2 times historic earnings. That is about double the rating of three years ago.

Mr Ellerine says there is no reason why it should not warrant a price-earnings ratio of 20.

LAURIE KORSTEN: Toughest negotiations ever — on both sides of the table. Picture: SUE KRAMER

Senbank rescues Rusfurn

30

S/Times (Buss) 27/10/91.

By JULIE WALKER

RUSFURN's 14 bankers, 80 management buyout executives and 12 000 employees can look to a better future after the furniture retailer's Senbank-led bail-out.

Rusfurn chief executive Laurie Korsten — a former merchant banker — came to the helm in July after Geoff Austin resigned. Mr Korsten says the negotiations were the toughest he has ever undertaken from either side of the table.

Mr Korsten scrutinised the 17-chain group and concluded that the underlying businesses were sound. But he found two critical problems.

"The top 80 who were part of the management buy-in from Tradegro two years ago were without incentive. They borrowed to pay 140c a share in the hope that dividends from Rusfurn would cover the interest. In the first year, they did, but not the next.

"Now Senbank has agreed to take those shares and wipe the slate clean — provided the executives stay with Rusfurn until April 1994."

Mr Korsten says the other problem was the group's capital base. Banks' direct and indirect exposure topped R1,1-billion and Rusfurn had made inadequate provision against bad and doubtful debt.

Results to be announced tomorrow with the recapitalisation details show an accumulated loss of R96-million at June 30 compared with the previous year's retained revenue reserves of R100-million. Not only did Mr Korsten have to do something about debt, the balance sheet had to be overhauled.

He believes that Rusfurn should provide for deferred tax on a fully comprehensive basis — a departure from previous policy. The result is that R60-million must be deducted from shareholders' funds.

Other assets have been revalued and the outcome is a reduction in shareholders' funds from R240-million to R51-million. Net asset value (nav) is down from 1990's 149c a share to 29c.

If conservative policies had been in place in 1990, nav would have been 85c.

Terms

As a result of taking over the management buyout shares, as well as three-quarters of Unidev's 22% stake, Senbank now has 42,2% of Rusfurn. Since it will underwrite a R250-million rights offer of convertible debentures, Senbank is likely to win control.

Senbank has also undertaken to substitute R145-million of redeemable preference shares in Rusfurn when they fall due.

Terms of the rights offer, set for January, will be made final soon. Trade in the ordinaries resumes tomorrow after being suspended four weeks ago at 55c. The price is likely to fall closer to nav.

Ordinary shareholders

☐ To Page 2

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S/Times (Buss) 27/10/91.

Rusfurn

30

have suffered the worst — at its peak, the price was 160c.

Mr Korsten says the other banks have agreed to extend their facilities of R461-million and to provide fresh debt funding of R200-million to Rusfurn for four years.

So Rusfurn returns to the Sankorp fold it left two years ago. Sankorp has 90% of Senbank parent Bankorp and until a week ago controlled Tradegro, which sold Rusfurn in 1989.

Foschini's Lewis bides his time after Etam bid failure

30

S/Times (BUSS) 27/10/91.

BY CIARAN RYAN

OCEANA has forfeited its listing in London after a failed hostile take-over bid for UK clothing group Etam.

But it will retain its JSE listing in spite of the fact that the company is now based in London.

Oceana is 35% owned by Foschini, which now has a 36% cross-holding in Oceana. Both are controlled by the Lewis family.

Oceana launched its bid for Etam in June to howls of indignation from Etam directors. Oceana acquired 28% of Etam in the market, then made an all-out bid for the company, offering 185p a share.

That valued Etam at £121-million (R650-million). Only 1,2% of Etam shareholders accepted the offer. Buying operations boosted Oceana's stake to 33,5%.

Two London-based families of SA origin were pitted against each other in the battle for control: on the one hand Cape-Town born Rodney East, who runs Etam, and on the other, Oceana director Michael Lewis, who initiated the bid.

