

COMMERCE — GENERAL

1992

MAY — JUNE

Apples and pears

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The war of words between a giant food retailing chain and official statisticians intensified this week. With the latest CPI figures came 13 pages of explanatory notes from Treurnicht du Toit, head of the Central Statistical Service (CSS), defending its methodology.

Though Pick 'n Pay is not mentioned in the release, the notes are clearly a response to criticism from its executives (*Leading*



Articles April 10). Chairman Raymond Ackerman and financial director Chris Hurst have questioned:

- The 33% weighting that CSS gives to meat in the food index. Hurst says his figures show that customers spend an average of only 8% of their food bill on meat, poultry and processed meat; and
- The relative importance in the sample of convenience stores that charge higher prices than food chains.

Hurst says that in the 12 months to February, when official food inflation rose to 27%, Pick 'n Pay's food prices rose only 14%. This figure is based on average unit prices — the total value of sales or turnover divided by the number of items sold.

Du Toit argues that:

- The weighting given to meat is consistent with the findings of its retail sales survey, previous weighting patterns and "other sources"; and
- Inflation measures movements in price and not average levels, therefore the fact that small outlets charge higher prices is not relevant. "It is also untrue that small stores dominate the sample."

He says average unit price movements are not a valid measure of inflation unless the

ECONOMY & FINANCE

FM 115192

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mix of purchases corresponds closely to the average consumer basket "and furthermore remains static in the periods compared."

Pick 'n Pay MD Hugh Herman, who started the controversy when he announced the company's results in March, disagrees. "You couldn't get a more valid measure because it is exactly what the consumer buys."

But he says he did not intend to imply that the official figures are incorrect. He was simply pointing out that Pick 'n Pay's figures are different. But he concedes his figures for "food" include a number of other items such as household consumables and toiletries.

This, of course, could explain the difference in the weighting of meat in the total food bill. In addition, the official inflation rate for household consumables, in the 12 months to February, was 7.5 percentage points lower than the food inflation rate.

The inclusion of nonfood items did not emerge in lengthy discussions early in April between the *FM* and a number of Pick 'n Pay executives — despite repeated requests for confirmation that the figures under discussion related only to food and not to other items in the store. It was revealed only this week after a meeting between Pick 'n Pay executives and CSS.

Pick 'n Pay is unable to provide a breakdown of its food and nonfood sales, but clearly the comparison of Pick 'n Pay price rises with official food inflation is like comparing apples and Handy Andy.

A recent internal price investigation by the chain, that showed price rises of about 12%, was even more pointless because it excluded fresh meat and produce — the chief impetus to official food inflation.

Pick 'n Pay's reservations about the role of small outlets, on the other hand, may be more valid. But this would apply only in the aftermath of VAT. It may well be that the price rises of small businesses were swollen by the fact that a number of them have been paying sales tax for the first time. GST, levied only at sales point, was vulnerable to evasion while VAT is not.

Because this situation will not be repeated, it is a partial explanation of past price movements but not an indication of future movements.

FM 11/5/92 (30) (18)

in steps on thin volumes over the past year to its current high. Most of the equity is privately held, the bulk offshore with Virgin Islands-based Southern Motor Holdings.

People interested in investing should probably wait for the first comparable results in October before deciding.

Shaun Harris

FM 11/5/92

(30) (18)

Activities: Holds Toyota franchise for Rustenburg, operating a service station and selling new and used vehicles.

Control: Southern Motor Holdings (65%).

Chairman: D A Khonat; **MD:** E S Moonda.

Capital structure: 3m ords. Market capitalisation: R7,7m.

Share market: Price: 250c. Yields: 13,6% on dividend; 34,0% on earnings; p:e ratio, 2,9; cover, 1,9. 12-month high, 250c; low, 140c. Trading volume last quarter, 1 000 shares.

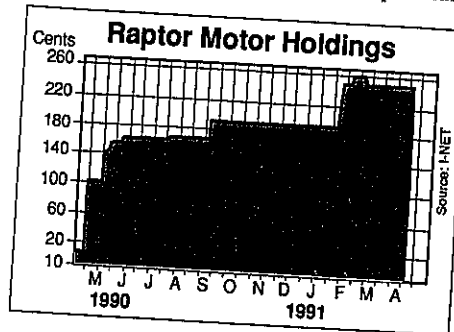
Year to Oct 31

	'91†
ST debt (Rm)	0,24
LT debt (Rm)	—
Debt:equity ratio	0,59
Shareholders' interest	0,23
Int & leasing cover	1,3
Return on cap (%)	35,5
Turnover (index)	25,3
Pre-int profit (Rm)	1,82
Pre-int margin (%)	7,2
Earnings (c)	85,1*
Dividends (c)	45
Net worth (c)	38

† 16 months. * Annualised, on weighted average issued equity.

meagre R187 000 retained income. The apparent high cover shown in the accompanying table reflects the calculation of earnings on a weighted capital, whereas the dividend was paid on the year-end equity.

A more accurate assessment of performance can probably be gauged from last June's interim report, which showed earnings to be close to the R780 000 forecast. Payment of R2,4m goodwill for the Toyota franchise, the bulk of the R3,6m purchase



RAPTOR

(30) (18)

Up to forecast FM 11/5/92

This former cash shell (previously Elex Electronics) bought Rustenburg Toyota from January 1991 and, after a capital reconstruction, launched into the garage and motor trade. So far, it seems, everything has kept going right, though both chairman Dawood Khonat and MD Ebrahim Moonda warn that this year's results will depend on a turn in the economy and continued favourable business activity in Rustenburg.

Comparisons with previous results, already distorted by a new year-end, are meaningless. Nonetheless, the company realised a net profit of R1,7m for the 16 months, most of which was paid out in dividends, leaving a

price, made a hefty dent in capital. Goodwill is now the major "asset," and tangible NAV is a fraction of the share price. At least Raptor has hardly any debt.

Moonda is pleased with the first results. He says the future is "a bit risky," though Rustenburg's economy has in part protected the company from recession. "This is still a boom area, with the mines doing well. But anything could happen and it's difficult to make forecasts," he says.

Khonat adds that turnover and margins are under pressure as the motor industry struggles. With about 60% of business in the fleet line, prospects should be reasonably stable. Moonda notes that demand has been holding up but the market is becoming increasingly competitive. He says the company "is having to discount a bit more than usual."

The DCM-listed share has not raised much interest, though the price has climbed

JD GROUP Fm 115192

Still optimistic

(30)

Activities: Operates four furniture chains — Bradlows, Joshua Doore, Price 'n Pride and Score Furnishers.

Control: W & A 50,1%.

Chairman and MD: I D Sussman.

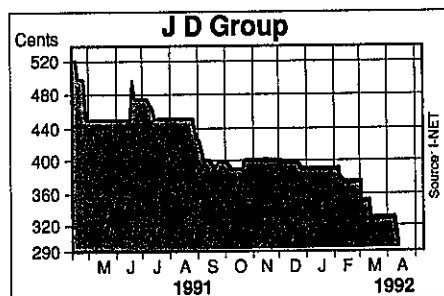
Capital structure: 35,7m ords. Market capitalisation: R107m.

Share market: Price: 300c. Yields: 7,3% on dividend; 30,3% on earnings; p:e ratio, 3,3; cover, 4,13. 12-month high, 550c; low, 300c. Trading volume last quarter, 15 000 shares.

Year to Dec 31	'88*	'89	'90	'91
ST debt (Rm)	0,6	0,3	211	194
LT debt (Rm)	77	115	115	—
Debt:equity ratio	0,58	0,54	1,53	0,57
Shareholders' interest	0,35	0,36	0,37	0,54
Int & leasing cover ..	6,8	4,0	3,8	3,0
Return on cap (%) ..	19,0	16,3	14,7	14,7
Turnover (Rm)	239	472	646	542
Pre-int profit (Rm) ...	36	67	83	46
Pre-int margin (%) ..	9,5	14,1	12,9	11,9
Earnings (c)	64	102,6	143,2	90,9
Dividends (c)	28	17	22	22
Net worth (c)	374	413	597	666

* six months.

The downturn in the furniture trade was sudden but brutal. Negative real growth from September to December exceeded 10%.



Numerous suppliers have reported losses and some businesses have closed their doors. But JD Group's unflappable chairman David Sussman remains optimistic. He argues that, in the medium term, houses need to be built, which will generate employment.

Sussman points out that earnings are being compared with those of 1990, which was a year of unprecedented growth. And turnover is not strictly comparable as the debtors' book was sold to a consortium of six banks: Nedbank, Standard, Senbank, Volkskas, Volkskas Merchant Bank and Finansbank.

The book remains the most important part of the business. It is easy to write business, but far more difficult to collect instalments. Bad debt write-offs now account for 2,4% of the book. Overall arrears increased from 5% to 6,4% and the length of the book from 13 to 15,4 months — sound, considering that most credit agreements are over 24 months.

The transaction, Sussman says, virtually



JD's Sussman ... getting rid of the debtors' book

eliminated gearing, cut shareholder risk and provided increased cash resources for future expansion. JD Group is financially stronger, so it can squeeze suppliers further.

The first Central Distribution Centre for bulk warehousing opened in March and will be fully operational from May. Two more CDCs will open in Cape Town and Pretoria, enabling JD to give up space adjoining Joshua Doore, Brackenfell, outside Cape Town.

Thanks mainly to the debtors' book sale to JD Sales, cash available was R174m, compared with a R36m outflow in 1990. In the balance sheet investments and loans rose from R11m to R188m, which is accounted for by preference shares in JD Sales.

Sussman expects 1992 to be tough but is confident the group will do well when the upturn comes.

The share is underrated at 300c, on a p:e of 3,3. There is anxiety about the sector, as it is both a trading and a banking operation, but JD Group has built up a track record and unlike the most respected company in the sector, Ellerine, has a depth of strong young top managers.

Stephen Cranston

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Don't ⁽³⁰⁾
'ignore ^{panel}
small ²¹⁵¹⁹²
business'

By JOSHUA
RABOROKO

SMALL enterprises in Africa had a role to play in the social and economic development of the continent, speakers said at a business conference held in Johannesburg this week.

Speaking at the fifth conference of the International Council for Small Business Southern Africa, Dr Ben Vosloo, managing director of the SBDC, said more and more policy makers were turning to the small to medium enterprises for solutions to unemployment, poverty and social unrest.

He said this sector had proved it had great potential in providing increased output and job creation.

The general secretary of the Preferential Trade Area for Eastern and Southern African states, Dr Bingu Wa Mutharika, said small enterprises had a critical role to play in Africa.

It's holiday

30 APR 2/5/92

Controversy over ruling on May 30

DI CAELERS
Weekend Argus Reporter

THE government has come in for a tongue-lashing from the Cape Town Chamber of Commerce for its "unilateral" declaration of a special public holiday on Saturday, May 30.

It was a "blatant case of officialdom taking precedence over logic", said Mr Charl Adams, the chamber's human resources manager.

"The businessman is in a cleft stick. If he wants to do business, he must pay his employees double (public holiday rates), otherwise he doesn't trade and then loses out completely.

"It's a ludicrous situation in which to place businessmen. Business is bad anyway and this only adds to the burden they must already deal with."

He said the chamber had made representations to the Minister of Home Affairs, Mr Gene Louw, in this regard, but that his office remained "ominously quiet".

May 30 was declared an additional public holiday by the government and gazetted in September last year after a request from the Comrades Marathon Committee.

Traditionally, the Comrades Marathon is run on Republic Day. However, because May 31 falls on a Sunday this year, for religious reasons the committee requested an additional public holiday.

According to Mr Adams, the National Productivity Institute had identified that one public holiday meant a loss of more than R500 million to the country: "Six public holidays in April and May means R3 bil-

lion lost. This is totally unnecessary."

In respect of the May 30 holiday, he said the minister "obviously thought this was a nice gesture, but he didn't take the financial impact on the business community into account".

The chamber had received many complaints from its membership: "There's a lesson to be learnt here. The business community is a very sensitive one and it's essential that they're consulted before decisions are made which affect them."

When approached for comment, a spokesman for Mr Louw's office referred Weekend Argus to a Press release issued last year when the extra holiday was gazetted.

In that statement, Mr Louw said the Comrades committee initially asked for the Friday or the Monday of the last weekend in May to be declared an additional public holiday, thereby converting it into another "long weekend".

"The organised business sector is against the proclamation of additional holidays and is not favourably inclined towards this arrangement because of self-evident economic reasons.

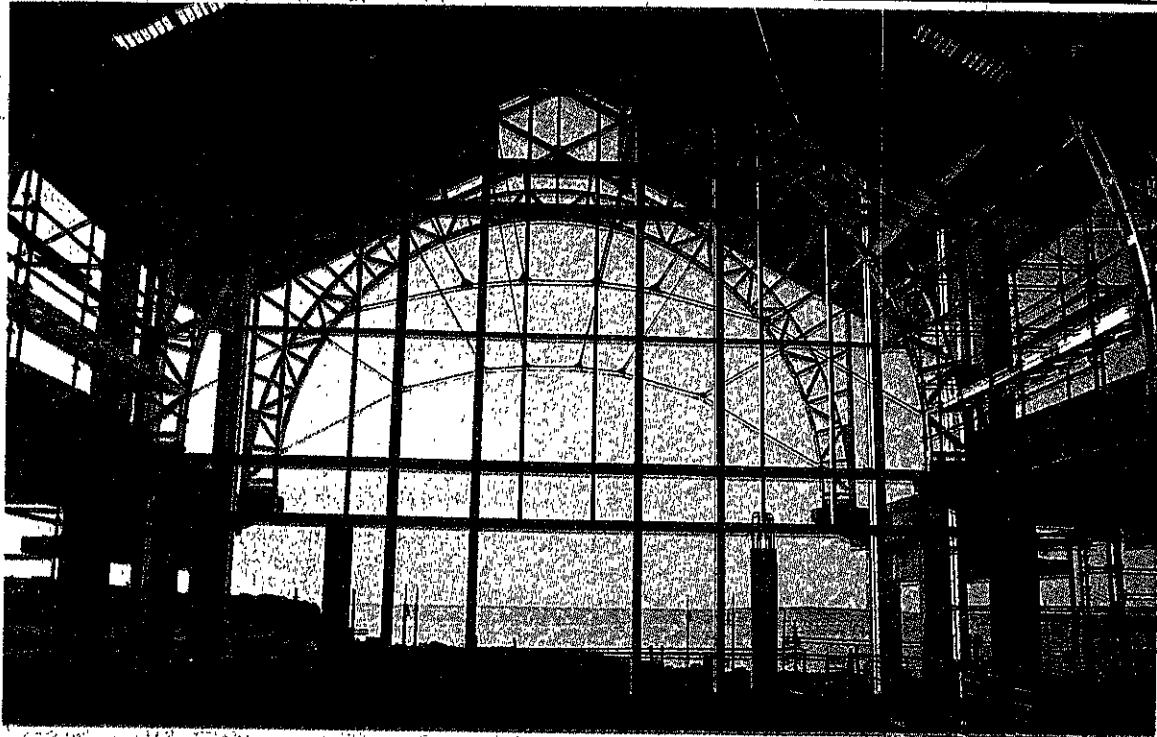
"There are also other factors to be considered, such as increased traffic collisions during long weekends."

Mr Louw said the government had decided on May 30 as the number of official long weekends would not be increased "and the effect on the economy will be slight as relatively few people work on Saturdays and most of them only half-days".

Proclaiming the Saturday a public holiday, according to Mr Louw, would contribute to greater inland participation in the Comrades Marathon.

madness!

BUSINESS



WATERFRONT DEVELOPMENT ... a view from the galleria section of the Victorian Wharf at the Waterfront, which bisects the two shopping sections of the development

Waterfront heads for a record attendance

STimes (Cape metro) 315192 (30)
THE Cape Town Waterfront development could soon be heading for an entry in the Guinness Book of Records if visitor attendance figures continue to increase.

At the official roofwetting of the Waterfront's latest project, the R125-million Victoria Wharf shops and offices complex, the chairman of the Waterfront company, Prof Brian Kantor, said the pulling power of the Waterfront was exceeding expectations.

He pointed out that the San Francisco Waterfront development was the second most visited tourist attraction in the USA and attracted 12 to 13 million visitors a year — while the Cape Town Waterfront had more than six million visitors in 1991, its first full year of operation.

When the Victoria Wharf complex is completed in October, it will comprise two shopping levels, bisected by a central galleria and smaller mall. It will contain 100 shops, 11 cinemas, 14 restaurants, a Pick 'n Pay Pantry, fresh fish, meat and produce trading areas, and upmarket studio-type offices.

The Pick 'n Pay Pantry will be the eighth in the group's Pantry concept series, which extends from Johannesburg and Durban to Port Elizabeth and Camps Bay.

"It will be the biggest Pantry store in the group," said John Barry, general manager of Pick 'n Pay Western Cape.

"It will cover 1 800sq m and the emphasis will be on all aspects of food, including take-away facilities.

"About R2,5 million will be spent on fixtures, refrigeration, decor and finishes.

"There will be extended shopping hours in the evenings and over the weekends and public holidays."

The design of the wharf incorporates a "Victorian industrial flavour" to complement the existing harbour architecture, most of which dates back to the turn of the century and earlier.

The external promenade will offer a spectacular new harbourside walkway for visitors to the waterfront.

The site of the development is on the side of the harbour's original breakwater and during excavations, part of an iron jetty built of welded iron boxes filled with stones was uncovered.

Other artefacts found on the site, which relate mostly to the Steamship and Castle Mailship Company, are now on display at the Cultural History Museum.

Part of the Victoria Wharf building includes the original King's Warehouse, built in 1904 as workshops for the Union Castle Mailship Company. This building has been retained as a national monument and will house the cinema complex and the Victorian Theatre.

The builders, Ovcon, say the Victoria Wharf project is well on schedule.

Louis Karol Architects last year won a project award from Architecture SA for the design of the Victoria Wharf building, which is adjacent to Quay 5 overlooking the Victoria Basin, Pierhead and South Quay.

An underground parking area for 350 cars is already functioning. This is being supplemented by a 270-vehicle parking area.

Victoria Wharf will be serviced by about 2 320 parking bays, including the underground parking, in the immediate vicinity.

Unisa expects mid-year rates cut

Retail prices 'will outstrip inflation'



Monday 4/5/92

GERALD REILLY

PRETORIA — Retail price increases will far outstrip the inflation rate and consumers will have less disposable income this year, Unisa's Bureau for Market Research has predicted.

The biggest single item increase would be food, which would go up by 22,3%, according to the bureau's retail forecast for 1992 released today.

The Unisa survey comes hard on the heels of rises in maize and sugar prices which economists predicted would have a ripple effect on other food prices.

The industry price of sugar will go up 14,5% from next month, while the Maize Board increased its selling prices to the trade on Friday by 14,2% for white maize and 13,4% for yellow maize.

The Bureau for Market Research expects there will be a further reduction in interest rates at about mid-year, which could keep the housing cost increase down by two percentage points. This will exert further downward pressure on the inflation rate.

Inflation was expected to run at 14,6% this year, falling to 12,7% by December.

The expectations were based mainly on two assumptions — a one percentage point drop in the Bank Rate by mid-year and a return to normal agricultural conditions by the year-end.

VAT, levied from September last year, would be a major cause of the expected sharp increase in food prices.

The rise in the prices of other items would be due to increases in customs and excise duties from March 18 this year.

The bureau pointed out that VAT on foodstuffs would strengthen the informal

retail sector's position because few formal businesses had annual turnovers of less than R150 000 — the level at which vendors had to register for VAT. Very few informal sector businesses were registered vendors.

It was expected that food sales would rise by 2% during the year. Informal food retailing, however, would expand its market share by 4%. The bureau also said retail spending by blacks would almost equal that of whites this year.

Of an expected retail sales volume of R82,25bn, the bureau believes whites will account for R38,6bn or 43,3%; blacks R35,3bn or 42,9%; coloureds R7,57bn or 9,2% and Asians R3,78bn or 4,6%.

The "non-white" groups have a more than 50% share of the market for 11 of the 19 merchandise groups — including food, non-edible groceries, alcoholic and non-alcoholic beverages, cigarettes, footwear, clothing, furniture and TV and radio sets.

The bureau estimated an average price increase in total retail sales of 16,6% — some two percentage points higher than the expected inflation rate.

However, retail sales represent only about 41% of total consumption expenditure. The price of non-retail items would probably not rise by more than 13,2%.

Personal disposable income (after tax) was expected to be 1% lower than 1991 and private consumption expenditure 0,5% lower, in real terms.

However, marginal benefits should come from the Bank rate falling to 15% by the year-end and mortgage rates two percentage points lower.

JONO WATERS

"MARKETPLACE Africa" is the theme of the first African shopping centre conference being organised by the SA Property Owners' Association's (Sapoa) council of shopping centres and focus conferences at Sun City from August 23-25.

Conference chairman Pat Flana-

Focus on shopping centres for Africa

BIDAY 45792
gan said the intention was to bring together shopping centre owners and developers from the entire continent.

Developers from other African countries could teach SA about shopping centres in an African context, and similiarly SA had expertise to impart to its African colleagues.

(30)
Flanagan said Sapoa would like to see the formation of an African council of shopping centres in which experiences could be shared. Similiar conferences could be organised in other parts of Africa. A shopping centre exhibition will run concurrently with the conference.

TRENDS

Helping you keep up with the future

MOWING:

Keeping the lawn trim is a job tackled regularly by more than 75 percent of men in Britain. The number of women who tackle this task regularly has fallen from 45 to 38 percent since 1989. — Daily Mail.



CRIME:

Britain's education secretary says growing crime among youth is due to a dwindling belief in hell and the "fear of eternal damnation". Unemployment may be a factor too, say experts. — The Economist.

Buying 'grey' products is cheaper

START 4 1992



TRADE WINDS

Parallel importing looks set to flourish in South Africa, where large profit margins, devalued currency and punitive import duties have made standard Western "mod-cons" into luxuries. ADAM GORDON reports.

US? imagine if local dealers were scratching each others' eyes out to cut profit margins and bring us better prices on imported products. It sounds too good to be true, but it's happening.

South African importers, long protected by manufacturer-authorized sole national franchises, are slowly waking up to a painful new culture called parallel importing. Parallel or "grey" importers are those retailers who skip the national distributor and buy stock directly from overseas, usually from mega-wholesale stores in the Far East.

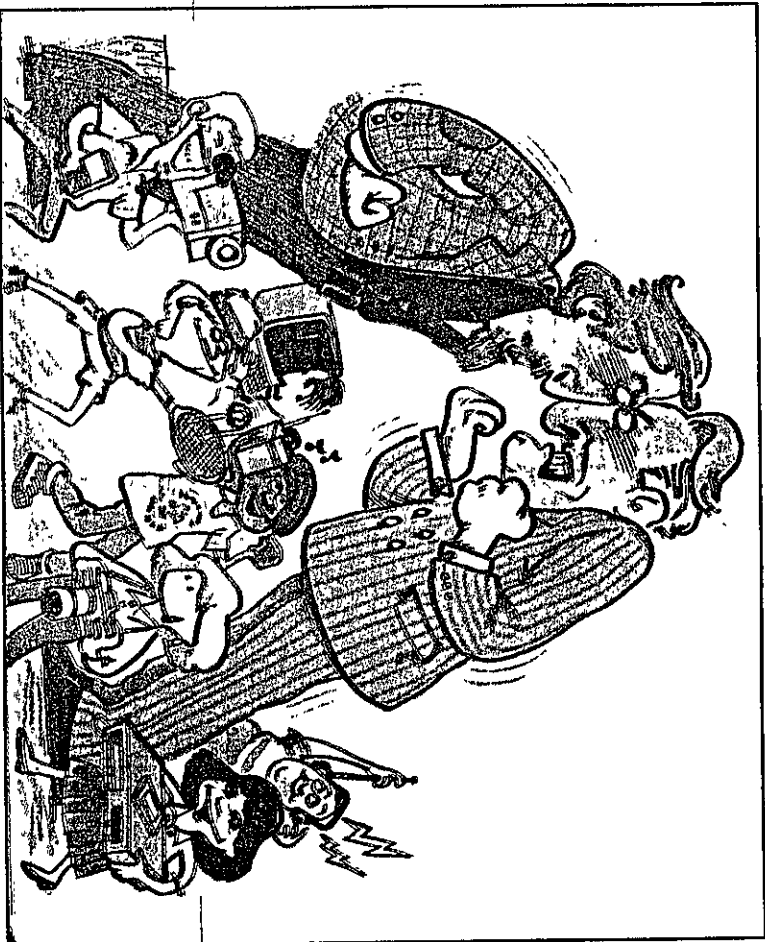
This means goods such as video machines, compact discs and computers go through fewer South African middlemen and their markups. And the best part is, it's all perfectly legal. Provided, of course, the correct import duties are paid and the item itself is not a fake.

The parallel market first emerged in the late 80s when Japanese manufacturers, struggling to move stock on recession-hit world markets, started bypassing their own distributors and dumping wares with large wholesalers in Hong Kong, Singapore and the US.

Circumventing authorised distributors in search of better prices has increasingly become a part of the international retailer's armoury. The Durban Supreme Court smiled on the free-trade ethic in 1987 when Hoopmann Brothers Ltd, who were importing TDK tapes directly, won a landmark case against official distributors Frank and Hirsch (Pty) Ltd.

Two Appeal Court decisions later that year confirmed the principle: no dealer can use a trademark as a badge of control to monopolise import or distribution.

Barring government intervention, parallel trade looks set to flourish here, where large profit margins, devalued currency and punitive im-



port duties have made standard western "mod-cons" into luxuries. It is believed there are already hundreds of local grey traders. Some retail through their own shops and many operate through flea markets — price is normally the clue to the whereabouts of the grey market. The KXFF30 Panasonic fax ma-

chine, usually sold for about R3 000, is now available through some dealers at no more than R1 800. It was originally priced above R4 000 in major chain stores.

A National G100 video camera normally sells for about R3 290. Grey traders sell it for R2 380. The price of a Sharp 7450 video camera has been cut from R3 990 to R2 790.

Danny Lessern, a parallel importer based at offices in Yeoville, sells Ray-Ban sunglasses for R210. Other outlets don't do better than R300. "Freeing the market brings the prices down. Larger retailers are forced to get more competitive and put pressure on the official suppliers," says Mr Lessern.

Not surprisingly, the grey market has caused sharp words and advertising campaigns from official stockists who try to warn the public off cheaper merchandise. Errol Guggenheim, managing director of Frank and Hirsch, says grey imports could destroy the local consumer electronics business. "Companies invest millions in a brand name product — advertising it, promoting it, establishing a sales and support infrastructure. When the name has been established in the market the parallel importer brings it in and reaps the benefits without incurring any of the costs.

"It costs us millions to set up service centres, keep spares and send technicians overseas to learn to service intricate merchandise. "Because of the current economic hardships the consumer is divided by price discounts, but who will make the long-term investments?" "Suddenly, people will find there is no longer the service infrastructure to keep products going inevitably. The reputation of the brand name deteriorates and everyone suffers.

ENTERED

TOMORROW

Big brother is watching you... warns the South African National Consumer Union as it aims to ensure consumers get a fair deal.

Economist blasts food price rise

The "incredible" rise of 29 per cent in food prices over the past year bordered on national economic sabotage and had to be condemned in the strongest possible terms, Nick Barnardt, chief economist of the Amalgamated Banks of South Africa (ABSA), said in Johannesburg yesterday. *STAR 5/5/72*

He was speaking at the Federated Hospitality Association of South Africa (Fedhasa) Transvaal congress.

Mr Barnardt said: "Raising food prices by 29 percent in the midst of rising poverty and unemployment, shrinking economy and a general disinflationary environment, simply exacerbates the recession and borders on national economic sabotage."

The parties involved are themselves paying a heavy price in the form of massive declines in food sales in recent months, and increasing retrenchment of staff in the food manufacturing and distribution chain."

He said it was of the utmost importance that participants in the food price chain began cooperating to reduce the food price inflation rate drastically within six months. — Sapa.

Shoprite turns in record results after acquisition

MARCIA KLEIN

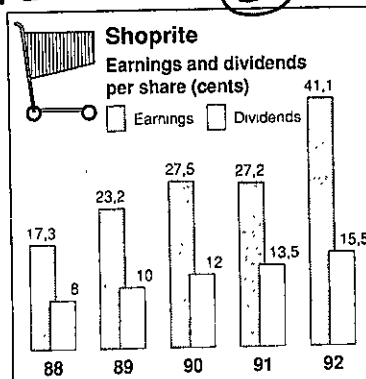
SHOPRITE has reaped the benefits of the 1990 acquisition of Grand Bazaars and produced record results for the year to end-February.

Shoprite, which will be merged with Checkers to form Pepkor's food arm housed in Tradegro, increased its earnings by 51% from 27,2c to 41,1c a share "during a recessionary period which sliced into other retailers' profits", MD Whitey Basson said.

Turnover grew by 54% from R732,1m to R1,1bn, and operating profit was boosted by 80% from R12,6m to R22,7m, with margins improving from 1,7% to 2%.

Basson said Shoprite was in a market segment where it gained market share in tough times as customers bought down. But the 27 Grand Bazaars stores had made a big difference to profits, and Basson said these figures should be viewed against the Grand Bazaars acquisition.

A hike in interest and a 100% increase in tax saw after-tax profit rise 51% from R8,1m to R12,2m. A final



Graphic: FIONA KRISCH Source: SHOPRITE

dividend of 10c a share brought the full year dividend up by 15% from 13,5c to 15,5c a share, while the cover was increased from 2,0 to 2,7 times.

Basson said the compounded profit growth of 25% a year over two years was in line with Shoprite's original projections committed to its shareholders. He said Shoprite had repaid the R10,6m borrowings of the previous year as a result of administrative discipline and strengthened financial controls.

Although progress had been made on shrinkage, shrinkage levels were still "unacceptable". But Basson expected more favourable levels through the use of Checkers' sophisticated systems.

Basson said that once the Grand Bazaars integration was successfully in place, the group had turned its focus towards the end of the year to improving operations through carefully planned merchandise and administrative systems. This had resulted in contained costs and increased productivity.

He said the acquisition of the ailing Grand Bazaars saved thousands of jobs and brought high returns to shareholders and similar benefits were expected with the Checkers acquisition.

Shoprite and Checkers were currently advertising a joint brand, but the companies would be marketed separately.

While the trading environment had made it difficult to increase sales at Checkers, the group was concentrating on cost savings, and it aimed to turn Checkers around by 1994.

DESPITE substantial costs following a series of acquisitions and a decline in consumer spending, Pepkor Group company Pep Limited has increased earnings by 11% in the year to end-February.

Pep, which controls 1 154 retail clothing outlets and 10 factories, reported an 11% earnings growth to 215,2c (193,9c) a share on additional shares in issue.

The 20% turnover rise from R1,2bn to R1,5bn reflected the acquisitions of the Frasers mine stores and the Harties group as well as the opening of 59 new outlets, MD Tony Haughton said.

Pep keeps up the good work

B10am 5/5/92
Apart from these acquisitions, Pep also bought the 51% outside interest in Pep Peninsula Holdings and a European associate took over 14 additional outlets in Scotland. Haughton said that excluding the acquisitions, turnover would have showed a 12% increase. This was on a par with the clothing and textile sector, so the group had maintained market share.

Operating profit was 5% up at R158,4m (R151,2m). Haughton said profitability was reduced by a decline in consumer spending in semi-

durables, unrest and the once off cost of the new acquisitions.

He said the results were good under the circumstances.

After a 61% rise in its interest bill and reduced taxation, net profit before extraordinary items rose by 11% from R88,5m to R98,4m. An extraordinary item of R17,8m reflects the write-off cost of control and certain trademarks following the takeovers.

A final dividend of 55,5c a share brought the total up by 15% to 89,5c a share.

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COMPANIES

Smart Centre maintains margins

MARCIA KLEIN

IN ITS first year in the Pepkor stable, Smart Centre maintained earnings in difficult trading conditions. *6/04/92*

The clothing retail group's results compare the 12 months to end-June 1991 with an eight-month period to end-February 1992 due to a change in the company's year-end. MD Charles Fox said yesterday that on an annualised basis, Smart's results were slightly ahead of last year's figures.

In light of the different reporting periods, turnover of R118,3m is not comparable with the R181,9m turnover in the previous period. Turnover for the eight months also excludes the four months which form a large part of pre-winter sales, Fox said. Turnover, which was "more or less in line with last year on an annualised basis", was affected by the introduction of VAT, but an emphasis on asset management helped Smart to maintain operating margins.

Operating profit was R20,4m (R26,3m), but Fox said it would be R30,4m on an annualised basis.

Attributable profit was R7,7m (R10,3m), and an extraordinary item of R2,3m resulted in retained income of R5,4m (R6,2m).

The extraordinary item refers to the anticipated closure costs of Smart's Kappa chain. Most of the Kappa business would be conducted through Smart Centre stores.

A dividend of 7c (10c) a share was declared, and Smart has again offered shareholders' bonus shares in lieu of a cash dividend. Shareholders can receive 100 shares for every 4 300 held. (30)

Fox said this allowed shareholders to increase their investment, while the company benefited from increased shareholders' funds to support continued growth. Pepkor has opted for the bonus shares.

Fox said he did not expect a major improvement in trading conditions, but a vigorous development programme would see Smart add six new stores and revamp 12 in the coming year.

A few Checkers closures in offing

By Sven Lünsche (30)

Only a small number of Checkers and Shoprite stores will be closed as a result of the merger of the two chains, says Shoprite MD Whitey Basson.

In a presentation of the annual results of Pep Stores, Shoprite and Smart Centre, Mr Basson said yesterday there were considerable benefits from the combined Checkers-Shoprite group, which would more than offset the rationalisation costs of the merger.

He added that both stores would continue trading under their respective trade names until a consolidated trade name had been established.

He said that closure would affect stores running high losses stemming from bad lease agreements or exorbitant operating costs.

He was confident that

Checkers could be turned around in the current financial year.

Executives of the three companies said there was little evidence consumer spending was emerging from its slump.

Pep MD Tony Houghton described the downturn as the worst he had known.

He said consumer spending on semi-durables (mainly clothing) had been hard-hit by unemployment and socio-political uncertainties.

He added the group had budgeted for a bottoming out in the economy in the second half of the financial year.

In the year to end-February Shoprite's turnover was up 54 percent to R1,13 billion (R732 million). Operating income rose by 80 percent to R22,7 million (R12,6 million), but the growth was largely attributed to the expanded

operation following the acquisition of Grand Bazaars in October 1990.

Attributable earnings increased 51 percent to 41,1c (27,2c) a share, while the total dividend rose from 13,5c to 15,5c.

Pep's turnover improved 20 percent to R1,47 billion (R1,23 billion), but again sales were lifted by a number of strategic acquisitions.

The group bought the Frasers mine store outlets in March last year and the Harties group with effect from June.

The lacklustre trading conditions, however, were in evidence at the operating level as reduced margins saw operating income rise by a mere five percent to R158,4 million (R151,2 million).

A nine percent drop in tax payments to R54,9 million (R60,4 million) lifted earnings per share 11 percent to 215,2c

(193,9c), from which a total dividend of 89,5c (78c) was declared.

While the acquisitions lifted interest payments 61 percent to R6,5 million (R4,1 million) and boosted interest-bearing debt from R12,8 million to R52,9 million, Pep's gearing remained at a comfortable 15 percent.

Mr Houghton was confident the group would achieve acceptable results in the current year.

Smart Centre, which was reporting results for the eight months to end-February, showed virtually no growth in real terms on an annualised basis, with turnover at R118,3 million and operating profit of R20,3 million.

Earnings per share were 22c and a total dividend of 7c was declared (30c and 10c respectively for the previous 12 months to end-June 1991).

STAR 5/5/92

Agents slam rent control

8/10/92 6/5/92 (B) (B) (30)

GOVERNMENT's recent decision to extend rent control for another year has been criticised by estate agents who say rent control is responsible for the fact that no new buildings have been developed for rental purposes over the past decade.

Camdons Group MD Scott McRae says the decision is meddlesome, ill-conceived, will discourage developers and will only cause prices to be pent up, resulting in major adjustments later.

"Rent control has been phased out of every right thinking country because of its adverse effects and distortions to the market place," he says.

Martin Charney of Martin Charney Estates agrees with this, saying rent control goes against market forces and that developers and investors will only come back into the market once rent control is abolished.

"Wherever there has been rent control, developers have stayed away. While many of these buildings are in dire need of refurbishment or demolition, the owners cannot afford to refurbish and are prevented from demolishing the building by the Act," he says.

The abolition of rent control will pave the way for these buildings to be either upgraded or demolished and rebuilt, thereby seeing new units being developed, for

Reports by
PETER GALLI

which there is good demand, Charney says.

Commenting on whether development is viable in areas where these buildings are located, he says there is good demand for units in the lower price range of R50 000 to R70 000 — particularly for investment for rental purposes.

"Yeoville is a good example as there are numerous old buildings that could be demolished and rebuilt. It would be possible to build standard units of about 50m² in say a six-storey building, in that price range," Charney says.

Yeoville

McRae says rent control only succeeds in creating quasi-slums as landlords are unable to finance good maintenance and there is abuse by tenants who, in many cases, are able to afford more expensive accommodation.

"The net result was that existing rental accommodation was allowed to deteriorate and new rental accommodation developments were few. This sparked off a boom in conversion to sectional title sales which took even more rental space off the market," he says.

Presently, married tenants with a com-

bined monthly income of less than R2 000 a month, single tenants with a gross income of less than R1 200 a month and people of 70 or older, regardless of their income, are protected.

"This amounts to a shifting of the responsibility for housing such individuals from the State to the private sector. The chief negative effect is that it will continue to discourage investors in rental property and thus add to the growing shortage of houses," McRae says.

Charney agrees, saying less government interference and privatisation is the buzzword for the new SA.

SA Property Owners Association (Sapoa) executive director Brian Kirchmann says the issue is a sensitive one and cogniscence must be taken of the fact that there are people in need, and an alternative must be found for them.

"The market needs to dictate what is needed. Neither the commercial nor the industrial property market are regulated and both are governed by market forces.

"Both are in an oversupply situation, which is advantageous for the tenant," he says. The abolition of rent control could see a similar pattern develop in the residential market, which could help alleviate the housing problem.

"This will hopefully result in the creation of highrise buildings that offer decent accommodation at a reasonable price."

A week to focus on small business

THEO RAWANA

ABOUT 100 business organisations and institutions would take part in at least 400 events in the 1992 Small Business Week (SBW) at the beginning of October, SBW national committee chairman Toni Kedzierski said yesterday.

Addressing an introductory week in Johannesburg, Kedzierski said this year's event, with the theme Our Key to Wealth, was aimed at making decision-makers aware of the importance of small business. *Blaw 6/5/92*

"Local authorities countrywide are going to get involved in the campaign, which will give the country one week to focus on small business," he said.

The SBW's six regional committees would engage in events ranging from trade fairs, exhibitions, breakfast seminars, flea markets to workshops and competitions.

"The idea is to promote a culture of entrepreneurship among South Africans so that they will see self-employment as a viable career prospect.

"We would like to change the perception that small business means small profits and encourage a larger sector of our community to get involved in informal sector activities to help them progress to the formal sector and medium-sized business," said Kedzierski.

The following companies and organisations are represented in the national coordinating committee: First National Bank, Standard Bank, Anglo American and De Beers, Southern Life, Fabcos, the Get-Ahead Foundation, the National Association of Women Business Owners, Wits University and Potchefstroom University.

Facelift for Johannesburg eyesore

ADRIAN HADLAND

By Adrian Hadland

30

BY EARLY 1995, Johannesburg's rundown New-nesburg district will be a radically different place.

Architects this week unveiled preliminary plans for the development of the old electrical turbine hall and boiler houses at the end of Kerk Street.

Currently an industrial wasteland, the hall and surrounding area will be transformed into a major retail and entertainment mall.

Shops, restaurants, cinemas and banks will be incorporated into the biggest centre of its type to be built in the PWV area since Sandton City. The project, provisionally named Turbine Square, will be the focus of expected development in the area as a whole.

A new SA Reserve Bank building will occupy what

is now an open parking lot on President Street. Part of Jepe Street will be rerouted, while Bezuidenhout Street, which passes through Turbine Square, will include new bus and taxi ranks.

Work has already begun on revamping the area's services infrastructure. Planners expect the R300m Turbine Square development will become a new focal point for commerce and culture.

According to conceptual design proposals drawn up by architects Louis Karol and Tom Cox, a pedestrianised, tree-lined Kerk Street will lead through Bank City and into Turbine Square.

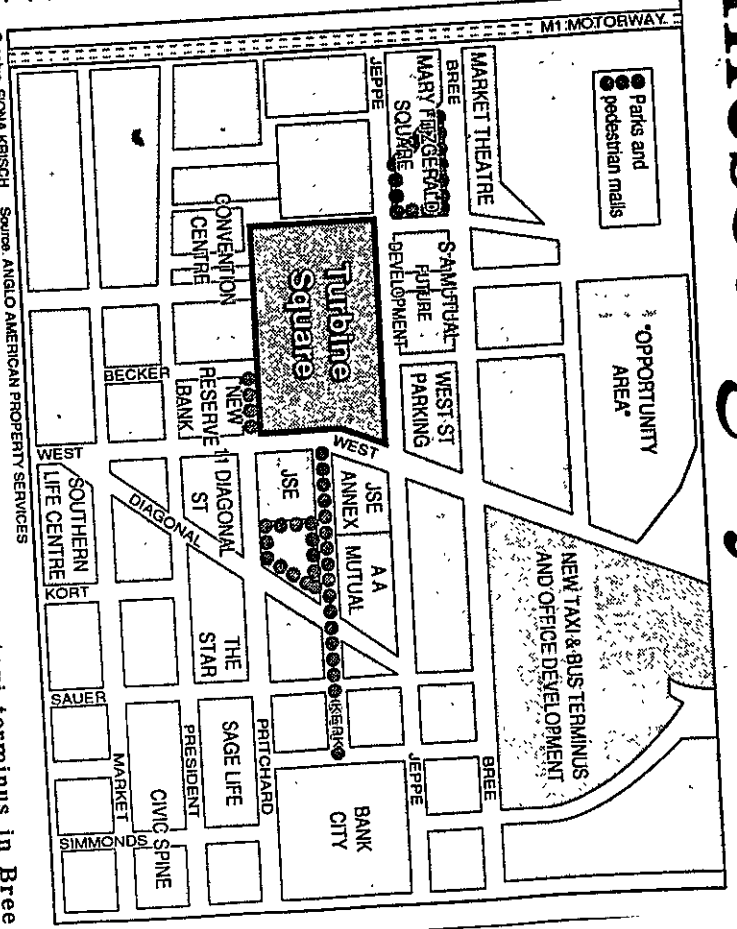
Construction of Turbine Square, due to begin in August, will make use of the old turbine hall facade

and boiler houses currently on the site. The integration of older structures of historical interest will be in the manner of the successful Workshop shopping complex in Durban.

A consortium of about 12 major investors, including project manager Ampros, will contribute R25m each to the scheme. Louis Karol architect Bram Joyn said this week the final investors were currently being integrated into the project.

But before the scheme can proceed, 60% of the retail space has to be pre-let. About 50 000m² of retail space, expected to provide an estimated annual rental income of R30m, will include anchor clients Woolworths, OK Bazaars and Edgars together with a host of satellite shops and kiosks. The Woolworths, OK Bazaars and Edgars shops will be among the companies' largest outlets in SA.

About 5 000m² of office space will be available in the five-storey, multi-building complex, while a nearby "opportunity area" has been made available for further commercial or retail-related development.



Graphic: FIONA KRISCH Source: ANGLO AMERICAN PROPERTY SERVICES

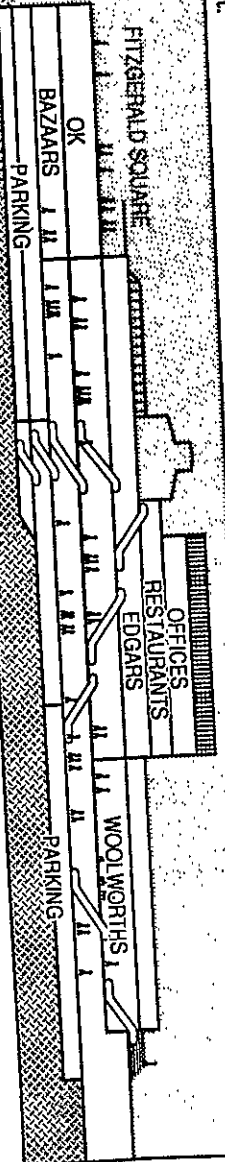
While the Flemar market on Fitzgerald Square, adjacent to the Market Theatre, will continue to function, perhaps on a more frequent, permanent basis, new car parking facilities will be provided within the Turbine Square development project.

Underground parking for 1 000 cars may be linked to an extended West Street Parade which, if new floors are added, will be able to accommodate

another 1 000 vehicles. West Street itself will provide pedestrian access to the centre from the north and south of the city. Culture will form an important facet of the whole planning concept with walkways linking the Turbine Square mall to Fitzgerald Square, the Market Theatre and the proposed Afrika Cultural Centre.

The completion of the Johannesburg City Council's new R300m bus and taxi terminus in Bree Street, the possibility of linkage with the planned Massstran light rail system and the abundant parking facilities will provide easy access to the entire complex.

The city council, which sold the land for more than R40m, envisages the development as 'part of a broader plan to revitalise and rejuvenate the CBD as the city moves into the year 2000.



Graphic: FIONA KRISCH Source: ANGLO AMERICAN PROPERTY SERVICES

Credit chains boost Edgars' earnings

By Day 6/5/92 (30)

THE Edgars group has produced a 5% earnings growth in the year to end-March as good performances by its credit chains were partially offset by poor results from cash chain Jet Stores.

Results, which are in line with market

MARCIA KLEIN

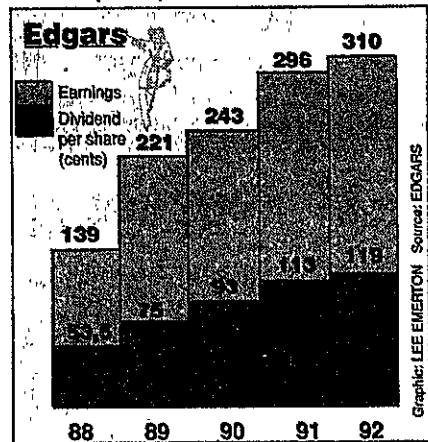
expectations, show the 5% increase in attributable earnings from R150,4m to R157,5m. The highly rated SA Breweries' retail clothing group, which has interests in Edgars, Sales House and Jet Stores, increased its sales by 11% from R2,5bn to R2,7bn, and operating profit was 6% up at R373,2m (R353,0m).

MD and CE George Beeton said he considered these results satisfactory in the environment in which Edgars was trading.

Sales in the clothing, footwear, household textiles and accessories sector had declined by an estimated 4,5% in real terms in the year, he said.

A 24% rise in financing costs to R72,6m saw pre-tax profit improve by 2% from R294,4m to R300,6m.

In line with a 5% earnings growth to 310c (296c) a share, a final dividend of 83c a share brought the full-year dividend up by



□ To Page 2

Edgars *By Day 6/5/92*

5% to 119c a share. On a cash equivalent basis, earnings increased 16% to 418c.

Directors' forecasts of real earnings growth had not been met. This was partly due to "the sales avalanche at the end of September" — as well as a three-week strike — which had left the group with heavy stockholding to liquidate.

Beeton said that in the depressed clothing, footwear, household accessories and textile market, extensive markdowns were necessary to clear stock, and credit chains continued to dominate at the expense of cash retailers.

Within the group, credit chains Edgars and Sales House had shown a 13% sales growth and a 10% after-tax profit growth, while sales at Jet Stores were flat, and it lost R8m after showing a R11m profit after tax in the previous year.

Beeton said the group had been focusing on Jet Stores. Its improved quality, a move into core items and its marketing pro-

(30) □ From Page 1
gramme should see it begin a recovery phase this financial year.

Sales House had done "exceptionally well", with sales up by 14% and profit up by 31%. Beeton said Sales House ran a tight ship, had a tight control of stock and had excellent marketing.

But he added that operating margins in Sales House and Edgars were the same, and Sales House had come off a lower base than Edgars.

Cash generated from operating activities remained strong, but accelerated tax payments increased borrowing requirements, resulting in an increase in gearing from 59% to 70%. This still remained well within the debt capacity of the group's underlying assets, he said. Total liabilities to shareholders funds had improved.

Beeton expected the first six months of the new financial year to be tough, but said the second half could be better as Edgars would be coming off a base of improved management of costs and inventory.

Pepkor and Peggro to raise R398m

CAPE TOWN — Retailing giant Pepkor and its parent company Peggro are to go to the market to raise a combined R398m, chairman Christo Wiese said yesterday on the release of the group's annual results.

Wiese announced the subdivision of Peggro, Pepkor and Pep shares to make them more tradeable on the JSE. The subdivision would take effect from June 8 and would precede the rights offers.

He said Pepkor's rights offer would bring the group's cash holdings — about R450m — to a level in keeping with its size of operations and turnover. The additional cash reserves would place the group in a position to grow organically and by acquisition in SA and overseas. Peggro needed to raise cash to follow its rights in the Pepkor offer.

6/5/92
LINDA ENSOR (30)

Peggro will raise R135,5m by means of a renounceable rights offer of about 11,3-million 6%, unsecured, subordinated, automatically convertible debentures. The offer will be made on the basis of 15 Peggro debentures for every 100 shares held at 1 200c per debenture after the subdivision of every Peggro share into five shares.

Pepkor will raise R262,4m by offering about 23,9-million debentures of the same type on the basis of 15 debentures for every 100 Pepkor shares held at 1 100c a debenture, after the subdivision of each Pepkor share into 10 shares. The last day to register for participation in the offers, both of which have been underwritten, is June 5.

● See Page 10

Pepkor profit up 18% despite Checkers' losses

LINDA ENSOR

CAPE TOWN — Pepkor achieved an 18% increase in attributable profit in the year to end-February, in spite of carrying the losses and rationalisation costs of the enormous Checkers chain.

Earnings on a diluted basis, after taking into account the conversion of debentures and preference shares, rose 10% to 612,3c (558c) a share. The dividend increased 15% to 244c (212c) after the declaration of a final dividend of 173c (150c) a share.

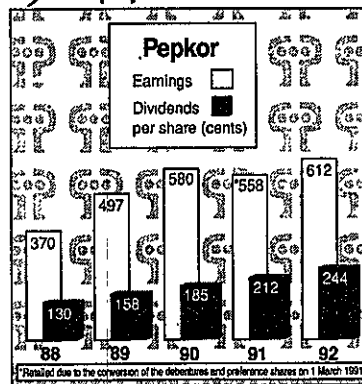
Tradegro, which consists mainly of Checkers, suffered an operating loss of R30m and a loss of 19,4c a share on a turnover of R2,2bn in the eight months to end-February.

It wrote off R46m in rationalisation and other costs related to its incorporation into Pepkor. Its other subsidiary, Stuttafords Greatermans, performed well during the year.

Tradegro's parent Tradehold suffered a loss of 16,6c a share.

The announcement of the group results yesterday followed those of subsidiaries Pep (earnings 11% up), Shoprite (51%) and Smart Centre (earnings maintained on an annualised basis).

The change in Pepkor's mix of low-margin food retailing and clothing retailing after the acquisition of Checkers resulted in a slower rate of growth in operating profit compared with turnover growth.



While Pepkor's turnover rose 118% to R4,3bn (R1,96bn), margins dropped to 5,1% (8,6%) and the operating profit rose by 30% to R218,3m (R168m).

Tradegro chairman Christo Wiese said, however, that clothing would continue to be the greatest contributor to profits in the foreseeable future as it would take about two years or more to bring Shoprite and Checkers to acceptable profit levels.

Checkers had good systems and good middle and top management, but it had proved impossible to turn the chain around in the prevailing difficult economic environment.

Wiese said management restructuring had been completed and Checkers and Shoprite advertising had been combined.

Problem areas were high rentals, overstaffing and a top-heavy overhead structure relative to the turn-

over generated. Expense ratios were way out of line, Wiese said.

There were about 20 to 25 stores where the leases were problematic, and it would take time to negotiate changes to the leases.

Further inroads were made by the sharp increase in finance charges as interest-bearing debt climbed to R239m (R70m). During the year, Pepkor earned R75,3m in extraordinary income from the sale of about 10% of its Pep shares.

On prospects, Wiese said satisfactory results were expected this year and, if the economy allowed, Checkers should return to profitability as a result of rationalisation benefits.

Consolidated group turnover was expected to rise by about 70% to over R7bn.

Wiese said trading conditions would remain difficult in the coming year.

"Research has shown that consumer spending continues to decline and that the drought is hampering the economy enormously.

"I expect conditions to start improving in the third quarter of the year and am confident that the group will achieve satisfactory results in the 1993 financial year."

Holding company Peggro, which derives its income from its 53,6% stake in Pepkor, produced earnings of 345,3c (307,4c) and declared a final dividend of 100c, which brought the total to 132,5c.

Wiese and Jack Lindtress

Pep set to expand into Europe and Africa

30



Christo Wiese

TOM HOOD
Business Editor

FROM a single Pep clothing shop in Uppington to the largest retailing group in Africa is the story of Parow-based Pepkor — so far.

The group comprises Pep Stores, Shoprite, Checkers, Ackermans, Stuttafords, Grealermans, Smart Centre, Cash-build and other well-known names.

And it is set to grow even more, the chief executive and advocate turned shopkeeper Mr

Christo Wiese, disclosed today. A cash mountain of more than R700 million is being accumulated to beef up its business in South Africa and expand here and overseas.

Takeovers last year included the loss-making Checkers chain and as a result the numbers employed doubled to 40 000. Turnovers quadrupled to R8 billion in a year.

One of the expansion targets is Europe where Pep International's chain of 16 in Britain has passed a trial run.

More than R200 million will be earmarked for new projects, all of it new money raised from shareholders.

Pepkor has already R377 million cash in the bank and R81 million invested in preference shares, which it can redeem.

"These funds are sufficient to finance the group's organic growth," said Mr Wiese.

"These are fast-changing times, with new possibilities arising locally and overseas nearly daily. We as a group

want to be able to take advantage of opportunities at short notice."

The Botswana chain, Pep Botswana, is to be listed on the Botswana Stock Exchange later this month and it will be one of the largest companies on that stock exchange, with shares worth R112 million.

"This is a further step to internationalise Pep, for we see Botswana as a stepping stone into Africa," said Mr Wiese.

● See page 13.

Edgars hit by slump in consumer spending

By Sven Lünsche

30

The severity of the slump in consumer spending is vividly illustrated by the results of retail high-flier Edgars in the year to end-March: for the first time in six years the clothing group did not show a real increase in earnings.

To underline the point chief executive George Beeton says the group did well to finish with a five percent rise in earnings to 310c (296c) a share. The total dividend was raised by the same percentage to 119c (113c).

Mr Beeton says consumer spending on clothing, footwear and household textile sales during the year slumped by 4,5 percent in real terms.

Slight gains in market share by Edgars and Sales House saw sales increase by 11 percent to R2,75 billion (R2,48 billion).

However, extensive markdowns to clear stock

levels reduced profit margins from 14,3 to 13,6 percent and left operating profits only six percent higher at R373 million (R353 million).

Cash generated from operating activities remained strong but accelerated tax payments increased the group's borrowing requirements.

As a result gearing increased from 0,59 to 0,70 percent at the end of March, but Mr Beeton says that the level of borrowing remained well within the debt capacity of the group's underlying assets.

He adds that Edgars will continue its expansion programme by creating additional space of two percent this year on the back of three percent growth last year.

Mr Beeton expects slight growth in sales and earnings this year based on the expected recovery in consumer spending in the second half.

Cash-flush Pepkor going for rights offer to fund expansion

STAR 615792

By Tom Hood

30

Flush from takeovers which quadrupled turnover to R8 billion in seven months, Pepkor is getting ready to strike again with funds of R726 million in its coffers.

One of the targets will be Britain, where its chain of 16 Pep-type shops has passed a trial run.

More than R260 million will be earmarked for new projects, the cash coming from a rights offer of shares, says chairman Christo Wiese.

Pepkor also has R377 million cash and R81 million invested in preference shares.

"These funds are sufficient to finance the group's organic growth," said Mr Wiese — a growth that has seen employment double to 40 000 in a year and make Pepkor claim to be the largest retailing group in Africa.

"These are fast-changing times," he added, "with new possibilities arising locally and overseas nearly daily. We as a group want to be able to take advantage of opportunities at short notice."

In advance of the rights offer, shares of three companies are to be subdivided — Pepkor's will be split 10 for one and Pepgro's and Pep's into five for one.

Focus switch

The focus of the business in terms of turnover had switched to food for the first time, but clothing would still be the greatest contributor to profits in the foreseeable future, said Mr Wiese.

This was because it would take two years or more to bring the combined Shoprite and Checkers to acceptable profit levels.

Pepkor has decided to list Pep Botswana on the Botswana Stock Exchange later this month. With a market capitalisation of 83 million pula (R112 million), it will be one of the largest companies on that stock exchange.

"This is a further step to internationalise Pep, for we see Botswana as a stepping stone in Africa."

Though the figures are not comparable, the enlarged Pepkor group's turnover soared by 118 percent to R4,27 billion (R1,96 billion) in the year to February, while the operating profit of R218 million was 30 percent higher.

Earnings a share increased by 10 percent to 612,3c (558c).

A final dividend of 173c (150c) brings the year's payout to 244c, a rise of 15 percent.

Mr Wiese said the group's traditional busi-

ness in Pep Stores and Shoprite fared well in 1992 despite difficult trading conditions. Pep raised turnover by 20 percent and saw an 11 percent growth in earnings.

Shoprite

Shoprite, which enjoyed the full benefit of the Grand Bazaars take-over, boosted turnover by 54 percent to R1,12 billion and operating profit soared by 80 percent to R22,6 million.

"Trading conditions will remain difficult in the coming year," he said. "Research has shown that consumer spending continues to decline and that the drought is hampering the economy enormously."

"I expect conditions to start improving in the third quarter of the year and am confident that the group will achieve satisfactory results in the 1993 financial year."

Experts to visit

Sowe Fava 7/5/92 (30) (18) (18)

EXPERTS from 13 foreign countries will be addressing South Africa's first international conference for the small and medium enterprises (SME) sector from May 17 to 19 in Johannesburg.

The theme of the conference is "Prosperity for Africa, the Small Business Way" and is organised by the International Council for Small Business (ICSB) and the Small Business Development Corporation (SBDC).

Eight speakers from Europe, South and North America and Asia will exchange their knowledge on SME development with their counterparts from South Africa and seven other African countries.

The opening address will be delivered by SBDC's managing director, Dr Ben Vosloo, and a gala dinner for speakers and delegates will be hosted by Mr Jan Burger, the mayor of Johannesburg.

The European experience will be presented by Professor Hans Pleitner, director of the Swiss Research Institute of Small Business Administration at the University of St Gallen; Italian small businessman Mr Alfredo Fava Minor; Dr Petrus Thys president of NCMV (the organisation for independent entrepreneurs) in Belgium; Mr Clive Woodcock, British publisher and visiting Professor for small business at Stirling University, Scotland; and Dr Vihari Patel, director of the Entrepreneurship Development Institute of India.

Vosloo said: "The success achieved in Pacific Rim countries over the past decade or more by focusing their economic strategies on their SME sectors, emphasise the fact that the 'Small Business Way' is also the answer to Africa's economic and unemployment problems."

He said the SBDC was bringing speakers from abroad to the conference to encourage greater interaction regarding SME development between Africa and other countries.

"We believe that Africa has a lot to learn from the SME strategies in other countries and we hope that a conference of this nature will give impetus to the process of getting a national SME strategy implemented as an integral part of South Africa's economic policy."

The president of the International Council For Small Business — Southern Africa — said that the greatest challenge facing Africa over the next decade was to create a continent-wide small business culture.

"Progress has been hampered by economic factors such as low productivity levels and high entry barriers to overseas markets. Many theories have failed in practice, one being that African economies should be kick-started with big investments from abroad," he said.

Bookings and queries should be addressed to: The General Secretary ICSB-SA, Mr JAJ van Rensburg, PO Box 7780, Johannesburg, 2000. Tel (011) 643-7351 or fax (011) 632-2791.

Record growth for revitalised Sales House

By Day 7/5/92

MARCIA KLEIN

SALES HOUSE's significant contribution to the earnings of holding company Edgars reflected a record year of growth, Sales House MD Ian Thomson said yesterday.

Its 14% sales increase and its 31% hike in profit were "a far cry from the Sales House of 1986, which had 95 stores in mainly back street locations, static sales at R115m and negligible profits", he said.

Since 1986-87, sales had grown by a compounded 27% a year to reach R500m at the March year-end. Account holders had in-

creased from 450 000 to 820 000. (30)

Thomson said this growth was the result of a massive marketing, merchandising and store development programme. Annual stockturn of about four was well above the industry average.

A decision to make footwear "the cutting edge of our business" was reaping dividends, he said.

EXECUTIVE SUITE

By William Wells and Jack Lindstrom



Sales House sails ahead

Finance Staff

STAR 7/5/92

Defying the slump in the clothing industry, Sales House, a member of the Edgars group, has reported record results for the year to March.

Sales over the previous year increased by 14 percent, with profit up 31 percent.

MD Ian Thomson attributes the growth to a massive marketing, merchandising and store development programme, initiated five years ago.

"These efforts have resulted in compounded sales growth of 27 percent per annum since 1986/87 to the current level of

close to R500 million. During this time, account-holders have increased from 450 000 to 820 000." (30)

Mr Thomson expects difficult trading conditions to persist for the rest of the year, with Christmas signalling the start of the economic upturn.

"Long-term growth prospects are good, however, and Sales House is forging ahead with its store development and refurbishment programme.

"By the end of the next financial year, Sales House will have opened eight new stores around the country, bringing the total to 115," he says.

Pepkor aims to grow ³⁰ even bigger

By Tom Hood ^{Start 7/5/72}

CAPE TOWN — From a single Pep clothing shop in Upington to the largest retailing group in Africa is the story of Parow-based Pepkor — so far.

The group comprises Pep Stores, Shoprite, Checkers, Ackermans, Stuttafords, Greatermans, Smart Centre and Cash-build.

It is set to grow even more, says the chief executive Christo Wiese.

A cash mountain of R700 million is being accumulated to beef up business in SA and expand here and overseas.

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One of the expansion targets is Europe where Pep International's chain of 16 in Britain has passed a trial run.

More than R260 million will be earmarked for new projects, all of it new money raised from shareholders.

Pepkor has already R377 million of cash in the bank and R81 million invested in preference shares, which it can redeem.

"These are fast-changing times, with new possibilities arising locally and overseas nearly daily," says Mr Wiese.

HILLBROW — the heartland of Johannesburg, the suburb that went grey long before the Group Areas Act was scrapped — is often portrayed as a slum, a mugger's paradise and a catchment area for the lost, the lonely and the forgotten.

The city fathers frequently come up with plans to "improve" Hillbrow, to drag it into line like some delinquent child. But do the people of Hillbrow want what the council has in mind?

A recent *Agenda* focused on Johannesburg's inner-city suburbs and what the council has planned. Various officials and businessmen,

with varying degrees of pomposity, suggested that those that didn't fit into the city's First World shape had better ship out. One white woman, living in the city centre, said the problems would only be solved if "they got rid of the blacks". But Hillbrow is not Sandton, nor is it Soweto. It is one of the most densely populated flatlands in the world, facing the problems associated with any big city — with a couple of uniquely South African ones thrown in.

Its population, traditionally, was transient and diverse: young white couples saving

for a home in the outer suburbs, gays grateful for the tolerant attitudes displayed towards them, pensioners who can't afford higher rents elsewhere, the immigrants who used Hillbrow as a staging post before moving to other areas or cities — a melting pot of class, creed and language. It offered residents anonymity, tolerance and convenience.

During the 1980s a new type of "immigrant" — blacks from the townships — started moving into central Johannesburg, Joubert Park and Hillbrow/Berea. Problems such as overcrowding, exploitation by unscrupulous landlords and police harassment followed.

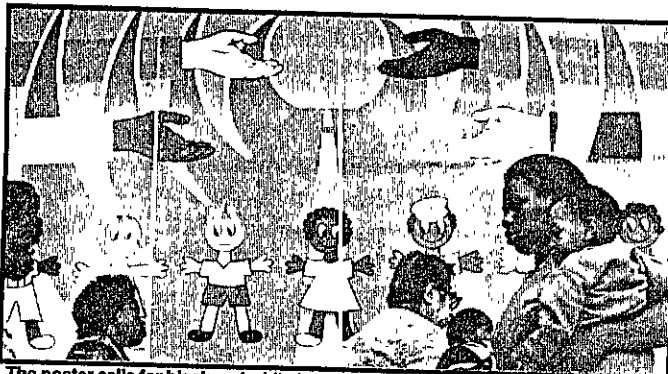
Many shops — even bank branches — closed, to be replaced by pool halls, amusement arcades, pawn shops and other signs of skid row.

The result was an uneasy mix between those whites, many of them elderly, who were forced by economic circumstances to remain in Hillbrow and the ever-growing black population. The elderly, particularly,

Some good news from the new South Africa. We focus on how the inner city suburbs have learned to live with being mixed and have changed from skid-rows into thriving communities.

The fog lifts off

the grey areas



The poster calls for black and white harmony ... and that's what's happening

are a favourite target for muggers and robbers.

But since the removal of the Group Areas Act and the start of constitutional negotiations the fog is lifting and the population profile of Hillbrow is changing again.

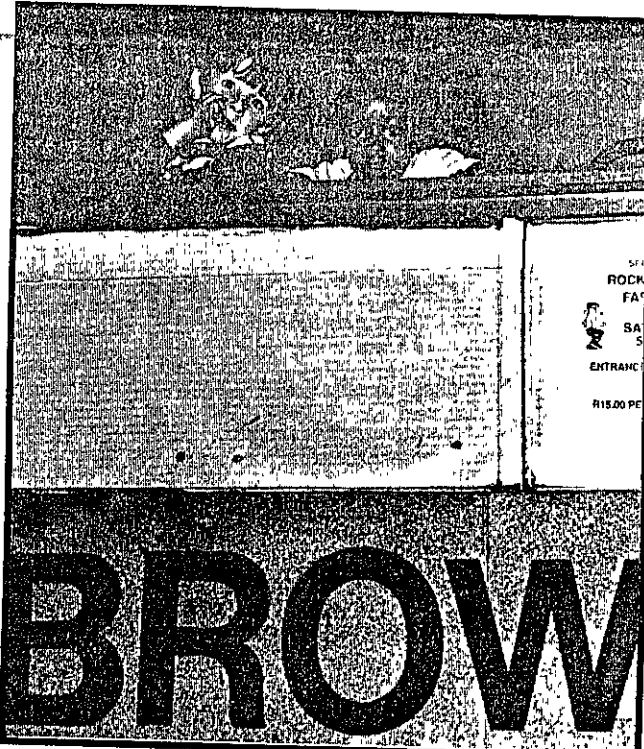
The pool halls are closing, to be replaced by ordinary shops —

butcheries, for example — which cater for the day-to-day needs of residents.

Paddi Clay, who wrote a book on Hillbrow in the early 1980s, says the major change over the past 10 years has been the demographics of the area. "People used to move out of Hillbrow when they started a family,

have moved out or have disintegrated."

With this more stable population various businesses have sprung up to serve the community's need. For example, a number of public telephone "shops" have opened, which provide reliable phone lines for the



The new generation ... These two children play in one of South Africa's more integrated communities

many people who do not have phones in their flats.

Some traders were caught flat-footed by the rapid change in the market. Simon Chait, of I Kuper and Co which owns the Nedbank Plaza, says the spending power of the people living in Hillbrow has changed and certain retailers who adapted to the change are doing well.

He says some restaurants, Mi Vami for example, which catered to the traditional trade have changed their menus to target the new clientele.

The pavement outside Checkers is a regular Hyde Park Corner (London version): the African National Congress often sets up a stall there; once there was an elderly man on a person-

al crusade against the council — his hand-stencilled posters complained that although most ratepayers in Johannesburg were English the council was dominated by Afrikan-ers.

Pretoria Street is a bustling street market from midmorning until almost 10pm. Hawkers flog anything from music cassettes to vicious-looking knives to kiddies toys. And, of course, there are the ubiquitous vegetable sellers. They all go home late at night, leaving the yellow lines painted on the pavement to demarcate their turf.

Shopowners seem to have come to terms with the hawkers, and council workers clean the streets around midnight to prepare for each new morning.

After keeping a low profile for a while the Hare Krishnas are back, as are the Scientologists. The Hare Krishnas' colourful procession wends through the streets every Sunday: members in their saffron robes bopping to their drum; a ragtag bunch of street children and drunks toyi-toyi-ing along behind.

Highpoint, the scene of the New Year's Eve revels, is a favourite spot at nights for buskers — and for the Salvation Army's brass band on Sunday mornings. And it's still safe to walk to the café alone at 3am — if you avoid the dark alleys, which any city-smart person would do anyway.

Slowly and quietly Hillbrow's changed. It could even be a model for other areas, argues JULIA BEFFON.

Fall in consumer spending hits Amrel

B10aw 8/5/92 (30)
AMALGAMATED Retail's (Amrel's) earnings dropped significantly in the year to end-March as its furniture, footwear and apparel divisions reeled under depressed consumer spending.

The retailing arm of SA Breweries reported a 35% drop in attributable earnings from R24m to R15,7m.

MD Stan Berger said consumer demand had fallen dramatically, and Amrel did well to contain the turnover decline at 3% to R1bn (R1,03bn). This was in spite of the closure of about 150 footwear division stores.

The 140-store Footprint chain and

MARCIA KLEIN

the 12-store Barnes chain were discontinued during the year at a cost of R8,8m.

Berger said the furniture business contributed 65% of group turnover, while footwear and apparel contributed 30%.

Intense competition saw trading profit drop by 43% from R59,2m to R33,7m. Higher borrowings resulted in a 42,9% hike in net financing costs to R24,1m and a 77,2% plunge in pre-tax profit from R42,4m to R9,6m.

Berger said Amrel got no tax relief

on the large assessed loss in the footwear and apparel division, and this affected the effective tax rate.

However, the R6,1m net tax gain enabled the group to report an earnings drop of 35% from 260c to 170c a share, "in line with interim expectations".

A full year dividend of 57c (87c) a share was in line with group policy of a three times cover.

In a post year-end event, Amrel increased its holding in Boymans from 36% to 76% following the Boymans rights issue, which Amrel underwrote.

Plunge in earnings leaves OK reeling

8/10ay 8/5/92

MARCIA KLEIN

OK BAZAARS' 37% fall in earnings to 75,3c (120,3c) a share in the year to end-March reflects a marked decline in the group's second-half fortunes.

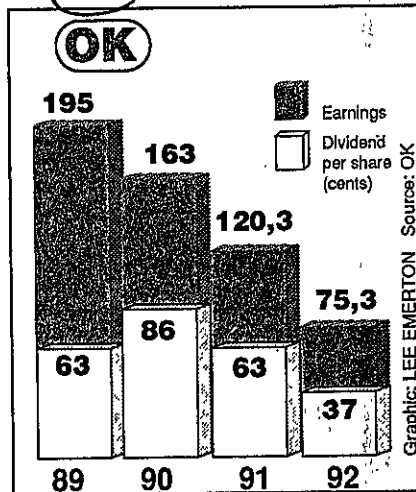
The OK, which has passed its final dividend, showed a loss after interest, but was saved at the bottom line by a R12m release from the cumulative tax balance.

MD Gordon Hood said yesterday turnover grew by only 5% to R5bn (R4,8bn) on the back of the economic climate, escalating unemployment and the dramatic negative effect of VAT's introduction. Sales growth of 9,5% in the first half was reduced to only 1,3% in the second.

Margins were slashed from 1,2% to 0,85% and operating income dropped by 27,5% to R43,3m (R59,7m). Hood said in spite of an improved shrinkage performance, this drop reflected "the reduced activity level, coupled with excessively high interest rates and lower levels of fixed overhead recoveries". The furniture and appliances business had been taking a harder knock than food.

The R43,3m operating profit was wiped out by an interest bill of R46,8m, which resulted from higher borrowings. Gearing was increased from 71% to 111%.

But a reduction of the provision for deferred tax saw the OK release R12m from



the cumulative deferred tax balance, to bring the tax payment of R4,4m in the previous year to a positive R13,5m. This resulted in a 41% decline in after-tax profit to R9,9m (R16,9m) and a 37% drop in attributable earnings to R9,4m (R14,9m).

Although the tax balance release was a one-off event, Hood said there would be future savings as the OK would not be providing at the full rate.

A final dividend was not declared as the

□ To Page 2

OK Bazaars

group's policy is to declare 50% of earnings as dividends, and an interim dividend of 37c a share has already been declared.

An extraordinary loss of R739 000 (R8,8m) refers to the closure of OK stores as well as the disposal of a redundant warehouse in Cape Town and surplus land in Germiston.

Hood said the restructuring of the group into operating divisions, OK Stores and Hyperamas, would put management in a

better position to improve marketing strategies and secure a greater share of the consumer rand. It would also result in improved management focus.

In financial 1993 the OK would be coming off a low base, interest rates could come down and the benefits of its centralised warehousing would also flow through. These factors would allow for an improvement in earnings over time and would establish a stronger base for growth.

30 □ From Page 1

Trueform, provides a niche for upmarket customers who want value, says Beeton.

It is widely believed that the opening of Queenspark led to the severing of supplies from Rex Trueform to Woolworths. Beeton, however, says there is room for a cash business like Queenspark in the fashionable end of the market. "We have a manufacturing operation, Celrose, so can hardly complain when our suppliers open retail outlets."

Edgars sits on a p:e of 16,8 and offers a yield of 2,3%. Along with Foschini, it is the the bluest chip in retailing, though scrip is rarer than gold dust.

Stephen Cranston

PEPKOR

Big cash call

There is no stopping Pepkor's momentum. Together with year-end results comes news of rights issues of R262m for Pepkor and R135m for Peggro (so it can follow) as well as a 10-way share split by Pepkor and five ways by Peggro and Pep Ltd (Peplim).

Star performer was discount food retailing arm **Shoprite**. Turnover leaped by 54%. Even more impressive was the 80% jump in operating profit. But it is not as simple as that.

Financial 1991 was not a good year for Shoprite. It had to contend with the acquisition of Grand Bazaars, which was in poor shape. So these results reflect excellence from a low base and could presage the sort of synergy Shoprite MD Whitey Basson believes can be achieved with Checkers.

Another interesting feature is the elimination of Shoprite's interest-bearing debt — R10,6m at February 1991.

PEPKOR

Year to Feb	1991	1992
Turnover (Rm)	1 957	4 266
Operating profit (Rm)	168,0	218,3
Pre-tax profit (Rm)	153,4	184,3
Attributable (Rm)	79,3	93,8
EPS (c)	558,0	612,3
Dividends (c)	212	244

Results of **Peplim** are less dynamic and more in keeping with expectations. It was a year of digestion, with the acquisition of Frasers Mine Stores, the Harties chain, 14 stores in Scotland by a European Pepkor associate, and the 51% outside shareholders' interest in Pep Peninsula. During the year 59 new Pep outlets were opened and expensive repositioning of the Ackermans chain began.

Smart Centre's results for the eight months are not strictly comparable with its previous year's. But the period was exceptionally difficult for clothing retailers and the chain did well to increase net margin to 17,3% and produce little change in annualised earnings.

Restructuring to incorporate Shoprite and Checkers into Tradegro is proceeding as planned. Because all trading entities except

PEP LTD

Year to Feb	1991	1992
Turnover (Rm)	1 225	1 468
Operating profit (Rm)	151,2	158,4
Pre-tax profit (Rm)	147,1	151,8
Attributable (Rm)	88,5	98,4
EPS (c)	193,9	215,2
Dividends (c)	78,0	89,5

FM 8/5/92 (30)

Checkers and Stuttafords/Greatermans had been removed from Tradegro by end-February 29, comparing annual results in Tradegro and Tradehold is irrelevant.

Tradegro will hold Pepkor's food retailing interests and future profits from Shoprite and Checkers will reflect in its results.

Reason for the rights issue, says chairman Christo Wiese, is to have sufficient liquidity to fund further development. He points out that the R300m cash already held may make the issue seem superfluous, but, he says, if R550m cash after the rights issue is viewed against the whole group's turnover — about R8bn this year — it is not unreasonable.

Wiese and operating company MDs are

SHOPRITE

Year to Feb	1991	1992
Turnover (Rm)	732,1	1 129,1
Operating profit (Rm)	12,6	22,7
Pre-tax profit (Rm)	11,6	19,9
Attributable (Rm)	8,1	12,2
EPS (c)	27,2	41,1
Dividends (c)	13,5	15,5

reluctant to express specific forecasts or growth targets. In particular, Wiese does not wish to commit himself about Checkers/Shoprite. But it is this operation that could be the surprise package. Though its contribution may not be large, Checkers may add profit to the group by February.

Though the rights issue will dilute EPS, Wiese is setting a strong financial base, expressing confidence the group will prosper. That is one reason why Pepkor is trading on a demanding p:e of 18,1.

Gerald Hirshon

EDGARS FM 8/5/92 (30) Retailing's bluest chip

Results from SA's largest credit-based retailer are a relief after blue-chip cash businesses such as Pick 'n Pay and Wooltru both reported reduced earnings. Edgars' 5% increase in EPS is unexpected after Wooltru's recent 28% earnings dip.

MD George Beeton says the group is curtailing growth in credit to preserve the quality of its book. Edgars has a sound extended credit facility, though over the past couple of years many account holders have pushed out payments beyond eight months. Because of recession, Edgars was unable to hit its target R3bn turnover. Operating profit rose by 6%, which meant that the margin fell from 14,3% to 13,6% — creditable in a recession, particularly when mark-downs and price breaks were up by 32%.

Beeton says a migration to credit purchases is reflected in poor results from cash chain Jet. Sales and profit growth for the credit chains were 13% and 10% respectively, while sales in Jet were level and the attributable loss was R8m. Jet's quality has improved under MD Donald Etheridge but it will be a long road to full profitability.

The trading environment continues to get tougher. New entries like Queenspark, a chain owned by major clothing supplier Rex

REASONABLE YEAR

Year to March 31	1991	1992
Turnover (Rbn)	2,47	2,75
Operating profit (Rm)	353	373
Attributable (Rm)	150	157
Earnings (c)	296	310
Dividends (c)	113	119

PEPKOR PROPERTIES ^{FM}
815792
Tidying the shelves (30)

Pepkor was reported in March to be rationalising its property portfolio. Two weeks ago the group announced it was selling these interests to its operating companies within a restructured group.

In describing the R200m rationalisation, Pepkor director Jimmy Fouché told the *FM* (*Property* March 27) that the portfolio consisted of retail stores, manufacturing units and warehouses.

The properties would be sorted into two groups: those belonging to food retailers Checkers and Shoprite and those in clothing and household retailing — for example, Ackermans and Pep Stores.

The idea was to house the properties operationally where they belonged as well as to prepare them for possible refinancing. The group's further restructuring entails a merger of Shoprite and Checkers SA under Tradegro, a listed company in which Pepkor has the controlling interest. This means the sale of Shoprite to Tradegro and a future delisting of Shoprite.

Shoprite and Checkers logos will remain in use and Tradegro has been given focus as a food and household retailing company. Pepkor also announced the acquisition of Greatermans Department Stores from Tradegro — now streamlined "by taking out the clothing element."

The third leg of the announcement concerns the properties which, historically, were used by Pep and Shoprite, and which were owned by and financed off-balance-sheet through Pepkor's wholly owned Pepkor Property Holdings (PPH).

Pepkor decided to sell these properties (risks and assets included) — along with those belonging to Checkers and Greatermans stores — to the operating companies in the Pepkor group. The reason is that the operating companies use the bulk of lettable space.

Fouché says the properties that do not belong with the operations of the newly focused food and household retailing Tradegro group have been hived off to Pep Ltd (Pep, Ackermans and their manufacturing operations). PPH, with its streamlined portfolio of properties belonging to Checkers and Shoprite, has been sold to Tradegro. ■

Amrel bears brunt of slump in consumer spending

By Sven Lünsche

(30)

SA Breweries' diversified retail group, Amalgamated Retail (Amrel), saw operating profits plummet 43 percent in the year to end-March.

Amrel's high exposure to furniture, which contributed 65 percent of the group's turnover as against 30 percent for footwear and apparel division, made it particularly vulnerable to the slump in consumer spending.

Sales growth was also adversely affected by the closure of 140 stores in the Footprint chain and 12 stores in the Barnes Chain as part of the restructuring of the group's footwear division.

Against this background management seems satisfied that sales for the year slumped by only three percent to R1 billion (R1,03 billion).

This drop combined with a sharp reduction in the group's margins, which were pressured

by "intense competition", left trading profits 43 percent lower at R33,7 million (R59,2 million).

An increase in net financing costs from R16,9 million to R24,1 million on higher borrowings throughout the year contributed to the 35 percent decline in attributable earnings at R15,7 million (R24 million).

Earnings per share subsequently dropped from 260c to 170c and in line with its policy of declaring dividends covered three times by

earnings, the total dividend for the year dropped from 87c to 57c.

Amrel's earnings were also adversely affected by the poor performance of its Boymans subsidiary, as the group's interest in Boymans rose from 36 to 76 percent after the recent rights issue.

The rise in borrowings was contained to R14 million, but together with the decline in earnings, resulted in a further increase in the gearing ratio from 0,75 to 0,83.

OK shock — no final dividend

STAR 8/5/92
By Sven Lünsche

OK Bazaars has shocked the investment community by passing its final dividend — for the first time in decades.

The failure to pay a dividend for the second six months of the year to end-March follows the group's failure to maintain the respectable operating performance achieved in the first half.

At the interim stage attributable earnings were up by one percent — for the year as a whole the bottom-line showed a 37 percent slump to R9,35 million (R14,9 million), equivalent to a drop in earnings per share from 120,3c to 75,3c.

Following its policy of declaring about 50 percent of earnings as dividends, OK paid shareholders a generous 37c at the interim stage, but, according to the board "was reluctantly compelled to pass the final dividend".

The slump in profits was also accompanied by a continued deterioration of gearing.

The ratio accelerated from 0,71 to 1,11 as borrowings surged by 57 percent to R409 million (R260 million), almost 90 percent of it in short-term loans.

Interest payments subsequently soared by 22 percent to R46,85 million (R38,5 million) further depressing the bottom line.

Chief executive Gordon Hood hopes that with the company's new centralised distribution warehouse in operation, short-term debt will be reduced by almost R100 million.

"Ideally, we are looking for a gearing ratio of between 0,6 and 0,85," he adds.

Mr Hood says OK, with its considerable exposure to the mass consumer market, was "particularly hard hit by the prevailing economic climate, escalating unemployment and the introduction of VAT".

While turnover was marginally higher at R5,04 billion (R4,8 billion), operating margins at about 1,7 percent remained under pressure and left operating income 27 percent lower at R43,3 million (R59,7 million).

Mr Hood says stock levels during the year increased by an acceptable seven percent, but adds that an improved stock-turn is crucial to a strong recovery in earnings.

Store closures

The group continued with its store-closure programme during the year.

Nine stores were shut down last year, followed by 14 since the beginning of this year.

Mr Hood says the closure of eight more stores before December is in line with policy of focusing expansion on larger stores and Hyperamas — three more Hyperama stores are scheduled over the next 12 months.

OK's recent move to develop the Hyperamas as a separate division is a logical step, given the growth of this division over the past few years, says Mr Hood.

He says though that a separate listing for Hyperamas is not envisaged.

Retail groups 'slow to see joint venture possibilities'

810am 12/15/92
SPECULATION that Procter & Gamble and Heinz were looking at the SA market had focused marketing interest on manufacturers and their brands, Hunt Lascaris TBWA MD Reg Lascaris said. 12/15/92

He said major brands and manufacturers were now involved in long-range planning and re-examining their positioning to include possible joint ventures with overseas partners. But retail groups had not undertaken similar reappraisals, even though they could also benefit from joint ventures with global players.

Some retailers, like Sales House and Spar, had sought distinctive positions, he said, but the retail sector was generally undifferentiated.

"This blandness is cause for concern even from a purely local perspective but is tantamount to shooting yourself in the foot when global opportunities could be at stake."

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Significant overseas players had "moved beyond simplistic price platforms years ago", Lascaris said, and would probably prefer SA groups "with well-defined, well-differentiated positions which allow synergy with their own ranges of fashion, accessories and other goods".

This would be a great creative opportunity from an advertising industry perspective, he said. Although product brand building was a major focus, turning stores into brands would become just as vital.

Hunt Lascaris TBWA last year launched its Fast Moving Clients division. Its head, Gail Curtis, said a store was a brand and was vulnerable if it was dependent on a price platform. This fast track business was not limited to retail. Speed and responsiveness advertising were also vital in leisure, food and service industries.

April new vehicle sales plunge 21%

8/Day 12/5/92

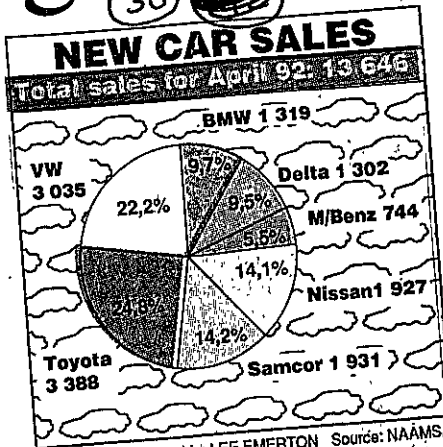
EDWARD WEST

TOTAL vehicle sales in April plummeted 21% to 21 490 units compared with 27 225 units sold in March. When compared with April 1991, sales were 17,5% lower.

The National Association of Automobile Manufacturers of SA (Naamsa) said yesterday that given the close correlation between vehicle sales and economic activity, the figures reflected an economy in deep decline and suggested a recession more severe than official figures indicated.

Fewer trading days contributed to only 13 646 new cars being sold in April, 21,5% lower than the 17 390 units sold in March. Compared with April last year, sales were 18,4% lower. Cumulative sales this year at 61 641 were 11,4% lower than the 69 586 during the corresponding four months last year, Naamsa said.

Light commercial vehicles (LCV), bakkies and minibus sales fell 20,7% to 7 153 from 9 026 sold in March. Against the same month in 1991, LCV sales fell 16,6%. On a



Graphic: LEE EMERTON Source: NAAMSA

year to date basis, sales were 10,6% down to 31 357 from 35 100.

Sales of medium commercial (MCV) and heavy commercial vehicles (HCV) declined 20,2% and 10,8% to 261 and 430 units respectively compared with March.

□ To Page 2

Vehicles

8/Day 12/5/92

Against April a year ago, MCV and LCV sales were 12,4% and 2,7% lower.

Toyota SA marketing MD Brand Pretorius said the easing of hire purchase agreements earlier this year had had little effect on buying patterns because banks were cautious about new transactions.

Nissan SA marketing MD Stephanus Loubser described the falling vehicle sales as disappointing and blamed the recession, high interest rates, the drought, the slump in the black taxi market and the number of holidays in April.

Volkswagen public affairs manager Ronnie Kruger said vehicle sales were at the same levels as the early '70s. Exports were the only lifeline, he said.

Toyota SA maintained its lead in the passenger car, LCV and MCV markets in

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□ From Page 1

April. It also pipped Mercedes-Benz in the HCV market, selling 135 trucks compared with Mercedes' 132.

The launch of the new BMW 3-series appears to have been well received, with 1 026 units sold in April. The series was the third best seller, after Toyota's Corolla (2 702) and Volkswagen's Golf (1 176).

Naamsa viewed any improvement in vehicle sales as unlikely before the end of the year. However, the spate of new models planned could generate additional interest and sales.

□ Tractor sales to the end of April were 15% lower at 703 units compared with the 827 sold in the corresponding four months in 1991. Markets for agricultural vehicles were soft and were likely to worsen in the event of a poor wheat season, the SA Agricultural Association said yesterday.

Gloom as furniture sales decline by 7%

30 ~~12/5/92~~
 810 day 12/5/92

A SIGNIFICANT real drop in sales of furniture, appliances, TV and audio equipment in the first quarter paints a gloomy picture of the state of the industry.

First-quarter figures, released yesterday by the Furniture Traders' Association (FTA), show that sales of furniture, appliances, sound equipment, TVs and videos dropped by 7% in real terms compared with the first quarter of 1991.

Hardest hit were TVs and videos. Sales declined by 15% in real terms. FTA executive director Frans Jordaan said sales of appliances had held up relatively well.

The black market, which had been particularly strong in the previous year, had not held up as well as sales to other sectors, he said.

These sluggish figures are reflected in results of major furniture retailers and manufacturers which had reported recently. Amrel, Afcot, Elterine, JD Group and Tedex had shown reduced earnings.

Although the sales figures were measured off a high base in the previous year's "mini-boom", this short-fall in earnings was cause for concern.

Jordaan said the biggest long-term

threat was that factory closures would result in supply problems when the economy turned.

The fall-off in sales had resulted in factory closures, short time or retrenchments.

"We are concerned that when the upswing comes, remaining factories will have difficulty coping with demand and product differentiation will be difficult to achieve," he said.

There had been no indication that the recently announced reduced deposits on HP transactions would give the industry any kind of boost.

Figures released yesterday by the Central Statistical Service (CSS) showed that total retail trade sales for the three months to February had dropped 4,1% in real terms compared with the same period in the previous year.

Total retail trade sales for February were 15,6% up compared with February 1991 — a 2% decrease in real terms. The CSS said February's total retail trade sales of R6,35bn were 10,8% higher than expected.

Recently retailers estimated that sales had declined by almost 10% in real terms over the first quarter.

MARCIA KLEIN

Food, drink products rated tops

FOOD and drink products and their suppliers are the most recognised and admired brands in SA, Markinor MD Sue Grant told the the Financial Mail's Welcome back to World Advertising conference in Johannesburg last week.

She said an SA survey, by Markinor and the Financial Mail's Tony Koenderman, showed that white respondents rated Pick 'n Pay as the most admired brand, followed by Checkers, Coca-Cola, OK Bazaars and Woolworths, Koo, Edgars, Toyota, Volkswagen and Philips.

Black respondents ranked Coca-Cola the highest, followed by SA Breweries, OK Bazaars, Pick 'n Pay, Lever Brothers.

Checkers, Eskom, Shell, Clover and Toyota.

Although some brands feature significantly on both lists, she said there were many differences. Trust and confidence levels differed significantly, with whites being more sceptical.

A comparison between international and local research showed that SA was more parochial than other countries, due to sanctions, illiteracy, poor education levels and lack of overseas travel.

Grant said there was a positive association between well-known brands and the level of trust and confidence in a specific brand.

abuses, and if so, is any action being contemplated?

THE DEPUTY MINISTER: This has not been brought to my notice, but if it is the case, I ask the hon the Leader of the Official Opposition to provide me with the necessary facts.

Chemical plant in Cato Ridge: mercury poisoning

*4. Mr T PALAN asked the Minister of Water Affairs and Forestry:

- (1) Whether, with reference to a certain chemical plant in Cato Ridge and instances of mercury pollution of a nearby stream, particulars of which have been furnished to the Minister's Department for the purpose of his reply, an investigation is to be instituted to determine the environmental impact of the chemical plant in question; if not, why not; if so, (a) when and (ii) by whom will the investigation be conducted, (b) what is the name of this chemical plant and (c) what are the details of the case;
- (2) whether he will make a statement on the matter?

D146E

THE DEPUTY MINISTER OF WATER AFFAIRS AND FORESTRY:

- (1) Yes. A comprehensive geohydrological investigation and impact assessment of the plant on groundwater and on the surface water and sediments of the Ungent River and its tributaries has been instituted.
 - (a) (i) Studies commenced towards the end of 1990.
 - (ii) Consultants appointed by the Company concerned and the Department of Water Affairs and Forestry.
 - (b) The name is the one provided by the hon member.
 - (c) Elevated mercury levels were limited to a relatively small area in the soil in the direct vicinity of the plant. Action taken by the Department resulted in the termination, on 19 April 1990, of the production of any effluent containing mercury. This, to-

gether with further remedial actions, resulted in a marked improvement in the surface and groundwater quality.

- (2) Yes. No effluent containing mercury is presently produced at the plant. Effluent containing mercury which has been generated in the past is contained in double lined dams. This effluent is currently treated to remove mercury to a level below the General Standard in terms of the Water Act, 1956 (Act 54 of 1956). The treated effluent is used, under strict control, for intermittent irrigation and the environment is not adversely affected by this practice.

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Court actions to defend Department

1. The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Education and Culture:

- (1) What total amount was paid in legal costs to defend his Department in court actions during the period 1 January 1990 up to the latest specified date for which figures are available;
- (2) whether he has taken a decision in regard to the engagement of any member of the legal fraternity to represent the Administration; House of Delegates; if not, why not; if so, what did he decide?

D163E.INT

Mr Y M MAKDA: Mr Chairman, as I informed the House yesterday, unfortunately the hon the Minister of Education and Culture has been hospitalised. As he is still in hospital, I wish to suggest that this interpellation be withdrawn. While I am on my feet I also wish to suggest that Questions No 1 and No 2 for oral reply under own affairs, which the hon the Minister of Education and Culture was to reply to, also stand over.

Allocation of business/industrial plots: Transvaal

2. Mrs R EBRAHIM asked the Minister of Housing and Agriculture:

- (1) What procedure is adopted by his Department in allocating business and industrial plots in the Transvaal;
- (2) whether this procedure has been adhered to in all such allocations; if not, what exceptions are made?

DISSENT

THE MINISTER OF HOUSING AND AGRICULTURE: Mr Chairman, hon members will know that when a business person requires a piece of land for the purposes of conducting business, it is required of him to apply to the Department of Local Government, Housing and Agriculture where such an application will be scrutinised and processed provided the applicant is a displaced person in terms of the Group Areas Act or other legislation.

Whilst it is the policy of the Administration to sell off commercial and industrial stands, in order to generate funds which in turn are used for our low-cost housing delivery programme, such actions are governed by the aspect of proclamation and registration of townships. Where the latter has not been finalised, sales cannot be concluded, since transfer of the property into the name of the purchaser cannot be done in such circumstances.

Where the situation of non-proclamation and non-registration pertains, sites can only be leased to successful applicants who are willing to opt for this alternative. Over the years sites have been allocated to individual entrepreneurs on the basis of applications submitted and often also taking cognisance of the support given by local public representatives such as local affairs committees. In non-proclaimed areas sites were leased to individuals, whilst in proclaimed areas sales by private treaty could be and have been concluded.

Furthermore, in view of the limited number of such sites available, the large number of applicants of more or less equal standing, and the keen interest evident among applicants to acquire sites, certain available sites have been advertised for sale by tender where the highest tenderer is allocated the site tendered for.

In this way the needs of those entrepreneurs who are not displaced persons are also satisfied. Another method of allocation is sale by public auction, where a site is auctioned and allocated to the highest bidder.

To summarise, there are basically four alternatives for disposing of land, which implies the allocation of sites. The first is leasing to individual applicants for a specific period at a specified rental. [Time expired.]

Mrs R EBRAHIM: Mr Chairman, newspaper articles and both direct and indirect intimidation of Mr Sayed, the towing operator who was allocated stand No 10058 in Lenasia, prompted me to place this interpellation on the Question Paper. I want to add that I had ascertained many facts before arriving at a decision regarding this interpellation.

The Ministry of Housing confirmed in a letter to me—I have the letter here—that business sites are sold exclusively by tender. However, there have been exceptions where land has been sold by private treaty. During the course of last year representations were made to me as a member of Parliament by three businessmen to assist them in their endeavours to purchase land. At that stage two of them had been negotiating through Mr T C Cherry and a third through Rev Reddy, the Ministerial Representative in the Transvaal. Two persons have already entered into deeds of sale with the House of Delegates.

Mr O Sayed of Omar's Towing Services has taken occupation of the erf allocated to him on lease pending sale and transfer. In terms of a letter addressed to Mr Sayed by Mr Meiring, the regional representative of the department, the erf would be leased to Mr Sayed with effect from 1 April 1992 at a monthly rental of R350 until such time as the area is proclaimed and a sales agreement entered into.

Notwithstanding the written commitment given to Mr Sayed, the Department refuses to honour its undertaking and enter into this lease agreement. Mr Sayed is occupying the land, has effected improvements and has established his business on these premises. What is the reason for not honouring the written undertaking given by the regional representative?

The hon the Chairman of the Ministers' Council, who was the Minister of Housing, is personally aware of the situation. He chaired the meeting at

his Durban office on 2 March 1992, at which the decision to allow Mr Sayed a lease pending the sale was stated.

THE LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, I do not want to become entangled in the local issues of Lenasia, but through experience I know that both the former Department of Community Development and its successor, the Administration: House of Delegates, applied the firm policy that when dealing with genuine, *bona fide* resettlement cases, transactions were concluded by private treaty. That was the case where we had fewer applicants than sites.

I agree with the hon the Minister of Housing and Agriculture that when one has more applicants who are confirmed resettlement cases than available sites, the best method is to offer them on a competition basis on the understanding that the highest tenderer will be given the site. A condition is stipulated in the tender document that if there are tenderers who are not resettlement cases, preference will be given to displaced persons, even if they do not submit the highest tender, provided that there is not a very big difference between the amount they tender and the highest tender, so that this will not cause problems with the Treasury.

I think the policy should be determined by the Housing Development Board. It reflects a serious state of affairs when hon Ministers are directly instructing junior officials on how to allocate sites and whom to allocate them to. [Time expired.]

The MINISTER: Mr Chairman, with regard to the hon member for Lenasia East, I should like to point out that the letter to Mr Sayed to which she referred, was withdrawn shortly afterwards, because the regional representative acted prematurely by giving the authority without the Housing Development Board's approval.

Unfortunately I did not have enough time to conclude my statement—I shall do so later—but I think if one hears what policy and procedure are being adopted, it will leave very little room for complaint. What is important is that when we have a policy, we must pursue it rigidly to the satisfaction of everyone concerned.

Mr D K PADIACHEY: Mr Chairman, it seems as if there was some kind of fiddling, because if the regional representative did act prematurely,

It means that something is wrong. In that case, I would suggest to the hon the Minister that the regional director be suspended until further investigation of this matter takes place.

This is not the only issue. It seems that the regional director did bring a lot of issues to our notice with regard to certain things that have been happening and decisions that have been taken in the Ministers' Council.

The issue is not one-sided; there are many sides to it. Many people have applied for land in the Lenasia area. Unfortunately this issue of Mr Sayed came in. We do not doubt his sincerity as a trader in the area or that he is in need of industrial land, but there are many others who were waiting even before he was. [Interjections.] There is much land there. The question of how it was allocated is what is at issue here.

It seems that the issue of allocations has been questionable in the past. Some sites have been put out to tender. In the case of others, because the hon the Chairman of the Ministers' Council has given the okay, they have been allocated to people. That is the question that must be answered today. Where do we draw the line? Do we allow the political arm to take decisions or do we put everything out to tender? What is the situation? This is the problem we in Lenasia East are confronted with.

Some of the small businessmen are going down to the local affairs committees asking for land. These committees agree that they must get land, but that depends on the Ministers' Council, and apparently the Ministers' Council then takes a different decision. [Time expired.]

Mrs R EBRAHIM: Mr Chairman, I agree with the hon member for Central Rand. He made some very valid points.

This is a matter of principle and of who set the precedents. I believe that precedents were set by the hon the Minister of Housing. Incidentally, if the hon member for Central Rand was alleging that there was a fiddle, for his information the regional representative was totally opposed to this allocation. He made his feelings known on two occasions. A meeting took place in Durban on 2 March which was attended by the entire board, Mr Reed, and all the regional representatives—there must have been about 30 officials—and even at that meeting the regional representative opposed this allocation, but he

was instructed to carry out certain decisions. If he acted prematurely or ultra vires, he is an agent of the board and the matter can be sorted about between them. I think, however, the claim of estoppel in law might hold, in that the agent will have to bear the brunt of what his juniors did [Time expired.]

of its property by public tender as prescribed by the State Tender Board. It is not a hard and fast rule, however, and the said board, which is the legal owner of such property, has to and does allow itself to be guided by the dictates of prevailing circumstances in special cases. [Time expired.]

Debate concluded.

QUESTIONS

Indicates translated version.

For oral reply:

Own Affairs:

*1. Mr K Chetty—Education and Culture. [Question standing over.]

*2. Mr M Rajab—Education and Culture. [Question standing over.]

Purchasing of land: North Coast area of Natal

*3. **The LEADER OF THE OFFICIAL OPPOSITION** asked the Minister of Housing and Agriculture:

- (1) Whether he or his Department intends purchasing any land for agricultural purposes in the North Coast area of Natal; if so, (a) where is this land situated and (b) what is the asking price (i) per hectare and (ii) in total;
- (2) whether he will make a statement on the matter?



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The MINISTER OF HOUSING AND AGRICULTURE:

- (1) No.
 - (a) Falls away.
 - (b) Falls away.
- (2) Yes.

Mr Chairman
Hon members of this House will agree that as in the case of land for housing, the search for and acquisition at reasonable cost, of suitable land for agricultural purposes, is an on-going process. This was suitable land originally identified, but the price thereof at R25 000.00 per hectare

End of two-year slump seen for retail sector

30
13/5/92

Business Staff

RETAIL sales look set to emerge from their two-year slump.

Projected figures released by Central Statistical Services (CSS) this week show that sales in April are expected to reach R7,28 billion — an increase of 18,6 percent on the comparative figure in April last year.

After taking inflation into account, this indicates a real year-on-year increase of 2,6 percent.

A broader indicator also suggests an upturn in spending on retail goods.

According to CSS, projected sales for the three months to April increased by 4,8 percent, compared with the preceding three months — a real rise of 0,8 percent.

This contrasts sharply with the latest actual retail sales figures available, those for February this year.

In February sales rose by a nominal 15,6 percent to R6,35 billion, compared with February 1991, which represents a decline of two percent

in real terms.

Wholesale trade, excluding diamonds, for February was five percent higher than expected at R10 885,3 million, Central Statistical Services said.

This represents an increase of 0,1 percent on January's sales after seasonal adjustment while it represents a decline of 0,4 percent in real terms after season adjustment.

Wholesalers of miscellaneous goods recorded the largest increase of 5,6 percent after seasonal adjustment while the largest decline (6,3 percent) was recorded by wholesalers in pharmaceutical and chemical products.

■ Consumers resorting to loan finance are defaulting at an increasing pace.

An analysis of Central Statistical Services figures by Credit Guarantee economist Luke Doig shows that default and consent judgments surged to an all-time high of R360,5 million in February, 102 percent upon February last year.

The largest contributor to this inordinate rise occurred in

the "money lent" category to private persons (including mortgage bonds).

Default and consent judgments in this category rose from R104 million in January this year to R232 million in February.

The number of insolvencies of private persons, individuals and partnerships for the first two months of the year increased by "only" 16,3 percent to 876 compared with the preceding two months.

The number of liquidations also continued to rise in the first quarter of the year, CSS reports.