Contact

Mr Lewis says relations between Rodney East and the Lewis family were informal and friendly, extending over five years. Mr Lewis assumed control of Etam 12 years ago when the group lost £3-million and turned it around.

Etam group financial director Keith Miles says: "Rodney has relatives in SA and used to visit them from time to time. He took a retailer's interest in what was happening in SA and in this way got to know the Lewis family."

Since the bid, there has been no contact between them, says Mr Miles.

The financial press in London applauded Mr East's refusal to be dragged into a slanging match with Oceana. He is apparently respected in the City, with a reputation for civility.

Blatant

Mr Lewis says: "The takeover bid was acrimonious only in the sense that the Etam board thought our offer price was not fair. We were lucky, we got our shares at a cheap price."

Etam chairman Alan Howard used strong words at the time of the bid, saying: "We will resist this attempt to grab Etam on the cheap at the bottom of the retail cycle.

"Seldom can there have been so blatant an example of a predator trying to cash in on a management team's achievements at the expense of a company's shareholders."

In terms of London Stock Exchange rules, Oceana may acquire only another 4% of Etam over the next year and 2% each year thereafter.

The deal was to have been financed by Oceana to the tune of £45-million, a consortium of UK investors £31-million and debt of £11-million. Foschini coughed up £131-million, financed by borrowing, for a 36% interest in Oceana.

Handbags

The interest charge started to squeeze profits towards the end of the interim stage as the investment had not reaped a return.

Oceana's leg of the financing was raised by a rights issue. Now that the bid has fallen through, Oceana is awash with cash and is looking at its next move.

Etam's shares trade about 225p, adding 21% to the market capitalisation and putting outright control further out of Oceana's reach.

Mr Lewis says three-quarters of Oceana's assets are locked up in its 33,5% stake in Etam, worth about £47-million at market prices

Its other investments are 30% of Australian company Handbags International, a retailer of handbags and travel goods with 150 shops, and 50% of European restaurant group Gloma.

Etam started off selling women's underwear and moved into general clothing through 240 stores. In the late 1980s it was hit by recession in retailing and the high cost of expansion.

In the six months to August 10, 1991, Etam barely scraped home with a pre-tax profit of £35 000. But this was a recovery from the £1,1-million loss for the same time last year.

Analysts predict pre-tax profit of between £10-million and £12-million for the year.

The market was pleased with Etam's mid-year turnaround and the share price rose to 220p.

Oceana equity accounts its stake in Etam, but cash will only trickle in from this investment in the initial stages.

Oceana director Michael Lewis says Etam was an attractive investment because Foschini's experience could be used to improve performance

"Etam is reasonably well managed and has good coverage across the UK. The formula that succeeded at Foschini was huge investment in technology in the past decade. I believe we could improve Etam's performance a great deal If you look at Etam's margins and compare them with Foschini's you will see what I mean."

Etam is barely breaking even and Foschini's operating margins improved from about 17% in 1987 to more than 20% last year.

Mr Miles dismisses this argument, saying: "Foschini does a lot of credit sales. We do not. Retailing experience does not travel well. Look at the experience of Marks & Spencers in the US and Canada. They are different markets to Britain's. What works here does not necessarily work there.

"In any event, three-quarters of our shareholders rejected the Oceana bid and voted for our strategy."

Mr Lewis says he is letting the dust settle while considering his next move. Control is not as important as improving company performance.

Sacrifice

Etam is considering its options. A white knight takeover might be one way of putting the company beyond Oceana's reach. But as the share price continues to rise, this will become more expensive.

Mr Lewis is not worried about losing Oceana's London listing, saying: "It was necessary at this stage of our development to sacrifice the listing. This does not affect shareholders who can still trade through the JSE

"We made some good friends among the institutions while the bid was under way. We will make other arrangements in time, perhaps looking at a European listing."

COLIN THOMAS: Exports on the horizon once things get moving

Tube plant to save R8m in forex

S/Times (BUSS) 27/10/91

By DON ROBERTSON

WELTEXA, a member of the Kaymac group, hopes to gain a major part of the imported longitudinal stainless-steel tube market from a new plant at its Maritzburg base.

German equipment worth R8-million has been commissioned and will be sited on a R4-million installation. Production is expected to start in a few weeks.

Use of the Weltexa product could save SA about R8-million in foreign currency annually.

Longwall welding of stainless-steel pipes has seldom been done in SA. Most of the requirements for chemical, brewing, food and beverage, dairy and heat-treatment plants are imported. Weltexa hopes to lift production to 120 tons, worth R1,5-million, a month. Its pipes will range in size from 20mm to 104mm. Facilities are available to increase output in the next three years.

The company hopes to provide sufficient quantities to meet SA requirements.

Managing director Colin Thomas says many companies have postponed import orders until the Weltexa

Faculty of Medicine and Health Sciences

A Master's Degree in Family Medicine (M.Fam.Med) will be second half, which is normally the better trading period. ... opened seven new Spur Steak ... fold to R17,7m in 1991.

What's up the street for Checkers?

B/Day 28/10/91. (30)

MARCIA KLEIN

IN WHAT could be construed as a Freudian slip, Pepkor chairman Christo Wiese said last week that a viable "game" plan had been developed to restore Checkers to profitability.

In the weeks before the deal was concluded Prefcor, which owns Game, was said to be one of the major contenders in the hunt for control of Checkers. One of the main movers behind Game is former Checkers MD Clive Weil, whose Twolley for Twolley slogan was one of the few campaigns which had a positive impact for the ailing retail chain.

Debate

Although debate still rages about just how much good Weil did for Checkers, the one thing that is agreed upon is that he improved the image of the retailer.

But when it came to colour — that is, corporate colour — Weil's continued backing of yellow and black is still cause for debate.

Just how much store consumers set by corporate colours remains undetermined but changes to colour, uniforms, counter displays and marketing strategies are expected.

Sources say Pepkor and Checkers directors are currently meeting in Cape Town to discuss plans for the supermarket chain, but no details have been leaked.

However, analysts say it appears that Checkers, or at least a significant part of it, will stay intact. The feeling is that some of the stores and warehouses will be sold, and a number will be converted into Shoprite stores, while at least 60 of its 169 stores will remain as Checkers.

One analyst expresses surprise that Pepkor is not undertaking as much rationalisation as he had initially thought it would, although there will be some sell-offs and some major changes. He expects Checkers management to come under the umbrella of Shoprite, but says Shoprite directors may be stretched to look after both concerns.

He believes Pepkor is investigating the Checkers image, and could be looking at changing its name.

However, he points out that while Checkers may have a bad name in the investor's mind, shoppers do not consider it any differently to other major retailers.

Pepkor will benefit in the short term if it does manage to turn Checkers around, but in the long term Checkers will have to grow at the same rate as the rest of the Pepkor group, and this could be difficult to achieve.

Another market source says Pepkor will have to convince the market that it can succeed where others have failed. He believes that about 60 to 70 stores will remain as Checkers, although there could be a gradual long-term incorporation of the Checkers stores into Shoprite.

One industry observer says Checkers could come out of the restructuring exercise with "a very different image", and the chain could be changed into a middle to upmarket store specialising in food.

Floundering

Although figures have been released — Pepkor paid R89,1m to Sankorp and Sanlam for a 50% stake in Tradehold and a 32% stake in Cashbuild — an analyst says it is still difficult to determine exactly how much Pepkor paid, as liabilities have not been disclosed.

"However, the bottom line was that Pepkor acquired Checkers for very little," he says.

Whether or not Wiese intends to plunge what he saved on the purchase into the floundering chain store, he went on the record last week as saying that in the past Checkers had not been adequately funded.

Perhaps a name change, a different product range and a cash injection is just up the street for Checkers?

SA businessmen head for Cameroon

TIM COHEN

A DELEGATION of about 110 businessmen, politicians and journalists leaves today for the first all-Africa business conference in Cameroon's capital, Yaounde.