In the January to March period the number of companies and close corporations, which were liquidated, increased by 40,8 percent compared with the last quarter of 1991.

CSS says there had been a marked increase in the number of wholesale and retail traders, and catering and accommodation services which were liquidated in March. Some 128 stores in these categories were liquidated in March compared with 76 in February.

Cloth wholesalers voice their fears

BID cum 1315742.

LINDA ENSOR

CAPE TOWN — Most textile wholesalers would be forced out of business by the new duty and quota structure for clothing and textile industries, Textile Wholesalers Association president Munro Bloch told Hatty Committee chairman Paul Hatty at a meeting yesterday.

Cash-flows would be severely strained by the higher duties, and the quotas would place a severe restraint on business growth, Bloch said.

Prices would skyrocket, fuelling the already high inflation rate, and massive unemployment in the informal sector would result.

The association called for the immediate abolition of the quota system, reversion of duties to levels before May 1, and appointment of a representative committee to work out a long-term strategy.

The approximately 150 textile wholesalers in SA have an estimated combined annual turnover of about R400m and are involved largely in supplying fabric to small clothing manufacturers, and boutiques which make their own garments.

The informal sector represents a large client base for the wholesalers,

who also act as bankers for many of the informal businesses.

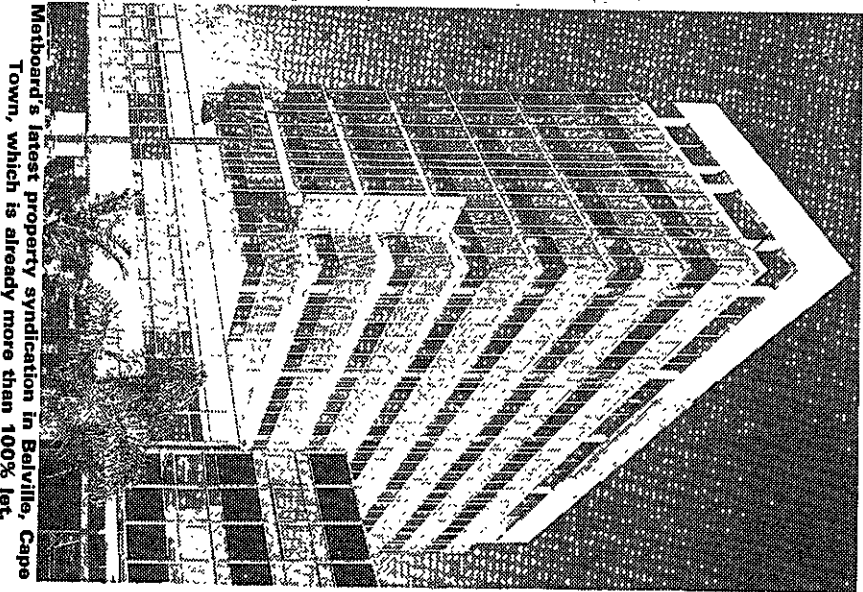
"The majority of our customers are smaller manufacturers who are too small to import themselves, and cannot take up the minimums required by the local mills for exclusivity," Bloch said.

"We also supply fabric to over-the-counter retailers selling to women who make their own garments, as well as to designers making up very small quantities of their exclusive garments," he said.

Bloch said it was necessary to import fabric in those cases where this was not made locally and where it was possible to buy smaller quantities on an exclusive basis. This gave the wholesaler's customers a different product mix, and hence a competitive advantage over the larger manufacturers and retailers.

"This proposal dictates to us what we can import under the quota, whereas to remain flexible and market oriented we need to import according to the needs of our customers, which change with the seasons and the economy," Bloch said.

The Pelvic Dip



Metboard's latest property syndication in Bellville, Cape Town, which is already more than 100% let.

JH Isaacs to syndicate Windermere Centre

J H ISAACS has said it would syndicate the commercial part of Durban's Windermere Centre in a R16,8m deal with H Lewis Tratalgar.

The 15 552m² site has extensive road frontages, and the centre consists of two floors of shops, a free-standing two-storey office development and 181 flats. "For a minimum outlay of R25 000, investors in this Morningside development are being offered an initial income yield of 11% with an annual escalation of 12%," JHI Natal commercial and industrial sales director Guy Levene said.

A new company had been formed for the acquisition of the shareblocks for the commercial component only, as the flats do not form part of the

PETER GALLI

syndication. A sectional title register should be open by July for the flats, when the individual owners will be required to take transfer.

The shopping centre is fully let. Major tenants include Checkers, Queenspark, Miladys and a number of financial institutions. Nine of the 44 shop leases are subject to turnover clauses, with an average overall rental (excluding Checkers) of R32,85/m². Rentals from R21,85/m² have also been achieved for the office complex, with commitment already received for funds exceeding R8m, Levene said.

In another development, Met-

board's latest property syndication in Bellville, Cape Town, is already more than 100% subscribed, less than a month after it was unveiled to the public.

The syndication offered 795 shareblocks at R10 000 each in the Saambou building. Main tenants include Saambou and Southern Life, which have taken up 43% of lettable space. "Taking current leases with escalations into account, the investor could receive an estimated return of 135,63% over the next five years, with 64,8% being income and 70,83% being capital growth," marketing manager Greg Nowitz said.

Metboard currently has a book of 23 syndications worth about R130m.

Repeat as in Phase II, but with eight to ten inches.

NOTE: As you become more aware, you will become more fluid. You will begin to learn to relax your calf muscles.

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Rand losing ground to £

By Carole Mason,
International economist,
Standard Bank

STAR 13/5/92
CAROLE ON CURRENCIES

The mundane realities of a dollar still trapped in a range characterised initial rand activity last week.

Ahead of last Thursday's scheduled Bundesbank meeting and Friday's release of key US employment data, it was not generally anticipated that the domestic dealing community would be afforded much scope for establishing new dollar/rand positions and the domestic unit was expected to remain confined to narrow trading ranges.

This in fact proved to be the case and although dollar activity had a weakish undertone, rand appreciation against the dollar was restricted to a fleeting burst above R2,86.

By week's end, the rand had given up those gains, with a stronger dollar leaving many domestic analysts pondering the possibility of an early break out of recent trading ranges.

Having safely hurried the two obstacles represented by

last week's Bundesbank meeting and April's US employment data, a renewed problem of the dollar's upside is now possible.

However in an environment where market participants everywhere have chosen to focus on international central bank policies rather than on the underlying economic background, the dollar remains vulnerable to nagging doubts that US interest rates have not yet bottomed.

LOSSES

As a consequence, any near-term rand weakness against the dollar should be confined to a move towards the upper end of the rand's recent R2,85-R2,88 trading range against the dollar.

The prospect of a modestly stronger dollar in the days ahead has additional indirect implications for the rand in that dollar strength against the third currencies usually implies rand

strength against the third currencies also (but to a lesser degree).

Any evidence of a stronger dollar in the days ahead should therefore enable the rand to claw back some of last week's losses against the other major currencies. These were most obvious against a surging pound which, despite a cut in UK interest rates, strengthened towards R5,16.

However, with the pound an obvious beneficiary of a lack of clear trends in both the dollar and the DM last week, any evidence of modest strength in the US currency should take some of the gloss off the pound, enabling the rand to advance.

As such, near-term performance in the rand (although occasionally disquieting in terms of rand performance against individual currencies) should not give undue cause for concern in terms of the SA Reserve Bank's chosen objective, the rand's trade-weighted value.

Retail sales looking up

By Sven Lünsche

STAR 13/5/92 (30)

Retail sales look set to emerge from their two-year slump.

Projected figures released by Central Statistical Services (CSS) this week show that sales in April are expected to reach R7,28 billion - an increase of 18,6 percent on the comparative figure in April last year.

After taking inflation into account, this indicates a real year-on-year increase of 2,6 percent.

A broader indicator also suggests an upturn in spending on retail goods.

According to CSS, projected sales for the three months to April increased by 4,8 percent, compared with the preceding three months - a real rise of 0,8 percent.

This contrasts sharply with the latest actual retail sales figures available, those for February this year.

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New SA 'giving Africa hope'

STAR 13/5/92

DAKAR - The African Development Bank is meeting here this week buoyed by hopes that a post-apartheid South Africa will strengthen the continent's economy, but worried that it could take a decade to reverse falls in living standards since 1980.

The Bank is expected at its three-day annual meeting to savour a modest improvement in fortunes in 1991, when economic growth for the continent, excluding South Africa, edged up to 2,5 percent from 2,1 percent in 1990.

But with a population of 600 million people growing faster than anywhere in the world at 3,1 percent annually, individual incomes fell again.

These slunk by 15 percent in the 1980s alone, said the Bank in a briefing paper.

"People are, on average, worse off today than they were three decades

earlier, with poverty and deprivation threatening to expand" It said.

The Bank estimated it would take seven to 10 years of sustained, real economic growth at four percent annually to recover per capita income losses suffered in the 1980s.

Weak world prices for Africa's mineral and farm output, mounting foreign debt, slack investment, widespread drought and civil strife contributed to the current crisis.

Most of these constraints persist, although total foreign debt eased to \$271 billion last year from \$286 billion in 1990 thanks to write-offs.

Yet, debt service payments still account on average for three-tenths of export earnings. And, according to United Nations estimates quoted by the Bank, poor commodity prices cost Africa about \$50 billion in lost export earnings in the second half of the 1980s.

Bank president Babacar Ndiaye said on Monday a post-apartheid South Africa could play a key role as an engine of growth in Africa, once it shakes off its own recession and gets to grips with daunting housing, education and other socio-economic challenges. - Sapa-Reuter.



Nompook Limited

(Registration number: 68018670/00)

Directors: B P Connellan (Chairman), P J Connellan

Reggies turns around a first-half earnings loss

MARCIA KLEIN

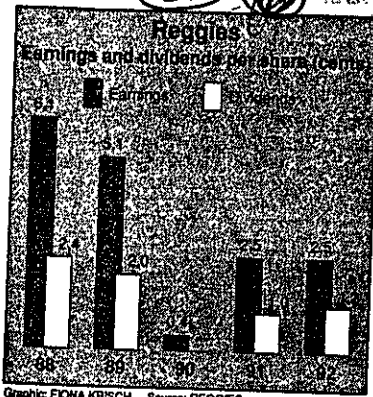
TOY and babywear retailer Redwoods Holdings (Reggies), which reported a loss in earnings at the interim stage, has maintained its earnings at 2.5c a share in the year to end-February.

MD Tony Croudace said the results were satisfactory given the conditions in the retail sector, in which the cash chains were particularly affected.

Turnover increased by 5.6% to R78.9m from R74.7m, but operating income was down by 20.3% to R3.5m (R4.4m). Croudace said although operating profit was down, figures for the previous year included six months of trading of the manufacturing operations, which were sold during that year.

The cost of keeping those factories in operation was evident in the drop in the interest bill from R1.6m to R451 000.

Croudace said savings in finance costs had more than offset the reduction on operating profit, and operating income before tax increased by



Graphic: FIONA KRISCH Source: REGGIES

8.7% to R3.0m.

After a 20.7% tax rise to R1.4m and a reduced loss in an associate, net income was up marginally to R1.5m.

An extraordinary item of R200 000 reflected the write-off of restraint of trade payments made on the acquisition of a 12-store retail business.

The dividend was increased from 1c to 1.2c a share for the full year.

Croudace said considering the loss at the interim stage, the second half had been reasonably good, especially in terms of toy sales.

The new concept toy and babywear shop, Toys "R" Us, had been successful, and pointed to "a whole new kind of business" for the company.

Reggies has opened one of these hyperstores, which is about 10 times the size of its traditional stores.

Croudace said there was the capacity for about six of the hyperstores in the major centres. The large-range, low-price stores could compete with other "discount-type" operations, and the volumes enabled it to be price competitive, he said.

The opening of 15 new Reggies stores brought the number of stores to 97 at year-end. Croudace said that the company had looked for new stores over the past year, but it did not plan to open many new stores in the near future.

Reggies had succeeded in getting its balance sheet under control, he said, and gearing of about 87% three years ago was down to 3%.

This placed Reggies in a position where it could take advantage of any change in consumer spending, especially in terms of the opening of Toys "R" Us stores.

Black business loses millions

Sowetan 14/5/92

30

BLACK business has lost millions of rands because of the political violence in Mzimhlophe and neighbouring townships in Soweto in the past few weeks.

The violence has hampered the process of peaceful political transformation and threatens a legacy of difficult divisions and deep bitterness and poses a threat to the economy.

Downward

This was told to Sowetan Business by the secretary of the Soweto Independent Shopkeepers Association (SISA), Mr Thami Skenjana, who said the situation could lead the area on a downward path to poverty, unless it was reversed soon.

He said the main areas affected included Mzimhlophe, Zone One Meadowlands, Orlando West, Dobsonville and small businesses near hotels.

By JOSHUA RABOROKO

About three shops had closed down near the Mzimhlophe Hostel while several others faced the prospect of closure as patronage had seriously dwindled.

Customers in the beleaguered areas were reluctant and afraid to patronise the shops because they feared being attacked, robbed and possibly killed when shopping in the area.

He said that the potential

for further conflict was high and political leaders had warned that the townships could slip into a civil war.

"We want to minimise the human costs of change in the townships. The violence is simply unacceptable in terms of human costs, as well as having a damaging effect on investors," he said.

Townships needed peace and political stability more than ever before if economic growth and job creation were to be achieved on

a large scale.

The continuing violence was destroying productivity in small and large businesses.

It caused despair among all population groups and business was forced to relocate or close down.

Trauma

And it did not stop there - the trauma of violence was also brought into the workplace.

He said poverty and unemployment must be seen as one of the main contribu-

tory factors - among several others - to the repeated violence in the townships.

He called on political leaders, civic associations and trade unions to come to a conference to discuss the violence that is affecting black business in the townships.

"We can no longer operate normally. We are forced to close early to avoid clashes between rival groups and those people who take advantage of the situation," he said.

Shield excels in ailing retail sector

FOOD distributor Shield Trading Corporation has bucked the trend of declining retail spending to post a 30% increase in earnings for the year to end-February.

The company, which services nearly 400 retail and wholesale outlets in SA, increased its earnings to R5,41m (R4,2m last year). This translated into earnings of 16,4c (12,6c) a share, out of which a dividend of 8c (6c) was declared.

Chairman and joint MD Theo Muller said the company had performed well in comparison with other retailers and wholesalers.

Turnover increased by 21% to R782m (R649m), not for from the pro-

DUMA GQUBULE

jected turnover of R800m. Tight controls and asset management boosted operating income to R22,9m, 25% up on the previous year's figure of R18,2m. After rebate payments to franchise members and tax, net income was R5,4m.

Muller attributed the results to success in reaching markets at the lower end, which others were not getting to. The group also had no borrowings.

He said the company was looking to maintain its performance this year. New products, which would reach fruition in the next few months, would boost gross margins and turnover.

The Cape's cutting edge

The western Cape economy has shaken off its Cinderella image and is performing consistently better in most sectors than the rest of the country.

A detailed socio-economic study of the region by Wesgro, a private sector-funded development promotion organisation, has been published in a book, *South Africa's Leading Edge: A Guide to the Western Cape Economy*. It shows that, while the Witwatersrand leads in some respects, the western Cape is ahead of the rest of SA in development. Unemployment is lower, education and health standards are higher, urbanisation has progressed further and per capita personal income levels are "considerably" higher.

Policies that hobbled the region's growth in the Sixties and Seventies — industrial decentralisation, high import tariffs, lack of systematic support for smaller enterprises and coloured labour preference — have largely been abandoned. Restructuring in the Eighties opened the way to an average economic growth rate of around 3%, compared with a national average of only 1%.

Though the region lacks a mining sector, it compensates with relatively higher contributions from other sectors than is the norm in the rest of SA. This means the western Cape has a broader based and better balanced economic structure than any other region and is shielded from violent cyclical fluctuations prevalent in regions with a dominant sector, such as mining on the Witwatersrand and the motor industry in the eastern Cape.

The absence of a dominant base minerals sector has discouraged the establishment of heavy industry complexes and encouraged the manufacture of "high value-low mass" consumer goods and given the small business sector scope for development. The region has not suffered the worldwide decline in traditional growth sectors such as mining, base metals, iron and steel, electricity generation and staple food export production.

On the contrary, virtually all the newer growth sectors, like hi-tech, upmarket clothing, tourism, education, printing and publishing, light industrial consumer goods, processed high-value agricultural products, financial and professional services and the informal sector are either already established or well suited to the region.

Though the population in the greater western Cape is large enough to support

existing local industries, industrial expansion is "vitaly dependent" on inter-regional and international markets. A surplus in inter-regional trade now covers the deficit in foreign trade and ensures the maintenance of a positive trade balance.

Tourism is one of the region's best bets. Direct spending in this sector in 1990 was estimated at R535m with another R1bn added through the multiplier effect.

Financial services are also important. They currently contribute a greater percentage of the region's Gross Geographic Product (GGP) than is the case on the Witwatersrand: 15,1% compared with 12,2%.

The contribution to the national figure is growing — and will probably continue to do so — while the Witwatersrand's is declining. The western Cape's contribution of 15,8% in 1970 grew to 18,6% in 1990, while the Witwatersrand's declined from 60,8% to 44% over the same period.)

The western Cape produces more business and management trainees than the region can absorb, due to the reputation of local educational institutions. But there is an urgent need for more training facilities for black managers/entrepreneurs.

Younger managers/entrepreneurs (in the 25-45 age group) tend to move out of the region to accept better offers — but expect to return at some stage — while older people aged 40-60 who value the Cape lifestyle are less willing to move even for good offers.

Land area

The region covers 4% of SA's land area, has just over 9% of the country's population and produces 13% of GDP. Its 3,7m population is largely urbanised. Only 11% was classified rural in 1990 compared with 48% for SA. More than 85% of the people live in metropolitan Cape Town.

An average annual growth rate of 1,8% is expected to push the population to 5,2m by 2010, which will be just under 9% of SA's total compared with just over 9% at present.

The rapid inflow of migrants from the eastern Cape is reshaping the development process and poses a formidable challenge to the region. But it has the land, water and basic agricultural resources to absorb a significantly larger population.

Based on 1989 data from the Development Bank of Southern Africa, the sectors contribution of Region A (of which the western

Cape forms 90%) to SA's GGP was: agriculture 19,9%, manufacturing 11,9%, construction 11,7%, trade and accommodation 16,3%, transport and communication 16,2%, finance and business services 18,6%.

The region's contributions are consistently higher than its population share and, with the exception of manufacturing and construction, remained stable or increased in the 14 years to 1989.

Manufacturing is the region's most important sector, contributing 24,6% of GDP in 1990, according to Wesgro estimates, followed by community and social services at 19,8%, trade and accommodation 15,7%; finance, insurance and related fields 15,1%, transport and communication 9,9%, agriculture 7,8%, construction 4,2%; electricity, gas and water 2,7%, and mining 0,2%.

Of the 1,3m-plus economically active people, about 850 000 are employed in the formal sector and 165 000 each in the informal, "survival self-employment" and unemployed sectors. The annual increase in the size of the labour force is estimated at 30 000-44 000.

Towns on the fringe of the metropolis — with the exception of Atlantis, a relatively unsuccessful industrial decentralisation development — are considered well poised for major growth during the Nineties. They include Paarl, Stellenbosch, Somerset West, Strand and Wellington. Growth in these towns will centre on agriculture and agri-industries, services, tourism and light and hi-tech industry.

Wesgro executive director David Bridgman says the western Cape needs a strong "regional economic lobby" to ensure equitable treatment under national economic policy. For example, he says, the new emphasis on beneficiation neglects the needs and potential of the region, forcing it to subsidise massive capital-intensive beneficiation projects being promoted in the PWV.

He believes tourism can gain from beneficiation through initiatives such as tax breaks for new hotels. But he is concerned about the relative lack of support for manufacturers of exports and would like to see help in the form of customs privileges within an export processing unit.

He attributes the authorities' inability to formulate clear policy on such issues to "vacillation at senior level" and says it indicates the difficulty in shifting from import substitution to export competitiveness.

OK BAZAARS FM 15/5/92
30

Tax write-back rescue

After holding earnings in the first half of the year results took a nosedive in the second. Only a tax write-back enabled OK to show a net profit but the final dividend was passed. SAB likes to play down OK's impact on overall profitability and is thankful that it has not been the drain on profitability that Tradegro became to Sankorp.

Like all food retailers OK has battled during the recession. Even market leader Pick 'n Pay's earnings were, for the first time, down in the year to February but OK's results and balance sheet look particularly weak. Gearing has risen from 71% to 111% — and this excludes debt housed in Okfin, the off-balance sheet finance associate company.

Because Easter was after year-end, stock, debtors and creditors are not strictly comparable with the previous year.

MD Gordon Hood says OK was hit by increased unemployment and in the second half by the introduction of VAT on meat and fresh foods. The nine stores in Bophuthatswana, among the most profitable in the group, were particularly badly hit because they had previously operated GST-free. Cash flow has also been hit by the loss of interest-free funding previously enjoyed from GST receipts.

The future of the OK should be helped by

OK SLIDES FURTHER

Year to March 31	1991	1992
Turnover (Rbn)	4,80	5,04
Operating income (Rm) ..	60	43
Attributable (Rm)	14,9	9,4
Earnings (c)	120,3	75,3
Dividends (c)	63	37

FM 15/5/92 30



OK's Hood ... streamlining the business may help

the streamlining of the business into two largely autonomous units, OK and Hyperama, from May 1. OK, which includes the superstores and the departmental CBD stores, will be headed by Mervyn Serebro, who had been store development director; Hyperama will be run by its present team, headed by Gerald Manne.

OK offers a p/e of 12,6 and 3,9% dividend yield. Results should improve but it's too soon for over-optimism.

Stephen Cranston

Home to industry and a pathway for exports

LONG beaches full of brightly coloured umbrellas and suntanning bodies may be the way most South Africans see Durban, but that is only part of the picture.

Durban is also a major industrial centre which is making a substantial contribution to the country's exports.

Natal Chamber of Industries president Matthys Pretorius says manufacturing forms a major part of Natal's contribution to GDP and has a higher than average percentage of exports.

"We do have a disadvantage. If you look at the GDP in Natal compared with the size of our population, it is far lower than the national average.

"One of the biggest responsibilities facing the business community in Natal is to create more jobs.

"Due to years of neglect, particularly where government is concerned, Natal has not always received its share of state spending on areas such as road infrastructure, schooling and health. These are all areas

which contribute to a strong industrial and commercial base.

"Attitudes from government may have changed, but once you are behind it is difficult to catch up, particularly in the present situation where there are severe restraints on budgets," says Pretorius.

Durban has very few head offices. There are mainly subsidiaries of Reef or Cape Town-based companies.

Important

Pretorius says the oil industry is important in Durban and "bound to grow".

Toyota's manufacturing plant and the associated component manufacturers are located in Durban, as are Tongaat-Hulett, C G Smith, T & N Holdings and numerous other large enterprises.

Durban's port is a major conduit through which products flow in and out of SA and it provides a major incentive for export orientated companies to establish themselves in the area.

However, Pretorius does not see companies with a

purely export bias starting in Durban.

"There must be a healthy mix between domestic and export production. You cannot really establish a successful company unless you have a specific target market.

"But a number of companies are successfully gearing themselves towards exports, devoting 10% to 15% of their production specifically to foreign trade.

"However, local industry is suffering along with the rest of SA and the recession has had a greater effect than anticipated.

"Companies have tended to scale down their operations and I do not think any jobs have been created in Natal's industrial sector," says Pretorius.

He says one of the biggest problems facing Durban is the lack of sites for industrial development.

"We are working with the city council to try and identify appropriate land where one could attract investors.

"Natal has always been aggressive in its marketing stance and I am confident

that, when the economy turns the leadership will take full advantage of it."

Natal has a lot to offer industrialists.

"The skills base is larger than many other areas of the country and there is also a large pool of labour.

"The port makes exports easier.

"Durban is also close to the main local market, the Reef, and there are good road links to the other major centres."

Attract

"Another advantage is that people like to live here and we can attract investment and a better calibre of people."

Pretorius says that whatever SA's future growth rate, the comparable figure in Natal will be slightly higher because of the advantages the areas has to offer.

He also believes that the peace accord in Natal is starting to work.

"The more the structures envisaged in the accord are established, the more success there will be in controlling violence."

Blomay 157592

Sales House puts ³⁰ faith in Last Outpost

THE recession has taken its toll on the textile industry with factory closures and massive job losses, declining outputs by those manufacturers able to keep their heads above water, and tight margins for retailers. ^{5 Day 15/5/92}

One retailer is bucking the trend and has embarked on the expansion trail, investing millions of rands in new and revamped stores.

Sales House, a fashion chain in the Edgars Group, currently has 113 stores around the country and expects to open another eight by 1993 — two of these will be in Natal.

Durban is the company's most recent focus of attention, with over R2m invested in revamping its West Street store as its flagship.

MD Ian Thompson says the new look store will not only benefit the local textile industry, but also means opportunity for job creation in a diversity of fields.

Merchandise director Arthur da Costa says: "Sales House is committed to supporting the local textile industry."

"Contrary to the current swing towards imported textiles and clothing, we have committed ourselves to buying from local suppliers."

"It is alarming to see that, despite the country's desperate economic situation, the value of imported clothing for the first eight months of 1992 increased by 35% to R225m compared with the same period in 1991. Over the same eight months fabric imports were up 31% to R752m."

Landlords offer good deals on rentals

IN LINE with the pattern throughout SA the Durban commercial and industrial market is sluggish and, while landlords are determined to maintain rentals, there are good deals on offer.

RMS Syfrets director Kevin Dunkley says there is a large oversupply of office space in the greater Durban area. Vacancy levels are currently running at 12%, up from 4% last year.

However, the picture is not as bleak as it might appear as vacancies have remained static over the past three months and there is little new unlet space due to come on stream.

Says Dunkley: "Rentals have softened but not dramatically. Attractive deals are being made but these tend to be in the form of relocation costs or rental holidays rather than lower base rentals. Landlords

8/Day 15/992
have had to sharpen their pencils on lease renewals.

"A-grade vacancies have dropped slightly and B-grade vacancies have increased. This indicates people are using the softer market conditions as an opportunity to upgrade."

Rentals broke through the R30m² level last year, but have softened to between R28m² and R30m². B-grade rentals have remained constant at between R18m² and R25m².

Hard hit

Dunkley says the retail shop market has been hard hit with some prime stores remaining vacant.

"Landlords are prepared to let stores remain empty rather than drop rentals. Prices are in the R60m² to R100m² range in prime areas depending on the size required.

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"Durban's first regional shopping centre, the Pavilion Centre, is being developed jointly by Murray & Roberts and Retail International. The developers have begun talks with potential anchor tenants but it is too early to gauge the effect the new centre will have on retail rentals as a whole," says Dunkley.

On the rental front there is a lot of stock available, albeit mainly B-grade space.

Rentals have softened slightly. Springfield mini-units are going in the R11,50m² to R12m² range, down from around R13m² towards the end of 1991.

Small B-grade units are on offer at R8m²-R10m².

Larger units of A-grade space are going for R7,50m²-R10m² and the bigger B-grade industrial

leases are priced between R5,50m² and R7m².

Says North: "Factories are holding off on expansion due to the recession. However, when the expected upturn occurs, rentals will rocket as there is limited space available.

Commitment

"In the past developers built on speculation. Now they want a firm commitment from a client before beginning projects, although there are still some speculative mini-unit developments.

"Another factor is the shortage of good industrial land close to the city. Land is available in Phoenix, Pinetown's Westmead and Marion Industrial Park. However, there is nothing close to the city for future development and developers are on the look out."

Melville traders irate over road plan

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STAR 16/5/92
BRENDAN TEMPLETON

TRADERS in Melville, Johannesburg, are incensed by a city council scheme to use their trendy suburb as a feeder route to the planned A3 arterial road.

The council intends widening the main road through the suburb, and local businessmen fear they will lose parking bays and loading zones in the process.

They are also concerned that the increased volume of high-speed traffic will ruin the suburb's cosy atmosphere.

"A few years ago, Melville was known for its village atmosphere. But if they let that road through, it will become nothing more than a second-rate highway," Roma pizzeria owner Enrico Jacopini said.

His sentiments were echoed by most of the Main Road traders whose businesses would be affected by the widening of the road.

None knows exactly what the council plans to do to the road.

The council is holding its cards very close to its chest, making it difficult to propose alternatives, the traders say.

Although the council has said it will construct a parking lot to compensate for lost parking bays, the traders believe the inconvenience will still affect their business.

Spar supermarket owner Mike Tripodis says his store caters for many pensioners who cannot walk long distances. He fears they will go elsewhere if they do not have easy access to parking.

Snarl

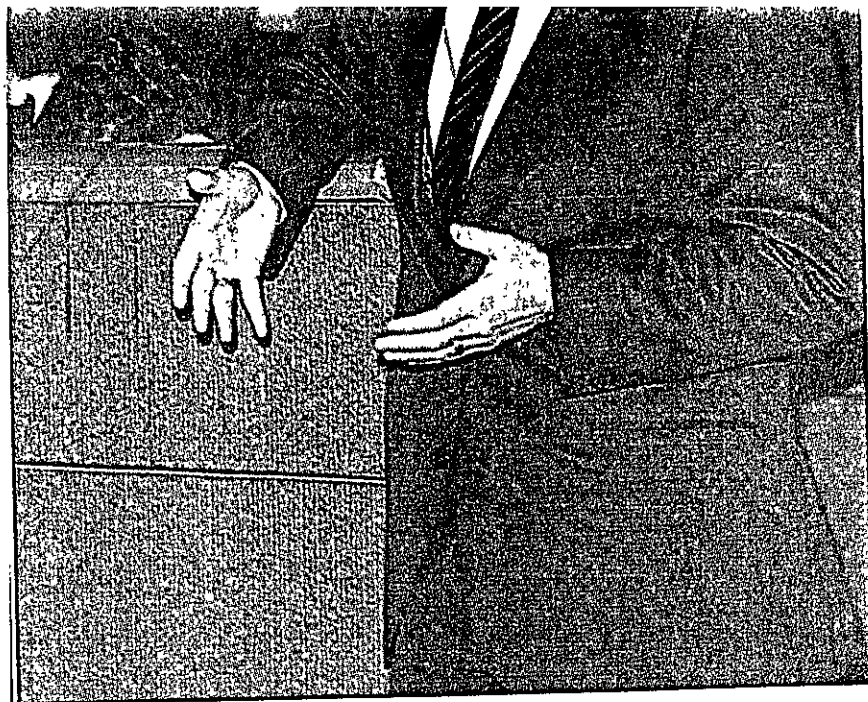
A lone voice in favour of the scheme comes from clothing store owner Bill Anderson. He believes it would be unfair of Melville to snarl up commuters' daily journey to the city's central business district.

He says he will back the scheme if the council synchronises the suburb's robots only during peak traffic hours and uses them to slow down traffic during the rest of the day.

Local ratepayers' association secretary Jenny Gillies accused the council of "speaking with a forked tongue".

"They say we agreed to this project two years ago, but that was before their era of 'public participation'. In those days, not many residents paid much attention to the association, and, although the motion to widen the road was passed, there was a lot of conflict at the meeting.

"Now I am the only original member still left on the association and almost everyone is opposed to the project. At our last meeting we had over 200 residents here who objected to the widening of the road.



ROY ANDERSEN: New man in the hot seat tackles thorny problems

Picture: CATHERINE ROSS

JSE acts to get the markets moving

THE JSE is seeking ways to increase the tradeability of shares.

The volume of shares traded in the year to February 1992 fell to 2,4-billion from 2,5-billion the previous year. The value rose slightly from R21-billion to R22,7-billion.

Liquidity — a measure of tradeability — fell from 5,3% to 4,3% of market capitalisation, prompting new JSE president Roy Andersen to hold a workshop on the problem this week.

Those taking part included representatives of stockbrokers, financial institutions and authorities, pension funds, banks and the ANC.

One of the issues before them was the weight of funds argument. Institutions need to make the best possible returns on their funds and in the current socio-political and economic climate the JSE has been the most lucrative opening.

Foreign-exchange regulations prohibit them from investing abroad on a large scale. Inevitably, under these conditions the concentration of power intensifies.

The institutions' defence is that they place money in companies with the management skills to make primary investment in SA, but there is growing support for the reintroduction of prescribed asset requirements — or a voluntary investment code.

Previously, institutions had to invest in poor-yielding government stock. One idea is a cash-flow levy whereby a percentage of incoming funds would be channelled into socially desirable projects, but likely to give low returns.

Tax issues were doubtless also on the work-

shop agenda. Clarity about capital gains tax is likely to persuade at least some holders to part with their shares. This week Mr Andersen told the JSE that the incremental scrapping of marketable securities tax in Sweden led to a doubling in liquidity.

"In some countries the Governments grant incentives to investors in the equity markets. We are allowed tax-deductible contributions to retirement annuities whose fund managers invest the money only in the stock market. It is an issue of levelling the playing fields."

The lack of market-makers focuses on dual-capacity trading. The Big Bang in London increased the liquidity of easily tradeable shares, but did nothing for smaller companies.

Unbundling is another important matter. Only the JSE has pure pyramids as well as conglomerate holding companies. Proportional distribution of the components to members of holding companies might help trade.

"Minimum spread requirements are good at all listings, but can change the next day without penalty," says Mr Andersen. Share splits, bear sales, derivative markets, dealing costs and settlement periods would also have come under scrutiny.

Mr Andersen's maiden review speech was well received on Wednesday when the JSE's annual report was released. A surplus of more than R500 000 was made against the previous year's R8,7-million loss.

By JULIE WALKER

Among the main proposals:

- The R2,4 billion accumulated by the South African Special Risks Association (Sasria) could be used to insure financial institutions against loss from bond boycotts and political unrest.
- A special relief fund should be set up for the unemployed to help them carry on with their bond payments.
- The Government should step up its support for group credit and loan guarantee schemes.

The rescue plan has been considered by the Government and sources indicate that many of its elements are likely to be approved. However, the plan has still to be negotiated with other parties, such as the ANC, as part of a general national housing policy.

Violence

The ANC has not officially responded to the proposals, but it is believed that the report has been seen by some of its national executive committee members.

The plan for rescuing the collapsing urban black housing finance market comes amid warnings by developers and financial institutions that private-sector involvement is unlikely to increase while violence continues.

Johan Kruger, general manager at the Development Bank of SA, believes the proposals are important in persuading the private sector to engage in the lower-income market.

The De Loor Report objective is a non-discriminatory, market-related housing policy in which communities are involved.

It suggests a single housing department and financing authority, increased subsidies, relaxation of building standards and zoning regulations, greater spending, the integration of local authorities, a higher density of population in urban areas and increased employee activity in housing.

The report identifies four reasons for restricted availability of small loans: affordability, the risk of non-recovery, the breakdown of law and order and low profitability.

The report finds that the extent of defaults among those most exposed to recession has risen to unacceptable levels. Some bond boycotts also inflicted large

Hard times for CNA Gallo

A DROP in consumer spending and a poor Christmas left CNA Gallo with a 4% decline in attributable profits in the year to March.

With little chance of an improvement in the economy for some time and a resultant clamp on spending, prospects for a lift in earnings in the current year are limited.

Group turnover increased by 5% to R840,3-million from R798,3-million in the previous year. The entertainment division was hardest hit, sales falling by 4% to R193,1-million from R201-mil-

lion. Turnover in the retail division rose by 9% to R634,2-million (R583,6-million).

The support division was barely changed at R12,9-million against R12,7-million.

In spite of efforts to contain costs and finance charges, operating profits fell by 8% to R84,6-million from R92-million. A 10% fall in tax and a similar increase in the contribution from asso-

ciate companies left taxed profits at R53,1-million (R55,2-million). The improvement from associates follows the increased shareholding in Waltons and Mast and a year's earnings from Nu Metro.

As a result, earnings fell to 160,3c a share from 168,5c, out of which an unchanged final dividend of 54c has been declared, leaving the total unaltered at 67c a share. Dividend cover has fallen marginally to 2,4 times.

The retail division remained the most important, contributing 61% to consolidated profits.

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Hard times for all, little cheer for OK

51 Times (Buiss) 17/5/92 (30)

SALES that rose by only 2,2% at the OK Bazaars in the second six months of the year to March reflect the state of the economy in a nutshell.

Managing director Gordon Hood says operating costs rose by 9% — and not at the expense of wages, which increased by 14%.

In the 12 months, sales rose 5,5% to top R5-billion. But operating income of R43-million was well down on the previous year's. The interest bill exceeded profit by R3,5-million.

The bacon was saved by a tax reversal of R13-million arising from the less conservative partial method of providing for deferred tax on instalment sales.

Earnings a share fell by more than a third to 75c, twice covering the interim dividend of 37c. There was no final.

Mr Hood invited me to hear his side of the story.

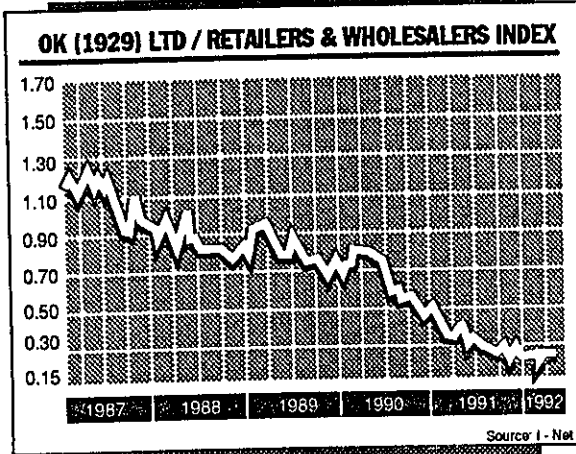
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By region, the OK has always been strong in mining towns and homelands. Bophuthatswana, where there are nine OKs, suffered because VAT was introduced. There had been no GST, so sales declined even though shoppers parted with the same amount of money. Disruption at the platinum mines also caused lower sales.

The Welkom store, formerly a gold mine, turned into a lead mine with the rise in unemployment after mine layoffs.

"What can we do but ride it out?" asks Mr Hood.

The positive spin-off of joblessness is that the acceptance



LOSS LEADER: OK has underperformed in its sector since 1988

of reasonable wage settlements becomes more likely.

OK established a centralised distribution warehousing system in the three major centres by September last year.

Although it will pay dividends, there were some hiccups along the learning curve.

Shops were still stocked by suppliers while warehouse stocks were being built up, incurring a high carrying cost. The system ideally needs to run a whole 12 months to take into account seasonal demand. "However, we are the only major retailer to have paid the big school fee," says Mr Hood.

With so much competition in individual retailing areas against the OK's all-things-to-all-people tag, I asked Mr Hood if his shops still had a place in SA. He insists that they have.

He quotes a survey on branding, which shows that

the OK retains a strong image among consumers.

Mr Hood adds that many people's view of the OK extends only as far as their closest branch, which might not be a true example of the group.

The Hyperamas are a success story and the revamped OK branches attract shoppers. But the tired run-down places with no parking are being closed — 23 have gone already. It cannot happen overnight.

Depending as it does on how much people have to spend, OK faces another tough year. Its gearing is too high at 111% — parent company SA Breweries' financial boys do not like to exceed 60% and steps are being taken to reel it in.

The shares are off the March low of R8 at about 950c. I could not find anyone on the market punting them, and it seems prudent to leave them alone for the time being.

West Cape 'can be promoted as the California of Africa'

THE Western Cape should be promoted as the California of Africa while South Africa builds its rightful place on the continent as the equivalent of the United States of America, a leading American advertising practitioner said in Cape Town.

Bill Tragos, chairman and CEO and TBWA Worldwide, was addressing a group of local marketers and advertising people before leaving for Johannesburg to speak at the Financial Mail "Welcome back to world advertising" conference.

TBWA Worldwide is a major agency with more than 1 000 employees in 13 countries and billings exceeding a billion dollars, and it is so impressed with business possibilities in South Africa that it has combined with the expertise of the Hunt Lascaris national network to offer a comprehensive service from offices situated at the Cape Town Network development.

Mr Tragos urged the local business community to take advantage of the goodwill in other countries flowing from the resounding Yes vote in the recent referendum.

Also at the same meeting was Clem Sunter, chairman of the gold and uranium division of Anglo American Corporation and head of Anglo's scenario planning,

who discussed South African post-apartheid scenarios since the Yes vote.

He urged South Africans to move ahead with confidence and to keep to the "high road" of development.

Mr Sunter said the Western Cape had most of the attributes to benefit from such "high road" development.

It was a question of identifying the region's strengths and realising their full potential.

The Cape Town Chamber of Commerce has also recognised the need to identify development issues pivotal to the achievement of economic growth in the region.

The chamber recently attended the Growing the Cape Workshop held in the Cape Town Civic Centre by Wesgro.

A representative Regional Development Forum was proposed at the workshop as an appropriate vehicle to co-ordinate and facilitate the regional effort necessary to achieve economic growth.

A steering committee has been set up to explore the possibility of creating the proposed Regional Development Forum, and the chamber points out that organised business is represented on this committee.

Morkels squeezed by expansion costs

By Day 18/5/92. (30)

MARCIA KLEIN

MORKELS' earnings plummeted by 57% in the year to end-March on the back of a 71% surge in its interest bill to fund its investments in expansion.

The group, whose operations include furniture company Morkels and retail sports outlets Totalsports, reported earnings of 10,2c a share compared with 23,7c in the previous year.

MD Carl Jansen said the decline in profit was partly due to an abnormal economy and a real decline in consumer spending.

Turnover, which excluded VAT but took into account nine months' trading of the new sports distribution operation Ajay Sports, increased by 14,6% to R307,6m from R268,3m. Jansen said both retail chains had increased their market share.

Morkels' 5,3% turnover rise compared with a furniture market growth of 4,4%, while Totalsports' 41,8% sales increase compared with an estimated sports market growth of 9,1%.

Jansen said the group continued to expand especially in the growing sports market as part of its strategy to reduce "its dependency on the cash-hungry furniture credit business".

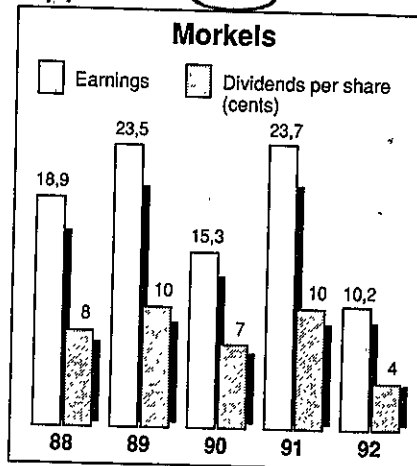
Objectives

While this growth strained capital resources in the short term, it would yield long-term benefits. At year-end there were 93 Morkels stores and 37 Totalsports outlets.

The group has also identified opportunities for imports and exports through the recently acquired sports distribution operation. It has taken a 33% shareholding in Turntec distribution organisations in the UK and Germany, and holds the franchise for the Turntec sports shoes and apparel range locally.

Operating profit declined by 25,3% to R21,2m (R28,4m). Jansen said SA's economic environment had placed Morkels' financial objectives "beyond reach".

Expansion saw the interest bill rise dramatically to R15,7m (R9,2m), resulting in a 71% reduction in pre-tax profit to R5,5m from R19,2m. The expansion would nevertheless place Morkels in a good position for



any upswing, Jansen said.

An 87% reduction in taxation from R9,7m to R1,3m reflected a full provision for deferred taxation at the reduced tax rates.

A full year dividend of 4c (10c) a share was declared following the reduced earnings and "the temporary overborrowed position".

Jansen said the acquisition of Ajay reduced attributable earnings by about 1,5c a share — after the issue of additional shares as part of the purchase price — and increased gearing by about 13%. The increase in group gearing to 165% was "uncomfortably high", and Morkels had taken firm action to limit working capital requirements in its core business to reduce borrowings and provide scope for further expansion.

However, he said the company continued to enjoy the support of its major bankers.

Jansen said the board had decided it would not be in shareholders' interests to raise additional equity capital while the shares were trading at a discount to NAV.

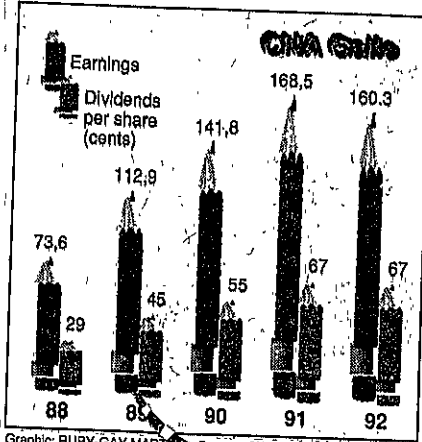
Management was adopting a conservative approach to the new year, and would "actively pursue productivity across the company to realise real growth in earnings and to improve its balance sheet".

However, consumer demand remained "fragile" because of the continuing recession and political climate, he said.

Tighter purses hit CNA⁽³⁰⁾

Blouay 18/5/92

MARCIA KLEIN



Graphic: RUBY-GAY MARTIN Source: CNA GALLO

A MARKED decline in consumer spending and a disappointing Christmas season pushed CNA Gallo's (Cnagalo) earnings down 5% to 160,3c (168,5c) a share in the year to end-March, after edging up marginally at the September interim stage.

Turnover increased by 5% to R840,4m from R798,4m as most of the group's interests were affected by the diminished consumer spending, MD Dennis Cuzen said. The hard-hit entertainment division, which includes the Gallo group's music, manufacturing, distributing and publishing companies, reported a 4% sales decline.

The division's pre-tax profit declined by 33,5%, and its contribution to group profit

Page 2

CNA Blouay 18/5/92

(30)

From Page 1

dropped to 22% from 30%. This was largely a result of a shift from vinyl to compact disc and a significant reduction in sales to black consumers, Cuzen said. The discretionary nature of the division's products had also been a major factor.

Sales in the retail division, including CNA and other book stores, rose by 9%, while pre-tax profit declined by 6,9% to R43,4m and its contribution to group profit rose to 61% from 59%.

The star performer was the support division, which includes Constantia Greetings (Hallmark cards) and properties. Its turnover rose marginally, but its pre-tax profit grew by 36,2% to R11,1m, and its contribution to group profit rose to 16% from 10%.

Group operating profit fell by 8% to R84,7m (R92,1m), and pre-tax profit declined by 10% to R38,2m from R42,4m.

Cuzen said although Cnagalo maintained

margins and contained expenses and financing costs, the lack of sales growth was the major contributor to a 10% decline in profit before associates' earnings.

The 10% rise in the group's share of associates' earnings to R16,7m from R15,1m reflects Cnagalo's increased holdings in Waltons and Mast and the inclusion of a full year of earnings from the Nu Metro interest. Cuzen said associate companies were also affected by reduced consumer demand.

Attributable earnings fell by 4% to R53,2m from R55,2m. The full-year dividend was maintained at 67c a share.

Cuzen said the group had concentrated on controlling working capital, particularly stocks, and stock of R141,9m was at the same level as the previous year. The balance sheet had negligible gearing.

The prospect of any increase in earnings in financial 1993 was "limited".

Township tense as consumer boycott enters second week

STAR 1815192
Pretoria Bureau and Sapa

The situation is tense in the Transvaal township of Zithobeni following the assault of a consumer boycott marshal by taxi operators and a police raid on the homes of civic leaders.

Residents embarked on a consumer boycott of all Indian and white-owned businesses in nearby Bronkhorstpruit from last Monday in protest against high rentals, power cuts and the establishment of a joint negotiating forum for Zithobeni and Bronkhorstpruit.

Yesterday morning, hundreds of pamphlets criticising the boycott were distributed. They purported to come from the Concerned Residents of Zithobeni and Bronkhorstpruit.

Zithobeni Civic Association (ZCA) president Mshuluzane "Shakes" Maisela conceded that the boycott was not proving effective but said residents had

resolved to continue.

He said marshal Jackie Maisela (19) was "badly assaulted" by taxi operators who later handed him over to police. So far the ZCA had been unable to trace Jackie Maisela.

Mr Maisela said police escorted taxis in and out of the township on Friday.

He also alleged that police raided the homes of civic leaders on Saturday, including his own and that of Lucas Mashego. Mr Mashego was arrested and detained, he claimed.

Police confirmed last night that two people had been arrested in connection with actions relating to the boycott.

Northern Transvaal police liaison officer Captain Marietjie Louw denied reports by boycott monitors that police raided the homes of boycott organisers.

"We don't know of any raids on any houses in Zithobeni regarding this boycott," she said.

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Morkels profits halved as recession bites

By Derek Tommey

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Morkels managing director, Carl Jansen, fears that the economy might stagnate for some years to come.

Reporting a halving of profit for this furniture and sports chain in the year ended March and a 60 percent reduction in the dividend, he says it was hit hard by negative consumer demand in the face

of continuing double digit inflation, high interest rates and increasing unemployment.

Gross national product a head in real terms has fallen 16 percent between 1981 and 1991 from R3 905 to R3 275, he says. And in the past year 100 000 jobs have been wiped out in manufacturing and mining, while 68 factories in the furniture sector were closed or placed in liquidation.

Turnover rose 14 percent to

R307,6 million but operating profit fell 25 percent to R21,2 million. A 71 percent rise in interest to R15,7 million resulted in profit before tax falling 71 percent from R19,2 million to R5,5 million.

However, an 87 percent drop in taxation limited the fall in taxed profit to 56 percent — from R9,5 million to R4,2 million.

Earnings a share dropped from 23,7c to 10,2c and the dividend has

been reduced from 10c to 6c a share.

Mr Jansen says the company continued to enjoy the support of its major banks, but it recognised that the rate of interest-bearing debt to shareholders' funds at 165 percent was uncomfortably high. Firm action had been taken to limit working capital requirements and reduce borrowings.

STAR 18/5/92

CNA Gallo's sales below ³⁰ expectations

By Sven Lünsche ^{STAR} 18/8/92

A severe deterioration in consumer spending saw CNA Gallo reporting a drop in profits for the first time since the early 80s in the year to end-March.

Sales throughout the year, particularly during the Christmas period, were well below expectations, chief executive Dennis Cuzen says.

In the entertainment division, which accounts for about one quarter of sales, turnover was four percent down on the previous year, while sales in the retail division increased by nine percent. Mr Cuzen says sales were lifted in January and February by back-to-school demand.

Group sales rose by five percent to R840,4 million (R798,4 million), reflecting a severe squeeze on volumes at the operating level, with operating income eight percent lower at R84,7 million (R92,1 million).

While the retail group managed to maintain margins, group operating margins fell from 12 to 10 percent on the back of a sharp drop in the entertainment division.

Net financing costs rose slightly to R15,3 million (R14,9 million), but this included the cost of the group's acquisition of a 50 percent stake in cinema group Nu Metro.

The Nu Metro acquisition, however, contributed to the 10 percent rise in associates' earnings to R16,7 million (R15,1 million) after what Mr Cuzen described as a satisfactory performance during the year.

Attributable earnings fell slightly by four percent to R53,2 million (R55,2 million), equal to a drop in earnings per share from 168,5c to 160,3c. An unchanged total dividend of 67c was declared.

Looking ahead, Mr Cuzen said no improvement in consumer spending was anticipated, limiting the prospect of an increase in earnings for the year.

However, he was confident that the group's successful control of working capital had laid the platform for strong earnings growth once the economy picks up.

The balance sheet reflects a stronger financial position with net current assets rising from R10,4 million to R19,5 million on the back of unchanged stocks levels and negligible gearing.

New company set to revitalise CBD's image

STAR 18/5/92

By Louise Burgers
Municipal Reporter

The Central Johannesburg Partnership (CJP), a company formed to revitalise and look after the interests of the city centre, will start operations on June 1.

Investigations into setting up the company were undertaken by representatives from the Johannesburg City Council, the business sector and the community after a central business district workshop last year.