The group included a wide range of businessmen from company directors to Soweto entrepreneurs, organiser and Bairds CM Jacques Verster said yesterday.

Both Eskom CE Ian McRae and Safair MD Braam Loots will be speaking at the conference, which has attracted up to 500 businessmen.

Representatives from Southern Life, AECI, Sasol, Caltex and Senbank will attend as well as representatives from political groupings, including the PAC.

The conference is being organised by the Paris-based Movement for Dialogue and Co-operation.

□ KIN BENTLEY reports that an economic forum bringing together South and southern African cabinet ministers, World Bank and African Development Bank representatives, leading ANC and Inkatha figures, SA and world business leaders and prominent academics, started in Geneva yesterday.

It was organised by the Geneva-based World Economic Forum.

What's up the street for Checkers?

B/Day 28/10/91. (30)

MARCIA KLEIN

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No sparkle at Boymans 30

MARCIA KLEIN

CLOTHING and department store chain Boymans has put in a mediocre performance for the six months to end-August. BDay 29/10/91

The speciality chain, whose operating companies include John Orr's, Levisons, Deans, Cyril's, John Scott and Woolfsons, has reported a 22,8% decline in attributable earnings to R798 000 (R1,0m) after having halted its downward trend in the year to end-February.

Results for the six months to end-August 1990 have been restated to reflect the capitalisation of financial leases.

Financial director John Connaway said yesterday the main problem which the company experienced in the six months had been the marginal increase in turnover to R96,0m (R95m) on the back of continued deterioration in the economic and political situation.

All divisions in the group had been adversely affected, he said.

Operating profits dropped by 10,4% to R6,1m (R6,8m), while the interest bill was reduced by 3,7% to R4,6m (R4,7m).

Connaway said Boymans did well to keep its interest burden in check, and the small reduction reflected tight asset management.

Focus launches charge card

B/Day 29/10/91

MARCIA KLEIN

FASHION retailer Focus holdings has launched a "private label store charge card" which grants extended interest-free credit to customers.

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Focus MD Michael Cohen said the decision to launch the card was made some time ago as Focus's trading had been inhibited by its limited capital base and its inability to fund a large debtors' book.

Focus's operating companies include Smiley Blue, Mattress World, Forty Winks and Bachelors.

Cohen said the new card system enabled a retailer to pass over its credit operation to a credit card company or bank, and left it free "to concentrate on being a better merchant rather than a financier".

It also meant that retailers could develop at a faster rate.

Focus' private label charge card would be administered by Bonus Card, which is associated with Unibank, whose major shareholders are Fedlife and First National Bank.

Cohen said by integrating credit into its total merchandising and marketing strategy, Focus believed it could bring more customers to its stores.

Sales a square metre were expected to increase substantially.

Cohen said Focus would incur "a substantial loss" when it reported its results for the year to end-July. The group's poor performance was partly due to the severe downturn in the economy, which had been especially tough for cash-based retailers.

He said Focus's interest bill had been exceptionally high and profitability had been hurt by reduced margins and a large fixed overhead component.

However, middle and senior management weaknesses had been dealt with.

Retail sales dip takes edge off Edgars interim results

B/Day 30.10.91 (30)

MARCIA KLEIN

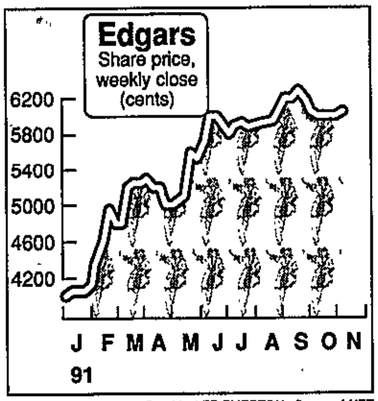
EDGARS' low 10% increase in earnings to 78,6c (71,3c) a share in the six months to end-September — although off a high base — shows how the bottom fell out of retail clothing sales in the last month of the reporting period.