Anglo American Property Services general manager Gerald Leissner, speaking at the annual general meeting of the CBD Association, said a business forum represented by all the major stakeholders in

the CBD had been formed to fund the operation of the CJP.

The company would focus on the area of the city centre bounded by Braamfontein ridge, Harrow Road, the M2 and Fordsburg.

The partnership would have a non-profit director with a skeleton staff. A quarterly newsletter would be published.

Task groups had already been set up to increase security in the city, put plans into operation to allow city dwellers to buy their buildings, investigate transportation, and market the city.

Mr Leissner said long-term goals included a renewal scheme for the inner city.

"Johannesburg is the commercial hub of South Africa. It hardly needs a new vision; what it needs is a champion."

Mr Leissner said it was most important that Johannesburg was not the city that people perceived it to be, but instead a clean, safe and vibrant city where many lived and worked.

● Actstop spokesman Cas Coovadia said the CJP was in the process of finalising a fund for the purchase of seven buildings in the inner-city area, as part of a pilot project. These buildings would be bought by tenants on a co-operative basis, and monies would be made available for a loan for this purpose.

He said Actstop had placed the setting up of the fund before the CJP, and that the community was optimistic that the CJP was an initiative that could be successful in addressing developmental issues in central Johannesburg.

Education crisis 'can't await new constitution'

STAR 18/5/92

By Phil Molefe
Education Reporter

The education crisis was too urgent and desperate for South Africa to await the development and outcome of a new constitution at Codesa, human resources specialist Johan Swanepoel said yesterday.

"The time for education is now," he declared, sending a challenge to the country's politicians in the run-up to a major conference on education next week entitled Education Enrichment — a Time for Action.

Mr Swanepoel warned that in the two years it might take for a constitution to be developed, statistics showed that a million

children would drop out of school and at least 250 000 black matriculants would fail.

"Laudable and desirable as the constitutional development talks at Codesa are, politicians must realise that education is a long-term process, the basis of which is long overdue.

"The structural problems facing black education cannot be solved overnight once the ink on a new constitution is dry, whenever that might be," he said.

The two-day conference, organised by corporate training organisation CTU and scheduled to begin on May 26, will examine the most urgent measures that need to be taken to break the education deadlock.

Transnet rejects rail workers' wage demands

Railway authorities have rejected requests for higher wages and shorter working hours, the SA Railway and Harbour Workers' Union (Sarhwu) announced at a report-back meeting at the Delmore hostel compound near Boksburg yesterday. STAR 18/5/92

Sarhwu regional vice-chairman Sydney Hlako said the union had, since April 30, been negotiating with Transnet for a minimum wage of R1 500 for all railway workers and a 25 per cent across-the-board wage increase for graded staff members.

"There are 26 demands in all and they've all been rejected by Transnet," he said.

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Venture capital 'can create jobs'

BIDC 1/15/92

MONEY invested in venture capital funds could create 500 000 to 2-million jobs during a period of five years, Small Business Development Corporation (SBDC) senior GM Jo Schwenke said yesterday.

Schwenke was speaking at the fifth annual conference of the International Council for Small Business of Southern Africa in Johannesburg.

If long-term insurers and pension funds could be persuaded to invest 1% of their cash flow a year (R400m) in properly constituted venture capital funds over five years, it would create 1 000 enterprises and 500 000 jobs.

Schwenke also proposed that the state put R2bn a year into properly constituted development venture capital funds every year for five years.

These funds should be invested in trusts managed by the private sector so the "chances of nonsense could be totally eliminated".

About 50 000 enterprises could be created by this investment and anything from 500 000 to 2-million people would be employed, Schwenke said.

This investment, which would constitute 2.5% of the present Budget, could be funded out of deficit or through the formation of a revolving fund. The venture capital funds would be run by "competent practitioners, experts who could select wisely".

"Venture capital goes out and looks for an investment," he said.

SBDC and IDC personnel would be more suitable to run the funds than bankers.

Venture capital funds had produced healthy profits for investors in the UK and US and there was no reason this could not happen in SA.

JONO WATERS

Schwenke said. In the UK, £6,2bn had been invested since 1985. More than £2bn was available for new investment.

However, if institutions and government were unwilling to risk the funds, they should try a pilot run with modest amounts of R50m or R200m. These investments could be deposited in two separate trusts managed by the SBDC.

Approached for comment yesterday, SBDC MD Ben Vostoo said the idea of using the country's savings more constructively was not new.

For the past 10 years the corporation had recommended that savings be mobilised to create new assets rather than refinancing existing investments.

However, the idea's time had come, he said.

"Existing markets are expanding and new markets are opening up.

"We now should be using our savings properly."

Unisa senior marketing lecturer Michael Cant said the education system's inability to equip all young South Africans with the necessary work skills meant that 7.3-million half-skilled and unskilled people would be without work by the year 2005. He expected that there would be a shortage of 920 000 managers and skilled workers.

He said there was a real need for training. The problem did not lie with education offered by universities and technicians but with individuals who did not complete their school careers.

Small businessmen had to be trained to survive. Putting abundant resources to work in the economy was a way of solving unemployment.



Interpreter Terezia Neo Colombo and Famas SAS (Italy) representative Alfredo Fava Minor, who were among delegates at the International Council for Small Business of Southern Africa conference in Johannesburg yesterday.
Picture: BRIAN HENDLER

Consumer boycott suspended

The Zithobeni Civic Association (ZCA) has suspended the week-long consumer boycott of all Indian and white-owned businesses in Bronkhorstspuit until residents of the nearby Ekangala township are ready to join the boycott action.

A ZCA spokesman yesterday said the township was tense after an alleged police raid on the homes of community leaders at the weekend.

She said an urgently convened meeting of area representatives in the township had resolved to suspend the ac-

tion to enable the Ekangala Civic Association (ECA) and the Concerned Residents of Ekangala to discuss the boycott call.

The organisations were scheduled to meet on Saturday.

The boycott started last Monday in protest against high monthly rentals, power cuts and the demand for a joint negotiating forum for Zithobeni and Bronkhorstspuit.

Residents also demanded the reincorporation of Ekangala, which is part of KwaNdebele, into South Africa. — Pretoria Bureau.

STAR 19/5/79

Business focus on the violence

Soweto 19/5/92

By JOSHUA RABOROKO

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THE violence that is devastating businesses in the townships will come under focus at a meeting of business people at Sebenzile Petrol Filling Station in Meadowlands, Soweto, tomorrow.

The secretary of the Soweto Independent Traders Association (Sita), Mr Thami Skenjana, who is co-ordinating the meeting, said yesterday that business was unstable in many parts of Soweto, especially in Meadowlands and Dobsonville, where violence was rife.

He said most businesses faced the prospect of closing down because people were afraid to buy from those areas and added: "We need to do something in order to get our customers back."

He called on business people, including hawkers, spaza shop owners, doctors, lawyers, taxi operators and musicians to attend the meeting.

"We need to organise ourselves to fight this violence," said Skenjana.

He said that many other issues, including electricity tariffs, would be discussed.

African observers splash out in Sandton

AFRICA's leading politicians splashed out on gold jewellery and quality clothing at posh shops in Sandton City at the weekend.

While SA's leaders argued at Codesa II over the details of formulating a new constitution, members of an OAU delegation in SA to monitor the proceedings were buying jewellery and clothing at the up-market shopping centre.

Codesa support staff relieved OAU chairman and Nigerian Foreign Minister Maj-Gen'I Nwachuku, Nigerian foreign affairs counsellor Gordon Bristol and OAU

PATRICK BULGER

honorary commissioner to Botswana A A Odu from negotiations so they could visit the shops. *81 Day 19/5/92*

The shopping delegation had Friedman Jewellers, which had already closed on Saturday afternoon, reopened so that Nwachuku could spend R60 000 on jewellery. The other two members bought clothing, a source involved in the unscheduled shopping spree said yesterday.

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The delegation apparently left Codesa at about 3pm — about an hour before proceedings closed.

Nwachuku refused to comment yesterday.

Friedman Jewellery MD Frank Friedman confirmed the OAU delegates had bought jewellery worth "more than R10 000".

He would not say whether his shop had been specially opened on Saturday, saying the matter was confidential.

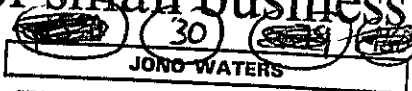
Training centre for small business

810am 20/5/92
A SMALL and medium enterprise training institute has been established by the Small Business Development Corporation to meet SA's urgent need for business training, MD Ben Vosloo said yesterday.

He told the International Council for Small Business of Southern Africa conference in Johannesburg that insufficient attention had been paid to the self-employed owners and managers of small and medium enterprises. These were major stimulators and creators of job opportunities and economic growth.

The SME Training Institute would focus on developing entrepreneurial, administrative, business and management skills.


Vosloo said the SBDC had tried to create an "entrepreneurship culture" over the past 10 years and to do this training had to be accessible, affordable and relevant to the needs of the community.



SBDC Cape senior GM Wolfgang Thomas said the pendulum in Africa was swinging away from state intervention towards private enterprise, decentralised government and self-employment and had dramatically increased interest in the role of the entrepreneur. But, to grow, Africa needed a larger reservoir of experienced, self-confident and well motivated entrepreneurs.

The stock of non-African entrepreneurs was also inadequate and their role in development was still impaired by the "inadequate integration between them and the African entrepreneurial groups".

□ Enterprise magazine reports the SBDC has granted more than 36 000 loans totalling more than R1,3bn over the past 11 years.

- (3) No. 
- (4) Creche.

Re-instatement of sale

*2. Mrs R EBRAHIM asked the Minister of Housing and Agriculture:

- (1) Whether, with reference to the reply to Question No 5 on 22 April 1992 in regard to Portions 3 and 7 of Stand 6876 in Lenasia Township, the companies involved were registered in terms of the Companies Act, No 61 of 1973, at the time the properties were sold to them;
- (2) what basis was used by the Housing Development Board in re-instating the sale;
- (3) whether the purchases were advised of the re-instatement prior to 13 December 1991; if not, when were they advised of the re-instatement; if so, (a) why and (b) when were they so advised;
- (4) Whether the purchasers have been advised of the cancellation of the re-instatement; if not, why not; if so, when?

D162E

The MINISTER OF HOUSING AND AGRICULTURE:

- (1) Yes.
- (i) Lenzcraft (Pty) Ltd was registered on 13 May 1982. Portion 7 of Stand 6876 Lenasia Extension 6 was sold on 21 May 1982. The Department of Trade and Industry advised on 13 April 1992 that Lenzcraft (Pty) Ltd was placed in the process of deregistration on 16 August 1990. The company was converted into a "close corporation" on 22 August 1989 and is now known as Moffatt Properties C.C.
- (ii) Thambi Investments (Pty) Ltd was registered in terms of the Companies Act No 61 of 1973. The company was deregistered on 26 February 1988.
- (2) The company Lenzcraft (Pty) Ltd undertook to liquidate the outstanding balance of the purchase price amounting to R38 980,24 as at 9 September 1987 in respect of Portion 7 of Stand 6876 Lenasia

Extension 6.

Thambi Investments (Pty) Ltd agreed to settle the outstanding balance of the purchase price amounting to R31 043,24 as at March 1990 in respect of Portion 3 of Stand 6876 Lenasia Extension 6.

Both these companies indicated that they have applied for rezoning and relaxation of the building lines from Special to Industrial 3 to the Johannesburg City Council during 1982.

- (3) Yes.

(a) In terms of standard procedure adopted by the Department the applicants are normally advised of the resolutions of the Regional Allocations Committee.

(b) 29 March 1990.

- (4) No.

Attempts were made by the Regional Representative to arrange a meeting but he was unsuccessful. In the light of fresh representations being made by the hon member for Lenasia East that the companies were registered a meeting was arranged with the attorney representing Thambi Investments (Pty) Ltd and Lenzcraft (Pty) Ltd on 14 May 1992 at the Johannesburg Regional Office. The outcome of the meeting is still to be made known.


Mr M RAJAB: Mr Chairman, arising from the hon the Minister's reply, would the hon the Minister please tell us how it was possible to complete this transaction with a deregistered company as one of the parties?

The MINISTER: Mr Chairman, I had hoped to have an answer for the hon member for Springfield. However, as this is a legal issue I do not have an answer, but I will look into the matter. If the hon member puts his question in writing I will give him an answer in writing.

Mr M RAJAB: Mr Chairman, further arising from the hon the Minister's reply, I will assist the hon the Minister. It is not possible to complete a transaction with a company that is deregistered. If that is not possible, I would like to ask the hon the Minister how it was done?

The MINISTER: Legally!

Sale of business sites in Cato Manor: negotiations

*3. Mr K PANDAY asked the Minister of Housing and Agriculture: 

- (1) Whether he has entered into negotiations in regard to the sale of business sites in Cato Manor, Durban; if not, why not; if so, what are the details in this regard;
- (2) whether he will make a statement on the matter?

D170E

The MINISTER OF HOUSING AND AGRICULTURE:

- (1) No.

The Housing Development Board will attend to the sale of business sites in Cato Manor in due course.

- (2) No.

Paying over of amount to Durban City Council

*4. Mr K PANDAY asked the Minister of Housing and Agriculture:

- (1) Whether his Department intends paying over or has committed itself to paying

over an amount of approximately R7 million to the Durban City Council; if so, whether the City Council requires these funds in connection with finalizing the sale of duplexes in the Newlands West area; if not, what is the position in this regard; if so, what are the relevant details?

D172E

The MINISTER OF HOUSING AND AGRICULTURE:

- (1) No.

(2) Falls away.

I want however to give the following explanations on the matter. An amount of R4 286 033,00 was originally approved by the Housing Development Board for the project. The Durban City Council has already drawn an amount of R3 556 293 and also applied for an increased loan for the upgrading of the domestic water supply. The Housing Development Board on 3 April 1992 approved an increase of R391 662,00. An amount of R1 121 402,00 of the total loan of R4 677 696,00 approved for the project, is therefore still available.

- Hansard*
- * rural land with a view to the acquisition thereof for purposes of agricultural settlement;
 - * the planning and development of such land; and
 - * the allocation of such land.

Within this context and these parameters the Advisory Commission have received applications from a broad spectrum of individuals and communities across the country. Various enquiries and discussions have already taken place. No advice on how to deal with the applications has as yet been submitted to the State President. Some requests and representations could not be considered due to the fact that the relevant applications fell outside the ambit of the Advisory Commission's statutory powers.

- (2) No. The Advisory Commission is an independent creation of statute which must advise the State President. It would not be proper for me to make any statements prior to or in anticipation of reports still to be forwarded to the State President.

Mr M RAJAB: Mr Chairman, arising from the hon the Minister's reply, could he tell this House whether any applications were made for the return of vacant property held by State departments to former owners of those properties?

The MINISTER: Mr Chairman, I think the answer to that question is yes. However, I am not able to supply full details in that regard, because, as I have indicated, the advisory commission is an independent body, and does not function within the ambit of my Ministry. I do not receive information directly from that commission, and therefore I shall have to make enquiries.

THE LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, further arising from the hon the Minister's reply, could he let us know what the policy of the State is concerning restitution and redistribution, on matters relating to the return of land that was expropriated?

The MINISTER: Mr Chairman, I refer to the hon the Leader of the Official Opposition to the White Paper we published last year on the whole process that we utilized in Parliament during the course of 1991. This led, *inter alia*, to the

- Hansard*
- purpose of the Minister's reply; if not, why not; if so, what are the findings;
- (2) whether he will make a statement on the matter? D154E

THE MINISTER OF LAW AND ORDER:

- (1) Yes, a case of murder has been investigated by the South African Police. Except for an identification parade, to be held in the coming week, and the post mortem report, which is still being awaited, investigations have already been completed. The case docket will be handed to the Attorney-General for his decision as soon as these aspects have been dealt with.

- (2) No.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament.

Resozoning of sites: Lenasia/Lenasia South

*3. Mrs R EBRAHIM asked the Minister of Local Government and National Housing:

- (1) Whether any residential, crèche or religious sites in the Lenasia and Lenasia South area have been rezoned by his Department for business purposes since January 1989; if so, what sites;
- (2) whether any betterment fees were paid; if not, why not; if so, what are the relevant details;
- (3) whether the comments of the respective management committees were obtained in this regard; if not, why not; if so, what were their comments;
- (4) whether he will make a statement on the matter? D160E

THE MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING:

- (1) Yes, the following sites have been rezoned from residential, crèche, or religious sites for business purposes since January 1989:
- (a) Erf 1879, Lenasia South
- (b) Erf 136, Lenasia
- (c) Erf 4423, Lenasia
- (d) Erf 2612, Lenasia

- (e) Erf 4859, Lenasia Extension 4
- (f) Erven 2434 and 2437, Lenasia Extension 1.

(2) Yes. Particulars with regard to betterment fees are as follows:

- (a) Erf 1879, Lenasia South: No betterment fees were necessary because no services had to be improved.
- (b) Erf 136, Lenasia: Dispute with the calculation of the betterment fees. Contribution is being recalculated.
- (c) Erf 4423, Lenasia: No betterment fees were necessary because no services had to be improved.
- (d) Erf 2612, Lenasia: No betterment fees were necessary because no services had to be improved.
- (e) Erf 4859, Lenasia Extension 4: Contribution R506,00.
- (f) Erven 2434 and 2437, Lenasia Extension 1: Contribution R236,00.

(3) Yes. Comments are as follows:

- (a) Erf 1879, Lenasia South: Committee supported the application.
- (b) Erf 136, Lenasia: Committee objected.
- (c) Erf 4423, Lenasia: Committee had no objection.
- (d) Erf 2612, Lenasia: Committee was consulted. (Comments not available.)
- (e) Erf 4859, Lenasia Extension 4: Committee objected.
- (f) Erven 2434 and 2437, Lenasia Extension 1: Committee objected.
- (4) No.

Overseas women wrestlers

*4. Mr K PANDAY asked the Minister of National Education:

- (1) Whether he intends allowing overseas women wrestlers to take part in wrestling contests in South Africa; if not, why not; if so, when;
- (2) whether he will make a statement on the matter? D171E

Waltons upholds dividend at 19c

CAPE TOWN — Waltons Stationery Company has maintained total dividends at 19c for the year to end February from earnings of 47,6c (52,6c) on a 9,2% turnover increase to R748,2m (R685,3m).

This is a smaller decline than the 17,3% drop in earnings in 1991 and also an improvement on the 13,3% drop reported at the interim stage.

However, the deep recession in the mining and building industries affected the performance of subsidiary Ozalid, costing the group a 9,5% drop in earnings a share.

Ozalid, a supplier of drawing office equipment, is highly sensitive to economic conditions. It made a lower profit than last year and R8,3m of its goodwill was written off as an extraordinary item in the group's results.

Among its other interests, Waltons' stationery division, photocopy machine supplier Helios Minolta, toy and baby products chain Reggies and 30,4% held associate company Lithosaver Systems all maintained or improved their profitability.

Helios Minolta performed exceptionally well off a high-base, financial director Mark Davis said yesterday.

The stationery division's performance was satisfactory as it experienced a better than expected back-to-school period, while associate company Lithosaver Systems showed a significant improvement in its

results.

Chairman Frank Robarts said all companies in the group continued to trade profitably, though at slightly lower margins.

Group margins slipped to 13,3% (15,5%), resulting in a 6,4% drop in operating profit to R99,3m (R106m), but this was partially offset by the 10% fall in finance charges.

Waltons has changed the mix of its short and long term debt and once again reduced its gearing significantly to 42% (1991: 47,8%, 1990: 79,5%). Current liabilities have been reduced to R142,9m (R159m) and long term debt has increased to R62m (R41m).

Sound

"Working capital management remains in a sound condition and current ratios have been kept in line with operating levels of the group," Robarts said.

While it was difficult to make forecasts, Robarts said attributable profits should show an improvement this year, provided economic conditions improved and there was no deterioration in social and political conditions.

Pyramid company, Waltons Consolidated Investment Holdings earned 45,7c (50,5c) and is paying total dividends of 12c a share.

B (Daw) 20/5/92 (30)
LINDA ENSOR

PROPERTY

CBD office space set to rise

B/Day 20/5/92

AVAILABLE retail and office space in the Johannesburg CBD is set to rise by more than 10% in the next two years on the back of planned investment of at least R1,6bn, says CBD Association chairman Stanley Arenson.

At present the 5 300 000m² of CBD commercial accommodation is conservatively estimated to be worth R16bn at replacement value.

Arenson said the city's existing office space of 3 600 000m² would rise by

ANDREW KRUMM

about 10% over the next two years.

Four developments — First National's BankCity, Anglo American's head office, the UBS computer centre and the new Reserve Bank building — were the major contributors to the rise.

In addition, the CBD's 740 000m² of retail space would also increase substantially with the completion of new nodes at Turbine Square, the Harrison Street Parkade and Prop-

net's decking of the Johannesburg railway line.

"Turbine Square will contribute 50 000m² to CBD retail space, while the Harrison Street project will contribute 30 000m²," Arenson said.

He estimated the overall price tag of CBD office and retail projects to be more than R1,6bn, with FNB's investment being the largest.

The first phase of the BankCity project — the largest development in the southern hemisphere — would cost more than R1bn in future money terms.

The project is sited on four city blocks, one which is owned by Old Mutual, for which FNB will pay a market-related rent. FNB owns the other three blocks and will pay all building costs from its own resources.

In a profile of the development, FNB MD Barry Swart said BankCity could cost FNB "a bit more be-

tween now and 1995". However, he added that after 1995 the project would have been paid for and the equation was "all one way".

Swart said BankCity would fix FNB's cost of accommodation in a very inflationary environment and provide a central head office with the necessary technological ability to function effectively into the 21st century.

The office space in the second phase would eventually be developed mainly to meet FNB's own needs. □ The SA Property Owners Association has organised a half-day conference to discuss the future of metropolitan Johannesburg.

It will be held at the Carlton Hotel on Friday and speakers will include Johannesburg Management Committee chairman Ian Davidson and Ampros MD Gerald Leissner.

NEWS IN BRIEF

8/04/92 20/5/92
Retail trade sales drop

TOTAL real retail trade sales are expected to decline 4.7% to R15,89bn in the three months to end-May compared with the same three months last year, Central Statistical Service says. (30)

Compared with December to February, the decline is likely to be 1.9% to R16,45bn. At current prices sales are expected to rise 12.4% in March-May compared with March-May last year.

US boost for black business

^{STAR}
A United States congressional grant of \$240 million (about R680 million) to promote black small business development in South Africa should materialise within two months.

²¹¹⁵¹⁹²
The latest edition of Finance Week says the SA-American Enterprise Fund will be facilitated by a Bill put before Congress by House of Representatives Africa Subcommittee chairman Mervyn Dymally, a

leading member of the Congressional Black Caucus.

³⁰
The Bill preamble says the fund will "promote equitable participation in a competitive free market in SA by the black population, including the ownership of business concerns, participation in the agricultural sector, and joint ventures between US persons and black citizens".

— Staff Reporter.

Drought set to hurt food manufacturers, retailers

DROUGHT conditions would seriously affect food manufacturers and retailers who were already experiencing extremely depressed trading conditions, various industry sources said yesterday.

They said that the severity of the drought had not been fully realised, and consumers would ultimately suffer as a result of increased food prices.

Food manufacturers who recently reported results to end-March, including Tiger Oats, C G Smith and Fedfood, warned that the drought was expected to have a significant effect on some of their operations over the next six months.

Consumer Council public affairs manager Paul Roos said that if supply and demand ruled, as it should, prices would go up. This was already evident in the prices of potatoes, and consumers could expect further increases in other products, especially fresh produce.

Barlow Rand vice-chairman and MD Derek Cooper warned on Tuesday that many of the group's interests were already feeling the effects of the drought.

The food and packaging interests in particular could be severely affected over the next six months, he said.

A Pick 'n Pay spokesman said that retail prices reflected the prices that the retail-

ers had to pay their suppliers. Therefore, he expected that retailers would be pressed to increase prices.

He added that a bumper crop in the following year would not necessarily mean prices would come down.

Although retailers would be faced with pressures to increase costs, some products, like canned fruit, should not be affected as the fruit was picked a season earlier.

He said he expected the drought to affect dairy products, maize products, chicken and meat.

A business consultant said the price of most fresh produce, including maize and wheat-based products, fruit and vegetables and meat, would increase.

Of the vegetables grown, the dry land products — as opposed to those under irrigation — would be hardest hit.

He said food companies were already hurt by tough trading conditions and the drought would aggravate this.

A market source said smaller traders who operated in the small or rural towns would be seriously affected. Many of these towns "died" during a drought, and would not recover.

Monday 21/5/92

MARCIA KLEIN

30

Pep Botswana's listing expected to be a hit

PEP Botswana will be the first retailing company listed on the Botswana Share Market (BSM). *biday 21/5/92*

A spokesman for Stockbrokers Botswana said yesterday that the listing on June 15 was expected to be one of the most successful since the BSM's inception in 1989. The BSM had been dominated by financial institutions.

Analysts expected the offer of 8-million shares to be oversubscribed. At the public offer price of 2,35 pula, the p:e was 7,6 times and the dividend yield was 5,9%. The first dividend would be an interim of five

(30) *(PEP)*
(PEP) MARCIA KLEIN *(PEP)*

thebe in November, the spokesman said.

Stockbrokers Botswana CE Bill Picken said Pep's performance was expected to mirror Botswana's economic growth as it was "ideally placed to benefit from a growing population which is enjoying greater spending power".

Picken said the company would probably qualify for a reduced 35% income tax rate in its 1993/4 tax year. Shareholders would be exempt from capital gains tax once Pep Botswana qualified.

BUSINESS

Big problems for small business

WHILE much is made of the key role small business will play in future economic growth, very little emphasis is placed on how this sector should be encouraged.

For valid business reasons financial institutions often apply stringent regulations on providing start-up finance for prospective entrepreneurs and the paper chase on the Johannesburg Stock Exchange has frozen a lot of capital which could otherwise be available to small businesses.

There is also a lack of financial instruments to lend money to small businesses.

For instance, unless one has saved enough capital or has raised money from family and friends to start up a business, the few options available are to apply to agencies such as the Development Bank, the Small Business Development Corporation (SBDC) or the Industrial Development Corporation, or to employ a broking firm to raise venture capital from merchant banks or the JSE's venture capital market (VCM).

All these are often difficult as they require a considerable amount of collateral which many entrepreneurs — especially those operating in the informal sector — simply don't have.

SBDC senior general manager Jo Schwenke noted at the organisation's Prosperity for Africa: The Small Business Way conference this week that since blacks often lack the collateral to use the banking system they turn to venture capital, only to find that "while some projects have the potential to earn healthy returns for true venture capitalists many would yield only modest returns, too low for the conventional venture capitalists".

Another tendency among money-lenders, says Get Up foundation managing director Lin Anderson, is to favour large-scale lending, thus prejudicing small entrepreneurs who require only small amounts. Hence big business tends to prefer group lending when it comes to black borrowers.

"They like to think that blacks are somehow different from other people, wanting to borrow together, do business together and are only too happy to

Small businesses may be the way forward for the South

African economy — but

many entrepreneurs do not

have the capital or the

collateral to get started.

MONDLI MAKHANYA reports

pay each other's debts," says Anderson.

Various proposals for more accessible financing have been bandied around, and time and again Bangladesh's Grameen Bank crops up.

While this bank has certainly perfected the art of lending to the small man at reasonable interest rates, points out Anderson, it should not necessarily be held up as the model since its daily functions entail a lot of work and detail — the kind of time and resources the country may not necessarily have.

Noting fund managers' and financial institutions' aversion to risk, Schwenke advocates that insurers and pension funds be persuaded to invest

at least one percent of their annual cash flow in venture capital funds over a period of five years. This, he believes, would yield R2-billion over five years for use by entrepreneurs.

Even if this money was employed in failed ventures, it would not be wasted because they would nonetheless generate economic activity. But the shortfall would be that most of the recipients would be white businesses in the "First World sector" of the economy.

Hence a separate fund would be needed for mainly black development venture funds and this would require annual state donations of up to R2-billion over a period of five years.

"Such an injection of R10-billion over five years into the hands of dedicated professionals will have a dramatic effect on the distribution of business ownership in South Africa," says Schwenke.

In the short term, however, he says we should look to foreign development agencies which have shown an interest in investing in the country — albeit in small amounts.

The SBDC is also looking at under-

writing share issues of companies wishing to invest in the VCM. The third option Schwenke suggests is the establishment by the state and financial institutions of development funds under the management of bodies such as the SBDC. These would be mainly used for risky business ventures which show a high chance of success.

But the informal sector has remained marginalised as no collateral is available and the returns would be minute.

What Anderson's Get Up foundation has, however, managed to do is to open the door to the very small informal-sector borrower. These loans go as low as R50 and a borrower need only have collateral of about R7. Anderson says repayments have up to now been almost 100 percent.

"The informal sector is important because it is the spontaneous response of poor people towards solving their problems themselves. Lending can and should strengthen such businesses as a weapon against poverty and backwardness."

COMPANIES

Focus delays its interim report

FASHION retailer Focus Holdings, which was to report its interim results by the end of April, has been granted an extension by the JSE to the end of June.

A JSE listings spokesman said the extension had been granted "as the company was being reorganised".

Analysts said yesterday they did not know what this reorganisation could entail.

The company has had two rights issues in the past two years, so it is unlikely that it would be coming to the market to raise capital. No cautionary announcement has been issued to date.

Analysts said that results for the six months to end-January were expected to

be severely depressed.

They said the company, which held Smiley Blue, Cashworths, Bachelors, Aca Joe, Mattress World and Forty Winks, would show results reflecting a significant decline in consumer spending and a strain on the group's cash flow.

Focus directors would not comment other than to say an announcement would be made soon.

The share was untraded yesterday at a ruling price of 6c, with offers to buy at 3c. The share traded at a yearly high of 22c in September, and hit a low of 3c at the end of March.

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Fixed rate for book imports

GAVIN DU VENAGE

30 (11/17)

BOOK prices were not expected to rise dramatically in the near future, in spite of the rand's plunge against the pound, CNA GM Richard Brands said yesterday.

Brands said the company had insurance protection "for several months yet" at the R5 mark. He said CNA imported 35-40% of its reading matter from the UK.

Premier Freight GM Pieter de Bruin said yesterday the clearing company, which handles 98% of SA book imports, operated on a fixed rate but that the exchange rate was putting a squeeze on trade. *B (day 22/5/92)*

He said imports dropped 4% last year as a direct result of the exchange rate, and he expected the situation to remain the same this year.

However, he expected the situation to improve by October this year with a drop in the exchange rate and an increase in imports.

CNA GALLO FM 22/5/92

Cards call the tune (30)

A sharply higher profit from the support division (greeting cards and property) is the highlight of results to March. With a drop in the entertainment division's profits, the support division's pre-tax contribution was a mere R4m short of entertainment's R15,8m. The 1990 gap was R16m.

Retail operations, with 315 CNA outlets, still dominate results, with 61% (1991: 59%) of total pre-tax profit. But this reflects a smaller pie rather than a larger contribution.

In fact retail pre-tax profits were down, despite an increase in turnover.

The entertainment division, involved in manufacturing, distributing, and publishing music, also recorded a sharp drop in turnover and pre-tax profit. MD Denis Cuzen says the discretionary nature of products was the

DIVISION ADDS SUPPORT

Year to Mar 31	1991	1992
Turnover (Rm)	798	840
Operating income (Rm) ..	92	85
Attributable (Rm)	55	53
Earnings (c)	169	160
Dividends (c)	67	67

Divisional Break-Up

Retail		
Sales (Rm)	584	634
Pre-tax profit (Rm)	47	43
Entertainment		
Sales (Rm)	202	193
Pre-tax profit (Rm)	24	16
Support		
Sales (Rm)	13	13
Pre-tax profit (Rm)	8	11

FM 22/5/92 (30)

major reason and adds there was a noticeable dip in music sales to black consumers.

Bucking the trend, the support division pre-tax rose 36% to R11,1m despite almost unchanged turnover. Greeting cards account for 73% of the division's profits.

Though Cuzen is confident of maintained earnings in the 1993 year, he says increased earnings depend on improvement in the economy as the group, by nature, is "highly sensitive to consumer spending".

At R27,25 the share is on a price ratio of 17 and dividend yield of 2,5%. It looks a demanding rating.

William Gilfillan

Manager begs for end to boycott

South 23/5-27/5/92

By Quentin Wilson

30

VILLIERSDORP supermarket manager Mr Waldo Visser will think twice before again assaulting shoplifting children and tying them to telephone poles.

A tearful Visser has pleaded with the civic association spokesperson, Mr Thomas Jansen, to lift the consumer boycott that was "ruining his business".

Residents of the Boland town stopped buying goods at Visser's Trio Supermarket in an angry response to his treatment of two boys he accused of stealing a sausage from the shop. Visser allegedly assaulted the two

boys and tied them to a telephone pole in the street. Around their necks he hung signs which read: "I steal. I am a thief."

It was Jansen who came to the rescue of the two boys and cut them loose.

Jansen says Visser is now looking to him to sort out his troubled business.

"He came knocking at my door. He said he wanted to see me to talk about the boycott at a nearby hotel or in his shop. There were tears in his eyes when I told him I had no mandate to speak to him," Jansen says.

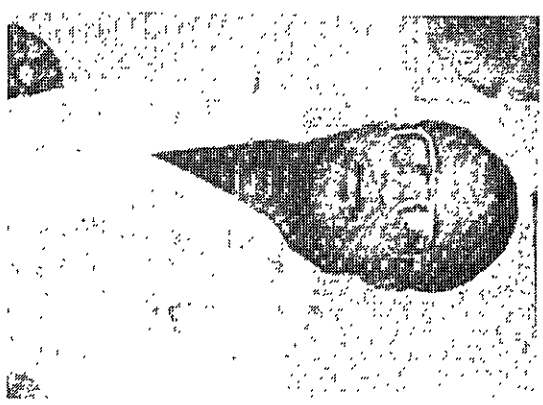
Jansen told Visser the boycott would have to be discussed by the

entire civic association. He suggested that Visser write a letter that would be on the agenda of the next civic meeting.

Visser refuses to comment. In another development, Jansen and civic chairperson Mr Pieter de Wet were arrested outside the supermarket where they were allegedly handing out pamphlets.

They allege that two people who refused to identify themselves tried to kidnap them by forcing them into a car. They resisted and a scuffle broke out.

Later the police arrived and Jansen and De Wet were arrested. According to Warrant-Officer Johannes Reyneke, police station



Thomas Jansen

commander in Villiersdorp, one of the "kidnappers" was a Warrant-Officer Goosen from Stellenbosch.

The identity of the other "kidnapper" could not be established. Jansen and De Wet are to appear in court on June 16. Reyneke said the charges were still being investigated.

18 Southbusiness

Extremely low disposable income is one of several reasons investors have been reluctant to finance shopping complexes in the townships. But this pattern may be changing, argues

Macdonald Temane:

CAN South Africa's black dormitory cities ever sustain regional shopping centres? The answer is yes and no.

Undoubtedly, there would be enough people per square kilometre living around such a centre. However, the disposable income in these areas is extremely low.

Shopping centres in black townships compete directly with attractive centres situated nearby.

One should remember that travelling to the other centres is part of the weekend entertainment of township residents, given the limited entertainment and sports facilities in most black townships. Many townships lost income earners in the higher groups following the abolition of the Group Areas Act. This does not affect spaza shops since higher-income earners do not buy there anyway. It does, however, affect spending levels at regional shopping centres inside the township.

Business premises are scattered in an unplanned fashion. Thus, regional shopping centres are usually not located in good spots.

The consumption and buying patterns of township residents are other obstacles regarding the economics of large shopping centres. Most residents buy small quantities frequently, with buying periods peaking in the early morning and late afternoon.

Notwithstanding these factors, there can be little doubt that quantities consumed in the major townships are very high. South Africa's recent political history has created a climate where public opinion for or against a shopping centre can easily



SPAZA-SHOP: Spaza owners' fear that large shopping centres threaten their livelihoods Photo: Yunus Mohamed

Township Davids, Goliaths ready for shopping battle?

be influenced by pressure groups. In particular, the participation of anchor tenants — the major national consumer chains — is still a thorny issue, with spaza-shop operators regarding large shopping centres as a threat to their livelihoods.

This is essentially the same type of opposition found among white and coloured entrepreneurs during the early seventies when hypermarkets were introduced in the urban areas?

We all know the added benefit of a regional centre is the general stimulation of local shopping. Areas such as Sandton and Rosebank near Johannesburg are proof of this phenomenon.

Yet, spaza-shop operators are aware that such supplementary "buying" of supermarket clients

hardly extends to those in the lower-income range who consume basic goods. Thus, what undoubtedly is an advantage to an up-market clothing boutique in the Sandton area, does not apply to a poorly organised and highly-priced spaza operator close to a new Pick & Pay hypermarket in the townships.

The opposition from retailers in the townships is based on the reasoning that they and the anchor tenant carry similar merchandise.

This latter view may be short-sighted, yet one should bear in mind that about 80 percent of the disposable income of township dwellers is still spent outside township borders.

Money is, in fact, spent where it is earned and new regional shop-

ping centres would compete for the 20 percent of the disposable earnings that reach the townships.

Established retailers in the townships may actually have a point.

Only if the overall patterns of job creation, income generation and consumer spending change and a greater balance is achieved between black and mixed areas, can one expect a change in attitude from the township operators.

The situation is not static, however. The population in the township increases rapidly and so does the disposable income of blacks in South Africa. The increasing effectiveness of collective bargaining further increases disposable income among township residents.

With the rapid political changes, effective influence on the spending

of pension-fund savings will also soon have an effect on the investment patterns of investors.

While these factors of change are in progress, township communities may also be changing their attitudes. Visible signs of successful partnerships between white and black enterprises, the spreading of franchise and successful clustering of black-owned enterprises around some of the regional shopping centres may lead to such changes.

Thus, it may be too early to reach a conclusion on the future of regional shopping centres inside the black residential areas.

Macdonald Temane is managing director of the Soweto Investment Trust Company. His article appears in the latest issue of *Die Suid-Afrikaan*.

South 23/5-27/5/92

30

Tax under new govt 'similar'

32

CT 23/5/92

By AUDREY D'ANGELO
Business Editor

TAX will probably "stay around the level we have at the moment" under a new government, University of the Western Cape economics lecturer Philip van Ryneveld, who advises the ANC's economic research unit, said in Bellville yesterday.

Stressing that he was not speaking for the ANC, but was in contact with them through the research unit, Van Ryneveld said at a lunch hosted by Realty 1 Commercial and Industrial. "There is not much room for an increase in the over-all tax burden, which is pretty high as it is."

"Personal income tax at the moment is very high and company tax is high. But we are low on property tax.

"I think there is scope for more revenue out of private motoring.

"I don't think a smash and grab wealth tax is on the agenda. There is talk of a capital gains tax, and I would point out that no OECD country is without one.

"To be without a capital gains tax when earnings are taxed means distorting investment. Decisions are taken in order to make a capital gain."

Van Ryneveld stressed that "it goes without saying that a capital gains tax will allow for the effects of inflation."

He said there was no intention of penalising developers. The ANC realised that they were necessary. But windfall gains as a result of land in a certain area rising in value because of planning decisions would be looked at.

Discussing housing, he said there was a feeling that it would

be a way of offering people access to the urban economy.

Densities would be increased in central areas and inner suburbs, cutting travelling costs to work.

But this would not be done in a punitive way. There would be no question of shacks in front gardens. Local authorities would have to co-ordinate land use.

Cape Town City Council was moving in the right direction by putting more emphasis on land values for rating purposes, and less on improvements. This encouraged more development.

Stressing the need for a short transition period, because uncertainty discouraged investment, Van Ryneveld said "sunset clauses" had the same effect. They made investors hold off to see what was going to change, while the economy continued to stagnate.

Call to restore Sea Point's attractions

Times (Cape metro) 24/5/92
30

SEA POINT traders fighting competition from the Victoria and Alfred Waterfront development believe revamping of the President Hotel and other sites will help restore Sea Point's image as a premier trading and dining area.

They say claims of high prices and bad service at restaurants at the Waterfront are helping to attract people back to Sea Point with its solid service and a wide price range at eating places, built up over many years.

However, Sea Point vagrants and loiterers remain a problem, particularly at the Regent Road bus terminus area.

"The first step must be to control the vagrants and loiterers. Residents find them intimidating," said Theodore Yach, chief executive of Seeff Commercial Properties.

"Once traders have done that, they need to add a bit of imagination to their market strategies and take steps to provide the public with a sense of ease and pleasure when they walk and shop."

He stressed that if Sea Point merchants adopted a positive attitude and "cleaned up" the area's image, the Waterfront could never replace Main Road as the main trading thoroughfare for Sea Point residents.

Local traders had to stop being negative about Sea Point being a ribbon development.

He pointed out that some of the greatest shopping areas in the world were ribbon developments, such as London's Oxford Street, New York's Fifth Avenue and even Durban's West Street.

"So far the Waterfront restaurants have failed to provide any significant competition to the major Sea Point restaurateurs — they are simply too good and well established."

There were also a few significant trading nodes from Glengariff Road and Queens Road where strategically placed well-managed traders were still faring well.

Mr Yach said areas currently trading well on the Main Road were: Centurion Building, to Adelphi Centre; between Arthurs Road and St Johns Road; and Church Street to Cassell Road.

A future profitable trading area for speciality shops was from the Gallerie Centre to the Sanlam development at Bantry Bay.

He conceded that some fashion retailers, who seemed to trade better in centres, had moved away from Sea Point as a whole.

Ongoing local management efforts to "green" the area, keep it clean and improve security would help to enhance Sea Point's appeal.

"The revamping of the President Hotel site, OK Bazaars complex and Old Mutual Place should provide the impetus Sea Point needs to regain her original vigour and vibrancy," said Mr Yach.

Seeff calls the five-kilometre stretch of coastline from Sea Point to Camps Bay the Gold Coast.

At certain sites along it a construction contract for a single home of R1-million doesn't raise an eyebrow anymore.

The most spectacular places are the blocks of apartments rising out of the cliff face along Victoria Road.

Here the price tags start at R750 000, a million rands is common, and a top South African businessman has paid R3,5-million for a garden flat, just above the breakers that pound Clifton's rocks.

Garages aren't cheap, either.

Developers insist that designers allow at least two per apartment, and a double garage on Victoria Road recently sold for R230 000, with others going for nearly R250 000.

Samuel Seeff of Seeff Residential Properties, which has long specialised in the area, said the attraction of what it regarded as the Gold Coast was primarily the escalation in values which had not wavered since 1976.

"Every year the increases we see in Gold Coast properties have been religiously consistent, so they attract not only user-buyers but speculators.

"Most of the buildings are now relatively new, and environmental considerations will, I hope, preclude any more stretches of the coast being opened for development purposes. They are just not making land like this anymore."

Soweto shop watch

By NOMVULA KHALO

(PROB 2415792) 30
SOWETO businessmen have asked all township shopkeepers to come together to fight the violence that has swept through Soweto, claiming many lives and threatening to cripple the fragile black businesses in the area.

The call, made by the Soweto Anti-Crime Initiative (SACI), comes in the wake of renewed violence against the traders,

who have been robbed of money and goods worth of thousands of rands.

Recently, prominent Meadowlands businessman Thami Skenjana had to close down his shop opposite Mzimhlophe Hostel because of escalating violence.

He recently called a meeting of shopkeepers to form a committee and solicit the help of the police in implementing a "business watch".

Saci consists of eight members including Dr Joe Jivhuho, Lucky Michaels, Thami Skenjana, Derrick Thema, Mick Motshwane, Maggie Monnakgotla and Ligwa Nombenyini.

R1bn lifters

RETAILERS can expect to lose more than R1-billion, or about 2% of sales, to shoplifters this year. With unemployment running at more than 40%, the crime rate will worsen before it improves.

Bryan McDermott, general sales manager of Securisearch, an electronic article surveillance company, says some large retailers will lose as much as R50-million. Nearly every retailer will be hit in some way or another. Sophisticated networks are in operation and acquire stolen goods with ready markets. Theft almost always flows through to the consumer, "but he will not be able to continue to absorb the make-up charges to compensate for stock losses".

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Fertiliser staff cuts

By DON ROBERTSON

A RESTRUCTURING of the retail and marketing divisions at Sasol Fertilizer has resulted in a reported 160 employees being retrenched. Sasol had planned to give details this week, but considerations for employees and discussions with co-operatives forced a postponement. It is believed that divisional changes to the retail structure will result in savings, which are expected to be passed to farmers. The changes will not affect the entire marketing or all the sales representative cut in production.

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Call to restore Sea Point's attractions

STimes (Cape metro) 24/5/92

30

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Prima Property Trust launches rights offer

PRIMA Property Trust has announced a rights offer to raise R27,9m so it can buy two new properties.

About 44,37-million units will be offered on the basis of 50 units for every 100 units held at a price of 63c a

PETER GALLI

unit. "Prima's expected final dividend for the six months to end-June is 5c, bringing the total dividend for the year to 10,25c," Prima Property Trust Managers director Neno Haasbroek says.

This represents a 9,5% rise over the previous year and a dividend yield of 16,3c on a unit price of 63c. For the year to end-June 1993, a dividend of 10,47c a unit is forecast, giving a dividend yield of 16,6%.

The creation of additional units will have a diluting effect on the trust's income in the short term, but creates a more balanced property portfolio that will enhance long-term rental growth, he adds.

The rights issue will increase the size of the fund by about 50% to around R85m. The new properties to be acquired are a half undivided share in portion 1 of the Sammy Marks Square development in Pretoria and the Technotron Building in Verwoerdburg.

The trust holds the other half undivided share in the Sammy Marks development, which is located in the centre of the Pretoria CBD and is bounded by Muntoria, the Reserve Bank and the State Theatre.

"The redevelopment of the entire city block, of which Portion 1 forms part, will include the introduction of major retail chains, line stores and office space," he said.

The official opening is scheduled for September 24 and the initial acquisition yield is 11,1%.

The Technotron building was developed in 1989 and is situated in the Highveld Technopark, a township developed by the Verwoerdburg Town Council for high-tech companies.

The property will be acquired at an initial 11,6% yield. "Leases with retail traders are generally turnover linked, which will provide the trust with an inflation-proof investment," Haasbroek says.

Improved productivity helping Pick 'n Pay weather the storm

30

STAR 25/5/92.

CAPE TOWN — After its first hiccup in earnings in 25 years, Pick 'n Pay has batted down the hatches to cope with the downturn in consumer spending.

Chairman Raymond Ackerman, writing in his annual report, refrains from making a profit or dividend forecast for the current year.

But, he says: "The group can look forward to significant improvement in its operating performance. When the economy improves we shall be particularly well placed to reap the rewards of the substantial investment we have made in providing the right quality standards in our business."

Mr Ackerman expects business conditions to improve in 1993 and plans to open more stores than this year.

Because of the recession, fewer new stores than usual have been opened.

The group is now debt free, apart from R5 million of debentures secured on one of its properties.

Moreover, its cash pile has soared to R191 million from R46 million at the 1991 year end.

This, with a reduction in capital expenditure, will greatly increase liquidity and boost the interest earned from the investment of surplus funds, says Mr Ackerman.

The balance sheet shows stock holdings have been slashed by R351 million to R416 million and management is committed to reducing stock volumes even more.

Installation of the expensive scanning programme was accelerated when VAT was intro-

duced and scanning operates in all the 155 stores.

Productivity has improved and Mr Ackerman reports turnover per employee is now R261 against R230 last year and R91 10 years ago.

But pretax profit per employee is R6044, down from R6135 in 1991 and up from R3539 10 years ago.

The group managed to increase its turnover a square metre to R16 643 from R15 600 in 1991.

Pretax profit fell to R386 a square metre from R418 last year and R412 in 1990.

Turnover grew to R5911 million from R5189 million a year ago and earnings dipped to R84,4 million from R86,6 million.

Dividends were maintained at 57,5c a share.— Sapa.

Labour strife will force car prices up, says motor retailer

8/Day 25/5/92
(10/20) (30)

KARIN FRANKEN

IF labour unrest and strikes continue to gain momentum in the coming financial year, vehicle prices will increase and supplies will be disrupted, retailer Combined Motor Holdings says in its 1992 annual report.

Chairman Maldwyn Zimmerman said the industry was faced with an uncertain future following the demand by National Union of Metalworkers of SA (Numsa) for a 25% pay increase and guaranteed employment.

Zimmerman urged employers not to heed the demands, saying they would lead to stagnation in productivity and reduced sales and margins.

He said the total passenger car market declined from 221 000 units in 1989 to a near-record low of 198 000. However, new product launches in the future would help stimulate sales.

The group's income from new vehicle sales in 1991 remained static at about 30%.

The report said sales by used vehicles departments should continue to improve with the lengthening of the maximum credit sale repayment period to 54 months.

The market was characterised by a shortage of units under the R30 000 mark, Zimmerman said.

Motor manufacturers predicted a 2% to 5% increase in vehicle sales in 1992 compared with 1991.

A 16% price increase for new vehicles was expected in 1992 if wage negotiations were successfully concluded, Zimmerman said in the report.

The group, whose operations include Nissan, Toyota, Ford, Mercedes Benz, MMI and Delta products in the lower and medium car sector, reported earnings of 19,4c compared with 22,3c the previous year. A final dividend of 7,2c was announced, bringing the total to 9,3c.

Details of Pepkor restructuring

CAPE TOWN — Details of the Pepkor group's restructuring, including values to be placed on shares exchanged in various deals, were announced today.

The restructuring will focus Tradegro as the group's food retailing arm. Shoprite will be sold to Tradegro for R177,3m, which will be settled by the issue of about 20,4-million new Tradegro shares at 843c each, and R5,3m in cash. This will leave Shoprite a cash shell.

Shoprite will renounce the newly issued shares to Tradehold in exchange for about 17,4-million new Tradehold shares at 990c each. These will be distributed to Shoprite shareholders as a special dividend on the basis of 0,588 new Tradehold shares for each Shoprite share held. The distribution's value will be 582,1c a share.

Shoprite shareholders can opt to renounce all or part of their Tradehold shares to Pepkor in exchange for either

LINDA ENSOR

new Pepkor shares issued at 1 200c per share, or for cash at 990c per Tradehold share. The new Pepkor shares will be issued after the subdivision of each share on a one into 10 basis with effect from June 8.

Tradegro shares will, from June 29, be consolidated on a 10 to one basis and Tradehold's shares on a 20 to one basis.

In addition, Pepkor has sold its property owning arm, Pepkor Property Holdings, to Tradegro for R8,7m cash after the sale of some properties to Pep.

Pepkor has also acquired all Tradegro's interest in Greatermans Department Stores for R18,1m.

Assuming the transactions were effective on February 29 1992, the net asset value of the Shoprite cash shell would be 17,9c per share (91,4c as an operating company); of Tradehold roughly 448,7c (745,4c) and Tradegro 420,4c (674,9c).

	Families
Natal	88 003
Transvaal	33 083
Cape Province	644
Orange Free State	Nil
	121 730
	36 783
	84 947

Less: Other race groups

NOTE:

The above-mentioned figure does not yet take into consideration the settlement pattern of communities following the scrapping of the Group Areas Act. Furthermore, in the Natal area it includes approximately 36 783 applications received from other groups in respect of the Cato Manor area. Duplications between waiting lists administered by Local Authorities and the Department have not yet been eliminated. The Department is presently giving the amalgamation of waiting lists priority.

- (2) (a) Houses built: 1990/1991 2 084
1991/1992 7 074
(expected) 9 158

(b) All houses so far completed, with the exception of 35, have been allocated to members of the Indian community.

Rent increases: Durban Bay/Brickfield

23. Mr M RAJAB asked the Minister of Housing:

Whether any applications were received in 1990 and 1991 for rent increases in respect of rent-controlled dwellings in the electoral divisions of Durban Bay and Brickfield; if so, (a) how many, and (b) what was the average percentage increase granted, in respect of each of these electoral divisions in each of the above years?

D112E

HOUSE OF DELEGATES

THE MINISTER OF HOUSING AND AGRICULTURE:

(a) The Regional Representative of the relevant Department, within the Administration: House of Assembly which is responsible for this function, reported that they will not be able to distinguish between the two electoral divisions as all cases dealt with by the Natal Rent Board in respect of the Natal Region are done in such a manner without there being a distinction between electoral divisions. However, they were able to extract the number of cases dealt with in respect of the Durban Central Region which also includes the Brickfield area. In this sub-region, 47 cases/blocks, viz. 527 units/flats and 18 houses were dealt with during the period 1 January 1990 to 31 December 1991.

(b) In respect of your request to supply the average percentage increases granted, such information can unfortunately not be given due to the large volume of files which will have to be perused to obtain the necessary information. This task will, of necessity, take some weeks to complete.

My Department has not yet requested the Administration: House of Assembly to undertake the investigation as it would be a time-consuming and laborious task requiring many officials. In the light hereof, I have to respectfully enquire whether you still require the relevant information.

Selling of business sites: involvement of department

32. Mrs R EBRAHIM asked the Minister of Housing and Agriculture:

(1) Whether his Department was involved in the selling of any business sites in (a) Lenasia and (b) Lenasia South by (i) public tender and/or (ii) private treaty during the latest specified period of 24 months for which information is available; if not, why not, if so,

(2) (a) who were the tenders or applicants and (b) (i) when, (ii) to whom and (iii) at what price was each tender awarded;

(3) whether he will make a statement on the matter?

D156E

THE MINISTER OF HOUSING AND AGRICULTURE:

(1) The Department was involved in the selling of business sites in these areas but certain irregularities were detected. The South African Police were requested to carry out criminal investigations and the matter is still *sub judice*.

(2) Falls away.

(3) No.

Sites in Lenasia/Lenasia South

33. Mrs R EBRAHIM asks the Minister of Housing and Agriculture:

(1) Whether any (a) religious, (b) crèche and (c) nursery school sites have been allocated or approved for allocation in Lenasia and Lenasia South owing to representations made by members of Parliament since September 1989; if so, (i) what are the names of these members of Parliament, (ii) what were the dates of the representations, (iii) what erf numbers were involved and (iv) on behalf of which organizations were these representations made;

(2) whether he intends rezoning any land to meet the demand for religious or cultural sites in these areas; if not, why not; if so, when;

(3) what is his Department's policy in regard to the implementation of the two-year building clause in regard to religious, crèche and nursery school sites;

(4) whether he will make a statement on the matter?

D157E

THE MINISTER OF HOUSING AND AGRICULTURE:

(1) (a) Yes.

(b) Yes.

(c) No.

(i) Mr R Daya, MP
Mrs R Ebrahim, MP

(ii) Mr R Daya, MP—10 May 1991
Mrs R Ebrahim, MP—16 May 1990 and 12 April 1991.

(iii) Mr R Daya, MP
Erwen 12129, 12130, 12131, 12132 and 12133, Lenasia Extension 13.
Mrs R Ebrahim, MP
Erf 6298, Lenasia Extension 5.

(iv) Mr R Daya, MP—Radha Soami Satsang Beas
Mrs R Ebrahim, MP—Lenasia Muslim Association.

(2) The rezoning of land in Lenasia Extension No 13 is under consideration but will only proceed once the township has been proclaimed.

(3) The sale of all properties owned by the Housing Development Board is subject to a two-year building clause. The requirement is that all purchasers are to adhere to this condition. Extensions can however be granted in valid cases.

(4) No.

Representations on behalf of residents of Blybank Housing and Agriculture:

34. Mrs R EBRAHIM asked the Minister of Housing and Agriculture:

Whether he or his Department recently received any representations on behalf of the residents of Blybank in the Transvaal; if so, (a) when and (b) what was (i) the nature of these representations and (ii) his response thereto?

D158E

HOUSE OF DELEGATES

Joint forum to tackle inner city challenges

ANDREW KRUMM

Bloom 2715792 *30*
A JOINT initiative between business, the Johannesburg City Council and CBD tenants would be launched on Monday to assess challenges to central Johannesburg's future, Ampros MD Gerald Leissner said.

The initiative, known as the Central Johannesburg Partnership, was conceived at a workshop held last November to discuss the city centre's prospects.

Leissner said the workshop had sprung from perceptions that a deterioration in the fabric of Johannesburg would threaten private business interests.

"The workshop agreed that a Central Johannesburg Partnership (CJP) be set up and run by a full-time executive director to follow through workshop recommendations on urban development, housing, security, marketing, the city and the like," Leissner said.

The CJP would focus on an area bounded by the Braamfontein ridge to the north, Harrow Road to the east, the M2 to the south and Fordsburg to the west.

The partnership will be run by a 18-member board, with six representatives from each of the three interest groups; while an executive committee of six would also be drawn equally from each partner.

Neil Fraser of the Building Industries Federation of SA has been appointed executive director with effect from August 1.

Leissner said the CJP executive and board had met on a number of occasions and discussed issues like transport, informal trading and security.

"Much planning has been done in regard to security and a final plan is shortly to be discussed with the Law and Order Minister," he said.

He said the private sector would fund new police points, but required manpower from the state.

The CJP was also investigating loans for buying flats in Joubert Park and Hillbrow, which it hoped would broaden into an urban renewal project.

certain transport elements.

By Louise Burgers
Municipal Reporter

Blacks to have big stake in new centre

Start 28/5/92

Plans for an impressive R173 million multi-modal transport, retail and entertainment centre — to be known as Metromall — were unveiled by the black taxi industry, property developers and the Johannesburg City Council yesterday.

The ambitious project will be partly owned by, and mainly operated by, the black taxi industry. Metromall will combine shopping, office and entertainment fa-

ilities with the core transport elements and facilities for commuter convenience. More than 100 000 people, 3 000 taxis and 1 600 buses are expected to use the centre in the north-western CBD — straddling Sauer Street, bordered by Bree, West, Fim and Strimmonds — daily.

The Foundation for African Business and Consumer Services (Fabcos) and the Southern African Black Taxi Association (Sabh) will be the anchor tenants with an initial 40 percent ownership

stake in the taxi and vehicle services operating company — the Transport Utility Corporation — with an option to up that stake to 60 percent.

Gower Properties has appointed Amoros as project managers for the construction of Metromall and will then cede its rights in the development to Transcentre Developments Limited (TDL), an unlisted property stock company.

TDL will be owned by institutional investors, primarily pension funds, with no single investor holding more than 20 percent.

It is envisaged that ground floor level pedestrian network will connect with Fraser and Diagonal streets and a skywalk and underpass will provide safe crossing at the busy Sauer/Bree intersection.

A total of 19 200 sq m of retail space will be provided for facilities such as supermarkets, restaurants, banks, clothing stores and fast-food outlets.

THE COMPLETE GUIDE TO HUMAN

BUSINESS

30

ONE MILLION RAND CAN GET

party to the very important task of economic upliftment by giving the taxi industry a stake in a major property development," he said.

Johannesburg transport and utilities committee chairman Paul Asherson said the council had become involved on condition the black taxi industry became a stakeholder.

"Metromall is a vital opportunity for black economic empowerment which also enables financial institutions to invest in a socially responsible project based on sound financial criteria, harnessing the largest and most dynamic element of the informal sector," he said.

The taxi operators and upgraded. The taxi operators will be granted a 30-year lease by the city council, with the option to renew for a further 49 years.

Rooftop vehicle-related activities will generate income and capital value for Fabcos and Sabha, whose members will have first

Small business asked to decentralise

THE National Council of Trade Unions (Nactu) this week called on small business to set up factories in rural areas to slow urbanisation. (30)

Nactu general secretary Mamo Mula Skosana made the plea at the second annual conference of the National African Federated Chamber of Commerce's (Nafcoc) national industrial council in Johannesburg.

He said measures by government and medium-sized businesses to assist small businesses to take such a step would be necessary.

Cosatu official and Numsa general secretary Bernie Fanaroff told the

THEO RAWANA

conference: "Cosatu recognises the existence of small businesses. However, we are not prepared to see a development of small business based on exploitation."

Fanaroff said trade unions were fighting for a ban on retrenchments and against job losses and were also negotiating to restructure industry to create more jobs.

Council secretary Phillip Machaba said the impact trade unions had on small manufacturers was of great concern.

"Once a small entrepreneur

reaches the threshold of major growth, he has to face the demands of the trade union movement. Therefore many manufacturers see the unionisation of their labour force as an area of concern, especially in the prevailing climate of widespread unemployment," Machaba said.

Small manufacturing accounted for about 17% of informal sector activity in SA, he said.

Fanaroff said the time had come for the labour movement to talk formally with small business in order to support one other instead of being in opposition.

FM 29/5/92 (30)
 Wooing black shoppers

Details of the proposed Metromall emerged last week. The R173m multi-modal transport, retail and entertainment centre has long been on the cards for council-owned land straddling Sauer Street north-west of Johannesburg's CBD.

The scheme — a joint project involving the black taxi industry, property developers and the Johannesburg City Council — will occupy 3,6 ha of land bounded by Bree, West, Pim and Simmonds streets. The plan is to include the Newtown and Kazerne bus and taxi termini, with Kazerne to be upgraded.

FM 29/5/92
Developer Gower Properties, a development company set up by Ampros and Gordon Schachat Investments, will lead a consortium of institutions each owning no more than 20% of the scheme.

A 10-year option has been extended to Fabcos and Sabta to acquire a minimum 10% stake in the development.

Gower has appointed Ampros as project and centre manager for MetroMall. Building is scheduled to begin by year-end and be completed in 1994.

Ampros will cede its rights in the development, upon completion, to Trancentre Developments Limited (TDL), an unlisted property loan stock company. TDL will be owned by institutional investors, primarily pension funds, and it could be listed after Gower initiates similar schemes.

Black informal-sector business umbrella association Fabcos and its black taxi affiliate Sabta will be the anchor tenants of the scheme. They will use about 40 000 m² for taxi pickup, dropoff and holding facilities.

Together, these organisations will have an initial 40% ownership stake in a taxi and vehicle-services operating company, Transport Utility Corporation (TUC), now being formed to take part in the scheme.

TUC, as anchor tenant, will operate a headlease over this area (gratis) plus 1 000 m² of the total 19 200 m² of retail space and a service station in West Street. The headlease will extend over 20 years, after which it will become market-related.

Rents from tenants are expected to gener-

(30)
ate enough short-term income and long-term capital in TUC to warrant a JSE listing within the next five years. On listing, Fabcos and Sabta have an option to raise their stake in TUC to 60%. The rationale is to ultimately achieve black empowerment.

The big question that hangs over the scheme is whether it will be used (see *Business & Technology* June 14 1991). Other council-built terminals in Durban, Pretoria and Maritzburg have failed.

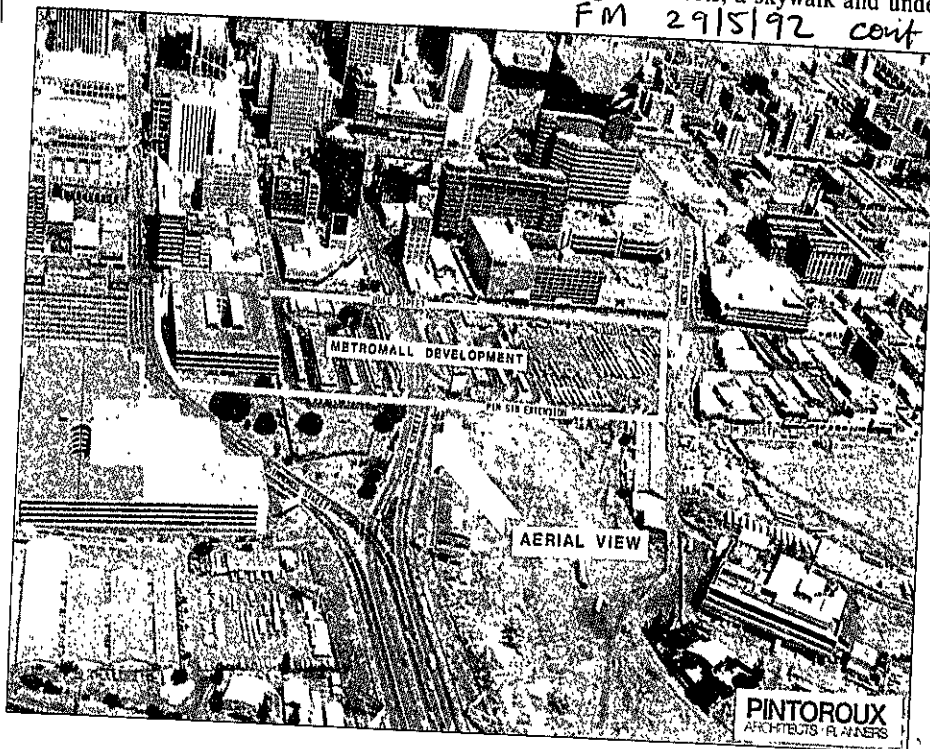
"The difference," says Metromall mastermind and Gower director Gordon Schachat, "is that we have heeded the lesson of these failures. We and the Johannesburg City Council first consulted Fabcos and Sabta and ensured their commitment to it by granting them a stake in the venture."

The fact that the area is being used makes it look like the scheme will be viable. An estimated 103 000 people queue up on the vacant lots west and east of Sauer Street to use 8 000 taxis and 1 600 buses each day.

Great care is being taken to prevent disturbing this flow during construction. A vacant piece of council-owned land bounded by Simmonds and Sauer streets has been allocated for this purpose.

On completion, Metromall will provide 650 bays for Sabta and long-distance taxis, 51 off-street bus loading berths for the Johannesburg Transport Department and Commuta/Putco, 930 private parking bays at Kazerne, ground-floor pedestrian networks with important routes such as Fraser and Diagonal streets, a skywalk and under-

FM 29/5/92 cont-t



FM 29/5/92 (153A) (30)

→ pass for safe crossing at the busy Sauer and Bree streets intersection, embarkation facilities for the proposed light rail system.

There will also be tight security by Ampros on the same basis as at the Smal Street shopping mall and Carlton Centre, retail space with a concentration of formal and informal convenient kiosk shopping, a wide range of vehicle-related businesses including petrol outlets, washbays and repair/tenance garages. Specialist spares, l

exhaust and tyre distributors will be put at rooftop level away from commuters, while 1 140 m² of space will be taken up by a clinic, doctors' rooms, creches and similar facilities. A sunken square under Sauer Street will allow for musical performances.

Ampros MD Gerald Leissner does not expect the scheme to affect the proposed conventional Turbine Square shopping centre a few blocks away. He says the schemes are very different but he must admit that Metromall, with its captive market, will take the edge off Turbine which anticipated much of its custom from black commuters. The chances of Turbine Square ever getting off the ground grow remoter by the day — but anything is possible.

Pick 'n Pay 'well poised for growth'

CAPE TOWN — Pick 'n Pay should experience strong profit growth this year, especially in the second half, chairman Raymond Ackerman said in the chain store's annual report for the year to end-February.

He based his forecast on a number of positive factors — including the lifting of sanctions which would enhance business confidence, the growth of the group's market share, and a comprehensive business plan for this year.

Also, the reduction in both interest rates and the petrol price would increase disposable income and have a positive effect on turnover.

"We have analysed very carefully with our management what steps need to be taken to restore Pick 'n Pay to the high rates of growth of previous years and are satisfied that a total commitment will be made in the coming year which will achieve this goal," Ackerman said.

Last year the group's earnings rose 4,5% to 110,6c (105,9c) on an 18,4% increase in turnover to R5,2bn (R4,4bn). Return on shareholders' funds dropped to 33% (38%) while the return on total assets was maintained

at 11%. Net asset value increased to 631c (540c) a share.

The results fell short of expectations partly because of the high rate of shrinkage as a percentage of sales. This was attributed to the general crime rate and a disregard for Pick 'n Pay's control systems in some areas.

"Steps have been taken to tighten controls and we anticipate that during the coming year shrinkage will be reduced significantly," Ackerman said.

Other reasons for failing to meet forecasts were the higher than anticipated start-up costs of the food hall division and the sharp drop in investment income due to the poor return on equity linked insurance contracts. Investment income fell to R6,7m (R14,2m). The disposal of these investments was being considered.

Among the store openings planned for this year were a hypermarket north-west of Johannesburg, and pantry outlets in Sandton and in Pretoria. At year-end Pick 'n Pay had 104 supermarkets, 13 hypermarkets and 29 other outlets.

LINDA ENSOR

COMBINED MOTOR

Earnings slide continues

Activities: Operates Ford and other retail motor vehicle franchises.

Control: Directors 68%.

Chairman and MD: M Zimmerman.

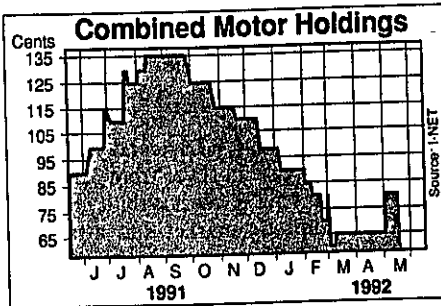
Capital structure: 19m ords. Market capitalisation: R15,2m.

Share market: Price: 80c. Yields: 11,6% on dividend; 34,3% on earnings; p/e ratio, 4,1; cover, 2,1. 12-month high, 135c; low, 60c.

Trading volume last quarter, 599 000 shares.

Year to Feb	'89	'90	'91	'92
ST debt (Rm)	—	—	2,3	7,3
Debt:equity ratio	0,36	0,34	—	0,28
Shareholders' interest	0,39	0,39	0,40	0,36
Int & leasing cover ..	14,1	4,1	4,3	2,9
Return on cap (%) ..	20,5	21,1	16,4	11,5
Turnover (Rm)	315	370	367	416
Pre-int profit (Rm) ...	13,1	14,0	10,9	9,1
Pre-int margin (%) ..	4,2	3,8	3,0	2,2
Earnings (c)	32,2	28,0	22,3	19,4
Dividends (c)	10,7	10,7	10,7	9,3
Net worth (c)	131	146	139	149

With new vehicle sales falling, the 13% drop in earnings to R3,7m at Combined Motor Holdings (CMH) should not come as a surprise. And the Durban-based group acquired six new dealerships last year, which raised short-term debt to R7,3m (1991: R2,3m) and interest by 22% to R3,1m as the new



outlets were consolidated.

Chairman Maldwyn Zimmerman says the new business is now on stream, ready to produce profits and so debt should start to come down this year.

But a longer view shows CMH to be on a four-year slide, with EPS dropping steadily since 1989.

After maintaining the dividend for three years, the group succumbed to tightening margins last year and cut the dividend in line with the lower earnings.

Tighter grip

Performance did improve in the second half, with CMH seeming to get a better grip on working capital. At half-time, operating income was down 37% on a 16% increase in turnover. The margin improved to a 16% fall on a 13% turnover increase by year-end.

Zimmerman says sales for the first few months of financial 1993 have been way above the corresponding period last year, so prospects may not be that bad. But they are not that good. Zimmerman says motor man-

ufacturers "are not exactly ebullient," with 1992 passenger car sales expected to rise by only 2%-5%.

Dealers will also have to live with the threat of supply disruptions caused by strikes at the major manufacturers, though CMH has until now largely escaped the effects of industrial action. The strike at Toyota in Durban is not having any significant effects. The group has only one minor Toyota dealership and Toyota products made up only 5% of turnover last year.

Total stocks, in financial terms, are up 27%. This does not look healthy but the new dealerships should help to clear it. Zimmerman says the rise results largely from the new outlets. Taking this into account, the year-on-year increase is not significant.

Income from new vehicle sales has remained static, but the trend towards used cars has seen the contributions from this source increase to 22% of operating income, up eight percentage points on the year. At present, this seems to be the only market in the industry that is growing.

After rallying towards the middle of last year, CMH's share price dropped from its high of 135c to 60c by the end of February. It has since recovered to 80c, though its rating is below average for the motor sector.

Results of the past few years are not likely to attract interest at this stage, though a bullish investor not adverse to risk might consider the share cheap. The expanded dealer base should at least put CMH in a favourable position when the economy turns.

Shaun Harris

SMART CENTRE

Smartly managed

Activities: Clothing retailer.
Control: Pepkor 59%.
Chairman: C H Wiese; MD: C W Fox.
Capital structure: 34,9m ords. Market capitalisation: R108,3m.

Share market: Price: 310c. Yields: 3,0%* on dividend; 9,5%* on earnings; p:e ratio, 10,5*; cover, 3,2. 12-month high, 475c; low, 200c. Trading volume last quarter, 46 000 shares.

Year to Feb 29	'89	'90	'91	'92
ST debt (Rm)	14,0	3,1	23,3	21,4
LT debt (Rm)	16,1	2,1	3,1	4,7
Debt:equity ratio	2,1	0,1	0,5	0,4
Shareholders' interest ..	0,2	0,6	0,5	0,5
Int & leasing cover ..	3,0	4,2	6,2	6,5
Return on cap (%) ..	24,5	24,1	23,6	21,8*
Turnover (Rm)	104,8	128,9	182,0	157,7*
Pre-int profit (Rm) ...	14,2	18,5	26,3	27,2*
Pre-int margin (%) ..	13,6	14,4	14,5	17,2
Earnings (c)	18,0	23,2	30,0	29,5*
Dividends (c)	—	8,5	10	7
Net worth (c)	n/a	142	155	173

* 8-month period; annualised. † 12 months to June.

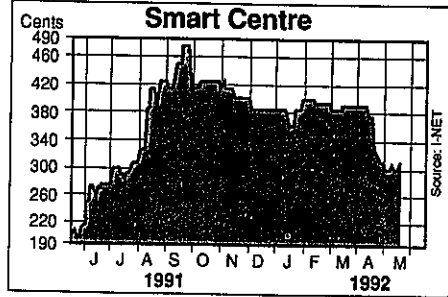
With retailing collapsing on so many fronts, Smart Centre has done well to sustain earnings in its eight-month reporting period (the year-end changed to conform with holding company Pepkor). It is notable that pre-interest margin was raised in the face of strong competition and deteriorating demand. Clearly, stringent economies were attained. However, the deterioration in annualised stock turn to 4,6 from 7,9 is worrying: if the trend continues the strain on working capital could be costly.

The most prominent change in the balance sheet is a 64% rise in accounts payable to R28,6m. Clearly, suppliers have had payment terms vigorously extended. Such is the plight of clothing manufacturers that it would not be surprising if a quantity of stock held by retailers like Smart Centre is on-consignment merchandise.

This is one way for a retailer to carry a comprehensive range while the accounts record only a slight increase in stocks. What prompts this thought is that in spite of the reduced stock turn, and an effective annualised drop of 13,3% in sales, the stock rise was confined to a similar 13,3% increase — almost nil in real terms.

Also noteworthy is that accounts receivable — which could have been expected to surge as credit sales on extended terms were offered to promote sales — rose only 8%. Evidently, the cash/credit ratio of sales was improved. That takes some doing in the face of increasing margins.

In the past few years, EPS growth has identified the share as an attractive investment. Solid performance last year — one of the worst economic climates for clothing retailers — adds to this perception. Whatever the merits of the organisation, while the economy is showing no evidence that the real downward consumption trend has been arrested, it is probably advisable to wait for this to happen. Things may still worsen before they improve.



The next interim could confirm whether Smart's soundly managed business merits investment then, or whether it too has been caught in the vortex and investment should be further postponed.

Gerald Hirshon

Impress financiers with a good business plan

STAR 30/992

2
30

AMERICAN
MARKETING
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BEFORE starting your business, you need to make sure it will generate enough cash so that you can pay your creditors, expand the business and, of course, enable you to live.

To start with, you will probably need to borrow some money (to be discussed in the next article) so the providers of finance will expect to see a business plan.

This will help you decide how much money you are going to need and also provide a yardstick against which you can measure your performance.

Standard layout

If you have had no previous experience of writing a business plan, your accountant will help you, but you must appreciate the key financial details of the business and the basis on which the plan is prepared.

You must tailor your business plan to the business you are going to operate. A standard layout for a business plan just doesn't work.

Nevertheless, essential features are an income statement, balance sheet and cash-flow forecast.

While the details of these may change, the broad outline will not. Although the writing of a business

THIS series on establishing your own company is adapted from "Starting and Running Your Own Business", published by the private business services division of chartered accountants KPMG Alken & Peat.

plan is fairly involved, requiring professional advice, try to let your own enthusiasm for your venture express itself in your plan.

You can broadly split the ideas for your plan into:

- Estimated figures, which are your estimates about such items as sales, and administration expenses.
- Assumption, which forms the basis of your plan and might include:
 - Level of projected sales and any increases in volume.
 - Gross margin.
 - Expected level of inflation
 - Expected rate of taxation.
 - Expected trend of interest rates.
 - Capital expenditure and its timing.
 - Stock turnover.
 - Debtors' collection period.

□ Creditors' payment period. It is tempting to be overly optimistic with your assumptions. Don't — you will never meet the demands imposed on you.

Have you considered that your business could have seasonal fluctuations? Take these into account when preparing projections.

Have you thought about your set-up costs?

There will be a period when you have significant cash outflows which are not compensated by any inflows of revenue. This period may be longer than expected.

When specifying the type and amount of finance that you need, err on the side of caution. Financiers will not be impressed if you come back shortly after starting, asking for more money. Things often go wrong in business. Allow for leeway in your budget.

A bank, or other source of finance, will require projections for at least a year and, if possible, you should go beyond this. A satisfactory projection might be:

- First year — monthly projections.
- Second year — quarterly projections.
- Third year — annual projection.

Your projections should include a cash-flow forecast, a balance sheet and income statement.

This not only indicates whether you are seeking to fund a profitable organisation, but proves the arithmetical accuracy of the figures that you have produced.

A micro-computer can help you immensely in setting up projections and you will find that you can change your assumptions easily and assess the effect of these.

A one or two-page "executive summary" gives the reader an overview of the business. This should indicate the background to the venture, brief details of the product, what the finance is required for, the amounts required and projected results.

The plan should cover the points mentioned above, but should not be excessively detailed. A potential backer will not want a long report.

If your proposed plan exceeds 10 to 12 pages, try to make it more concise.

It is difficult to specify exactly what you need to include in your business plan, but you ought to consider:

- Your products.
- The premises from which you in-

tend to operate.

□ Relevant extracts from the curriculum vitae of each member of the management team.

□ Your marketing strategy.

□ Your competition.

□ Past performance (if any).

□ Financial projections and assumptions relating to them.

□ The financial resources required and what changes will be necessary if your assumptions prove either pessimistic or optimistic.

□ Your assessment of the risks involved in the project.

Answer questions

We need to stress again that while it is important to get professional advice when preparing a business plan, you must be fully involved yourself. It is your plan.

You will be asked about the features of the plan and must be prepared to answer questions on it.

One of the main reasons for a business venture failing to attract the finance that it needs is a poorly presented business plan.

A proposal for a bank finance requires specific information and has to be structured to ensure its maximum impact.

□ Next Source of finance.

Wooltru arm buys Drop-Inn chain for R15,6m

ARRECT/1/6/92
38

By AUDREY D'ANGELO
Business Editor

WOOLTRU subsidiary Massmart Holdings will buy the Drop-Inn chain of liquor stores in a R15,6m deal, it was announced last night.

This will make Massmart, which has eight outlets throughout the country through its Makro wholesale chain, the largest liquor distributor in the Western Cape.

But the 17 Drop-Inn outlets in the Western Cape will not be integrated into Massmart.

Massmart MD Mark Lamberti said no attempt would be made to do this, and the Western Cape chain would expand, retaining its separate identity.

Massmart has agreed to buy the 80% of Drop-Inn shares held by present chairman Sammy Berk and his family at 195c each.

Minorities

An offer will be made to minorities.

In a statement, Massmart said it was "keen to acquire sufficient outstanding minority in-

terests to de-list the Drop-Inn group."

This follows three earlier cautionary announcements by Drop-Inn that it was involved in negotiations.

Drop-Inn shares closed on Friday at 160c and were bid at 170c.

Drop-Inn was listed in 1987 and reported pre-tax profits of R4,2m for the year ended February 29, 1992, resulting in earnings per share of 23c.

The transaction is subject to approval under the Securities Regulation Code.

Milstan⁽³⁰⁾ feels the big chill

Finance Staff *STAR 1/6/92*

Milstan, the holding company for consumer electronics stores Miltons and Stans, was hard hit by the slump in consumer spending, with earnings per share plunging from 6,05c to 0,22c in the year to end-February.

While turnover was up by eight percent to R140,5 million after the opening of two new stores, reduced margins left operating profits sharply lower at R713 000 (R2,9 million).

Taxed profits at R24 000 fell by an even larger percentage from the previous year's R1,79 million.

Despite the difficult trading conditions, financial director Laurence Etkind says a 2c final dividend has been declared, "in view of the company's strong strategic positioning and its liquidity".

Commenting on the result, Mr Etkind says: "The Stan's chain of stores remained profitable, but the resultant tax bill almost equalled the before-tax profit of the group.

"In view of the continued economic pressures, certain strategic steps have been taken to improve profitability and three Milton's stores, which specialised in the computer and short-term TV hire business, have been closed."

He expects the group to improve gross margins in the current year.

(30)

Massmart acquires Drop-Inn

Massmart Holdings, the Wooltru subsidiary which operates the Makro chain of wholesale outlets, is to acquire 80 percent control of the Drop-Inn group.

The agreement entails an offer of 195c a share to Drop-Inn chairman Samuel Berk and his family.

This would take up

about 80 percent of the shares at a total price of R15,6 million. An offer to minorities will follow.

Mark Lamberti, managing director of Massmart, said Massmart wished to acquire enough outstanding minority interests to delist Drop-Inn, which operates 47 retail liquor stores in the Western Cape.

5/22/16/92

Smart Centre expects higher growth in 1993

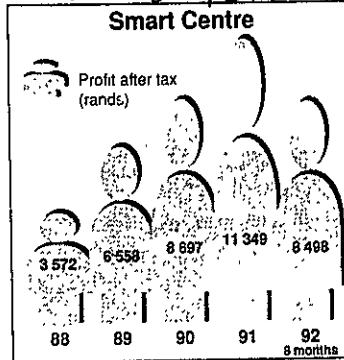
MARCIA KLEIN

SMART Centre will show a significant growth in turnover and profit in financial 1993, MD Charles Fox says in his annual review.

He said that this growth would result mainly from the fact that the coming year would include an additional four good trading months — the peak winter months — compared with the previous year.

Results for the eight months to end-February, following a change in the clothing retail group's year-end from June to coincide with new parent Pepkor, showed that attributable profit was R7,7m compared with R10,3m in the 12 months to end-June 1991. However, Fox said that on an annualised basis, results were slightly ahead of the previous year.

Turnover of R118,3m was affected by the introduction of VAT, and excluded the four months which form a large part of pre-winter sales.



Graphics: RUBY-GAY MARTIN Source: SMART CENTRE

In his review, Fox said that apart from the four extra trading months, Smart Centre was "in a strong position to speed up its store development programme and to take full advantage of any upturn in the economy".

Fox said Smart Centre was "not yet out of the rough", and therefore tight asset management would have to continue.

Chairman Christo Wiese said the next 12 months were unlikely to bring much relief to consumers, but that the board expected

further growth in earnings.

He said improved asset management and cash flow would enable Smart Centre "to open several new branches and to enlarge and upgrade a significantly greater number of existing stores than was possible in the past". Wiese said this would result in a big-

ger market share.

Smart expected to add six new stores and revamp 12 in the coming year in a vigorous development programme.

Although Smart did not escape the effects of the general conditions in the SA economy, management had quickly adapted to the lower levels of consumer demand and had improved margins.

Fox said operating margin of 17,2% compared with 14,5% and 14,4% for the previous two years. But he said these were not strictly comparable taking into account that the Christmas trade fell into the eight-month period.

He said the closure of the Kappa stores, which continued to trade unprofitably, was provided for in a R2,3m extraordinary item. He confirmed that merchandise under the Kappa brand name would still be available in Smart stores.

Fox said staff turnover reached a new company low of 12%. This represented half the industry norm and was close to the group objective of 10%.

8/10 am 2/6/92

New initiative is launched to revitalise inner Jo'burg

THE launch of the Central Johannesburg Partnership (CJP) was the start of a tough initiative to revitalise the inner city area, chairman Cliff McMillan said last night.

The co-operation of all involved — the city council, business and the community — would ensure tangible results, he said.

All three partners contributed to resources in different ways, providing time and expertise on a continuing basis. The business community had accepted the responsibility to fund the partnership while the council made its resources available.

Speaking at the launch, McMillan said the partnership offered the vehicle for a coherent strategy. The partners were involved through enlightened self-interest.

Executive committee chairman Gerald Leissner said the funding of the partnership would take several forms.

Major players in the inner city area had been approached to either extend a low interest loan of R500 000 each or contribute R50 000 a year.

It was hoped R10m would initially be raised from loans or debentures.

Johannesburg City Council management committee chairman Ian Davidson said the business community had approached the council and indicated it was willing to have a special levy introduced on companies in the inner city area.

This was an informal approach, David-

PETER GALLI and ANDREW KRUMM

son said. Once a formal application was made it might have to be taken to provincial or government level, but the council would only consider it if the business community was convinced it was what they wanted.

Johannesburg Civic Associations general secretary Cas Coovadia said negotiations were under way to buy seven buildings in Hillbrow and Joubert Park.

The aim, he said, was to put the pilot project on the partnership's agenda for the development of social housing in the inner city area. The buildings' owners had approached the civic and were asking for R8m. This was under negotiation.

The key aspect was affordability and the private sector had been asked to finance loans of between R8m and R10m at interest rates of 10% to 11%. Existing tenants would not be displaced, and would become owners of the units over time as security of tenure altered people's perceptions of maintenance and security, he said.

Chairman Alec Gullen said the security task group was negotiating with the SA Police about the establishment of satellite police stations. "The SAP has been asked to contribute manpower, while the CJP will fund all the running costs".

Farm strikes at issue in negotiations

PRETORIA — The SA Agricultural Union (SAAU) and Cosatu are still locked in negotiations on the application of labour laws to the country's more than 1-million agricultural workers.

Although the two sides had edged closer, the major issue of curbing farm strikes remained, an SAAU spokesman said.

Also still to be agreed on is the possible application of the Basic Conditions of Employment Act to the industry.

SAAU representatives, the National Manpower Commission and Cosatu will meet again shortly.

According to agriculture sources, nearly the whole industry is opposed to the application of inflexible labour laws.

GERALD REILLY

National Maize Producers' Organisation GM Giel van Zyl said there was relative peace on farms throughout the country with good relations between employers and employees.

"What the application of the Labour Relations Act to farm workers really means is a foot in the door for trade unions," Van Zyl said.

He said this would include a third party in a normally stable labour situation with likely disruptive consequences.

Any move to include farm workers in labour legislation would have to take account of the unique conditions in the farming industry, he said.

Conrad Berge discusses the strategies of Africanisation and laagerism

How to save central Johannesburg

STAR 2/6/92

(30) ~~30~~ ~~30~~

SUCCESSFUL Africanisation or first-world laagerism. Which is the best strategy to save central Johannesburg?

Successful Africanisation involves a huge financing plan to transfer central city housing to its occupants. Nothing less will arrest its decay and eventual demolition.

It involves the development of the city's mining belt as low-cost housing to at least double-storey density. This must be entrusted to South Africa's best urban designers to ensure strong neighbourhood units, and an intimate admixture of commercial and light industrial activities.

The plan for a massive freeway over this land must be scrapped.

Next, the minibus taxi industry must be helped to grow organisationally. It must start to operate larger vehicles and a wider variety of services. It must be given a network of special road lanes.

Finally, large roofed areas and street markets must be carefully located in the heart of the CBD and farther out to transform abject pavement business into a vibrant and well-managed component of the city — joyously expressing the peopleness of Africa.

First world business must find its level within this milieu.

Laagerism involves claiming an

inner city area where property values are kept high through a first world regime. It involves "keep-off" architecture and studio designed informality — pavement restaurants, hawking kiosks and quaint precincts.

The barricade against the deteriorating eastern side of the inner city is a band of high rise apartments bonded to major white-collar employers such as banks and insurance companies.

New highways ensure the "decision-makers" in the laager get an easy ride to their parking basements and a high-tech light rail system, protected by an autonomous transportation authority,

keeps minibus taxis in their place.

What happens outside the laager is someone else's responsibility. These alternative strategies are not megalomaniac or paranoid fantasies. City Hall and big business are backing the laager.

The choice that faces the citizens of Johannesburg is whether they want to pick up the remnants and the tab of a broken laager or to look for new leaders.

The laager builders are already squeezing their tax base to finance contracts and agreements that will commit citizens for many years to come. □

Conrad Berge is an architect and urban critic.

Sacob urges ANC to join in talks with business sector

The open-ended nature of several of the ANC's economic proposals is unlikely to inspire local or foreign investor confidence, according to the South African Chamber of Business.

Reacting to the economic policy adopted over the weekend at the ANC policy conference, Sacob said yesterday there were two disturbing areas with regard to the liberation movement's economic policies.

These were the continued emphasis on nationalisation as an option, and certain curbs on foreign investors.

"Such policies would serve to

weaken instead of strengthening foreign investor interest in a situation where South Africa is today starved of foreign capital and imported technology," Sacob said.

The business group also expressed concern on the issue of taxation, saying clarity and certainty needed to be reached as soon as possible on a future fiscal policy for the country.

Sacob urged the ANC to enter into discussions with the business sector to move towards agreement on future economic and social policies. — Sapa.

Remarkable turnaround at Boumat

Finance Staff

Boumat's earnings per share recovered remarkably in the year to March, rising from 7c to 43c.

But the total dividend has been cut from 48c to 10c. Previously, a proportion of shareholders' funds was made available for dividends, regardless of earnings.

Boumat has, however, now reverted to the normal dividend cover formula.

Chairman Sidney Borsook says sales grew 6,6 percent to R1,16 billion, but that operating profit improved 35,6 percent to R39,3 million.

He says the construction industry had been hit harder than most by the "prolonged and deteriorating economic position."

He expects residential construction to improve, though not commercial and industrial building.

Mr Borsook expects further improvement in asset management and profitability, although he feels there will be little improvement in the trading environment.

RCI to run holiday points system

Property Reporter

There is a growing trend among timeshare buyers to seek flexibility in their choice of holiday time and destination.

This has led to companies selling points for exchange rather than ownership of weeks at a particular resort.

In line with this, Resort Condominiums International (RCI), the largest holiday exchange organisation, is to administer the new Multi Resort Ownership points system.

RCI managing director Steve Griessel said: "Under the MRO system, points bought may be used as 'currency' each year to take one or more weeks, weekends or midweek breaks at a variety of resorts within the system. He is confident that the RCI link will mean MRO avoids the problems previously encountered by buyers in some similar schemes, such as an inability to meet demand due to too few weeks being held by the management company in relation to the number of points being sold.



Stayaways 'may be part of new SA'

BOYCOTTS and stayaways are so entrenched they may well extend into a post-apartheid society — as may the practice of using coercion to ensure their success, a new SA Institute of Race Relations publication notes.

In a special Spotlight on Coercion, Boycotts and Stayaways, researcher Paul Pereira examined 17 consumer boycotts, 34 suspensions of services to townships, and 45 school disruptions over six months.

He quoted supporters of boycott strategies saying it was these strategies that forced government to abandon the apartheid system.

Pereira noted the ANC's department of political education head Raymond Suttner had stated mass mobilisation should not end when a

democratically elected government came to power.

"We want people to continue participating in the deeper transformation of the country, democratising it further. That will be achieved if the masses continue to be involved," Suttner had said.

Others agreed, saying the possibility of continued boycotts was a means through which society can be democratised to a local level, through ordinary people using their economic muscle.

An important question was the voluntary, or involuntary, participation in township-launched boycotts, said Pereira, warning that the continued use of coercion posed a threat to free political activity in the future.

He quoted the University of the Western Cape's head of political studies Vincent Maphai as saying boycotts and stayaways "are not intended to be voluntary or optional. The process is inherently undemocratic".

Pereira said there was no way of gauging the level of support among township residents, but "high unemployment, the possibility of job losses, and the very real possibility that pay would be docked, may have made consumer boycotts and work stayaways a difficult strategy to sell in the townships".

He noted also that while Azapo, Nactu and the PAC were in favour of boycotts and stayaways, they had at times objected to the coercion employed in enforcing them. — Sapa.

years of service are projected until age 65 years. In addition to the gratification and yearly amount which is payable out of Income, the member or his next-of-kin is also compensated from the Pension Fund.

(3) No.

THE LEADER OF THE OFFICIAL OPPOSITION: Mr Speaker, arising out of the hon the Minister's reply, is he able to tell the House how many policemen have been attacked while not wearing bullet-proof vests?

THE MINISTER: Mr Speaker, I cannot give the hon the Leader of the Official Opposition the answer to that. I would appreciate it if he would place that question on the Question Paper.

Mr M RAJAB: Mr Speaker, further arising . . . I yield to the hon member.

Mr SPEAKER: Order! I did not see the hon member for Springfield. The hon member for Malabar may proceed.

Mr K PADAYACHY: Mr Speaker, further arising out of the hon the Minister's reply, could he tell us how many policemen lost their lives this year? I know that last year 137 members paid the highest price in the execution of their duties. Three weeks ago a young policeman who was known to me was shot and killed in Port Elizabeth, and according to newspaper reports over the past two days . . . [Interjections.]

THE MINISTER: Mr Speaker, I do not have the exact figure, but I believe it is well over 70.

Mr M RAJAB: Mr Speaker, further arising from the hon the Minister's reply, he indicated that the Department had made provision for a financial package to be paid to the next-of-kin of a member of the Force who is killed on duty. I would like to ask the hon the Minister whether he is referring to a package by way of insurance cover to which all members of the Force contribute, or whether this is something that is provided over and above that particular provision? My second question, which arises from my first one, is whether the hon the Minister has considered putting into effect an insurance package for all members of the Force for which the Department would pick up the tab.

THE MINISTER: Mr Speaker, as I have already indicated, compensation is paid out of State funds from the income account. I cannot tell the

hon member whether insurance policies exist which are paid for out of the Police Force's own funds, because that is purely in the hands of the SA Police. There are organizations to which all policemen belong. However, I do not know whether they have policies of that nature, because that matter does not fall under me.

As far as whether we are considering a package deal from an insurance point of view is concerned, may I say that it must always be remembered that policemen fall under the Commission for Administration and that therefore their emoluments and salaries are part of the salary package of the State as a whole. As far as I am aware no provision has been made for such a package. However, I am able to inform the hon member that I have called for an inquiry within the department to establish the salary structure and all the fringe benefits of the SA Police. We intend to have a very close look at that, but unfortunately I cannot give the hon member any information at this stage because the investigation is still under way.

Protection of wetlands

*2. **Mr M RAJAB** asked the Minister of Environment Affairs:

- (1) Whether his Department, as a signatory to the International Wetlands Convention (Ramsar Convention), has given or intends giving legislative effect to its commitment to the protection of wetlands; if not, why not; if so, how;
- (2) whether he will make a statement on the matter?

D177E

THE MINISTER OF ENVIRONMENT AFFAIRS:

(1) Yes. As signatory to the Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar Convention), South Africa undertook to respect its provisions. It is well known that wetlands registered as such with the Secretariat of the Ramsar Convention have no legal status. Existing legislation does however provide for the protection of resources and/or ecological processes and it is so that most of South Africa's Ramsar-registered wetlands are already enjoying conservation status, either in

terms of national acts or provincial ordinances.

Moreover, the Department of Environment Affairs also initiated a wetland conservation programme which will, *inter alia*, determine the need to promulgate any additional legislation. The programme is based on past endeavour to protect wetlands in South Africa, whilst giving consideration to the sustainable use of resources.

Of the 64 Contracting Parties only 7, of which South Africa is one, have established a national committee to guide wetland conservation activities in terms of the Convention.

In pursuance of the objectives of the Convention a national policy on wetland conservation is at present being developed in terms of the Environment Conservation Act, 1989 (Act No 73 of 1989). The first draft of this policy has been presented to a subcommittee of the Committee for Environmental Management and is currently being circulated to relevant departments for comment.

Once the policy has been adopted, any additional legislation, as may prove necessary, will be promulgated.

(2) No.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation indicates the original language.

Own Affairs:

Housing Development Board: shops sold at cost price

1. THE LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Housing and Agriculture:

- (1) Whether he and/or any of his predecessors gave any undertakings to the effect that shops owned by the Housing Development Board would be sold at cost price to tenants who are resettlement cases; if so,

- (2) whether he intends honouring these undertakings; if not, why not; if so, what are the relevant details?

D185E INT

THE MINISTER OF HOUSING AND AGRICULTURE: Mr Speaker, the answer to the first part of the question is no. With regard to the second part, as far as can be ascertained no undertakings were ever given. However, from records held by the Administration it appears that a previous Minister of Community Development had intimated that the premises would be sold at a reasonable price, taking into account the cost plus interest to date and all other relevant factors, such as the cost of maintaining the premises, administrative services, and so forth.

The Administration therefore resolved to give existing tenants the first option to purchase the shop complexes which they are occupying at present. Furthermore, to ensure that the prices were reasonable, the department obtained market values which I then discounted to compensate for the loss, hardship and trauma suffered by the affected traders.

THE LEADER OF THE OFFICIAL OPPOSITION: Mr Speaker, I want to be very critical of the hon the Minister of Housing and Agriculture, because the question asks "whether he and/or any of his predecessors" gave any undertakings. Of course the present hon Minister did not give any undertaking, but he is not sure whether or not his predecessors gave any undertakings. This matter was raised in this House from time to time and was not disputed.

Of course, there is a contradiction in the hon the Minister's reply when he says that according to the records a previous Minister of Community Development has given certain undertakings. I shall name that Minister. He was the Minister of Community Development, Mr S J Marais Steyn, who was succeeded by Mr Pen Kozaé. He gave the undertaking that all the shops where victims of the Group Areas Act had been resettled would be sold to the occupants, who were resettlement cases, at the cost at the date of construction. There are witnesses to this promise. We would like the hon the Minister to tell us in his reply where these records are and what the details are as far as the records are concerned, because I was present when that particular Minister gave this undertaking.

As a follow-up action, the House of Delegates—I think it was in 1986 when the present hon Chairman of the Ministers' Council was the Minister of the Budget—honoured that undertaking when the price of the Oriental Plaza in Johannesburg was determined. The perception in our community was that there would be fairness under a White administration and a White Minister in dealing with the victims of the Group Areas Act. However, as far as the present Administration is concerned, there is a tremendous measure of ruthlessness when one wants to introduce the concept of market value to be determined in any way in dealing with the victims of the Group Areas Act. I am sure the hon member for North Western Transvaal and the hon member for Eastern Transvaal, who have expressed these sentiments in this House from time to time, will confirm that such undertakings were given.

The fact that such undertakings were given, was not denied. This matter was also raised repeatedly in our Housing Advisory Committee. The purpose of this interpellation is to ensure that the victims of the Group Areas Act are treated with a tremendous measure of fairness, in the same manner in which they were treated before the House of Delegates was established in the Tri-cameral Parliament.

Records in Chatsworth and in the Shallexcross area, which the hon the Minister serves, testify to the price of the construction of the shopping centre. It was sold eight years after the date of construction for approximately the construction cost. This question of determining the market-related cost, or shall I say replacement cost, was never adhered to by the previous Minister. I appeal to the hon the Minister to examine the records. He should gather evidence from those who were present so that we can ensure that the undertakings given to these victims of the Group Areas Act are honoured.

In 1983 the former Department of Community Development sold a particular property in Chatsworth for R25 000, when the market value of that property at the time of the sale was R75 000. It was sold at one third of the market value because it was sold to a victim . . . [Time expired.]

Mr Y M MAKDA: Mr Speaker, I have a particular interest in this matter, because there are shopping complexes in a large part of my

constituency. I shall just name the towns very quickly: Bloemhof, Colligny, Lichtenburg, Louis Trichardt, Pietersburg, Potchefstroom, Rustenburg, Schweizer-Reneke, Swartburg, Ver-eeniging, Wolmaranstad and Zeerust. I am going to touch very briefly on the history of Rustenburg. [Interjections.] The Asiatic Bazaar in Pretoria is included as well.

As far as Rustenburg is concerned, it is recorded in history that the Indians settled there in 1880 and have traded there ever since. When expropriations in terms of the Group Areas Act took place, one particular trader was expropriated at a cost of R75 000 and the local authority sold that land to the OK Bazaars at R500 000. In 1970 the Department of Community Development engaged an economist to look at the economic viability of a shopping complex in the Indian area.

He concluded that it would not be economically viable, but the local authority insisted on having it constructed and moving the Indian people. They refused to concede that moving the Indian traders would be morally wrong, economically unsound and historically unjustified. The shopkeepers were offered the shops at the erection cost at that time, but because of the uncertainty they were not prepared to make this capital outlay. Some of them decided to buy the shops after two years, but their money was held back and returned after some five years, after deducting rentals.

Last week I went to great lengths to explain to the hon the Minister the contents of a letter I had received from the former town clerk of Pietersburg, in which he stated that he could confirm that the former Minister had given an undertaking that these complexes would be sold at erection cost.

To compound the matter, the House of Delegates has now spent R180 000 on renovations to those complexes in Rustenburg, instead of selling them to the individuals concerned. [Time expired.]

The MINISTER: Mr Speaker, we have examined all our records and have found no indication that there was a categorical undertaking that shopping complexes would be sold at market value. However, I hasten to say that I found the following indications in a reply from one of the

former Ministers of Community Development. The actual words of the reply are as follows:

... intimated that premises will be sold at a reasonable price, taking into account the cost plus interest to date and all other relevant factors.

What are these other relevant factors? Shopping complexes were let at reasonable rentals from the beginning. The maintenance costs were considerable. In addition to maintenance costs, administrative costs had to be borne. At present we are actually offering a considerable discount on the price of the shops in relation to their market value, because the Government has indicated that if we do not sell the shopping complexes and other assets, we shall have to return these assets to the State.

The Ministers' Council is fully aware of the hardship, pain and suffering that members of the Indian community, and particularly people in the business sector, have experienced. [Time expired.]

Mr M RAJAB: Mr Speaker, it is my considered view that instead of approaching this particular interpellation on the basis of whether an undertaking was given by some or other official, we should approach it on the basis of the spirit and the thrust of this particular interpellation which has been proposed by the hon the Leader of the Official Opposition. I believe that we should really view this interpellation against the background and the perspective of the Group Areas Act, its applications and its repeal.

There is no denying the fact that the Group Areas Act was responsible for our people's being dispossessed of their land for a mere pittance. This fact has been recognised by the present Government, hence the appointment of the Advisory Commission on Land Allocation. This has been done in a spirit of reconciliation, and that is the principle to which we should really be addressing ourselves in this interpellation this afternoon.

It is my belief that the Housing Development Board, about which the hon the Leader of the Official Opposition spoke, and the Community Development Board are really one and the same thing. The only thing that differentiates one from the other, is that in terms of the tri-cameral constitution the latter board falls under the House of Delegates' Department of Housing.

I believe we should really be looking at the whole idea of recompense. We should really be addressing that particular issue.

I have great sympathy for the argument that was advanced by the hon member for North Western Transvaal. I certainly believe that the formula in terms of which the Housing Development Board is addressing this problem at present, is inadequate. I understand the motivation and rationale behind it and I appreciate it, but I do not believe that enough is being done. [Time expired.]