The market was expecting better results from Edgars, one of SA Breweries' star performers, with the share rising by 50c or 8% to close yesterday at 6 050c.

National sales of clothing, footwear, textiles and accessories fell by 0,2% in September after growing by 7,5% in July and 11,7% in August, according to figures issued by the Retailer Liaison Committee.

In this light, Edgar's 13% turnover increase to R1,29bn (R1,14bn) for the six months, although weaker than expected, reflected a growth in market share.

Edgars CE George Beeton said that September sales were affected by a marked deterioration in consumer spending, the high level of unrest, pre-VAT hesitation to buy and strike action.



Graphic: LEE EMERTON Source: I-NET

The dip in September came after sales had been within budget since the March year-end. Sales in October had been better, but were still slow.

Beeton said the performance of credit chains Edgars and Sales House had been satisfactory, but sales at Jet Stores were an indication of the cash market's depressed state.

Operating profit grew 8% to R181,9m (R168,7m), reflecting a squeeze on margins, and financing costs increased by 13% to R31,0m (R27,5m). The large increase in working capital to R107,3m (R44,1m) resulted in borrowings of R35,2m (R20,4m raised). This saw gearing increase from 50% to 58%, but Beeton said this was still within the group's self-imposed limit 65%.

Pre-tax profits were 7% up at R150,9m (R141,2m), and after a tax increase to R72,3m (R69,9m), attributable earnings were 10% up at R78,6m (R71,3m). The interim dividend was 9% higher at 36c (33c) a share.

Stock was 39% up at R463,9m (R333,7m), mainly due to the depressed September sales. Beeton said the group had increased its promotional activities substantially, but had bought stock in anticipation of a much higher level of trade in September than had been achieved.

Edgars had been experimenting with increasing inventory in core high volume items at seven Jet stores, and this had been successful.

While it was difficult to predict what would happen in the Christmas period, Edgars had ordered inventories in anticipation of a good season.

What the readers think

Sowetan 31/10/91

30

POLITICAL stayaways evoked slightly more negative feelings than positive ones.

There was more opposition to consumer boycotts.

When asked what they thought about political stayaways, readers gave 304 positive comments against 318 negative ones.

Some of the negative feelings were that stayaways result in people losing their jobs; lives are lost; wasted schooling time; and cause violence.

There were 229 positive feelings towards consumer boycotts and 342 negative ones.

Among the negative comments were that shops in the black townships are too expensive; "it's not fair - we suffer"; it's a useless strategy; and the boycotts cause violence.

There were 342 readers who answered the question on consumer boycotts and 318 on political stayaways. Some respondents gave more than one answer.

Pepkor earns more from acquisitions

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B Day 31/10/91.

MARCIA KLEIN

DESPITE substantial acquisitions and weak consumer spending, an enlarged Pepkor has increased real earnings in the six months to end-August.

The group's turnover increased by 53% to R1,3bn (R849,1m), largely due to a higher contribution by the enlarged Shoprite chain (including Grand Bazaars) and the acquisition of Smart Centre, Frasers and Harties.

An interim dividend of 71c was declared, 15% up on the 62c a share declared at the August 1990 interim stage.

Chairman Christo Wiese said the six-month period was one of substantial growth. But the Smart Centre, Harties and Frasers Mine Stores acquisitions "have since been overshadowed" by the acquisition of Tradehold and 32% of Cashbuild, which also saw Checkers, Stuttafords/-Greatermans and Coreprop incorporated into the Pepkor stable.

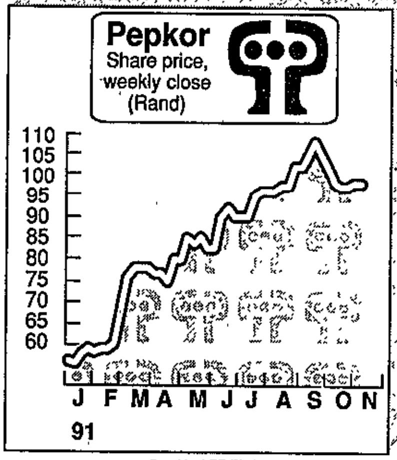
The acquisitions, which represented only about 6% of Pepkor's market capitalisation of R1,5bn, would raise Pepkor's R1,9bn turnover four times and double the number of its employees to 40 000, Wiese said.