THE LEADER OF THE OFFICIAL OPPOSITION: Mr Speaker, I suggest to the hon the Minister that in terms of the law one goes by decided cases. He should examine the sale price of the Oriental Plaza in Johannesburg and—what is nearest and dearest to his heart—the sale price of the shopping centre in Shallexcross, as well as the rentals which the former Department of Community Development and our Administration are charging in many of our centres.

Let us take one example, namely the Asiatic Bazaar in Pretoria. Irrespective of what final price is determined, the hon the Minister should ensure that offers made by the tenants are not ignored. Our Administration should not determine a price and impose it on a take-it-or-leave-it basis, "telling the tenants they have 30 days to decide, and threatening that if they do not accept this price, they will sell the shopping complexes on the open market, even if it means . . ." [Time expired.]

The MINISTER: Mr Speaker, if the hon the Leader of the Official Opposition wants us to double the 30-day period by increasing the number of days to 60 days, we are prepared to play the game. However, there is a problem.

Mr M RAJAB: The prices in Havenside were fair!

The MINISTER: There is a problem in that we are not putting up these shopping complexes at market prices. If there is any evidence to show that we have put up shopping complexes at market prices, I give hon members the assurance that the director of the department would stop the sales. We are satisfied that the only reason we get a valuator is to find out what the market price is, merely to ensure that our prices are far below that market price. Unfortunately we can-

not debate this now, but it is a subject which one could discuss at great length. However, I want to assure hon members that we are by no means overlooking the historical aspects of the shop (20)

The hon member for Springfield raised a very interesting and important point pertaining to the Group Areas Act.

Mr P NAIDOO: Mr Speaker is the hon the Minister prepared to take a question? (30)

Mr SPEAKER: Order! The hon the Minister's time is very limited, but it is up to him to decide.

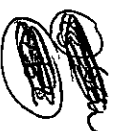
The MINISTER: I am prepared to take a question.

Mr P NAIDOO: Would the hon the Minister afford a similar opportunity to the thousands of householders who are much more deserving of such special treatment?

The MINISTER: I would like to, but I cannot. I had hoped to, but I could not. I might as well stipulate some of the conditions or factors that are taken into account before finally arriving at the price at which we are offering these shops. The situation of the shop is taken into account, as are the present condition of the premises and the type of business. If there are too many barber shops, for instance . . . [Time expired.] Debate concluded.

HOUSE OF ASSEMBLY

QUESTIONS



Indicates translated version.

For written reply:

General Affairs:

Transfer of land to Minister of Public Works

291. Mr P G SOAL asked the Minister of Regional and Land Affairs:

- (1) Whether, in terms of paragraph 1(c) of Proclamation R28 of 31 March 1992, certain land under the control of his Department is to be transferred to the Minister of Public Works; if so, (a) what land is to be transferred and (b) what is the purpose in doing so;
- (2) whether the Government intends selling the land in question; if not, why not; if so, to whom?

B737E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

- (1) Yes.
 - (a) The properties mentioned in Schedule 3 of Proclamation No R28/1992 have already been transferred to the Department of Public Works with effect from 1 April 1992.
 - (b) To further dispose of the properties.
- (2) The Department of Public Works will dispose of the properties taking into consideration in this regard the advice of the

Advisory Commission on Land Allocation and the practical utilization of un-economic units. Further particulars in this respect should be obtained from the Department of Public Works.

Own Affairs:

Model C schools: subsidized posts to be lost

66. Mr A GERBER asked the Minister of Education and Culture:†

Whether his Department has already determined how many teachers in (a) ordinary public and (b) state-aided schools will lose their subsidized posts after the conversion from ordinary public schools to Model C schools has been completed; if not, why not; if so, (i) how many teachers in each case and (ii) how many of them (aa) with and (bb) without a pension?

B608E

The MINISTER OF EDUCATION AND CULTURE:

- (a) (i) 155
 - (ii) (aa)* 155
 - (bb) 0
 - (b) (i) 3 661
 - (ii) (aa)* 3 658
 - (bb)** 3
- * Depending on whether a person occupies a temporary or a permanent position and on his/her years of service an annuity or a gratuity or an annuity and a gratuity are paid out.
- ** Part time posts.

Cape Town leads SA cities with high rates ³⁰

31 Dec 3/6/92

Own Correspondent

CAPE TOWN — Property rates imposed by the city council on office buildings in Cape Town are “virtually double” those in any other major SA city, says the Western Province regional committee of the SA Property Owners’ Association.

The committee commissioned a study by Erwin Rode and Marlene Tighy to update a similar survey conducted in 1987 and found that, in respect of total rates and fees, the mean charges were:

- Cape Town — R2,80/m² a month (11,4% of gross market rental);
- Durban — R1,50 (6,3%);
- Johannesburg — R1,32 (6,3%);
- Pretoria — R1,18 (5,5%).

The mean total of rates in Cape Town was 1,87 times what was levied in Durban, 2,12 times that of Johannesburg and 2,37 times that of Pretoria.

However, in comparing three individual buildings in Cape Town, Johannesburg and Durban, Rode found that Cape Town’s growth in total rates last year and the year before was far lower than the growth in rates in the other two cities.

On the particular building chosen in Cape Town, the increases in those two years had been 11,8% and 13,8%. Growth in rates and fees on a Johannesburg building had by contrast been 31,7% and 20,5%, and in Durban 18,5% and 24,6%.

Accordingly, Cape Town’s total rates and fees as a percentage of the market rental were declining — 14,6% in 1986/7, 12,4% the next year and 10,5% the following year — while those in Johannesburg were increasing — 4,1%, 5,8% and 6,1% over the same period. In Durban, the percentages remained almost the same, at close to 5%.

“Johannesburg and Durban are closing the gap between them and Cape Town,” Rode and Tighy said.

Sapoa’s Western Cape committee said Cape Town City Council’s latest increase of approximately 16,5% was “excessive”. It criticised the council for making insufficient effort to curb the increase.

“Taking into account that Cape Town’s rates are already approximately double those of Durban, Johannesburg or Pretoria, the increase is extremely disappointing and is a negative factor towards encouraging new development.”

The city council was approached for comment and is working on a response.

Lower sales ease effects of strike

EDWARD WEST

FALLING vehicle sales in April and May softened the effect of the strike at Toyota SA's Prospecton manufacturing plant, Toyota MD Brand Pretorius said yesterday. (30%)

Production at the plant — halted when a strike began on May 6 — restarted yesterday.

CE Bert Wessels said in a statement the strike resulted in lost production amounting to 7 000 vehicles. The loss in terms of turnover amounted to R270m while component suppliers lost R75m in turnover.

Pretorius said Toyota's dominant market share was expected to drop from 31% in January to about 25% in May and June before its supply pipeline filled up again.

The lost production had a keen effect on wholesale sales. However, the dealer network had a good stock of passenger vehicles at the beginning of May. While stock levels remained "reasonable", the company was under pressure to supply light commercial vehicles, and the production mix would be increased.

Poor vehicle sales in April and another seemingly slow month in May was, with hindsight fortuitous for Toyota, softened the blow of the strike, Pretorius said.

Car rental customers agreed to reschedule delivery of vehicles, releasing more vehicles for dealers.

Jitters, but no big sell-off on ANC stance

NERVOUSNESS in the capital market continued yesterday following the tough line on foreign investment adopted by the ANC this week — but there were no major overseas sell

SHERIDAN CONNOLLY

orders, analysts said.

They said the ANC's rejection of investment incentives or special treatment for foreign investors would not encourage much needed inflows of foreign capital in the short term. In the meantime, foreigners would still benefit from buying SA gilts at a discount via the financial rand while earning interest at the commercial rand exchange rate.

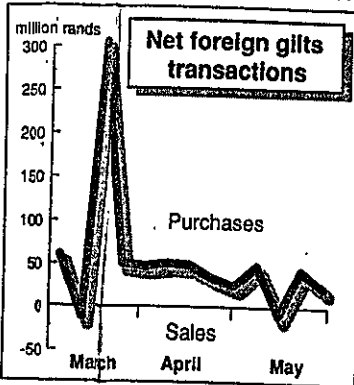
The ANC's foreign investment stance had promoted bearish sentiment in the market and rates were expected to be steady in the next week or so, they added. The yield on the benchmark Eskom 168 climbed another ten points yesterday to finish at 15,92% from its previous level of

15,82% and the RSA 150 closed at 16,15% from 16,02%.

Analysts said although capital market rates were sensitive to foreign sentiment, overseas investors had not reacted as strongly as expected to the ANC's policy announcement.

In a future market environment, the abolition of the financial rand would remove the present investment incentive for foreigners. But, a lower value of a unitary rand might still be cheap enough to attract foreigners to purchase SA gilts, analysts said.

The financial rand at first reacted negatively to the ANC's policy moves. It recovered slightly yesterday and firmed to R3,48 per dollar after dropping to R3,50 on Monday.



Graphics: RUBY-GY MARTIN Source: JSE

11% earnings rise for Specialty

RETAIL group Specialty Stores aimed to improve earnings for the eighth consecutive year in financial 1993, joint MDs Stewart Cohen and Laurie Chiappini said in their annual review.

While traditional department stores worldwide had declined, they said international specialty store chains had shown superior growth.

They had the benefit of narrow and deep assortments — which yielded lower purchase costs, shorter lead times, higher sales densities and lower markdowns.

These factors gave management confidence and confirmed that Specialty had strategically positioned itself in "the fastest growing and most profitable sector of retailing internationally," the directors said.

They said the group had an advantage as it could respond quickly to changes in consumer lifestyles.

Specialty, which owns Milady's, The Hub, Mr Price and Footgear, had an 11% earnings rise to 83,5c (75,1c) a share in the

year to end-February on a 19% turnover rise to R293,6m.

Cohen and Chiappini said Specialty would continue to focus on maintaining financial strength and improvements in asset management. They said it was comfortable with its 56% gearing as the proportion of cash sales continued to rise and should exceed 30% in the coming year. Margins were also expected to increase.

Milady's had performed exceptionally well after an average first half.

The Hub's sales were lower than budget, but it showed a 17% increase in its profit contribution.

Seven new Mr Price cash stores had opened, but the chain's rapid growth had stretched management and it had showed a profit decline.

The 11-store cash chain Footgear had made "a meaningful increase in its contribution to group profits".

New plan for sale of Qantas

CANBERRA — The Australian government yesterday announced plans for its international airline Qantas to acquire the state-owned domestic carrier Australian Airlines for A\$400m and for 100% of the merged company to be sold to investors and other international airlines.

Last weekend Prime Minister Paul Keating proposed a merger of Qantas and Australian Airlines and the sale of a 70% stake in the merged company.

Since then, the government has decided to sell 100% of the merged airline, provided it retains a share that allows it to protect the national interest in the airline. — AP-DJ.

Blacks to get a cash boost

Sowetan 4/6/92

THE United States Congress is to decide soon on a grant of millions of rands to promote small business development among blacks in South Africa.

The proposed grant is the subject of a Bill now before Congress and introduced by House of Representatives Africa sub-committee chairman, Mr Mervyn Dymally, who is a leading member of the Congressional Black Caucus.

It is understood that his sponsorship of the Bill arises from meetings in Washington earlier this year between South African businessmen, Congressmen and members of the South African-American Business Council.

Members of the council include ANC president Mr Nelson Mandela, economist Mr Maxwell Sisulu, Fabcos chairman Mr Gaby Magomola, Soweto Investment Corporation's Mr Macdonald Temahe, and director of Consumer Behaviour (Pty), Mr Eric Mafuna.

Mafuna, who is interim chairman of the business council, said the aim was to foster a closer working relationship in the areas of business and economic development between "dispossessed" South Africans and Afro-Americans.

It was also aimed at transferring technology and skills to underprivileged South Africans.

The new South Africa would be helped through joint ventures, networking, lobbying and capital formation efforts.

There would be a review of investment and business proposals from US corporations planning to locate or relocate in the country in order to assure appropriate "Affirmative Action Guidelines" were adhered to and respected.

"The purpose of these guidelines will be to ensure that each investment contributes to the overall economic em-

By JOSHUA RABOROKO

powerment of South Africa's blacks," Mafuna said.

In a memorandum, the parties said that they believed economic sanctions should continue until an interim government of national unity was installed and progress towards the democratic election of a Constituent Assembly had become irreversible.

The parties have agreed to hold further discussions and meetings to finalise in more specific detail the functions and organisational structure of the business council.

STAR 2/16/92

Pep standards among the best

By Stephen Cranston (30)

Pep has introduced quality standards in its ten factories "of the level demanded by the European Community", says chairman Christo Wiese.

In his chairman's report for the year to February, Mr Wiese says the mass market retailer has never deviated from its original objective of providing only for the basic needs of the mass market.

Group buyers regularly travel overseas to negotiate the lowest prices for Pep's lower-income target market.

The group acquired a small retail chain in the North of England during the year and intends to expand the Pep format into the less privileged areas of the EC.

'Gem junkies' cause for optimism

MATTHEW CURTIN

DIAMOND addicts and the diversity of De Beers' interests were the keys to the group's long-term prosperity, chairman Julian Ogilvie Thompson and deputy chairman Nicholas Oppenheimer said at an investors' presentation hosted by Davis Borokum Hare in Johannesburg yesterday.

Oppenheimer said research showed that once a consumer had bought one diamond, he or she craved more.

The gem's addictive qualities meant there was still scope for growth in the key markets of the US and Japan, which were far from saturated. De Beers was interested in new areas of economic growth such as south east China, where it had started a low-key marketing campaign.

The fourth diamond sight this year indicated an increase in demand for rough diamonds, confirmed by indications from the current sight. Sales, though likely to be lower in the first half of this year compared with 1991, would better last year's levels in the second six months of 1992.

Illicit diamond business in Angola could be worth more than \$100m this year. The Central Selling Organisation, De Beers' marketing arm, was buying up what Angolan supplies it could.

Ogilvie Thompson said De Beers' investing diamond profits in areas outside the industry allowed it to ride the troughs in the commodities cycle comfortably.

Servgro looks forward to a year of prosperity

MARCIA KLEIN

SERVGRO International, the services group in the Sankorp stable, would raise R140m when it listed on the JSE in July or August.

Executive chairman Peet van der Walt said in an interview yesterday Rand Merchant Bank had valued the group's companies at R687m, and Servgro would place about 25% of the shares in a public offer. This could be through the issue of about 27-million shares at R5 each.

The R140m would be used to repay controlling shareholders' loans, and about R40m would be retained in the company for expansion.

Servgro's interests include Interleisure, Teljoy, Avis, Interpark, Fedics and Price Forbes. The company announced at the weekend it had also acquired a 22% stake in Nasionale Pers (Naspers) from the Federale Pension Fund and Sanlam, making Servgro the largest single shareholder in Naspers.

Van der Walt said the investment in the mass media market, particularly Naspers' magazines and television interests, blend-

ed in with its focus on the leisure market. Van der Walt said it was a difficult time to go to the market, but various institutions had shown an interest in the leisure and services group. He said that both the leisure and services industries showed strong growth possibilities.

The group, which had interests in tourist-oriented Avis, Fedicas and Protea Hotels, was looking at increasing its exposure to tourism. In this light, Fedics was undertaking a large inflight catering project at Jan Smuts airport.

The service companies within the group covered a wide range of activities, but there were similarities in terms of management issues, Van der Walt said.

While the service companies normally generated strong cashflow, the group also had capital intensive companies in its portfolio, like Avis and Teljoy.

Van der Walt expected "a fair growth" in earnings in the coming year. This would be dealt with in the group's prospectus.

Abcon confident of netting goals

PÉTER GALLI

WHILE the market for prime decentralised offices still reflects chronic oversupply, activity in the sector has dropped substantially.

However, equilibrium between supply and demand was only expected by the third quarter of 1993, Abcon Properties chairman Dirk Conradie said in the annual review yesterday.

He said: "Rental levels especially in centralised office areas have declined in nominal terms while decentralised areas have not

shown any signs of growth." The industrial letting market also reflected a decline, in the number and quality of letting inquiries, while speculative industrial developments had practically ceased.

Abcon was listed on the JSE on December 2 1991 and its performance in the

three-months to end-February was slightly ahead of the forecast (30%)

"In spite of the difficult economic environment that has seriously affected the property market, we are confident that income distribution forecasts for the year to end-February 1993 will be achieved," Conradie said.



Clicks hits on a winning formula to beat recession

MARCIA KLEIN

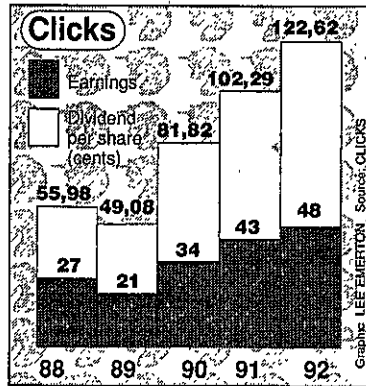
CLICKS Stores has outperformed most fast moving consumer goods retailers by reporting relatively buoyant results to end-April.

Results, which show a 21% rise in attributable profit to R24,8m, compare 14 months to end-April with the year to end-February 1991 following a change in the group's year end to that of the Premier Group, of which it is now a subsidiary.

Directors said turnover, which rose 51,6% to R836,8m from R551,9m, reflected this disproportionate 14-month trading period. They said profits were earned unevenly during the year, and on a comparable basis, turnover for the year to end-February 1992 had increased 28% over the previous year.

Nevertheless, turnover had remained strong in a very difficult trading environment. CE Trevor Honeysett said the group's real growth in turnover came from existing and new stores. During the year, the group opened 15 Clicks stores and 24 Diskom stores bringing the total to 203 at end-April.

He said this turnover growth reflected increasing support from the group's customers at a time when the recession had been "particularly telling in the fast moving consumer



goods retail sector".

He said the group's merchandise formula worked in recessionary times. Both Clicks and Diskom had "stuck to their policy of mounting frequent and hard-driven promotions, and at the same time creating added value to draw customers".

A million customers shopped at Clicks each week, while Diskom attracted an average of 1,3-million customers a month.

Operating profit was 27,8% up at R52,9m (R41,4m), and margins were reduced from 7,5% to 6,3% due to the economic conditions, a disappointing Christmas trading period and competitiveness in the marketplace, Honeysett said.

Operating profit was affected by

the group's low pricing policies and the effect of its own growth, which included about R4m spent on the Clicks store automation programme.

A hike in net interest to R4,7m from R656 000 resulted in an 18,4% increase in pre-tax profit to R48,2m (R40,7m). Honeysett said this hike was mainly the result of high stock levels brought forward from the previous year and new store expansion. The R52m rights offer would enable Clicks to show a positive net interest figure in financial 1993.

Earnings rose 20% to 122,6c (102,3c) a share, and by 13% a share to end-February 1992 on a year-on-year basis.

A 7,1% lower final dividend of 26c a share was declared to bring the full year dividend up 11,6% to 48c (43c) a share, with dividend cover maintained at 2,4 times. However, financial director Peter Green said the total amount of dividends declared was up to R10,3m, and the final dividend was the result of the increased shares resulting from the rights issue.

Honeysett said the group would continue its store opening programme as well as its investment in the computerised retail support systems. This, together with the elimination of debt following the rights issue, should enable the group to show satisfactory growth in the next financial year.

PICK 'N PAY

FM 5/6/92 (30)

Reaching maturity in the life cycle

Activities: Food and general merchandise retailer.

Control: Pick 'n Pay Holdings (Pikwik) (52%), in turn controlled by Raymond Ackerman (Pty) (50%).

Chairman: R D Ackerman; **MD:** H S Herman.

Capital structure: 78,3m ords. Market capitalisation: R1,86bn.

Share market: Price: R23,75. Yields: 2,4% on dividend; 4,5% on earnings; p:e ratio, 22,0; cover, 1,9. 12-month high, R30,50; low, R20.

Trading volume last quarter, 821 000 shares.

Year to end Feb	'89	'90	'91	'92
LT debt (Rm)	7,0	7,0	6,1	5,2
Shareholders' interest	0,33	0,35	0,33	0,31
Return on cap (%)	15,6	14,8	14,5	12,4
Turnover (Rm)	3 869	4 380	5 189	5 911
Pre-int profit (Rm)	116	127	140	142
Trading margin (%)	2,74	2,58	2,58	2,22
Earnings (c)	86,4	105,9	110,6	107,8
Dividends (c)	42	52	57,5	57,5
Net worth (c)	311	383	411	458

There can be little argument that Pick 'n Pay remains the retail organisation with the highest consumer awareness. But there is no getting away from the fact that 1992 was the worst financial year in its 24-year history.

For the first time, trading income declined (by 4%); not because turnover fell or because of poor management, but as a result of a deeper-seated problem.

Chairman Raymond Ackerman says a 13,9% hike in turnover implies higher market share. Real turnover about kept pace with inflation, much better than a number of high-profile retailers did. However, as highlighted in the *FM* (Fox March 27), what is of concern is the declining growth trend in both trading income and margin.

This is not simply a function of deteriorating efficiency in the strict sense of the word. Some large productivity increases were won.

Payments for merchandise and associated expenses have actually fallen as a percentage of sales, from 87,7% in 1989 to 86,8% in 1992, so gross margin has improved. But that hard-earned gain was eliminated by the persistent rise in employees' salaries and wages and other benefits to 75,7% of "value added" in 1992 from 69% in 1989.

This partly explains the 7,7% fall in trading income to R353/m². So it is interesting to



Pick 'n Pay's Ackerman ... deeper-seated problems

learn that wage negotiations with the trade union at Conciliation Board level have settled on 14% which, though on the high side, does not greatly exceed the turnover increase — as it has been apt to do.

Till 1991, without exception, interest received exceeded interest paid. That year, interest paid just shaded received. In 1992, it was R3,4m more, largely because of payments for new technology installations, but investment income countered this. Short-term insurance investments were sold and the proceeds invested in other liquid instruments, which earned R11,2m.

The net result is that 1992 pre-tax income of R139m was much the same as in 1991. But a marginally higher tax rate of 39,3% (1991: 38%) pulled after-tax earnings down to R84,4m, 2,5% off. EPS eased similarly.

Scanning is now in operation in all stores. Ackerman says the benefits should increase materially in the years ahead. The installation cost more than R150m over the past three years. Capital expenditure this year will fall sharply.

The balance sheet shows two significant changes. Cash on hand leapt to R190,8m from R46,5m, partly because of the sale of investments, but more because of a 22,8% increase in accounts payable to R648,2m. Attention is clearly being paid to working capital management.

The company has demanded — and received — further extended credit terms from suppliers. Together with a 30% rise in depreciation to R49,3m, these changes meant that cash generated by operations jumped to R96,2m from R29,6m in 1991. The rise in stocks was held to 7,3%. Stock turn rose to 12,3 from 11,65 in 1991 and 10,8 in 1990. Accounts receivable barely moved.

This year marks the company's 25th anniversary. Ackerman is using the event to fuel

promotions. Sponsorship of the Olympics will keep Pick 'n Pay in the forefront of the consumer's mind. If turnover growth can be promoted in the depressed economic climate, Ackerman will achieve it.

But unless the organisation can rein in demands for unreasonable increases in pay, trading margin will either dip again or remain static. Respectable earnings growth will, once more, depend not on good trading practice, but on returns from investments.

Taking into account cash availability and the prospective capex reduction, investment income for financial 1993 is likely to rise considerably. Moreover, interest paid should be much lower. Pre-tax earnings and EPS could therefore show strong growth. That, it seems, is a good reason for the share to recover from its recent low of R20. But such growth should be seen for what it is.

As much as one does not want to believe it, because of all the valiant efforts to prove otherwise, the evidence keeps pointing to the fact that Pick 'n Pay has reached the mature stage in its life cycle and trading profitability cannot grow much faster than the economy.

The operation is, however, long-established, with firm roots, and still boasts a vibrant management. That is why, if an investor is risk averse, on a high p:e of 22, it is prudent to hold the share. An investor with a higher risk profile could find other solidly based counters that now have the potential to grow earnings more rapidly. *Gerald Hirshon*

DIMENSION DATA

FM 5/6/92 Sporty performer

Activities: Designs, supplies and installs data communications networks and makes associated equipment.

Control: Directors 36%, Mercedes Information Technologies 26%.

Chairman and MD: J J Ord.

Capital structure: 21,9m ords. Market capitalisation: R118m.

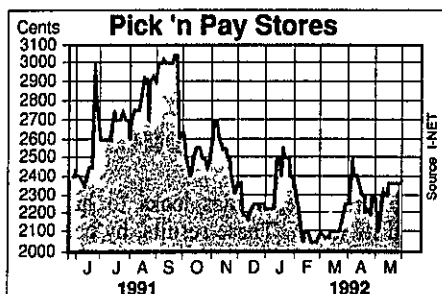
Share market: Price: 540c. Yields: 3,2% on dividend; 7,5% on earnings; p:e ratio, 13,3; cover, 2,3. 12-month high, 540c; low, 310c.

Trading volume last quarter, 1m shares.

Year to Dec 31	'88	'89	'90	'91
Shareholders' interest	0,63	0,50	0,52	0,51
Return on cap (%)	28,9	29,6	31,8	32,7
Turnover (Rm)*	29,6	49,2	65,0	88,5
Pre-int profit (Rm)	6,0	9,7	12,7	16,8
Pre-int margin (%)	20,2	19,7	19,6	19,0
Earnings (c)	17,1	26,7	32,9	40,7
Dividends (c)	7	11	13,5	17,5
Net worth (c)	63	78	98	117

* Turnover estimated from sales index.

It is not easy for computer companies to convey the nature and potential of their businesses to the investing public. Their annual



cont

SWEETHEART DEALS

FM 5/6/92.

How long will they last?

30

Glitzy pamphlets and stunning offers herald the previously unthinkable — nine months to a year of rent-free accommodation in upmarket buildings. There is no doubt these sweetheart deals are a sign of the times. The question is: how long will the offers last?

The market believes the oversupply of office space will continue for the rest of the year and probably well into 1993. But scrutiny is needed because the duration of offers will depend more on location and the state of individual institutional portfolios than on general factors.

Prospective tenants can bank on one thing. When the market turns, bleeding landlords will want to claw back a few years of lost profits.

Area averages are a good lead into the market, but, as everyone knows, the five-month-odd average figure for Braamfontein, Johannesburg, belies the truth of what is occurring in some buildings. Ampros is offering as much as nine months' free rent for new tenants in the revamped Braamfontein Centre, at Jorrisen Street, Garden Plaza, Bertha Street and 222 Smit Street. The same deal applies to three office buildings in central Johannesburg, including the Carlton Centre.

Sanlam Properties GM Banus van der Walt, commenting on how the recent property construction boom in CBDs and suburban centres has produced office space for which there are few takers, agrees that this is when aggressive marketing moves in to persuade hesitant businessmen that the opportunity of a lifetime is there for the taking.

Rode Report author Erwin Rode notes in his latest issue that "more and more new leases have to incorporate such inducements (rent-free periods) in order to get tenants to fill vacant space." In a comprehensive table of average rent-free periods around the country (see graphic), Rode specifically pinpoints the Johannesburg CBD and Braamfontein as areas where extended rent-free periods can be negotiated.

Ampros MD Gerald Leissner, whose company has taken the lead in rent-free offerings, notably in Braamfontein, says: "In the current market, we are prepared to offer discounts of this kind." However, prospective tenants, lured by the prospects of getting away with long periods of rent-free accommodation, would be well-advised to read the fine print. For a start, do they qualify?

Leissner says Ampros is selective in its choice of tenants. It does not intend to expose itself to clients likely to fold up their tents and disappear. "We have very good tenants," and adds that Ampros intends to hold on to that track record and will thoroughly examine prospective clients.

Leissner confirms there are several ways

of shaping sweetheart deals. These include meeting removal expenses (which can be substantial), providing tailor-made office renovation, allocating additional parking and easing up on operating expenses charged.

There are also cheap rentals such as R1,50/m² now offered by some landlords in lieu of free rents. Van der Walt says that, despite free periods, tenants still pay operating costs, rates and electricity.

Then there is the matter of the lease period the tenant will be asked to sign. Sanlam Properties is prepared to consider rent-free periods as long as 12 months but it will require lease periods of as much as 10 years. Van der Walt says one important qualification is that there must be a review of the lease in three years: "We are prepared to take the knock now but we have to be in a position to benefit when there is an upturn in the economy and demand for office space strengthens."

Ampros' nine-month deal goes with five-year leases.

Sanlam Properties says it has no across-the-board policy. It recognises the general trend nationwide and will offer rent-free

periods depending on the property, location and extent of the problem in the area.

Old Mutual Properties investment manager Ian Watt takes a different view: "The difficulty we have in granting rent-free periods is that it has a negative effect on existing tenants. They will feel they're being discriminated against."

He says rent-free policy depends on the state of a company's leasing portfolio. His company will pursue this course only if it has a high percentage of unleased space on its books. It has no vacancy problem now but would, in any event, be deterred from offering rent-free deals because of concern for the reaction of existing tenants.

Watt says too much office space has been built around the country — yet market observers say Old Mutual Properties has contributed to the oversupply. Watt worries that, in some hard-hit areas, it could take up to three years before reasonable ratios of supply and demand are seen. "There are some horrifying statistics," he adds.

Sapoa's May figures show A-grade office vacancy rates in the Durban CBD to be 29,3%, in the Pretoria CBD 12,8% but as high as 29,7% in Arcadia. The figure varies from 17% to 25% in other eastern suburbs of Pretoria. Sapoa's figure for the Johannesburg CBD is only 8% (Sandton is 11,9%) and for Braamfontein 5,4% — statistics which tend to confirm Watts' contention that the rent-free policy is linked to individual companies and not to areas.

For businessmen contemplating an office move, whatever the protestations of landlords, this seems an opportune time to drive a hard bargain.

Free? Well, yes...

Rent-free office space Average period in months

1st quarter 1992	Grade A	Grade B	Grade C
Johannesburg CBD	3,41	3,79	3,25
Braamfontein	5,24	3,72	2,39
Sandton CBD	2,21		
Randburg CBD	2,29		
Rivonia	1,50		
Rosebank	1,88		
Illovo	2,20		
Parktown	2,00		
Bedfordview	1,83		
Bruma	2,17		
Midrand	2,00		
Pretoria CBD	1,19	0,91	
Hatfield	2,17		
Verwoerdburg	1,67		
Durban CBD	2,56	2,78	1,81
Berea (Durban)	3,00		
Port Elizabeth	3,00	3,00	3,00
Cape Town CBD	1,52	1,42	1,57
Bellville	1,00		
Claremont	3,00		



Source RODE REPORT

FM 5/6/92

return." (30) (circled)

To this somewhat dark picture he adds the high rate of direct and indirect tax, tariff walls and the relatively limited export incentives — and, of course, the violence. All of which adds up to extremely cautious visitors who want to work out the sums and then wait and see. "But they seem very excited," he adds.

One direct result of these missions has been a "surplus of invitations" for the chamber to send delegates overseas. The chamber is considering sponsoring one visit later this year and the best guess is that it will head for Singapore, Taiwan and perhaps other Far East destinations.

Is the chamber ready for all this new activity? He smiles. "There's a lot for us to do in stepping things up a few gears in this new environment."

On the local level, one of Morris's goals is to help get the Soweto Chamber of Commerce up and running, once and for all. He will also be pushing for "a new era of consultation" with the city and regional governments, which, he points out, get 80% of their funding from business coffers.

A married father of three sons, Morris is a confirmed sportsman with a love of squash, cycling, hockey and golf. Born in Scotland, he came to Johannesburg as a child and matriculated at Highlands North.

He got his BCom at Wits and began working for what was then Aiken & Carter during his university holidays. "And I've been here ever since," he adds. A few years before becoming a partner in 1976, he spent two years in London on the firm's exchange programme. Since 1988, he has represented the SA operation on the 32-person international council of KPMG, which is the largest auditing firm in the world.

"At a relatively young age, he occupies a very senior position at his firm. That tells a story," says Marius de Jager, CE of the chamber. "And like many successful people, he's highly disciplined with himself and his time. He's decisive, but not rash."

"He doesn't get paid for this, but he's absolutely dedicated to the chamber. It's not a little item for his CV."

Morris ... getting past the wait-and-see attitude



(30) (circled)
STUART MORRIS
Seducing the hordes

As the new president of the Johannesburg Chamber of Commerce & Industry, Stuart Morris has had to keep his smile in the "on" position and practise saying "welcome to South Africa" over and over as a seemingly never-ending stream of foreign business delegates pass through town these days.

Morris (46), whose full-time job is deputy CE of KPMG Aiken & Peat, calls these the "getting-to-know-you" missions because real trade and investment deals are not being tied down just yet. FM 5/6/92

"There is, understandably, considerable caution. Understandable, because businessmen like to know that there is stability, what the tax position is, if they will be able to repatriate their capital. And they are not absolutely sure about that at the moment. At the end of the day, they are looking for a

Save the city

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THE rescue of central Johannesburg came on the agenda again this week with the announcement of a joint initiative between business, the city council and the civics. The scheme hopes to raise about about R10-million in loans and debentures for the upgrading of the city centre and the provision of low-interest loans for inner-city residents.

W/Mail 5/6-11/6/92 .

ANC given eco-report

Sowetan 5/6/92



ANC president Mr Nelson Mandela yesterday officially received a report on Business and Environment in South Africa, commissioned by Pick 'n Pay head Mr Raymond Ackerman, at a function in Johannesburg.

The report, prepared by the International Business Council for Sustainable Development, points out that the present develop-

ment status of Southern Africa has been achieved mainly by selling off natural assets - irreplaceable minerals and almost irreplaceable wildlife and forests.

"With natural riches rapidly depleting, and severe degradation of agricultural potential, together with a wide range of both deliberate and ignorance-based assaults on the eco-systems of the region, the mostly unsuspecting population is facing catastrophe,

yet is doubling every two decades."

The BCSD report said that tourism, especially eco-tourism, offers the only large-scale opportunity for replacing mineral exports as a source of essential foreign exchange, employment and economic survival.

Tourists would not be attracted to slums, crime, disease, extinct animals, denuded veld and a ravished visual environment.

Development of a na-

tional and regional ethic of informed environmental concern will be prerequisites not only for leaving something for tourists to see but for feeding the population.

The ANC welcomed the report, saying the organisation was committed to an environmental policy that will secure sustainable growth and create a safe and healthy environment.

The report is to be presented to State President FW de Klerk on his return

from his overseas trip on June 18. The document is part of Southern Africa's private sector input to the Earth Summit.

Professor Stan Sangweni, the ANC's chief environmental spokesman recently said of the potential mining threat to St Lucia's eastern shores: "It is most dangerous and irresponsible to damage a very precious, internationally valued resource, which cannot be restored, whatever the miners say."



Talks continue

FM 5/6/92.

There has been no further news on talks between two major Durban-based retailers — Amic associate McCarthy Group and independent Prefhold — but McCarthy chairman Brian McCarthy says discussions are serious though he warns us not to expect an announcement for some weeks.

Prefhold chairman Terry Rosenberg, who normally does not sit on boards of other companies, will join the McCarthy board on July 1 — by which time negotiations should have been concluded. He replaces Wooltru CE Colin Hall as a non-executive director.

At first site it looks an unlikely marriage. McCarthy is the largest motor distributor in the southern hemisphere. Prefhold is holding the company for a major furniture chain — the Beare Group — discounter Game and credit clothing chain Smart Centre.

In sales terms, McCarthy is far larger. It turned over R3bn in the year to June 1991. Prefhold expects to turn over about R1bn in the year to June 1992. The stock market, however, capitalises Prefhold, if the senior and junior debentures are included, at R530m, and McCarthy at R430m.

cont - 12

FOX FM 5/6/92

McCarthy sits on a pre of 8,8 and dividend yield of 4,2%. In the motor sector it is more tradeable than even Toyota. Prefhold, though primarily a furniture retailer, is listed not in the Furniture & Household sector but the more highly rated Retail & Wholesale sector. The ordinary shares, however, offer a dividend yield of 7,3% and 26,5% earnings yield. Its senior debentures offer 11,5% and junior debentures 14,1%. (30)

Any possible synergy will be in finance. McCarthy and Prefcor are both in the consumer credit business, though most motor vehicle credit is written by third parties such as Stannic and Wesbank. Beare Group's credit is managed by FirstPref, a joint venture between Prefcor and FNB.

A deal would give Amic its first exposure to mass market retailing. Anglo American has had indirect interests in retailing — for instance through SA Breweries — but this would be its most direct so far.

Amic chairman Leslie Boyd and deputy Tony Trahar recently joined McCarthy's board, where Brian Bullett and Chris Hull already represent Anglo.

Stephen Cranston

ended at 16,175% from 16,220%. The dealer expected the gap between the UG55 and

while a public utility, receives no government funding. It supplies water to the Natal region.

Tough economic conditions cited in Hicor's R2,7m loss ³⁰

RETAIL company Hicor, the holding company of the Allwear clothing group, has reported a R2,7m loss before extraordinary items in the year to end-February.

These results, which compare with a R562 000 profit in the previous year, had been "materially affected by the prevailing poor economic conditions", directors said.

Last year Hicor sold its largest subsidiary, Harties, to Pep Stores for R18,4m.

Directors pointed out that the current results included a R2,4m loss made by Harties Stores for March and April 1991, so figures were not directly comparable with the pre-

by phone 5/6/97
MARCIA KLEIN

vious year.

Directors said operating income was also affected by lower profit margins, lower production levels, increased provisions for bad debts and the Harties loss.

Despite directors' 1991 forecasts of an improvement in results in 1992, figures show that turnover slumped to R79,9m from R148,1m, and operating income to R3,1m from R9,6m.

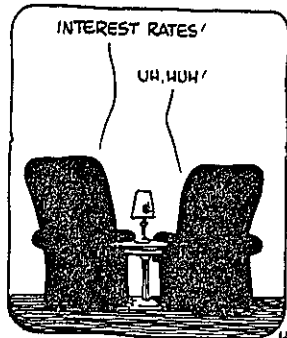
Although the interest bill was reduced, the company showed a pre-tax loss of R2,4m after a R1,7m profit in the previous year.

Directors said rationalisation programmes had

been implemented to adjust both production capacity and cost structures.

The share, which listed at 50c, closed yesterday at a low of 20c.

EXECUTIVE SUIT



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Score beats its earnings forecast

BlDaw 10/16/92

MARCIA KLEIN

SCORE Supermarkets exceeded its earnings forecasts in the 10 months to end-April despite lower than expected turnover and operating profit.

The group was formed after Premier's acquisition of Metcash, and the subsequent merger of the retail operations of Metcash with those of Score Foods.

It includes the operations of Score Retail and Fairways.

Results have been compared with those forecast in the group's pre-listing statement of September last year, as the restructured group, which listed in October last year, bears little similarity to the old Score Foods.

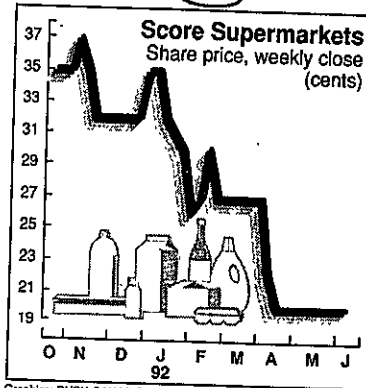
Turnover of R512,4m was 2% lower than the R522,8m forecast prior to listing. MD Chris Burgess said this was a result of recessionary conditions, boycotts and unrest.

Operating income of R7,8m was 10% below the forecast figure, but a reduction in interest resulted in net pre-tax profit of R2,2m, which was 8% ahead of budget.

Attributable earnings of R877 000 were 15% above the group's forecasts. These translated into earnings of 2,3c a share.

A maiden dividend of 0,5c a share was declared, covered 2,4 times.

Gearing of 37% compares with 25% at end-October. Burgess said this was higher than the short- to medium-term target of 30%, but included the capitalisation and settle-



ments of financial leases.

Although turnover and operating profit were below forecasts, Burgess said the good earnings were a result of rationalisation and tight management and cost controls.

He said a number of loss-making operations were closed and a number of distribution centres combined into a central warehouse.

Product lines had been streamlined, with low-stockturn items giving way to a higher percentage of basic food ranges.

Score currently operated 161 stores nationally, as well as others in Lesotho, Botswana, Swaziland and the TBVC states.

In its pre-listing statement, the group said the period to end-April would be one of consolidation, and the immediate benefits of the merger and rationalisation would not be apparent in this reporting period.

Making youth business wise

Sowetan 8/6/92



By JOSHUA
RABOROKO

THE Young Entrepreneur Foundation has been formed to promote business culture among the youth.

The YEF's policy is to create a culture of business among the thousands who leave school every year.

Executive director Mr Oscar Mamba said their aim is motivate youth to be active in the mainstream of the economy.

"We want to develop with the local people, progressive youth structures and schools, create a cul-

ture of entrepreneurship as a model in building a growing and prosperous economy in a free and democratic South Africa.

"One of our objectives is to facilitate the provision of training, counselling and advisory services related to commerce, industry, engineering and agriculture," Mamba said.

The formation of the foundation comes in the wake of the surging number

of unemployed youths, the majority matric dropouts and school leavers.

Statistics provided by the Research Institute for Education Planning in July 1991 showed that the dropout rate among African pupils in 1990 was the highest at primary level.

Statistics

The statistics showed that the total number of dropouts in 1990 (814 562) was 10 percent of the total 7 924 991 pupils enrolled from sub A to Standard 10.

"The queues are swell-

ing and these children cannot find work. The situation is getting worse as the recession takes its toll and the drought begins to bite. We need to do something for them," Mamba said.

A seminar is scheduled to take place at the Johannesburg Stock Exchange Auditorium on July 14-17.

The foundation is also offering bursaries to high school pupils and university students. All enquiries should be directed to YEF at telephone number (011) 483-3280 or Fax (011) 483-3282.

Clicks keeps ahead of game

STAR 8/6/92

Clicks Stores, now under Premier control, achieved satisfactory earnings growth in the 14 months to April.

The group changed its year-end to April after Premier took control in the wake of the restructuring of the controlling shareholders.

Comparative results for the year to end-February this year showed turnover up by 28 percent, while earnings per share increased by 13 percent.

Actual figures for the 14-month period had turnover at R836,8 million and profit before tax and interest at R52,8 million.

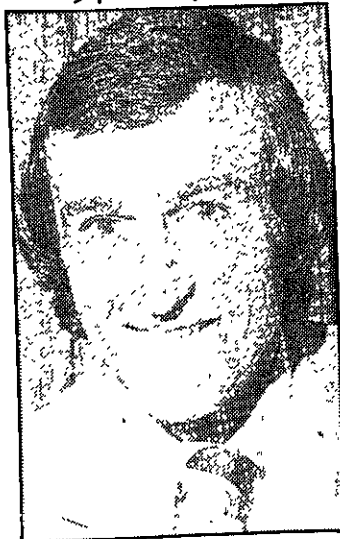
Earnings per share rose to 122,62c, while a final dividend of 26c a share has been declared, making a total of 48c.

Growth

Chief executive Trevor Honeysett says the group's real growth in turnover came from both existing and new stores.

During the period, 39 stores — 15 Clicks and 24 Diskom — were opened, bringing the total at the end of April to 203.

Mr Honeysett is satisfied with the earnings growth achieved in the face of a full-blown recession, which has been particularly telling on the fast-moving consumer goods retail sector.



Trevor Honeysett . . . satisfied with earnings growth

During the period under review the two chains stuck to their policy of mounting frequent and hard-driving promotions and, at the same time, creating added value to draw customers, he says.

In response, a million customers a week had shopped at Clicks and, in the case of the smaller Diskom, there was an average of 1,3 million customers a month.

"The group has matured to the point where, strategically, its foundations are firmly laid

and we are now building for the future by adding greater operating efficiency through the introduction of technology," says Mr Honeysett.

"We expect the benefits of the high-tech roll-out to begin flowing early in the new financial year."

Commenting on the group's operating margins, which were down from 7,49 to 6,32 percent for the year, Mr Honeysett says pressure had come from a variety of sources.

Environment

In addition to the harsh economic environment, a disappointing Christmas trading period and the general competitiveness of the market place, there was the group's low pricing policies and the impact of its own intense growth.

The latter included an amount of approximately R4 million spent in the current year on the Clicks store automation programme.

Benefits from this expenditure will only accrue in future years.

"Adding to these factors, was the toll taken by escalating inflation rate on the group's operating expenses," Mr Honeysett says. — Sapa.

Oudtshoorn boycott

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CT 9/6/92

THE Bridgeton and Bongeletu Civic Association has launched a boycott of Oudtshoorn businesses it claims are owned by Conservative Party supporters, but says the move is aimed chiefly against the council because it refuses to democratise the town.

Improved Boumat helps boost Saficon earnings

STAR 9/6/92

By Stephen Cranston

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Thanks to an improved performance by 37 percent-held Boumat, Saficon increased its earnings per share from 49c to 53c in the year to March.

The dividend, however, has been reduced from 14c to 13c, in line with the group's increasingly conservative dividend policy.

Operating profit from the managed businesses — mainly motor dealerships — fell from R55,3 million to R44,8 million.

Saficon chairman Sidney Borsook attributes the reduction in operating income to the group's inability to sell as many new cars as had been forecast and to a reduction in gross profit margins because dealers have been fighting for market share.

The operating margin fell from 3,8 percent in the previous year to 2,9 percent in the year to March.

Mr Borsook said the introduction of a new Audi range had helped improve sales, but "did not create the kind of excitement it would have done in boom times".

Saficon's main operating

companies are the Volkswagen dealer Lindsay Saker and the Mercedes/Honda dealer Cargo Motors.

Mr Borsook says there had been a drop in Mercedes Benz sales, mainly because fleet-owners were buying down in the recession.

He added that the legendary waiting list for new Mercedes cars dried up more than a year ago and that the supply of vehicles has been more than enough to meet demand, thanks to a relatively trouble-free year on the labour front in the motor industry.

The building supplies company Boumat's contribution increased from R700 000 to R4,3 million, which helped boost attributable earnings by 17,4 percent.

Mr Borsook attributes Boumat's turnaround to the closure of several unprofitable outlets and improved results from poor performers in prior years.

Earnings from pyramid Saker's Finance and Investment, which holds 51,4 percent of Saficon's equity, increased from 77c to 87c. The dividend was cut from 22c to 20c.

Profitable turnaround at Premier's revitalised Metro

By Stephen Cranston

In its first year as a subsidiary of Premier, Metro Cash 'n Carry produced considerably improved results.

Carlos dos Santos, appointed MD shortly after the Premier takeover in May, yesterday announced a turnaround from a 79,4c loss per share in the year to June 1990 to a 17,3c profit in the ten months to April.

Metro has declared a dividend of 6c, which is good news for shareholders who did not receive a payout in the year to June 1991. Dividend cover is 2,8 times.

The year-end was changed to fall in with the rest of the Premier group.

Metro now incorporates the cash-and-carry operations of the old Metro and Trador, which previously formed part of the Score

group.

Mr Dos Santos says that 31 stores were closed during the year, mainly in areas which could not support both a Trador and a Metro outlet.

Two trading names, Cashmart and Frasers Cash 'n Carry, were discontinued.

Turnover was scarcely changed at R4,1 billion, but Mr Dos Santos says that turnover has been maintained in real terms on the remaining store base.

Metro now has 182 cash-and-carry outlets countrywide, five Trade Centres in the larger metropolitan areas and 11 building materials cash-and-carry operations known as Metbuild.

Mr Dos Santos says that Trade Centre is performing well under new boss Colin Scott, who was acquired along with his Stax

leisure goods and hi-fi chain.

The loss-making conventional wholesaler, Frasers Greenstein & Rosen, was disposed of during the year.

Metro's balance sheet has improved significantly. Thanks to an R87 million rights issue and an injection of cash resources from Premier, shareholders' funds increased from R75 million to R270 million.

Total cash resources increased from R5 million to R250 million and net borrowings of R161 million were turned into cash resources of R227 million.

Below the line, Metro enjoyed extraordinary income of R5,6 million from the surplus over book value on the disposal of property and the bringing back to account of excess provisions provided the previous year.

STAR 9/6/92

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Boumat boosts Saficon earnings

B/Dany 9/6/92

DUMA GQUBULE

MOTOR vehicle distributor Saficon Investments reported a 17,4% increase in attributable earnings for the year to end-March, helped by an increased contribution from Boumat.

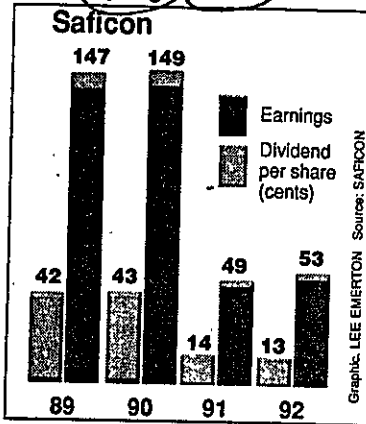
A slightly lower dividend of 13c (1991:14c) was declared on earnings of 53c (49c) a share. The higher earnings were achieved even though the number of shares in issue increased by 1,72-million.

Earnings and dividends were marginally higher than those forecast when Saficon's holding in the group was increased to 51%.

Chairman Sidney Borsook said expectations of an upturn in the economy during the second half of the year had failed to materialise. Trading conditions had deteriorated.

The lower than forecast group profits were mainly due to an inability to reach forecast levels of new vehicle sales, and to a deterioration in gross profit margins.

Other inhibitive factors cited by Borsook were continued high interest rates, the indecisive behaviour of buyers during the run-up period to



the introduction of VAT and the high new level of perks tax on the private use of company cars.

After tax profits fell by 11,6% but the contribution from building supplies group Boumat increased to R4,3m (1991: R663 000) and Saficon's attributable earnings came to R16,2m (R13,8m).

Turnover showed a 4,6% increase to R1,5bn, but difficult trading conditions in the motor retailing industry resulted in an 18,8% decline in operating income to R44,8m. After lower interest payments, after-tax profits fell by 11,6% to R12,2m.

Metcash shows an R81m turnaround

B(Dam) 9/6/92

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MARCIA KLEIN

METRO Cash and Carry (Metcash) has shown a dramatic R81,7m turnaround in attributable earnings to R28,5m in the 10 months to end-April after a drastic restructuring programme.

The restructured group has resumed dividend payment and declared a final dividend of 6c a share for the period.

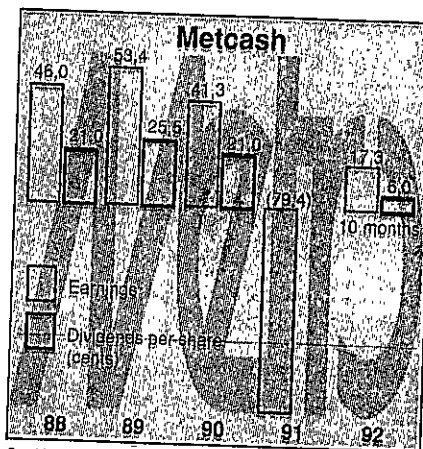
Results compare the 10 months to end-April with the year to end-June 1991 because of a change in the group's year-end, after the Premier Group's acquisition of Metro from Tradegro.

MD Carlos dos Santos said comparisons with last year's results, when Metro lost R53,2m and showed a R190,8m extraordinary loss, were basically meaningless as Metro was now a different group.

Frasers Greenstein and Rosen and 31 non-viable cash and carry outlets were closed and the Fairways retail chain was hived off into Score Supermarkets.

Dos Santos attributed the return to profitability to "the rationalisation programme, improved financial disciplines and controls, the efficient management of cash resources and a determined effort to materially reduce overheads".

On the balance sheet, Metcash shows cash reserves of R227,3m compared with



Graphics: RUBY-GAY MARTIN Source: METCASH

borrowings of R161,8m at this time last year. Dos Santos said this turnaround in liquidity was a result of the R87m raised in a rights issue, good cash management and tight financial disciplines.