He said Pepkor was now firmly established in the three areas which provide the community's most basic needs — food, clothing and building materials.

Initially, Pepkor would do "very little" with Checkers, and would "proceed with caution". Its first challenge was to get morale back.

He said Checkers was a huge and a complex business. Apart from going through a long recession, two strikes, and operating under a "for sale" sign, Wiese said Checkers did well to contain its loss at R8m off a massive turnover.

Pepkor operating profit was 30% up at R83,2m (R64,0m). Wiese said "the apparent imbalance" between turnover and operating profit was due to the larger contribution to turnover of retail food interests which operated on lower margins to those of the clothing sector.



Graphic: LEE EMERTON Source: I-NET

Profits before extraordinary items were 24% up at R35,9m (R28,9m). The extraordinary items of R88,3m reflected Pepkor's profit from the sale of 10% of its shareholding in Pep Limited.

This resulted in net profit increasing more than four times to R124,2m (R29,8m). But earnings were only 15% up at 238,8c (restated 207,3c) a share due to the conversion of debentures and preference shares.

Pepkor's food operation Shoprite almost doubled its turnover to R524,0m (R269,8m), reflecting to some extent the bedding down of the acquisition of Grand Bazaars. Operating profits were 35% up at R9,2m (R6,8m), but interest of R1,4m — to finance the expanded business through additional borrowings — saw pre-tax profits grow by 15% to R7,8m (R6,8m). Net profit was 11% up at R4,7m (R4,3m).

Pepkor unlikely to match last showing

Star 31/10/91.

By Ann Crotty 30

Tough trading conditions and the conversion of debentures and preference shares are likely to see Pepkor's financial '92 earnings figures down on the 678,6c reported in financial '91.

For the six month to end-August earnings were up 15 percent to 238,8c (207,3c) on a fully diluted basis. (Pepkor's debentures and preference shares were converted with effect from March '91).

An interim dividend of 71c (62c) a share has been declared.

Management says trading conditions will remain difficult in the second half. "We will be satisfied if growth in earnings per share is maintained."

This suggests full-year earnings of 642c a share, which is five percent down on the 678,6c undiluted earnings figure reported for the 12 months to end-February '91.

This puts the Pepkor share, which is currently trading at R98, on a prospective P/E rating of 15,3 times.

The review figures include the impact of the acquisition of a controlling interest in Smart Centre and Frasers' Mine Stores, as well as nearly 200 Harties Stores. In addition, 24 new outlets were opened.

The acquisitions had a signif icant impact on turnover, but only Smart Centre showed much contribution to the bottom line.

(The Tradegro deal is effective from the beginning of October.)

Pepkor's turnover for the six months to was up 53 percent to R1,3 billion (R849 million).

The increase in operating profit was restricted to 30 percent — up to R83,2 million (R64 million) — reflecting a drop in margins from 7,5 percent to 6,4 percent.

The lower margins are attributable to the lack of profit contribution from Frasers and Harties stores.

As management notes, food, which now accounts for a larger percentage of turnover, has considerably lower margins than clothing and textiles.

The trend to food sales will be heightened in the second half when Checkers' turnover is included.

Group earnings were up 24 percent to R35,9 million (R28,9 million).

Pep reported a 21 percent increase in turnover and a 14 percent advance in earnings to 93,6c (81,9c) a share. An interim dividend of 34c (30c) a share has been declared.

Turnover at Shoprite was up 94 percent to R524 million (R269,8 million), operating profit increased 35 percent to R9 million (R6,8 million) and earnings showed an 11 percent advance to 16,1c (14,5c) a share.