Dos Santos said the restructuring and rationalisation were essential "to ensure the survival of the group".

The restructuring included the merger of Metro with its major rival in the cash and carry industry Trador, appointment of

□ To Page 2

Metcash

B(Dam) 9/6/92

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□ From Page 1

a new management team and closure of various stores.

He said Metcash was now focused on its core activities, in which it served about 80 000 small traders. It currently operated 182 Metro outlets, five Trade centres, four Stax stores and 11 Metbuild builders' hardware outlets. It also had trading interests in Malawi, Mozambique and Portugal.

Dos Santos said there would be no improvement in trading conditions in the short term, but results for the next financial year would reflect further growth "as the steps taken to improve efficiency continue to materialise".

Turnover was R4,07bn for the 10 months, compared with R4,06bn in the year to end-June 1991.

At the operating level, Metcash showed income of R45,9m compared with a R14,7m loss in the previous year.

It received interest of R844 000 at end-April, after paying R31,7m in interest in 1991. Pre-tax income of R46,7m compared with a loss of nearly the same amount in the previous year.

Earnings based on the total shares in issue were 17,3c a share compared with a 79,4c a share loss in the previous year. Earnings on a weighted average would have been 20,1c.

Butchers post biggest drop

Sales plunge as recession hits retailers

B/Dan 9/6/92

~~211~~ 30

RETAIL sales adjusted for inflation fell in March to the lowest levels yet seen in the current recession, according to official data released yesterday.

Figures published by the Central Statistical Service (CSS) indicated that retail sales in March, measured at constant 1990 prices, had dropped to mid-1988 levels.

Sales declined in real terms by 11,4% in the year to March and by 6% from February's level. Responding to a CSS survey three months ago, the retail sector expected March's year-on-year drop in real sales to be 8,2%.

The largest decrease in sales was posted at butchers, where sales were chopped 28,8%. Other leading falls were a 22,8% decline at general department stores and a 15,2% drop at other food retailers.

Rand Merchant Bank chief economist Rudolf Gouws said the figures confirmed

HILARY GUSH

that a massive decline in consumer spending lay behind the fall of almost 2% in GDP in the first quarter. "This also reflects existing job uncertainty as consumers are unwilling to enter into purchases of durable and even semi-durable goods," Gouws added.

According to Nedcor Bank chief economist Edward Osborn the marked drop in retail sales illustrated the large number of retrenchments occurring and the resultant loss of buying power and large accumulation of debt by the consumer.

Osborn added that the retail data were tied to government revenue figures. These showed VAT collections for April 1992, which reflect turnover in March, to be only R1bn compared with GST collections for the same month last year of R1,6bn.

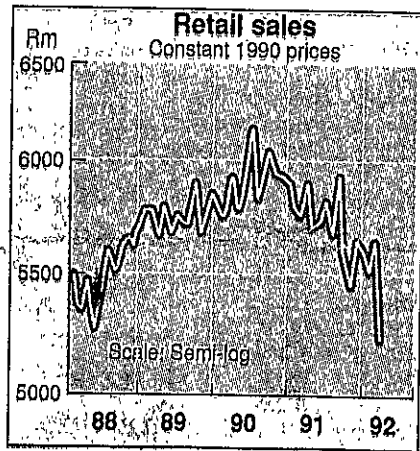
Assistant economist at JCI, Peter Perkins, was disappointed by the figures. "It suggests that the economy is still in the depths of recession and that if we're going to see economic recovery at all this year, it will occur towards the very end of 1992."

Economists blame depressed consumer spending on rising unemployment, moderate increases in salaries and wages and an increasing personal tax burden. Analysts expect consumer spending, which makes up more than half of total GDP, to show hardly any increase this year.

The apparent concentration of sales weakness in non-durable goods shown in the CSS data is likely to aggravate recent bewilderment among analysts about static food sales.

Last month the Bureau for Economic

To Page 2



Sales plunge

B/Dan 9/6/92

~~211~~ 30

From Page 1

Research (BER) at the University of Stellenbosch said official figures on non-durable goods sales were puzzling. The BER noted that latest official estimates put non-durable goods sales growth last year at "a mere 0,2%".

"As food, beverages and tobacco collectively have a weight of 74% in total it is difficult to rationalise this small growth

... it is difficult to understand how expenditure on foodstuffs can show virtually no growth at all when the population expands at a rate well above 2% per year."

One explanation advanced by analysts for falling food sales among a growing population is increased sales volumes in the informal sector — which is not accounted for in CSS data.

Recession bites as new car sales fall

Bloom 10/6/92

DUMA GQUBULE

TOTAL new vehicle sales for May plunged by 19.4%, proving that SA's recession was still deepening, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

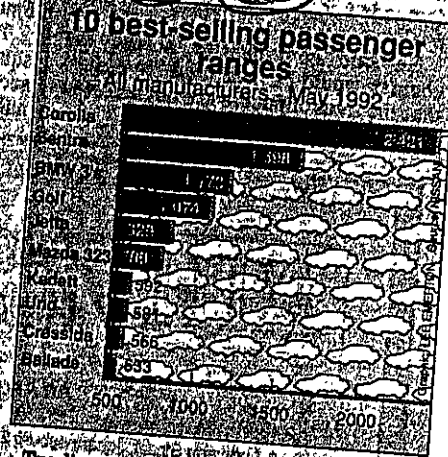
A total of 21 206 units were sold compared with 26 307 in May last year.

Figures released by Naamsa showed that all four sectors of the industry remained well below corresponding levels achieved in the same month last year.

Passenger cars sales fell by 19.3% to 13 727 units compared with 17 012 in May 1991, but there was a nominal 0.6% increase in sales over April 1992.

Light commercial vehicle sales declined 18.7% to 6 859 units, while medium and heavy commercial vehicle sales decreased by 27.5% to 620 units. Combined sales were 1.3% down on the low base of 21 490 units sold in April 1992.

Naamsa said the generally low level of consumer and business confidence, tight monetary and fiscal policy, uncertainty about socio-political and related developments and the drought would continue to have an impact on the short-term fortunes of the industry.



Trading conditions in all market segments would remain extremely competitive. A spate of new model introductions could generate additional interest.

The figures follow April's 17.5% decline in year-on-year sales. The combined decline in April and May has been the sharpest over a two-month period since the December 1986 downturn, said Econometrix director Tony Twine.

To Page 2

Car sales Bloom 10/6/92

30 From Page 1

Nissan's Stephanus Loubser cited the low level of economic activity and political uncertainty as reasons for the decline.

But supply problems also played a role. Toyota MD Brand Pretorius said production problems due to the recent strike at the company's plant had played a role in altering the mix in the marketplace.

A Volkswagen spokesman said a severe shortage of Jettas had been the main reason for a drop in sales to 2 748 units from 3 035 in the previous month. He rejected speculation that recent export orders received for the Jetta range could have had an impact on the company's ability to sup-

ply the domestic market.

Industry sources have now adjusted their forecasts for 1992 sales downwards — analysts were expecting sales to top the 200 000 units mark.

Naamsa said 1992 industry aggregate sales would be well below 1991's 198 000 units unless the market showed substantial gains during the second half of the year. Pretorius reduced his 1992 forecast to 185 000 units (from 205 000 units), while Loubser's revised estimate was 190 000.

Nissan was the only company to buck the downward trend in May, by increasing its total market share to 20.1% from April's 17.2%.

CNA Gallo takes control of Nu Metro ³⁰

CNA Gallo (Cnagalo) has acquired the remaining 50% of the Nu Metro Entertainment Group in a R29,7m cash deal.

With the group's full resources behind it, Nu Metro could become a more serious competitor to Ster-Kinekor, which has a larger slice of the entertainment cake.

Cnagalo said yesterday it had also entered into a joint venture in scholastic publishing company Heinemann SA, which was owned by Heinemann UK.

The acquisitions were aimed at positioning the group for growth and had a long-term strategic value, Cnagalo MD Dennis Cuzen said. *15/10/92 10/6/92*

"They represent excellent opportunities

MARCIA KLEIN

to boost growth in operations directly related to our core businesses."

In September 1990 CNA Gallo acquired 50% of the Nu Metro Group, which comprises 125 cinema screens, Nu Metro Home Video and Nu Metro Distribution. The group had now acquired the remaining 50% from Avi Lerner with effect from April 1.

In addition to the cash consideration, Cuzen said further amounts could become payable in April 1993 and 1994 "dependent on the profits achieved by Nu Metro" in the

To Page 2

Nu Metro ³⁰

From Page 1

years to end-December 1992 and 1993. The aggregate of these payments would not exceed R8m. *15/10/92 10/6/92*

Nu Metro would focus on "strategically placed multiplex cinema complexes" and long-term objectives would be a focus on "the largely unexplored black market". The acquisition would have no effect on Cnagalo's March 1993 earnings.

In a second deal, Cuzen said CnaGallo had launched the Heinemann/Centaur

joint venture "at a time when SA was actively involved in attempting to improve its educational system".

Cuzen said the general retail book market was worth about R250m, and the current scholastic book market was worth about twice this amount.

The group also announced some board changes. Gallo Group founder Eric Gallo was appointed honorary life president of Cnagalo.

new manufacturing plants," he says. Apart from the jobs cre-

economic performance at an average of 5,5% a year compared favourably with

3% to 3,5% a year on average," he says.

Border gets results on rates action

SINCE two members of Sapoa's Border region committee took up the issue of inequitable municipal rates with the East London city council, Sapoa has been advised that sewerage rates are being reviewed.

B10am 10/6/92
The members have also objected to the council's decision to reconsider development of the Clarendon Gardens site as a shopping centre. "As a result, the committee has prepared a statement reflecting its policy towards urban development in the area," says chairman John Clogg. About 40 Sapoa members

have offices in the Border region. Regional functions held during the year included an address by president Derek Stuart-Findley, a discussion by Erwin Rode on the prognosis for the local property market and addresses on the local and national property scene and squatting implications.

Collaboration

"The co-ordination and distribution of a rental survey was undertaken in collaboration with the local Institute of Estate Agents." Details of vacancies in

the East London CBD were published in Sapoa's office vacancy surveys released in August and November last year and in February and May this year.

After the CBD seminar last May, a follow-up meeting was organised with representatives from the East London municipality, Spoornet and Portnet.

"The meeting indicated that a lot had been done ... regarding issues of concern to property owners, with closer liaison between Propnet and the East London municipality an area of some concern to Sapoa."

"I'm sure

A vital role played in creating employment

b/Dewey 10/6/92

SAPOA provides employment for some 4 million people in the formal economy — about 75% of those employed outside agriculture — if employment in the services, retail, industrial and construction sectors are taken into account.

Sapoa president Derek Stuart-Findlay says Sapoa members therefore play a vital role in the generation of employment and international evidence has shown that only the cities can generate work on the scale required to meet the huge population rises in the

developing countries. "Everybody is looking for that first job that will enable them and their families to start climbing the ladder of economic fortune. The activities of our members play a crucial role in this process," he says.

The commercial property industry represents about 20% of SA's total gross domestic fixed investment and consists of three major forms of investment — the office, retail and industrial markets.

The office market is occupied by the services sector of the economy. This

sector, which includes finance, trade, tourism, communication and government, represents 50% of gross domestic product (GDP).

"Locally, the services sector employs 1.5-million people. The office market houses this sector and I believe that our developers have acted responsibly during the last recessionary period in relation to similar conditions in many Western economies," he says.

Distribution

An outstanding characteristic of the local economy is its excellent distribution system. In many parts of SA, competition between retailers is as intense as anywhere in the Western world.

In metropolitan areas today there are about 16 regional centres each with a gross lettable area of more than 45 000m², 30 hypermarkets with an average area of 20 000m², more than 50 community centres averaging 17 500m² and hundreds of convenience and "high street" city and town centres.

"The challenge is now to provide appropriate facilities in the less affluent suburbs. The potential is mind boggling. We face a situation where black South Africans represent some 75% of our country's population.

"Although only about 57% of this group is urbanised, their spending power already represents 41% of the total," he says.

Some 760 000 people are employed in the local formal retailing sector and there is no doubt that the retailing industry will continue to be a major generator of employment, wealth creation and distribution.

Sapoa members participate in this process by funding and developing structures within which retailing activities take place.

Members also manage a great proportion of the properties used for manufacturing and warehousing. The strength of this sector has been one of the surprises of the last few years of the recession, he says.

"With indications of renewed stability in our capital account and with the

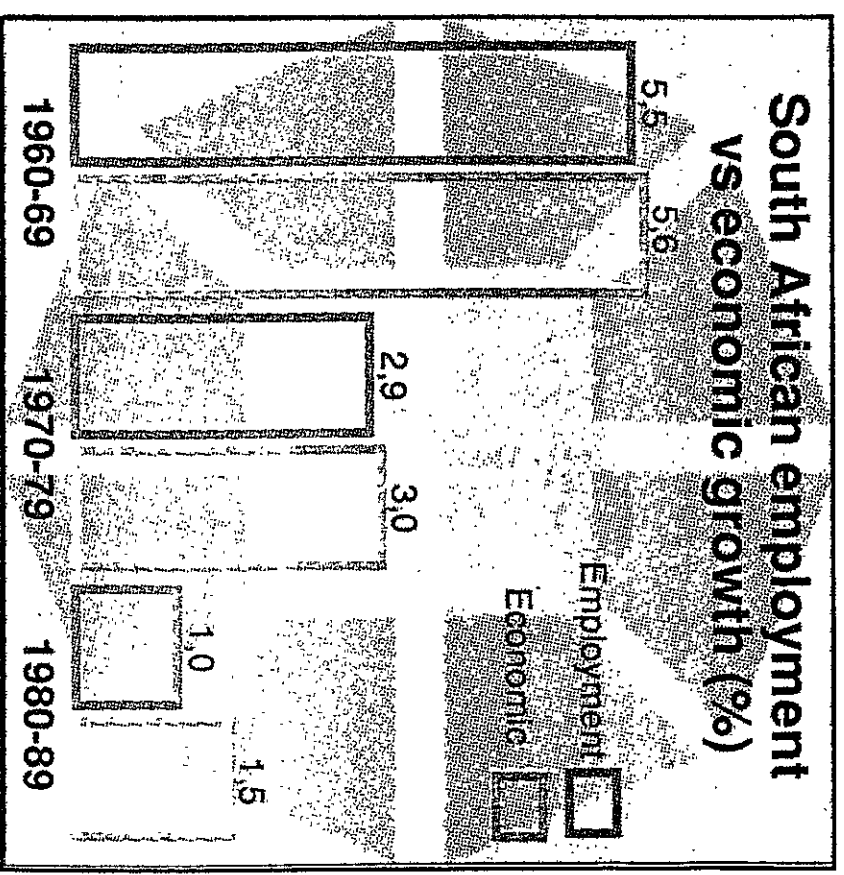


TOILET

Quality

Praramfantain.

Sectional title needs to change with the times



Graphics: RUBY-GAY MARTIN Source: OLD MUTUAL

rebuilding of gold and foreign exchange reserves, interest rates should continue to decline slowly.

"As a result, we are likely to see increased investment in manufacturing. Given a reasonable investment scenario, offshore investors could start setting up new manufacturing plants," he says.

Apart from the jobs cre-

ated by businesses housed in office blocks, retail outlets and industrial developments, the commercial construction industry is also a major employer of labour, with some 400 000 people employed.

"The 1980s were disastrous for SA, which grew at only 1.5% a year while the rest of the world grew at 3% to 3.5% a year on average," he says.

Perm to build industrial and commercial portfolio

STAR 10/6/92

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Permprop, the property development arm of The Perm, is expanding into the commercial and industrial sectors.

Phillip Chilton-Jones, managing director of Permprop, says: "While we are strongly associated with the residential market and will remain active in this area, our move into commercial and industrial property is in accordance with our strategy of developing a balanced portfolio."

The company is aiming at a 40 percent commercial and industrial involvement in its total portfolio.

Mr Chilton-Jones points out that the residential market is still subject to downward pressure and fluctuations and even the recent cut in the bond rate has not made any substantial difference to the situation.

"We need all-round increased stability before this sector shows any meaningful movement," he says.

Mr Chilton-Jones sees the industrial market as being poised for an upturn and expects positive indicators there as the economy improves.

Permprop will make its commercial and industrial thrust in the main centres and one of its first projects is the Vineyard — an office and retail complex in Stellenbosch.

Graham Bailey, the company's development manager, says: "Research indicates a decentralisation trend from central Cape Town to certain select areas offering prestige location along with room for expansion."

The Vineyard is a low-rise development with 6 000 sq m of office space, linked to a retail component.

The first phase is set for completion by the end of this year.

"Asking rents of R23 a sq m gross for A grade office space compares very favourably with those in Cape Town's CBD and other decentralised nodes."

COMPANIES

Hi-Score declares 10c dividend

HI-SCORE and Score-Clicks — which have a significant interest in Clicks and smaller interests in Metro Cash and Carry (Met-cash) and Score Supermarkets — have reported reduced earnings in the 14 months to end-April. *By Day 10/6/92*

Directors said Score-Clicks' shareholding in Score Foods was exchanged for direct holdings in Metcash and Score Supermarkets, amounting to 14,6% of the share capital of each. Results were therefore not comparable with the year before.

The financial year-ends of the two companies had been changed from end-February to end-April in line with that of Premier. Results for the 14 months to end-

MARCIA KLEIN

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April included those of 50,1%-held Clicks and four months of those of Score Foods to end-June 1991. Results include no income besides dividends received from the holding in Metcash and Score Supermarkets.

Hi-Score reported turnover of R1,2bn compared with R1,9bn in the year to end-February 1991. Attributable earnings were 7,8m (R9,8m), translating into 37,4c (47,4c) a share. A final dividend of 10c a share brought the full-year dividend to 16c.

Score-Clicks reported attributable earnings of R11,8m (R14,9m). A final dividend of 6c a share brought the full-year dividend to 9,5c a share.

Mashold focuses on export market

LINDA ENSOR

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CAPE TOWN — Mas Holdings (Mashold), the largest mail order company in SA, slightly improved its earnings to 41,88c (41,60c) a share in the year to end-February.

Attributable earnings increased by 8,2% to R9,2m (R8,5m) but were diluted by a 7,5% increase in the weighted average number of shares in issue. The final dividend of 8c was maintained, bringing the year's total to 16c.

Mashold CE Marco van Embden said the past financial year was one of the toughest for the retail sector.

Mashold had curtailed one of its direct selling clothing divisions and merged two of its mail order divisions.

Export and international operations were expanded by the acquisition of Magic by Mail, a female fashion catalogue operation which was merged with Mashold's pilot UK Mail Order project.

"We are focusing on international opportunities and building our export activities in all our subsidiaries. Our aim is for international operations and exports to contribute 30% of group profits," Van Embden said.

Export incentives and allowances had a favourable effect on the tax rate which would remain low for at least the next two years due to the carry-over of assessed tax losses, benefits and export incentives.

Van Embden said the relocation of Magic by Mail to Cape Town had had a poor effect on trading in January and February but added that the company was expected to contribute significantly to profits in the current financial year.

Propnet negotiates waterfront projects

WATERFRONT proposals for Propnet's East London and Port Elizabeth developments are under negotiation, with nothing yet finalised.

Propnet is still negotiating with a number of consultants on revitalising and developing part of the East London harbour, dubbed Lantern Bay.

"A meeting is scheduled this week to discuss proposals and the structure plan and we will take matters from there," Propnet CE Fuzz Loubser said. The 17 000m² site is situated on the northern bank of the Buffalo River and is the only commercial SA harbour on a river.

It is envisaged that this harbour development will be far smaller than the Victoria and Alfred Waterfront in Cape Town, but will have some similar facilities.

The first phase would comprise 3 600m² and possibly include restaurants, bars, and pubs. Two buildings would be renovated.

However, while the council has granted development rights, financing has not yet been finalised.

"The development will provide access

for the people of East London to the waterfront and provide opportunities for entrepreneurs and local business," Loubser said.

The Port Elizabeth project was awaiting city council approval of the framework and structure plan. "A team of consultants was called in to look at what would be suitable, but this is also dependent on its economic feasibility," he said.

However, in another development, construction on Harbour Island — the R300m Gordon's Bay development — is two weeks ahead of schedule.

"The first phase consists of 58 residential units, two inland basins, a small harbour and slipway, shops, office accommodation, a mariners' wharf and suites," Pam Golding Properties project division manager Kees Th

While work on the first Harbour Island development started four months ago, blasting of the basins is complete and half the second.

30 PETER GALLI

Blom 10/6/92

Handwritten notes and stamps: 10/6/92, 7 600, 64, 7 670, 64, 38 700, 14 702, 1 545, 39 674, 15 921, 15

Office letting hits a low

10/6/92

PETER GALLI

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THE expected improvement in the economy by the middle of this year has not materialised and the recession is expected to deepen still further, Sanland Property Trust chairman Johan Howell says in the annual report released this week.

This pressure has affected the property market, with the office letting market hitting a low. The current "tenants' market" is expected to continue until at least year-end.

"The oversupply has seen certain owners offering prospective tenants discounted rates, including generous relocation allowances. Some are also will-

ing to offer tenants free accommodation for considerable periods," he says.

The trust's portfolio has vacancies of 6,9%, of which 6,52% is for office space and it is negotiating to let this space. It is continuing its policy of upgrading properties that do not meet set investment criteria or replacing them with buildings in metropolitan areas.

"No properties were bought or sold in the year under review. As the Trust has capital funds of R23,54m available, we are always looking to buy.

However, available prime properties are scarce as it seems they are being kept off the market in the hope of achieving better prices once the economy has improved," he says.

Sanland Property Trust Managers was sold to Sanlam from June 1.

Sanlam also bought the units in the trust held by various portfolio clients administered by Allan Gray Investment Council at a price of 87c a unit.

"This increased Sanlam's interest to 70% from 48% and Sanlam has made a standby offer to other unit holders," he says.

Pep's offer well received

8/10 am 1/10/6/92 LINDA ENSOR (20)

CAPE TOWN — Pep Botswana's pre-listing offer of 8 million shares was significantly oversubscribed with applications for 13-million shares received from 900 applicants, Stockbrokers Botswana said yesterday. Foreigners applied for 3,6-million shares which were being issued at 235 thebe each.

The issue attracted more than 30-million pula.

Stockbrokers said 560 Botswana citizens applied for 646 000 shares, 196 non-citizens applied for 482 000 shares and 101 staff applied for 100 000 discounted shares.

The results of the offer will be announced on Friday. The listing is scheduled for Monday.

Pep Botswana has 20 branches and is forecasting a turnover of about 41,4-million pula and taxed profit of 3-million pula in the year to end-February 1993.

Jo'burg CBD 'more dangerous than ever'

bl page 10/6/92

PATRICK BULGER

SIXTY-one policemen were killed on the Witwatersrand in the first four months of this year, compared to 140 in the whole of SA last year, SAP spokesman Col Frans Malherbe said yesterday.

He was speaking at a security seminar in Johannesburg hosted by security company BBR.

Malherbe provided statistics to show that serious crime in the Johannesburg CBD had increased this year, putting policemen and the public at greater danger than before.

He said 51 people were murdered in the

Johannesburg CBD in the first four months of this year compared to 41 in that period last year. The figures for armed robbery were 115 last year and 132 this year.

Incidents of rape in the CBD increased from 39 to 66, bank robberies from five to 12, serious assaults from 115 to 132, business premises burglaries from 795 to 829, car thefts from 929 to 991 and petty crime from 1 473 to 1 500.

He said thousands of unemployed people came to the city each day, while squatter

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camps and second-hand dealers provided perfect markets for stolen goods.

NP secretary-general Stoffel van der Merwe warned delegates of increased crime during SA's political transition and AWB leader Eugene Terre'Blanche said police had been so emasculated by political reform that they were now having to act like priests instead of law enforcers.

Terre'Blanche warned of increasing conflict between the ANC and Inkatha and said SA was heading for a revolution unprecedented in Africa. SA was the most dangerous country in the world, he said.

OK aims to focus on marketing strategies 30

B/Dam 11/6/92

MARCIA KLEIN

OK Bazaars, which reported dismal results in the year to end-March, has not ventured to make any forecasts for the coming year.

Directors said in the annual review that the group was faced with another year of reduced consumer spending, growing unemployment, persistent violence and unrest, and the full effect of the drought.

However, they said the group had been restructured, dividing itself into OK Stores and Hyperamas, and management was better positioned to focus on marketing strategies and secure more of the diminishing consumer rand. This would allow for an improvement in earnings and establish a stronger base for the future.

The OK's 1992 financial results, in which earnings declined 37,4% to R9,4m after turnover rose marginally to R5bn, would have shown a loss if it were not for a R13,5m tax kickback.

A seven-year review shows that although turnover grew to its current R5bn from R2,2bn in 1986, attributable earnings of R9,4m were below the R12,3m reported six years ago. Shareholders were now receiving less in dividends than at that time.

During the past financial year, working capital increased substantially, borrowings were considerably higher, and gearing rose from 71% to 111%. Chairman Meyer

Kahn said action had begun to bring this ratio back to more appropriate levels.

Kahn said the Hyperamas had fared better than the OK Stores. Current development programmes were focused on enlarging this chain. A Hyperama would be opened in Mayville, Pretoria, this year. Further stores were under construction in Fourways and Westville and were due for completion in 1993.

A new OK store would also be opened in Manzini. The group had closed 23 OK stores and had disposed of a redundant warehouse in Cape Town. Another nine stores had been earmarked for closure in the coming year which would complete the planned closure programme.

MD Gordon Hood said the group had closed small obsolete branches and replaced them "with dominant stores and Hyperamas, strategically placed in growing catchment areas".

The OK group was now well positioned for economic improvement.

Hood said the OK's primary concern was to keep prices — particularly food prices — as low as possible in order to remain competitive and ensure its merchandise offered good value.

Own Correspondent

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Battered OK mumm on future prospects

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tially, borrowings were considerably higher and gearing rose from 71% to 111%. Chairman Meyer Kahn said action had begun to bring this ratio back to more appropriate levels.

● Meanwhile, soft drink company Amalgamated Beverage Industries (ABI) expects to achieve real earnings growth in financial 1993 despite the fact that disposable income and consumer spending would remain at constrained levels, chairman, Pete Lloyd said in the annual review.

The SA Breweries subsidiary re-

ported a buoyant 20% rise in attributable earnings to R66,4m on an 18% turnover growth to R1bn in the year to end-March.

The turnover increase was achieved despite the trough in consumer spending, especially in the key pre-Christmas season, Lloyd said.

A steady decline in sales performance had eased slightly since the end of the calendar year. Lloyd said: "The abnormally hot, dry weather, while proving disastrous for agriculture, was a positive factor for soft drink consumption."

The group had separated its distribution and sales functions, and this had resulted in improved efficiencies.

Although costs of the new 1,5-litre plastic bottles were considerable, Reid said the benefits would more than offset the costs.

Dramatic increase in Jo'burg CBD crime

STAR 11/16/92
Crime Staff

Police statistics show serious crime in the Johannesburg central business district increased dramatically in the first four months of this year compared with the same period last year.

But Witwatersrand police spokesman Colonel Frans Malherbe said there had been a large increase in the crime rate towards the end of last year and the latest figures, although still unacceptably high, showed a drop on statistics for the end of 1991.

Colonel Malherbe said at a

security seminar in Johannesburg on Tuesday that 61 policemen were murdered on the Witwatersrand in the first four months of this year, compared with a nationwide figure for the same period last year of 140.

He said escalating crime was partly due to economic decline, adding that thousands of unemployed people flocked to Johannesburg daily and criminals found it easy to get rid of stolen goods through second-hand dealers.

He told The Star yesterday that the deployment of hundreds of policemen in the CBD since February had brought the crime rate to below that of

the end of last year.

"But this is something we are constantly working on and, when the police colleges have their passing-out parades soon, we can expect another 600 policemen in the Witwatersrand region," he added.

He also said it was important to note that the CBD was confined by End Street in the east, John Vorster Square in the west, the M2 in the south and North Street in the north.

"It does not include (the violent areas of) Hillbrow or Joubert Park," he said.

Statistics for serious crimes in the CBD showed that 51 people were murdered in the first four months of this year

compared with 41 in the same period in 1991.

Armed robbery increased from 115 last year to 132 this year. Rapes increased from 39 last year to 66 this year, and bank robberies from five to 12.

Colonel Malherbe said the figure for car thefts, 991, in the first four months of this year was "staggering".

The police would continue to do everything in their power to make the city safe, he said.

By July, monthly figures for the first six months of this year would show whether crime was still on the increase or whether it was dropping.

THE Central Statistical Service (CSS) has published figures during the year which indicate that food inflation is running well ahead of the CPI. For example, in March 1992 the food price inflation rate was claimed to be 28.9% with the overall CPI increase being 15.7%.

These high food inflation statistics have led to near hysteria in the media, with articles alleging that this state of affairs is mainly due to monopolistic conditions in the food manufacturing industry. It is important to put the record straight on this issue because Premier has always endeavoured to act responsibly and sensitively to consumer needs.

Premier, which operates mainly in the manufacturing sector of the food industry, falls within the ambit of the PPI where the manufacturing food inflation rate for March 1992 was only 9.1%, which was well below the 15.7% recorded by the CPI.

While the published PPI rate may be too low, judging by Premier's own basket of food products whose price increased by 14.3% over the same period, the food CPI rate certainly appears to be too high. This is borne out by an extensive study undertaken by Metro Cash and Carry across all

Food price hysteria is biased

Blaway 11/6/92

PETER WRIGHTON

major categories and which, comparing cost and selling prices in March 1991 and March 1992, revealed no change in gross profit margins and an average escalation of only about 11% in both cost and selling prices.

A more detailed analysis of the CPI figures for March 1992 shows that food prices at retail level increased by 28.9% overall, but that the meat, vegetables, fruit and nuts components — which comprise nearly 50% of the weighting — increased by 41.5%, while the balance of food products increased by 17.4%.

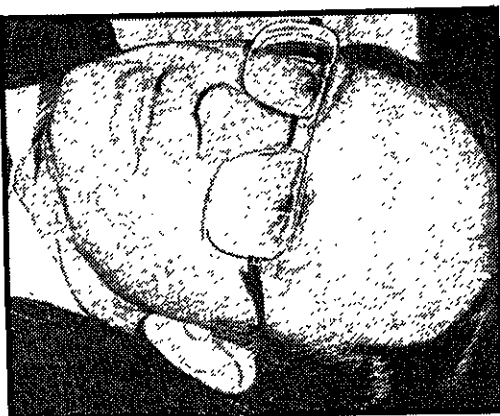
Put a different way, 70% of the food inflation came from meat, fruit and nuts and vegetables and only 30% from the balance. The Premier Group falls almost entirely into the latter category and has, therefore, if anything, contributed to containing inflationary increases.

The statistical methodology used by the authorities in a country like SA where a large percentage of the

population exists at, or under, the bread line, is somewhat suspect if it is meant to give an indication of the inflation in the goods and services actually purchased by the consumer over time.

It is fairly certain that substantial increases in the price of one category such as meat, fruit or vegetables, will result in substitution by other products which have not increased in price, so altering the weighting of the overall basket.

Turning to the claims in the media that monopolistic conditions exist in the food industry because, it is alleged, three companies control over 75% of the staple maize milling and bakery industries — this is just not true. In both industries there are at least six major companies which comprise about 75% of the market.



□ WRIGHTON

There are hundreds of others competing for the balance.

In addition, the food industry in SA includes in its ranks certain giant

multinational companies as well as powerful large co-operatives whose figures are not publicly reported.

It should also not be overlooked that during the past 12 years, enormous changes have taken place in government fiscal policy which have contributed to the substantial increases in the inflation rate of basic food staples.

During this period subsidies were withdrawn, then GST was imposed on about 50% of food products, followed by the introduction of VAT where only brown bread and maize meal were exempt. If a calculation is made excluding these changes, the wholesale selling price of maize meal has increased by 402% over this period and brown bread by 315%, which is well below the inflation rate of 424% for the period.

We look forward to the release of the Board of Trade and Industry investigation which was ordered as a matter of urgency by the Finance Minister more than a year ago and which might throw some unbiased light on the matter.

□ This statement by Premier Group chairman Wrighton accompanied the release of the group's annual results yesterday.

LETTERS

Action over prices urged

8/Jan 11/6/92
KATHRYN STRACHAN

PROTEST action was planned at yesterday's summit of the co-ordinating committee on VAT to highlight the effects of the tax and rocketing food prices.

Organisations associated with the committee had planned a programme of marches and demonstrations, but a date was still to be decided.

Convenor Bernie Fanaroff said summit delegates endorsed demands to be put to government and to food manufacturers and retailers. The committee expected to meet Finance Minister Derek Keys later in the month and would discuss the zero rating of basic foods and basic services, and the reduction and stabilisation of food prices.

The starvation facing many was not caused only by the drought, but also by escalating food prices and distribution problems. Businesses were taking advantage of the drought to raise their prices, the summit accused.

It attacked government's nutrition development programme and put forward proposals to be presented to government.

Fanaroff also claimed the National Health Department lacked the managerial expertise to run the programme effectively, and accused it of using poverty relief for political ends by providing money to SADF front organisations.

(30)

PEP LTD

FM 12/6/92

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Management does well in tough time

Activities: Clothing, footwear and household retailer; makes clothing and textiles.

Control: Pepkor 84%; ultimate holding company Peggro.

Chairman: C H Wiese; MD: A Houghton.

Capital structure: 46m ords. Market capitalisation: R2,16bn.

Share market: Price: R47. Yields: 1,9% on dividend; 4,6% on earnings; p:e ratio, 21,8; cover, 2,4. 12-month high, R47; low, R31.

Trading volume last quarter, 21 000 shares.

Year to Feb	'89	'90	'91	'92
ST debt (Rm)	—	1,2	7,4	48,6
LT debt (Rm)	7,0	5,8	5,4	4,3
Debt:equity ratio	0,03	0,03	0,04	0,15
Shareholders' interest	0,49	0,49	0,47	0,45
Return on cap (%) ..	23,5	23,0	22,5	18,6
Turnover (Rm)	805	988	1 225	1 468
Pre-int profit (Rm) ...	96,4	116,1	139,5	144,1
Pre-int margin (%) ..	12,0	11,7	11,4	9,8
Earnings (c)	161	174	194	215
Dividends (c)	58	68	78	89,5
Net worth (c)	441	547	641	749

In spite of — perhaps because of — the acquisitions and new store openings that took place in Pep Ltd (Peplim) last year, trading results were not good. Sound maybe, but not good. This was caused by the serious recession and should not be seen as a reflection on management capability.

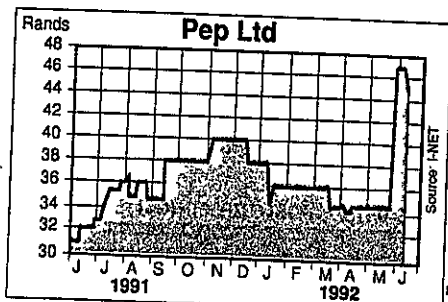
Peplim, backbone of the Pep group, is the original Pep Stores operation which today includes the Pep retail chain and Ackermans. Last year's takeover of 208 Harties outlets and the conversion of most of them into Pep shops obviously raised turnover. But much restructuring had to be done — always an expensive exercise.

The year also saw the purchase of Frasers' 42 mine stores, entailing similar expenses. Clearly, these hurt operating income, but, in better times, increased market share should enhance profits. The names Harties and Frasers are both to be phased out.

Pep Peninsula Holdings minorities were also absorbed. However, this operation, originally formulated as a clone of greater Pep, was easily assimilated. Pep Botswana is to be listed there next week.

Ackermans stores are being enlarged for repositioning in a higher income market. Stores already completed indicate the new image is producing encouraging results.

Peplim includes Pep Manufacturing and



Pep International. Ten factories in SA and the Transkei make many of the 4 000 products sold in group stores.

The campaign started in 1987 to educate the work force and increase productivity has produced many gains, including "just in time" delivery to the stores. Export opportunities have necessitated the introduction of a programme to produce quality standards that will conform with European rules.

Pep International opened two shops in Glasgow. A further 14 have been bought in Scotland and are being converted to the Pep concept. Further acquisitions are planned and senior management has been seconded to oversee the expansion there.

Largely as a result of the addition of 265 outlets, taking the total to 1 108, turnover increased by 19,8%. The tax rate fell to 36% from 41% to give taxed income an 11,9% boost. Attributable income rose 11,2%. But these figures do not reflect the "clean" (net of investment income) trading record.

When investment income generated from the substantial cash holdings and investments is stripped away, operating income gained just 3,3% year as pre-interest margin tumbled to its current low. Rationalisations and tougher competition for low income group consumers evidently took their toll.

Stock turn fell to 2,3 (2,7) times, though a 47% rise in stock reflects acquisitions rather than lack of management foresight. Accounts payable rose by only 20%.

In the circumstances, the group did well to show an EPS increase of 11%. MD Tony Houghton expects trading conditions to remain tough for the rest of 1992 but expects a "satisfactory" rise in EPS.

There is little doubt that Peplim, with its highly professional management, is every inch a bluechip share. But, like food sector rival Pick 'n Pay, it is fast approaching that stage of life cycle maturity when, off a large base, it will have to resort to new tactics to grow faster than the fundamental economy.

It has, however, an exclusive opportunity that could last for a long time and boost operating income growth accordingly. When the economy is restored, disposable income of the lower income groups — Peplim's target market — could outstrip the economy as the unemployed are sucked back into work.

Gerry Hirshon

AMCOAL FM 12/6/92

Warning notes

Never mind last year's good results; this year's will be worse. It is not often that a chairman of one of SA's largest conglomer-

FM 12/6/92



Amcoal's Rankin ... facing a harder future

Activities: Mines and markets coal; distribute refractory bricks and building products.

Control: Anglo American 51%.

Chairman: D Rankin; MD: Dr J W Campbell.

Capital structure: 25,2m ords. Market capitalisation: R3,0bn.

Share market: Price: R120. Yields: 3,9% or dividend; 10,6% on earnings; p:e ratio, 9,4; cover, 2,7. 12-month high, R133; low, R120.

Trading volume last quarter, 214 000 shares.

Year to Mar 31	'89	'90	'91	'92
Turnover (Rm)	1 446	1 753	1 819	1 896
Coal Sales (Mt)	45,5	43,1	43,5	42,4
Pre-tax profit (Rm) ..	364,2	563,7	536,8	510,5
Attributable (Rm)	165,6	256,2	275,5	321,1
Earnings (c)	665,1	1 025,3	1 095,7	1 274,7
Dividends (c)	300	385	425	465
Cover (x)	2,2	2,7	2,6	2,7

ates has the courage to say that, but Amcoal's David Rankin has forecast lower net earnings.

For 1992, Amcoal clocked in a good return. Turnover rose 4,2% to R1,9bn despite a fall in total sales to 42,4 Mt — marginally below those of 1988. Pre-tax profit fell R26m but the bottom line was helped by an adjustment for a lower tax rate and deferred tax benefits in previous years.

Rankin says Amcoal did not favour this basis of reporting but there was no gainsaying the cumulative pressure of the accountants and the benefit was taken in above the line.

The effect is to improve 1992 earnings by 16,5% to 1 274,7c a share, though Rankin is at pains to point out that the comparison with 1991 is not strictly valid.

VEKTRA FM 12/6/92

Sharing the pain 30

Like every company involved in the motor business which has reported recently, Vektra reflects the same pain: tight trading conditions, excessive competition, declining demand. Its business is divided almost equally between motor dealerships, specifically Williams Hunt (WH), and replacement parts, in which it has Femo and V&R.

During 1991, replacement parts kept the show on the road. By extension, that means WH did not perform well. Chairman-MD Alan Schlesinger says it was hamstrung by

FINANCIAL MAIL • JUNE • 12 • 1992 • 101

COMPANIES

FM 12/6/92

Activities: Sells motor vehicles and automotive parts.

Control: W&A Investment 75%; ultimately FS Group.

Chairman: A Schlesinger; Joint MD: R Crockett.

Capital structure: 11,9m ords. Market capitalisation: R26,2m.

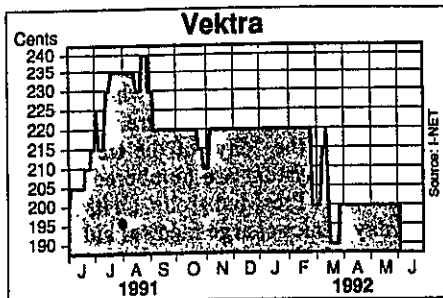
Share market: Price: 220c. Yields: 5,9% on dividend; 17,3% on earnings; p:e ratio, 5,8; cover, 2,9. 12-month high, 240c; low, 200c.

Trading volume last quarter, 116 000 shares.

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	—	6,0	15,4	6,4
LT debt (Rm)	5,8	15,9	16,2	27,7
Debt:equity ratio	0,15	0,27	0,38	0,44
Shareholders' interest	0,47	0,54	0,45	0,51
Int & leasing cover ..	10,5	3,1	1,5	1,3
Return on cap (%) ..	19,6	22,8	16,0	16,3
Turnover (Rm)	284,9	466,9	475,5	493,5
Pre-int profit (Rm) ...	16,3	34,2	28,1	25,5
Pre-int margin (%) ..	5,4	7,3	5,9	5,2
Earnings (c)	91	108,5	46	38
Dividends (c)	30	35	16	13
Net worth (c)	298	299	317	331

buyback deals entered into some years ago with car rental firms. "WH got involved to an imprudent level in these."

WH sells only Delta Motor products and



is Delta's largest franchisee. You would think that would almost guarantee success. On the contrary, Schlesinger reports that WH "incurred a substantial loss" largely because of the buyback obligations.

Schlesinger also says that margins in new car sales, contrary to what many believe, are often slim after being trimmed further to retain market share.

In an interesting aside in his chairman's statement, Schlesinger says Vektra is "actively pursuing opportunities to expand its motor dealership business" but will leave WH in position with Delta.

Schlesinger says it is conventional wisdom that replacement parts are a contra-cyclical business, at its best when the economy is performing poorly and vehicle owners extend fleet lives. This process has "natural limits" and its potential has been largely realised.

This means, of course, that he believes a pickup in new vehicle sales is close; shareholders will fervently hope he is right.

Group profitability fell significantly, but a substantial reduction in effective tax rate, from 39% to 21,4%, came to the rescue. Good management footwork was displayed in controlling working capital: trade creditors fell by R23,7m but stocks showed a R19m reduction.

The trading margin reveals the difficulties. From a high of 7,3% in 1989, it has fallen progressively to 5,2% — a good indication of extreme competitiveness.

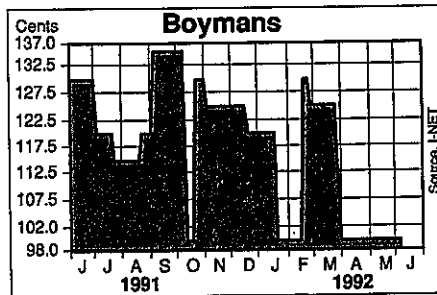
Vektra is a curious animal. Formerly E W Tarry, it is UK-registered with a London listing dating from 1895. But all its business is in SA. Is there any point in perpetuating this anomaly which, apart from anything else, gives rise to accounting conflicts?

UK practice treats interest on compulsorily convertible debentures (Vektra has R39,9m of these) as interest paid. In SA, such amounts are often treated as due to shareholders in the same way as dividends. The difference can be significant.

Schlesinger is reluctant to be drawn on prospects. The unpredictable state of the country will, he says, affect the group's ability to get back into high gear.

Vektra is on a p:e of 5,3 against a sector average of 6,4; so it may have a little way to travel. But the best reason to be in it is the chance that W&A will do something positive with the London listing.

David Gleason



BOYMANS FM 12/6/92

Looking threadbare (30)

Activities: Operates 51 John Orr's, Levisons, John Scott, Deans, Cyril's and Woolfsons clothing stores.

Control: Amalgamated Retail 75%.

Chairman: R L Logan; **Joint MDs:** A Brodtkin; H Regenbaum.

Capital structure: 10,75m ords. Market capitalisation: R10,75m.

Share market: Price: 100c. 7,3% on earnings; p:e ratio, 13,7. 12-month high, 130c; low, 100c. Trading volume last quarter, 5 000 shares.

Year to Feb	'88	'90*	'91	'92
ST debt (Rm)	2,2	7,4	16,1	8,5
LT debt (Rm)	21,7	32,8	29,3	37,2
Debt:equity ratio	0,93	1,5	1,6	1,6
Shareholders' interest	0,29	0,27	0,25	0,26
Int & leasing cover ..	3,1	1,6	1,5	0,8
Return on cap (%) ..	12,0	12,5	13,0	10,1
Turnover (Rm)	132	188	190	190
Pre-int profit (Rm) ...	10,3	12,2	14,2	11,3
Pre-int margin (%) ..	7,8	6,5	7,5	6,0
Earnings (c)	38,4	23,1	23,5	7,3
Dividends (c)	13	6,5	nil	nil
Net worth (c)	229	245	157	264

* 14-month period.

If this retail clothing group were one of the suits it sells, it would have looked a bit tatty at financial year-end. Total debt, instead of falling, rose slightly; turnover was static; and squeezed margins saw earnings drop almost 70% to R799 000 — and that after writing back R1,6m from the bad debt provision.

But a lot has changed since February. A new tailor, SA Breweries' subsidiary Amalgamated Retail (Amrel) has taken control and is already patching holes and changing the style. Amrel sewed up control as underwriter of the R15m rights issue in April,

taking up the 64% of the 6,4m new shares not subscribed for by shareholders. Before that the directors held control.

First job will be to trim debt. New chairman Rodney Logan, who succeeds Eric Ellerine, says the R15m will be used solely to reduce debt, bringing the debt:equity ratio down from 1,6 to 0,8. In his last report, Ellerine says he and three other directors resigned after the change of control. But to accommodate restructuring, there are still joint MDs.

Boymans is to be divisionalised. Hymie Regenbaum will run the John Orr's and John Scott department stores. Woolfsons is closing its ladies', girls' and Manchester departments to join Levisons, Cyril's and Deans as speciality men's stores, run by Abe Brodtkin.

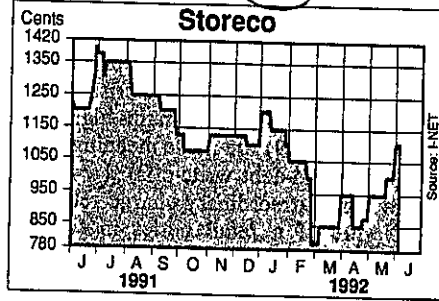
Slow trade and high debt pulled down results last year. But there is evidence that the group was doing a lot to contain expenses, reducing stock levels by nearly R1m and closing four branches, though a new Levisons was opened at the Carlton Centre.

Logan says the group also clamped down on debtors, bringing them into line in the second half of the year after the large increase disclosed at the interim. At R60,1m, debtors rose less than R5m on the year.

The write-back from the doubtful debt reserve pushed up the tax rate. At R1,3m tax was still just over half as much as in financial 1991, despite the much steeper profit slump. Logan says the reserve was reduced when it became clear it was substantially higher than allowed for tax.

The share price has dropped 25c since February, following erratic performance through most of the year in thin trade. With Boymans still settling down after its change of clothing, investors should probably wait for the interim to try to gauge the direction the new-look group is taking. *Shaun Harris*

(30)



Activities: Operates 188 specialty and off-price stores.

Control: L Chiappini and S Cohen hold 50% of Storeco, which owns 63,2% of Specialty

Chairman: NA Labuschagne; Joint MDs: L Chiappini and S Cohen.

Capital structure: 16,5m ords. Market capitalisation: R99m.

Share market: Price: 600c. Yields: 5% on dividend; 13,9% on earnings; p:e ratio, 7,2; cover, 2,8. 12-month high, 700c; low, 485c.

Trading volume last quarter, 76 000 shares.

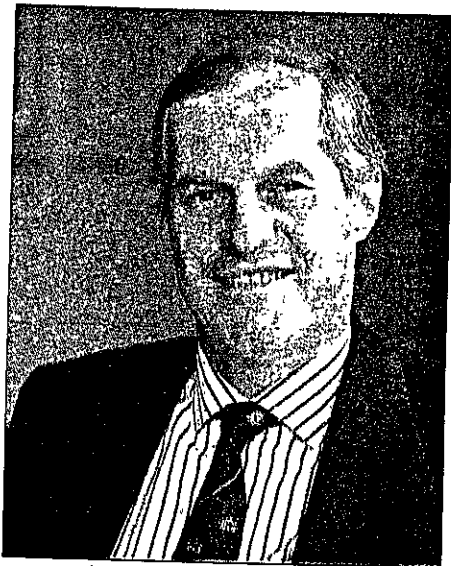
Year to Feb	'89	'90	'91	'92
ST debt (Rm)	17,7	22,1	30,2	41,9
LT debt (Rm)	—	0,7	0,7	0,9
Debt:equity ratio	0,46	0,36	0,45	0,56
Shareholders' interest	0,44	0,48	0,47	0,41
Int & leasing cover ..	5,8	6,3	4,4	4
Return on cap (%) ..	19,3	18	19,3	17,8
Turnover (Rm)	137	185	246	294
Pre-int profit (Rm) ...	16,1	22,4	27,7	32,8
Pre-int margin (%) ..	11,8	12,1	11,3	11,2
Earnings (c)	63,4	70,3	75,1	83,5
Dividends (c)	24	25	27,5	30
Net worth (c)	345	363	411	459

SPECIALTY STORES/STORECO
FM 12/6/92
Transvaal bound (30)

Opening flagship CBD stores when whites are seeking suburban sanctuaries reflects a recognition that retailing's future lies largely in the black arena. A Milady's will soon open in the Johannesburg CBD, after successful openings in Durban and Pretoria. The Durban flagship now accounts for roughly 10% of Milady's 141-outlet activity.

Joint MD Laurie Chiappini says the Johannesburg opening also reflects Specialty's strategy to move into the Transvaal in a significant manner. Within two years Milady's hopes to have four stores in the Johannesburg CBD and three in Pretoria.

The market was expecting expansion to centre on the Cape (joint MDs Chiappini and Stewart Cohen are both Cape boys, with Cohen based there), but Chiappini justifies the move by noting consumer spending is heavily skewed in favour of the Transvaal. Some analysts fear Specialty, as a newcom-



Specialty's Cohen ... wants more cash sales

er, may not fully understand the Transvaal market. Chiappini responds that the point of sale technology "helps us to react quickly to changes in customers' needs."

Despite the move into cash-based chains through expansion of the Mr Price and Footgear outlets, Milady's, 85% credit-based, still dominates activity. It accounts for roughly 50% of group turnover and, given its higher margins, well over half total trading profits. The Hub chain, 75% credit-based, comprises another 37% of group turnover.

Though reliance on credit sales increases bad-debt exposure, finance director Chris Yuill reckons the advanced information systems significantly moderates this. "Our point of sale terminals ensure any potential customer in arrears is cut out immediately." Also, thanks to the severe cleaning up of the debtors' book in financial 1991, bad debt expenses were "reasonable." Criteria for credit applications have been tightened up.

The group aims to lift the two cash-based chains' turnover contribution from the current 12% to roughly one-third over the medium term. This goal was set back last year through "poor management" (the MD has since departed) at Mr Price. Chiappini believes rapid growth (seven new outlets were added, taking the total to 28) stretched Mr Price's team. Four of the new stores were "very poorly" located.

Providing some relief is the fact that Mr Price's leases are all short term, maximum three years, typical of cash retailers.

Yuill believes the increase in gearing to 56% (1991: 45%) is a function of increased working capital, the result of "particularly good" turnover growth over Christmas. Interest cover, at 4,5 times, remains high (comparisons with 1991 are made meaningless by that year's bad-debt write-offs). (30)

A R2,3m extraordinary charge relates to the closure of a retail outlet in the UK Midlands, intended to sell SA products on behalf of Specialty's key local suppliers. Chiappini notes the SA product became uncompetitive when imports from east European and Portuguese manufacturers came to the UK market. As trading losses from this operation had been moderate the closure is not expected to be material.

Though financing expansion of credit-based retailers is limited by the debtors' book, Chiappini believes Specialty can finance expansion internally for at least four years through strong growth in the cash operations. Also, there is something on the go regarding the book (he won't comment further) which should help.

Specialty, on an earnings yield of 13,8%, trades at some discount to the sector's 5,8%. The share could be due for a rating upward, particularly if the Transvaal flagships emulate Durban's.

William Giffillan

METRO CASH Fm 12/6/92

Going for margin (30)

Thanks to last year's R87m rights issue, stringent working capital management and roughly R20m additional retained income, Metro Cash & Carry had net cash reserves of R220m at April. This will have significant benefits on 1993 earnings. Metro, being in the cash-and-carry business where it buys on credit and sells for cash, managed to squeeze working capital significantly as a result.

CASHED UP

Results to	Jun 91†	Apr 92*
Turnover (Rm)	4 064	4 075
Operating income (Rm) ..	(14,7)	45,9
Attributable (Rm)	(53,2)	28,5
Earnings (c)	(79,4)	17,3
Dividends (c)	—	6

* 10-month period. † 12-month period.

Comparisons with 1991 are meaningless. The Frasers Greenstein and Rosen division was closed, along with 31 non-viable cash-and-carry outlets, while the Fairways retail chain was moved into Score Supermarkets. Also, 1991 results did not include Trador.

For the 10 months to April, trading margin was 1,1%. As management has a target of roughly 2% in the medium term, there is good upward potential. Analysts reckon this could improve to over 1,5% this year, giving R61m trading profit on unchanged turnover.

They predict 1993 EPS of over 28c, giving a forward p/e of 14. They reckon the market has largely discounted the favourable outlook following the sharp rise in its share price over the last half-year.

William Giffillan

'Business commitment to inner cities needed'

INVOLVEMENT in the revival of SA's inner cities was the responsibility of stakeholders, Propnet CE Fuzz Loubser told the Sapoja jubilee conference at Sun City yesterday.

"We have seen a decline in real property values in these areas, which has been worsened by the flight of capital to decentralised nodes," Loubser said.

Three major factors would contribute to a renewal of confidence in SA's CBD areas. These were the commitment of business, the community and city governments to inner city revival, the courage to step away from the structures

81 Dec 12/6/92
PETER GALL
and ANDREW KRUMM

of the past, and venture capital to give impetus to revitalisation.

Johannesburg City Council management committee chairman Ian Davidson said Johannesburg needed to attract local and foreign investment in property development.

Provision also had to be made for the informal sector and the upgrading of the city's residential component to bring stability to the residents and the properties themselves.

Clive Lewis of UK-based Chartered Surveyors &

Clive Lewis said in spite of SA having been out of the mainstream of property development, it still met international requirements.

In the next decade SA should be considering the internal environment of office buildings, the effect of that environment on the external environment, energy conservation, security, and the external appearance of buildings.

Low energy systems that eradicated the sick building syndrome as far as possible needed to be considered where natural ventilation was used, he said.

Russell Mariott & Boyd

director Nick Harris said the overall vacancy in office space in Johannesburg was 9,7%.

The overall Sandton market, however, had a vacancy level of 17,8%. This was predominantly because of vacancies in the decentralised areas.

Old Mutual Property's investment manager Ian Watt said as far as the industrial market was concerned, vacancies were lower, but rental levels were still failing to show real growth.

The industrial market would lead the move out of the recession, but this would not take place this year, Watt said. The market was seeing a changing focus from ownership to the renting of properties.

Growthpoint income drops

MICK ELLINGHAM

GROWTHPOINT Properties has reported slightly reduced net income of R8,2m for the six months ended April (1991: R8,6m). *BID any 12/6/92*

However, the company's turnover was slightly up at R9,3m (R9,1m), with a dividend of 0,0325c a share (1991: 0,0339c) being declared. Debenture interest of 32,4c a unit of 10 debentures was declared (33,9c).

Directors said "tight economic conditions continue to prevail in the retail and commercial sector", necessitating a R370 000 provision for bad debts.

Vacancy levels are up to 4,29% from October 1991's level of 3,47%.

Clicks is back in the hunt for Musica

CLICKS Stores said yesterday it would proceed with the deal for the acquisition of Musica, after recently announcing that it had terminated negotiations. *Monday 12/16/92*

A joint announcement said conditions for the sale had not been met as Musica's net asset value was "materially less than the R1,5m warranted". However, agreement had been reached with some of Musica's creditors "in regard to Musica's obligations and their continued support for

MARCIA KLEIN

the company".

(30)
The Goosen family, which owned 71% of Musica's issued share capital, had undertaken to accept Clicks' offer of 5c a share, half of yesterday's closing price of 10c a share.

If Clicks acquired 90% or more of Musica's shares, it intended "to compulsorily acquire" the shares of those who did not accept the offer in terms of the Companies Act.

Wholesale trade figures reflect decrease in food sales

Finance Staff

30

Wholesale trade sales for March this year marginally exceeded original estimates by 0.9 percent, amounting to R11,393 billion, Central Statistical Service figures issued yesterday show.

The figures exclude the wholesale trade in diamonds.

The CSS says wholesale trade sales for April this year rose by 1.7 percent to R11,131 billion compared with March's seasonally adjusted figures.

The monthly increase is described by economists as en-

Star 12/6/92
couraging and as an early indication of a slight upturn in consumer spending, particularly on durable goods.

The largest increases in sales were in office and shop equipment, books and stationery of 12.6 percent and in livestock and produce of 5.1 percent.

Foods, beverages and tobacco sales decreased by 2.9 percent, while machinery and equipment dropped 2.2 percent.

The total wholesale trade sales for the first quarter of this year reflect an increase of 12.1 percent compared with the same quarter last year, or an

increase of 1.2 percent in real terms.

Seasonally adjusted values for the first three months of this year show a 4.9 percent increase at current prices and three percent increase at constant 1990 prices compared with the last quarter of 1991.

VAT knocks cash and carry profit

SI Times (BUS) 14/6/92

By CIARAN RYAN

VAT has cost the cash-and-carry wholesale business a fortune.

Cashbuild, a building materials supplier, lost 19% of its business overnight when VAT was introduced last October.

Managing director Gerald Haumant says GST was difficult to enforce among general dealers in rural areas, many of whom gained a price advantage by not charging it to customers.

Mr Haumant says: "GST was often taken as profit margin which gave rural general dealers a passing advantage over law-abiding town competitors."

Drought

When VAT was introduced, many rural general dealers added VAT to the old GST which they had used to boost margins.

Mr Haumant says these price increases were rejected by impoverished rural communities and sales of building materials declined.

"There is strong resistance in rural communities to price increases because of the drought, rising food prices and lower remittances from miners."

The fall in wholesalers' demand for building materials has also punished manufacturers. They report a 35% drop in sales.

There has been some recovery in Cashbuild revenue because of inflation.

Metro Cash & Carry, which reported a R25,8-million profit for the 10 months to April after a R53,2-million loss last year, also felt the pinch when VAT replaced GST.



CARLOS DOS SANTOS: merger fears unfounded

Managing director Carlos dos Santos says Metro has picked up business from some smaller wholesalers who avoided charging GST to gain an advantage over competitors.

"It is a bit early to tell what the impact of VAT has been on our business. We closed 31 stores and restructured the group. Comparisons with last year are difficult. But we knew that sales would suffer when VAT was introduced."

Bophuthatswana, where no GST was charged, suffered most from the introduction of VAT. Businesses were forced to raise prices on all but zero-rated items by 10%. SA-based businesses charging the 13% GST were able to drop prices by 3% after VAT.

Food wholesalers in the cash-and-carry market appear to have survived better than those in appliances and building materials. Makro's sales shot up 46% in the month before the introduction of VAT and fell back 5% when the tax

came into force.

Since then sales have become normal, says Mark Lamberti, managing director of Massmart, Makro's holding company. Appliance and building materials sales are largely discretionary, whereas food is not.

Sales in Cashbuild's Bophuthatswana stores fell by 40% as prices rose 10%, cutting "cross-border" and domestic trade.

Mr Haumant says the drop in turnover cannot be attributed to the recession because it was a sudden rather than a gradual. Bophuthatswana has been a model of resilience throughout the recession.

For the first time the company was able to gauge the extent of GST evasion among general dealers. Another reason for the drop in turnover is the negative impact on retailers' cash flows because the tax is charged on purchases, whereas GST was only payable when the sale was made.

Study

Sales in Cashbuild's Lesotho stores, which continue to charge 10% GST, were unaffected by VAT. Cash-and-carry chains in Lesotho have complained to the Government about unfair competition from smaller wholesalers who are able to offer discounts because they do not charge GST.

According to sources in Lesotho, the practice continues.

Cashbuild's internal inflation rate — based on a study of the 80 top-selling items representing two-thirds of turnover — is 5% compared with a year-on-year consumer price index of 15,6%.

This means fixed overheads are rising faster than sales, eating into profit margins. Since the introduction of VAT, turnover is down an average of 9%.

Merger

A price comparison of the 200 top-selling items in Metro, representing 80% of turnover, between March 1991 and March 1992 showed an inflation rate of 11,2%. This is well below the March 1992 food price inflation of 28,9%, although Metro does not stock meat, fruit and vegetables.

Mr Dos Santos says the study indicates that margins have not risen as a result of the acquisition of competitor Trador. There were accusations that the merger, which set up the largest food cash-and-carry group in SA would reduce competition and fuel inflation.

Customers are more price-sensitive than they were, says Mr Haumant. Building materials suppliers are not passing on costs to the degree they did in the past.

Cheaper imports started to hurt monopolies such as Iscor and Plate Glass. Corrugated steel was imported for 25% less than Iscor's selling price and glass imports were 40% below the SA sales price.

Boycott action seen as not peaceful

THE Far Northern Transvaal Regional Dispute Resolution Committee has rejected a one-day consumer boycott called for June 17 by Mwasa in support of its three-week-old national wage strike with the SABC.

The National Peace Committee affiliate made the announcement on Friday, following discussions on the boycott and protest march, and "alleged support" for the action by unnamed political parties who are signatories to the Peace Accord.

"Representatives at the meeting did not oppose the concept of the legal protest march, but felt that signatories must distance themselves from boycott action and intimidation as it is in direct violation with the Peace Accord," the committee said.

Reports by CP Correspondents and Sapa

30

CP Press 14/6/79

Franchisors' sales grow

CP Reporter

WHILE the last two years have seen a massive increase in liquidations, a recent survey conducted by the South African Franchise Association (Safa) among its member companies, shows that its members not only survived but, in most cases, recorded growth in real terms.

Of 55 respondents to the survey, 53 reported higher unit sales for the past year and definite plans for further expansion during the current year. Between them, the franchisor companies that responded operate through a total of 2 800 outlets. They attribute their success to a combination of factors:

- Skills transfer from their well honed franchise systems to their hand-picked, well trained and constantly supported franchisees;

- The power of an established brand name; and

- The significant advantages of bulk purchasing and group advertising, which franchising offers to the inexperienced franchisee.

The findings are neither a flash in the pan, nor a specifically South African phenomenon. Most of the western world finds itself in the grip of a recession, and across the board, franchised businesses prove themselves to be the most resilient.

Nonetheless, Safa is quick to warn that the word "franchise" in itself does not confer any magic

14/6/92
powers. The aspiring franchisee must select a proven concept, and once accepted, must work hard to ensure success.

It is essential to undertake a careful check on the credentials of the prospective franchisor. In the absence of any legislation controlling SA's franchise scene, membership to Safa is a definite plus-point. Safa scrutinises its members carefully prior to acceptance, and each member is obliged to adhere to Safa's "Code of Ethics and Business Practices", designed to protect the investor.

In addition to reputable franchisors, Safa's membership also includes an "affiliate category" -

companies providing professional services of the highest ethical standard to franchisors and franchisees alike. One such member is the Small Business Development Corporation, which has recognised that franchising is an excellent route for the accelerated, yet sound, expansion of small business.

Finally, Safa presents low-cost seminars and produces publications designed to familiarise the general public with the exciting opportunities available to them. The Association's secretariat is happy to provide a listing of publications and services on offer.

Traders need to give a little

By LEN KALANE

30

CLIVE KAIRUZ is the businessman's man.

He heads the Lucky Seven concept within the Metro Cash Carry group - and he seldomly smiles. He is all serious business.

He is the man charged with the responsibility of keeping the traditional township "corner shop" businessman in business, and his motto is: "Buy right, sell right."

Hence the Lucky Seven concept. Started some 13 years ago and the brainchild of the Metro Cash and Carry group, the concept came into being as an endeavour to turn small township "corner shops" into mini-supermarkets.

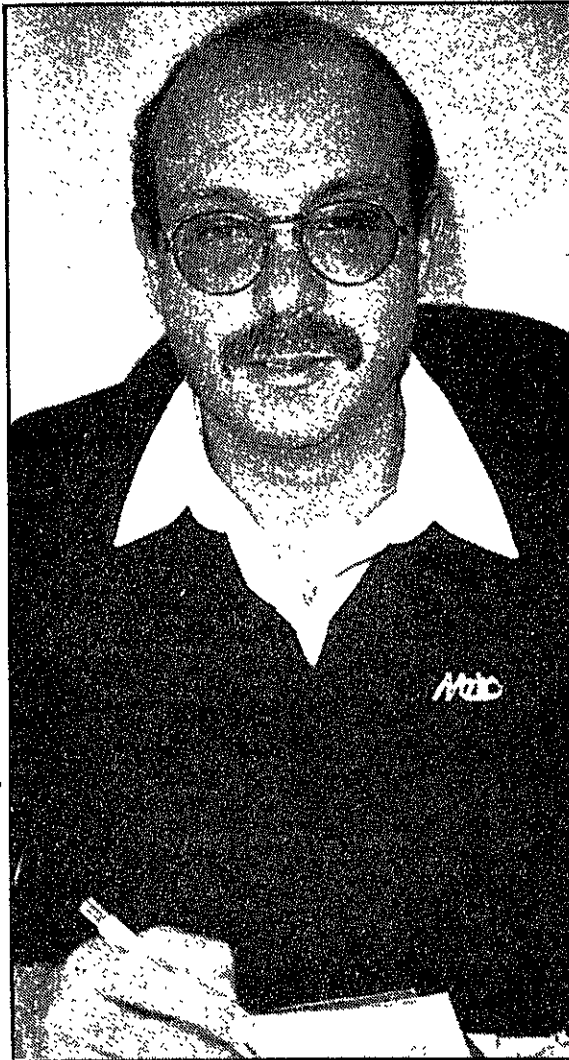
"The idea is to encourage the township customer to remain in the township and buy in the township," Kairuz said. "We had to find a way to stop people from jumping into taxis and rushing to town to shop for their basic domestic needs."

He has been with the Metro group for six years and, as the Lucky Seven general manager for marketing, he believes the idea of township mini-supermarkets has been well-received by both trader and customer.

"We develop small township shops to make them bigger and get them to stay in business with the Lucky Seven concept. We protect the shopowner and ensure his continued existence. We train and market him," added Kairuz.

Kairuz maintains that, had it not been for the Lucky Seven concept, the bulk of township traders would have already been pushed out of business by the big guns.

He added: "Theoretically, the Group Areas



GETTING IT RIGHT ... Clive Kairuz heads the Lucky Seven concept of "Buy right, sell right" for black traders.

Picture: ANDRIES MCINEKA

Act is gone and so anyone can open up (business) anywhere. Therefore the small trader needs to be protected. We make them progressive and teach them to fight."

So far there are 1 400 Lucky Seven mini-supermarkets countrywide, with outlets in Botswana, Swaziland and Lesotho. The concept is not confined to township traders only - a sprinkle of traders in white areas operate under the same banner.

But Kairuz said 85 per cent of traders operating under the Lucky Seven franchise were black.

Metro helps Lucky Seven traders improve their corporate image, though the stores are still independently owned and run.

This they do by helping out with the Lucky Seven name, promotions and the issuing of pamphlets to announce price cuts in certain merchandise.

"We do not own these stores," Kairuz emphasised. "People must get this clear. Our only interest is to service the stores with supplies. We are like their storerooms and supply goods to them when they run out of stock"

CPrem/4/6/92.
But they do monitor progress at every store under the franchise. They look out for business professionalism, cleanliness, service and image.

This is achieved through incentives, including an annual competition whereby the best trader is selected for a trip abroad.

A batch of 41 traders recently returned from one such trip where new business techniques were observed. Of the 41 traders, 20 were Lucky Seven Traders competition winners selected last October at the annual convention in Swaziland. The rest of the traders paid for the trip out of their own pockets.

Kairuz said the biggest concern for his group was township traders' lack of sense in passing the benefit of good prices on to the consumer.

"If he gets something cheaper he must pass it on cheaper to the consumer," he said.

"We are trying hard to hammer this into their heads. This is a sound business practice. Failing to pass on benefits to the consumer will result in the loss of customers. People will flock to town."

He insists that if traders buy right, they must also sell right.

"That's our motto," he said.

His group has had a good relationship through the years with the National African Federated Chamber of Commerce (Nafcoc) and all its affiliates, including the Southern Transvaal African Chamber of Commerce (Soutacoc), which the Metro group hoped to use to drive the message home: Buy right; sell right!

Traders need to give a little

By LEN KALANE

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He added: "Theoretically, the Group Areas



GETTING IT RIGHT ... Clive Kairuz heads the Lucky Seven concept of "Buy right, sell right" for black traders.

■ Pic: ANDRIES MCINEKA

Act is gone and so anyone can open up (business) anywhere. Therefore the small trader needs to be protected. We make them progressive and teach them to fight."

So far there are 1 400 Lucky Seven mini-supermarkets countrywide, with outlets in Botswana, Swaziland and Lesotho.

The concept is not confined to township traders only — a sprinkle of traders in white areas operate under the same banner.

But Kairuz said 85 per cent of traders operating under the Lucky Seven franchise were black.

Metro helps Lucky Seven traders improve their corporate image, though the stores are still independently owned and run.

This they do by helping out with the Lucky Seven name, promotions and the issuing of pamphlets to announce price cuts in certain merchandise.

"We do not own these stores," Kairuz emphasised. "People must get this clear. Our only interest is to service the stores with supplies. We are like their storerooms and supply goods to them when they run out of stock."

14/6/92.
But they do monitor progress at every store under the franchise. They look out for business professionalism, cleanliness, service and image.

This is achieved through incentives, including an annual competition whereby the best trader is selected for a trip abroad.

A batch of 41 traders recently returned from one such trip where new business techniques were observed. Of the 41 traders, 20 were Lucky Seven Traders competition winners selected last October at the annual convention in Swaziland. The rest of the traders paid for the trip out of their own pockets.

Kairuz said the biggest concern for his group was township traders' lack of sense in passing the benefit of good prices on to the consumer.

"If he gets something cheaper he must pass it on cheaper to the consumer," he said.

"We are trying hard to hammer this into their heads. This is a sound business practice. Failing to pass on benefits to the consumer will result in the loss of customers. People will flock to town."

He insists that if traders buy right, they must also sell right.

"That's our motto," he said.

His group has had a good relationship through the years with the National African Federated Chamber of Commerce (Nafcoc) and all its affiliates, including the Southern Transvaal African Chamber of Commerce (Soutacoc), which the Metro group hoped to use to drive the message home: Buy right; sell right!

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WHAT DOES IT TAKE

TO GROW A CREATION?

Boycott of CP firms planned

Staff Reporter

20 OCT 15 1962
THE newly-formed Oudtshoorn Civic Association yesterday announced its planned consumer boycott of 15 Conservative Party-supporting businesses in the white shopping area.

The boycott is aimed at pressurising the municipality to "democratise Oudtshoorn" and meet the demand for "one town, one municipality" with one tax base.

On-again, off-again Clicks offer for Musica on again

By Marc Hasenfuss

STAR
15/6/92

CAPE TOWN — It was on. Then it was off. Now the deal for Clicks Stores to buy out Musica is on again.

As set out in the first joint announcement of March 24, Clicks will acquire Musica as a wholly owned subsidiary — but

this time shareholders in the music retailer will be offered only 5c a share (R1,2 million in cash). Initially Musica shareholders were offered 18c a share

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This followed the findings of an investigation showing Musica's net asset value was materially less than R1,5 million warranted

and the deal was called off.

The new deal is not likely to please Musica minorities as the share is trading at 14c.

But another consideration for shareholders is that Musica reported an interim loss of R247 000 in the six months to September 1991.

OK stresses competitiveness

STAR 15/6/92

By Stephen Cranston (30)

dise".

The primary concern of the OK remains to keep prices, particularly food prices, as low as possible, to remain competitive, says MD Gordon Hood in the annual report for the year to March.

The OK was hard hit by the severity of the recession, but the Hyperamas' Price Watch and Hey Day promotions continued to draw customer support.

Major sales launched under the Showstoppers and May Madness banners were focused "on its unique ability to mass market a wide range of high demand merchan-

The OK's property portfolio was valued at R101,6 million, (stores R69 million and warehouses and other properties R32,6 million).

A redundant warehouse in Woodstock, Cape Town was sold for R6,3 million, and obsolete stores were sold for R2 million in Orange Grove, R2,2 million in Valhalla, Pretoria, and in Primrose, Germiston for R1,8 million.

In the current year, the OK will open a Hyperama in Mayville, Pretoria, and a new branch in Manzini, Swaziland.

Although the major impact of the drought is still to be felt, it has already

had an adverse effect on performance.

Mr Hood says sales growth of 9,2 percent in the first half declined to only 2,2 percent in the second half.

Turnover rose 9,5 percent in the first half and by 1,3 percent in the second half, generating a growth of 5,1 percent for the full year.

Mr Hood says the Hyperamas were not as hard hit and enjoyed a reasonable year, but the performance of the OK itself was erratic.

Attributable earnings of the partnership operations, mainly accounted for by the nine stores in Bophuthatswana, were down by 70,6 percent.

Chamber has a ray of hope

Sowetan 15/6/92

By JOSHUA RABOROKO

THE Southern Transvaal African Chamber of Commerce and Industries will hold its 22nd annual conference at the Jan Smuts Holiday Inn on Wednesday and Thursday this week.

The conference, whose theme is: "Meeting the Business Challenges of the Future South Africa", will be addressed by representatives from various business organisations.

They include Mr Reuel Khoza, managing director of Co-ordinated Marketing and Management, Mr GJJ Breyl, deputy director general of Trade and Industry, Mr S Thlopane, manager of the CSIR's equal opportunities programme.

An ANC representative, who has not yet been named, will deliver a paper on the organisation's economic policy.

The conference takes place at a time when South Africa is beleaguered by continued

violence, increased crime, rising unemployment, high inflation, a stuttering economic and a political impasse.

Resolutions taken at the conference will be forwarded to Nafcoc's annual conference to be held at Sun City next month.

Soutacoc president Mr Joe Hlongwane said a move by certain countries in the West and the East to relax sanctions was a ray of hope for the future.

"As a chamber of commerce, our main interest lies in business development. To this end, our conference theme is geared to tackle the issues that would address our business emancipation."

"We realise that the road ahead will continue to be rough and full of pitfalls but by working together politically and economically, we shall overcome," he said.

Musica takeover 'an investment'

LINDA ENSOR 30

CAPE TOWN — Clicks Stores R1,2m acquisition of Musica was regarded as an investment in a growth asset to offset the future market saturation of the Clicks and Diskom chains, Clicks financial director Peter Green said at the weekend. *By Day*

Musica holds at least 10% of the estimated R380m-a-year retail music market. *15/6/92*

Green believed there was excellent synergy between Clicks and Musica. "By coming together there are obvious benefits all round, especially as Clicks has the management skills and resources necessary to make Musica profitable." Musica would continue as a separate company.

Clicks offered 5c a Musica share (about half the trading price) to the Goosen family which owned 71%. Musica would be delisted and become a wholly owned subsidiary of Clicks.

Green said Musica had been undercapitalised and could be expanded by a cash injection. Musica, which reported a loss at interim stage, was due to report its results this week and further losses were expected.

Edgars increases sales despite adverse factors

STAR 16/6/92

By Stephen Cranston ³⁰

Edgars group sales increased by R273 million in the year to March, says group MD Geroge Beeton.

Second-quarter sales were adversely affected by a strike and picketing of the stores in September and fourth-quarter sales by a calendar change from Easter to April.

The Achilles heel of the group was Jet Stores, which maintained sales at last year's level, but suffered an attributable loss of R8 million.

The Decisions mail order business and the Express cash chain have not produced expected results, says Mr Beeton.

Edgars plans either to reduce its exposure or to put more resources into these operations.

Manufacturing arm Celrose will concentrate on in-house requirements and exports.

Celrose has acquired

the HD Lee brand and the franchise for SA and neighbouring countries.

Celrose now has a sewing facility in Lesotho and a stone-wash laundry in Durban, allowing it instant access to the denim market. It is also exporting to Europe.

During the year, Edgars opened Sales House stores in Mitchells Plain, Western Cape and in Bloemfontein. It opened new Edgars and Jet Stores in the East Rand Mall in Boksburg.

Three major Edgars stores in Maritzburg, Bloemfontein and Eastgate have been enlarged and revamped.

Sales House in West Street, Durban, has been refurbished to provide a substantial expansion for footwear.

Mr Beeton says Sales House is likely to make a major push into the Western Cape market over the next two years.

Business to monitor harm of mass action

Staff Reporters

The Johannesburg Chamber of Commerce and Industry has established a monitoring committee to assess the effect on business of the ANC's mass action programme, which starts today.

The JCCI would remain in contact with a representative sample of members in various sectors "so that changes in attitude and effect could be measured", said JCCI president Stuart Morris.

Mr Morris asked that all "action taken will be peaceful and that no lives would be lost or property damaged".

The South African Chamber of Business warned of the "potential economic and human costs which could flow from the action".

Sacob estimated that the

overall economic losses at stake in a total standstill could reach R1,2 billion a day.

But a spokesman added that many industrial companies had already negotiated with their labour forces to recognise today — Soweto Day — as a paid holiday. A precise count of losses due to stayaways today would therefore not be possible.

Sacob said a general strike would cause loss of earnings and fewer jobs at a time when workers could least afford it.

Sacob called on the main players at Codesa to "spare no effort to resolve the present political deadlock".

The Pretoria Chamber of Commerce and Industry said workers could jeopardise their jobs and incomes.

A statement by chief executive Alec de Beer warned that employers were likely to

give no pay for no work.

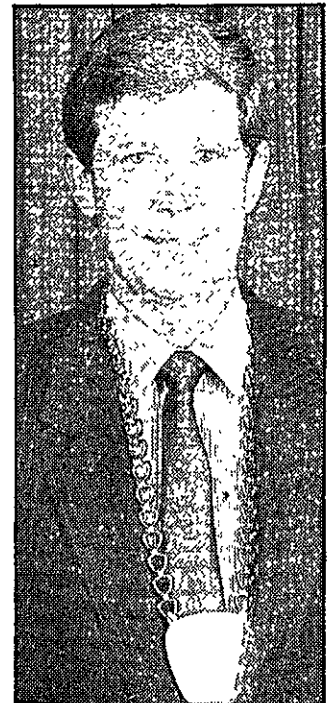
The Afrikaner Handelsinstituut described the ANC plan for a three-day strike as "economically irresponsible and certainly not in the national interest".

The Northern Transvaal Chamber of Industry said today's mass action was nothing less than "economic warfare designed to cripple South Africa's already tottering economy".

In a statement released in Pretoria yesterday, NTCI executive director John Toerien said the action would scare away foreign investors, cost the country up to R1 billion a day and affect small entrepreneurs "who already have their backs to the wall".

A number of companies contacted yesterday have given their workers today off to commemorate June 16. Others are bringing in casual workers.

STAR 16/6/92



Plea . . . for peaceful action, by JCCI's Stuart Morris.

Audio, watch businesses give Anbeeco a tough time

Blow 16/6/92
20
EDWARD WEST

AUDIO and watch distribution group Anbeeco reported a 32,7% drop in earnings and 11% drop in sales for the year, due to the recession and stock liquidation.

A final dividend of 4c (6c) a share was declared.

Earnings dropped to 23c (34,2c) a share, and sales declined to R102m (R114m). Results for the 52,48%-held audio distribution subsidiary, Supalek, were consolidated into Anbeeco.

Anbeeco's income before interest and tax fell 39% to

R9,6m (R15,8m). Net income was 33% lower at R3,4m (R5,1m).

Financial director Warren Jankelow said the watch business reported a 12% drop in profits while audio business bore the brunt with a 55% drop.

However, these declines were expected and off a high base with annual growth in earnings per share since 1990 at 16,2%.

Supalek's liquidation of about R8m of Korean-based Samsung stock, following the decision to discontinue a Samsung television distribution agreement, had a severe impact on profit.

Edgars looks to next year for improvement

Monday, 16/6/92

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MARCIA KLEIN

ALTHOUGH private consumption expenditure would remain depressed, Edgars had budgeted for an increase in sales and earnings in financial 1993.

In his annual review, CE George Beeton said: "Hostile trading conditions necessitated special action to clear stockholdings and to contain costs and capital expenditure" in the year to end-March.

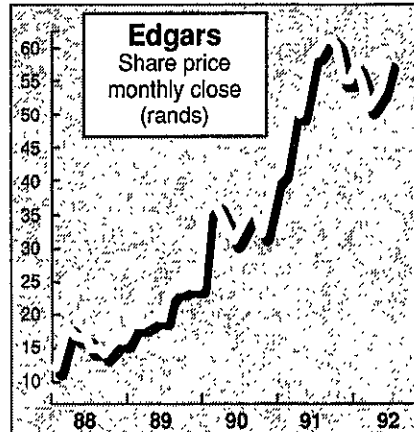
This had placed the group well to trade more profitably in the current depressed market. Earnings would also benefit from improved trading conditions in the last quarter of the calendar year and from an extra week of trading, Beeton said.

Edgars, which holds Edgars, Sales House and Jet Stores, reported a 5% rise in attributable earnings to R157,5m on an 11% turnover rise to R2,7bn to end-March. While Sales House performed well, and Edgars showed a 6% rise in profit after tax, cash chain Jet Stores showed an R8m after tax loss.

Beeton said the group would continue to invest in Jet to optimise its cash business. Credit sales at Edgars rose to above 85% of total sales.

Chairman Meyer Kahn said sluggish local demand and heightened competition from advantageously priced imports threatened the textile industry's viability.

He said the proposed retention of the structural adjustment programme was welcomed. But "the challenge remains with the textile and clothing industries to regain their rightful share of the local and



Graphics RUBY-GAY MARTIN Source: I-NET

international markets by enhancing quality and productivity, and not through subsidies and protective barriers".

Private consumption expenditure would be constrained, and little improvement was expected in the first half, but Kahn said further growth in sales and earnings should be achieved for the full year.

A note in the annual report refers to a financing agreement with the Advantage Group. It says various preliminary agreements were entered into with the Advantage Group to facilitate the sale of customer accounts to an independent financier.

But "the fulfilment of the objectives envisaged in these agreements appears unlikely and consequently formal agreements have not been concluded".

STAN 17/6/92

Boycott to back union's pay demand

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Own Correspondent

Pietersburg is to be hit by a one-day consumer boycott and a march today to press the SABC to accede to demands by its black workers for a living wage.

A spokesman for the Media Workers' Association of South Africa said the march would proceed from the union's offices and would end with a rally at the SABC grounds.

The strike, affecting over 1 200 workers, started on May 18 and is to back a demand for a 20 percent across the board increase and a minimum wage of R1 300 a month. The strike has paralysed black channels of both radio and television.

Meanwhile, Cape police are investigating a possible link between the theft of R200 000 worth of SABC equipment early yesterday and an arson attack at a block of flats owned by the corporation last week.

Hout Bay is entitled to keep and retain what it has. This Government does nothing. It sits back and allows things to slide, also in Hout Bay. For that reason the CP will get up every time and fight for the people of Hout Bay, because except for the CP, they do not have people who fight for them.

*The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING: Mr Speaker, the hon member for Overvaal's credibility has grown immeasurably here. The CP sent in their HNP advance guard here and we had to deal with a CP-HNP mentality that has no answers to the problems of South Africa. [Interjections.]

When one talks to them about squatting their policy is not intellectually justifiable, and it does not even stimulate one intellectually. [Interjections.]

That hon member says one should keep what one has. I paid a few visits in that area yesterday and I discovered exactly what is happening there.

In brief our policy in respect of urbanization is the following. Unlike in the past, we will not locate Black people as far as possible from their place of work. I spoke to everyone in the Hout Bay squatter camp that I could get hold of yesterday. [Interjections.] They had work there. [Interjections.] They were working at various places. Those people need places to work and live. Therefore we try to ensure people's stability in smaller packages near their places of work. [Interjections.]

Secondly, local communities must make provision for the informal housing needs in their country as well.

Thirdly, I should like to give hon members the assurance that it is unreasonable and not the standpoint of this House to locate people as far as possible from their places of work. [Interjections.]

There is no way that we can wish these people away and we shall continue to hold talks with the people with established rights as well as those that work in the area but simply do not have accommodation there, as I suggested when I originally put my standpoint.

Debate concluded.

*Mr SPEAKER: Order! Before I put the next interpellation, I should like to appeal to hon members not all to take part so boisterously in these short debates. Only the hon members whose names are on my list of speakers should participate, and the other hon members should give them a proper opportunity to state their case in the short time at their disposal.

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Escalation in food prices: steps

- 2. Mr D H M GIBSON asked the Minister of Trade and Industry:
 - (1) Whether he intends taking any steps to halt the alarming escalation in food prices; if not, why not; if so, what steps;
 - (2) whether he will make a statement on the matter?

~~9 June 1992~~ B828E.INT
THE DEPUTY MINISTER OF TRADE AND INDUSTRY: Mr Speaker, the Government is very aware of the seriousness and sensitivity of rising food prices. For this reason continuous consultation takes place with the hon the Minister of Agriculture. Proof of this is the request by the two hon Ministers to the Board on Tariffs and Trade to investigate this escalation. The preliminary report on this investigation was made public on 11 June. As soon as the board completes this assignment and submits its final report and recommendations to the Government, the Government will be in a position to make decisions.

Other steps taken by the Government are the following: The systematic removal of import control on agricultural products and food and the institution of tariff measures instead, a complex process that has international complications through Gatt; the financing of the Consumer Council by the Department of Trade and Industry, which investigates complaints of consumers; the establishment of the Competition Board, which acts on either complaints received, or investigates cases of restriction of competition such as collusion or monopolistic situations on its own initiative; the establishment of Watwatch, financed by the Department of Finance, which serves as a watchdog to prevent consumer exploitation due to the commencement of VAT; the support of research and development at the CSIR on problems in the food industry; and investigation into ways and means of increasing the competition in, and the competitiveness of,

industry in general. The reform of tariff policy is an example of that. [Interjections.] The Government wants to give the assurance that it regards the question of food prices as serious and very sensitive and that it will be treated with vigour and responsibility.

With regard to the second question, after studying the final report of the Board on Tariffs and Trade when it comes to hand, together with other reports which may have a bearing on the subject, the hon the Minister will make a statement on the whole matter. The recently released report is a provisional one made available for comment and as a discussion document.

We are aware of the tremendous difference in escalation of prices between the farm gate and the shop shelf. It is the divergence between the rates of increase of these two different prices—in other words, the divergence between PPI and CPI—which was the subject of this investigation. [Time expired.]

Mr D H M GIBSON: Mr Speaker, the hon the Deputy Minister's boss has made himself notorious in the eyes of South African taxpayers by telling them that they are not particularly highly taxed. I expected the hon the Minister to come today and perhaps tell consumers that they are wrong and that food prices are not too high. Instead of that, the hon the Minister has chosen to sit quiet and send the hon the Deputy Minister into the firing line. Instead of savaging the hon the Minister, I have to be a little kinder to the man who is only half responsible for the situation.

I did not hear anything from the hon the Deputy Minister which makes me believe that food prices will come down soon. One day after I gave notice of this interpellation, the long-awaited report of the Board on Tariffs and Trade was suddenly released. There is now a flurry of activity and announcements because the Government has at last realised that the consumers have had enough.

The long-suffering consumers want to know when they can expect action. They are tired of inquiries, reports, ministerial musings and complications. They are even more tired of the never-ending inflation and the inexorable rise in food prices. Consumers believe that they are being ripped off when they hear that food prices may increase by as much as 45% this year. Most

of them believe that it is not the farmers and the primary producers who are the culprits. The real exploiters are further up the food chain, and these include the control boards, the packaging companies and the supermarkets, which always claim to be the consumer's friend.

While they are making that claim, they manage to mark up meat by 103% at Woolworths, 105% at Pick 'n Pay and 108% at OK Hyperama. I am indebted to the *Sunday Star* of 16 February for those figures. Right now one can go and buy potatoes at the market for R21 to R24 a pooket, and go to the supermarket and pay between R35 and R37 for those same potatoes.

Those are not the friends of the consumers. The excuse is always that inflation is causing the increase in the prices, instead of the other way around. This Government has dedicated itself to stopping inflation, and this must be one of the longest-running shows in town, because nothing ever happens.

The economic restructuring that South Africa needs to place it on a satisfactory growth path cannot happen while double-digit inflation flourishes. It requires the best efforts of both Government and business working together to take decisive action to ensure that inflation is slowed or stopped. When this happens, the food price escalation will also stop.

*Mr D G H NOLTE: Mr Speaker, the CP is especially concerned about the increasing gap between the price of the farmers' product and the price of food to the consumer. Statistics at the end of March 1992 confirmed the fact that at 28.9%, food prices increased far more rapidly than the general inflation rate of 15.7% and the farmers' product price of 11.9%.

Furthermore, it is also known that the farmer's share in the final consumer price of food is low, approximately 39.4% and that it is continuously decreasing. The question is therefore, if the farmers do not receive the money, where does it go?

Hence the investigation by the Board of Trade and Industry, the first draft report and recommendations of which were made public last Friday. The report's basic recommendation that the statutory powers of agricultural marketing boards should be taken away to promote competition, still does not answer the basic question of

where does the money of the increasing gap go and what the solutions are. ~~(30)~~ ~~(18)~~ ~~(18)~~ ~~(18)~~ According to the report only approximately 29% of the increasing gap can be attributed to the fact that some boards restrict competition. What about the other factors to which approximately 71% of the blame can be attributed but in respect of which no recommendations were made? ~~(28)~~

The following are examples from the report itself. Firstly, one of the most important causes is general inflation pressure which comprises approximately 40% of the cause which, according to the report, can *inter alia* be attributed to overspending by the State. Secondly, wages and trade union action are not in line with productivity. Thirdly, industries are being overprotected in the name of self-sufficiency. In the fourth instance six large food companies provide more than 60% of the processed food products. They are part of the big conglomerates in the country and their share prices increased more rapidly than those of the other industries. In the fifth instance the gap increased especially after the introduction of VAT in 1991, especially also as a result of the taxability of food which can therefore be linked directly to State policy. [Time expired.]

THE DEPUTY MINISTER OF TRADE AND INDUSTRY: Mr Chairman, the hon member for Yeoville said he would let me off lightly with his savage attack. Of course, the classic comment on being attacked savagely is that it feels like being savaged by a sheep. [Interjections.] I thank him for his gentleness. [Interjections.]

The hon member for Delmas referred to the report of the Board of Trade and Tariffs in which there is an attempt to make an analysis of the divergence between the producer-price index and the consumer-price index. It is interesting to note that the media have run away with this report and interpreted this divergence as being solely the result of control boards.

They correctly pointed out, however, that food inflation is a part of inflation in general. I do not intend to become involved in an argument on macro-economic policy at this stage. It also points out that 2% of that divergence was due to an increase in wages, and also due to an increase in so-called shrinkage in the retail chain. Shrinkage means theft, mainly on the part of the employees of those retail chains.

It goes further and says that 0.2% is due to the fact that price subsidies on food have been removed. It says that 0.3% is due to the fact that certain controls have been removed. It goes further and says that 1% is unidentifiable.

The popular notion, however, is that control boards are the great evil. I have to state that it was in the . . . [Time expired.] ~~(28)~~

MR E K MOORCROFT: Mr Speaker, five years ago, here in Cape Town, I was shocked to see, for the first time in my life, a person scrounging for food in a garbage can. That sort of thing, I thought, only took place in Ethiopia or Bangladesh. Today, however, the sight of hungry people scrounging in garbage cans has become commonplace. One can see it during any lunch-time on a walk up Government Avenue.

It is but one of the many symptoms which indicate the cruel poverty in which increasing numbers of underprivileged people in this country are beginning to live. As my colleague the hon member for Yeoville has pointed out, we do not have to look very far for at least one of the causes of poverty, and that is the ever-increasing spiral in the cost of basic foodstuffs.

The hon Deputy Minister has a knowledge of France and will be aware of the political consequences of shortages of affordable food. He will know what happened to Marie Antoinette when, on being informed that there was a shortage of bread, advised her subjects to eat cake instead.

The first thing the hon the Minister should do, as my hon colleague has suggested, is to study carefully the recently tabled report of the Department of Trade and Industry. He should seek ways of decreasing the ever-increasing gap between producer and consumer prices highlighted in that report. One of the best ways of doing that is to improve the climate for free choice. Both producer and consumer must have free access to markets of their choice. The State should make it possible for this choice to be exercised. [Time expired.]

MR D H M GIBSON: Mr Speaker, the hon the Deputy Minister's reference to sheep was enough to make the consumer's mouth water, because there are many of them who have not been close to that expensive meat for a long time. I was talking about the hon the Minister himself, and I believe he has enormous clout in Govern-

ment, as well as in business, because of his background. I also believe that he should be using the influence he has with the business community to start turning South Africa around. I believe that the hon the Minister is uniquely placed to persuade both the Government and big business to co-operate. One suggestion is that they refuse to grant wage increases larger than 10% for this year. Then they must start limiting price increases, whether administered by the Government or decided upon by business, to no more than 10%. ~~(30)~~ ~~(18)~~ ~~(18)~~ ~~(18)~~ This would be a contribution to breaking the back of inflation, and would give the consumer hope of a fair deal in the future.

THE DEPUTY MINISTER OF TRADE AND INDUSTRY: Mr Speaker, I think the hon member for Yeoville came very close to proposing a wages-and-prices policy. [Interjections.] I believe that this is an experiment that has been tried elsewhere, especially in the United Kingdom, and it has failed miserably. [Interjections.] I believe that the one option that is not open to us in solving this problem is price control. This is something which only serves to distort the economy, to create a situation in which people are producing products for which there is no demand.

However, we are looking at ways and means of breaking this inflation spiral in food prices. We believe that there must be increased competition. We believe we must go further down the road of deregulation, especially with regard to health and hygiene standards. I believe we must look at all measures that inhibit trading.

I believe that the new Businesses Act goes a long way towards enabling the informal sector also to play its part in the distribution of food.

We are looking very carefully at the renewal and reform of the whole issue of customs tariffs and import control. The hon the Minister of Agriculture and our Department will also be looking very carefully at the possibility of increasing imports on basic foodstuffs in order to prevent this spiral, but under the very strict proviso that it does not serve to disrupt the agricultural community and the rural economy of South Africa.

As hon members may have seen in the newspapers, the hon the Minister has appointed a special committee under the chairmanship of

prof Kassier to investigate the role of marketing control boards in South Africa. [Time expired.]

Debate concluded.

QUESTIONS

Indicates translated version.

For oral reply.

General Affairs:

State President:

Total cost of overseas visits

*1. Mr D P DU PLESSIS asked the State President:†

What was the total cost of the overseas visits undertaken by him and his entourage (a) in 1991 and (b) during the period 1 January 1992 up to the latest specified date for which information is available? ~~(18)~~ ~~(18)~~ ~~(18)~~ B780E

THE STATE PRESIDENT:

- (a) R2 790 357
- (b) R2 614 724

These amounts are based on the latest available information and reflect the expenditure for all components which were involved in the overseas visits, namely:

- (1) The State President's Office.
- (2) The Department of Foreign Affairs.
- (3) The security component, as provided by the National Intelligence Service.

Second Interim Report: Goldstone Commission

*2. Mr L FUCHS asked the State President:

- (1) When was the Second Interim Report of the Commission of Inquiry Regarding the Prevention of Public Violence and Intimidation (the Goldstone Commission) received by him; ~~(18)~~ ~~(18)~~ ~~(18)~~
- (2) whether this report was released immediately after being so received; of not, (a) why not and (b) on what date was it released?

B801E

Owners 'must face up to inner-city investment'

B(Dan) 17/6/92

Reports by
PETER GALLI

INVOLVEMENT in the revival of inner city areas is not a choice that property owners have, it is a vital necessity, Propnet CE Fuzz Loubser said at the Sapoa convention at Sun City last week.

Inner-city property owners needed to show commitment to forging relationships with other stakeholders, they needed to have courage to move away from traditional structures and experiences and to realise that it would probably cost them both financial and human resources, he said.

"Most of all, we need to become actively involved in the search for solutions that will increase investor confidence," he said.

Anglo American Property Services (Ampros) director Peter Gardiner said land devaluation had threatened most major landowners near the cities through the threat of or actual invasion by squatters.

"As a result of the Bloubostrand squatter relocation dispute, Gough Cooper was criticised for having apparently threatened to sue the TPA and Schachat-Cullum for announcing

the cancellation of housing projects in the area. Some homeowners had claimed a loss in value of 40% if relocation had to occur," he said.

Loubser agreed, saying the increased pressure on the inner city areas and constraints on management and financial resources were leading to declining standards of maintenance and cleanliness.

"In many areas there has been a decline, in real terms, in property values which has been exacerbated by the flight of development capital to suburban nodes," he said.

Priority areas that needed to be addressed were the issues of distrust, political representation and the legitimacy of existing political structures, establishing relevant procedures, building relationships between the various stakeholders and rekindling confidence in the inner city.

Commitment, courage and capital were some of the factors needed to increase confidence in the inner city.

The capital could come from a number of sources, namely the business sector, local government and even provincial and national government.

"Property developments that in the past have been regarded as falling outside the traditional investment areas of institutions and the activities of developments must be undertaken," Loubser said.

"Most of our CBDs do not need any more offices at the moment, and we must address the investment in facilities that will be relevant in the changing SA environment."

Propnet was involved in a number of development projects that could have an impact on inner city revival. The development of its transport nodes served to integrate the various modes of transport while developing a commercial component aimed at the commuting community.

The development of airspace over railway lines is expected to stimulate the upgrading of the surrounding area and provide valuable experience for future airspace projects.

ERTY

Southern buys a slice of Lenasia's business

8 days 17/6/92 (30)
SOUTHERN Life has bought the Lenasia Square shopping centre for R15,4m from Zaakir Properties in a deal which it believes will enhance the performance of its southern Transvaal property portfolio, regional manager Tony Moore said. *17/6/92*

The exceptional location of the centre, the trading record of retail tenants and the low maintenance requirements of the modern building would make it an asset in the portfolio, he said.

The centre has a gross lettable area of more than 8 000m² and consists of three free-standing buildings. Two of the blocks have first-floor accommodation, while the third offers roofdeck parking for 86 cars.

Both the retail component of 6 400m² and the office component of 1 600m² are fully let, at average rentals of about R40/m² and R16,50/m² respectively.

Retail space accounts for 80% of the complex, with a Spar franchise and a Diskom outlet the major tenants. The rest of the space is let to line shops.

"Some 100 000 residents live in the primary trade area of Lenasia and the annual turnover of retail outlets is more than R100m," Moore said.

While Southern Life was always looking for quality retail centres, at present it was consolidating its retail portfolio and was looking for quality, pre-let commercial buildings.

"We have invested about R200m in the refurbishment of a number of our commercial properties," Moore said.

This was the route to follow as all buildings in the portfolio needed to be maintained at their best so tenants were always offered the best possible accommodation, he said.

Pick 'n Pay budgets for earnings growth

CAPE TOWN — Pick 'n Pay has budgeted for a 10%-12% increase in earnings for the current year to end-February 1993, chairman Raymond Ackerman told the AGM yesterday.

Sales growth was averaging about 14,3% so far this year and he would like to see annual sales growth of about 16%, he said.

Last year Pick 'n Pay increased sales by 13,9%, while earnings slid to 107,9c (110,6c).

Pick 'n Pay's 25th anniversary pro-

B/Ding 17/6/92 **30**
LINDA ENSOR

motions had provided a big boost to March turnover, which was 19% up on the previous year. April had also been a very good month. However, May and June had reverted to the 1991 pattern and were just average.

Cash flow was good, and the group was not running on an overdraft as it had last year. Cash reserves and stocks were also much healthier than

last year. In his chairman's statement in the annual report, Ackerman said the group was debt-free, apart from R5m worth of debentures.

Stocks at the end of the year were valued at R416m compared with the peak R451m in August, and Ackerman said the group aimed to reduce them further this year.

Shrinkage came down quite dramatically from more than 1% to about 0,7% last year because of the introduction of technology.

Food sector tackles inflation

CAPE TOWN. — A major conference involving key players in the food industry is being planned to thrash out a strategy to combat food price inflation.

The intention is to present a comprehensive plan of action to Trade and Industry Minister Derek Keys.

Pick 'n Pay chairman Raymond Ackerman said representatives from agricultural control boards, food retailers, food manufacturers and government statisticians would be invited to the conference which would take place within the next six weeks. *8/10/92 17/6/92*

Premier Group chairman Peter Wrighton, who is also involved in organising the conference, said there was a general feeling in the industry that something should be done about food price inflation. The conference would aim to be as broadly

~~202~~ LINDA ENSOR ~~30~~ 30

representative of food producers, manufacturers and distributors as possible.

Wrighton stressed that it was in the interests of all parties to keep food prices down to increase consumption. But there was a need to establish the factual position about food prices as he suspected that the methodology used by government statisticians did not reflect the purchasing patterns of the population.

Ackerman believed the issue of high tariff barriers against cheap food imports in a situation of national shortage should also be addressed.

He said the agricultural boards, instead of applying the fixed local price to import-

□ To Page 2

Food sector

8/10/92 17/6/92 ~~30~~ 30 □ From Page 1
ed goods, should allow retailers to import food, such as meat and maize, at the lowest possible price when there were shortages.

While there were too many agricultural boards, some inefficient, Ackerman did not think that they were solely responsible for high food prices. He felt some boards were necessary to keep farmers on the land. The meeting would also examine the

impact of food exports on local prices and the real level of food price inflation.

Ackerman said the official food price inflation rate of about 28% was "totally incorrect". Pick 'n Pay's figure was about 14%.

The government figure was fuelling wage inflation as trade unions justified their wage demands by pointing to official figures.

COMPANIES

Import surcharge to stay 'for now'

EDWARD WEST

GOVERNMENT did not yet have the fiscal capacity to scrap the 5% import surcharge on capital goods even though it had previously indicated it would do so, Finance Department director-general Gerhard Croese said yesterday.

He said the surcharge netted between R1,7bn and R1,8bn annually.

The surcharge on capital goods was introduced in 1989 to protect the balance of payments due to the debt standstill in the late 1980's, Sacob economist Ben van Rensburg said.

He said Sacob had for years pleaded for the abolition of all import duties and surcharges on capital goods. These had raised the cost of importing industrial machinery and contributed to much of SA's global uncompetitiveness.

The surcharge should be viewed in the same light as the zero rating of capital goods from VAT, he said.

Van Rensburg said government's plan to phase out the surcharge was announced two years ago. It should have been scrapped this year.

Industrial Development Corporation economics GM Flip Kotze said the surcharge had become a source of revenue rather than a protective measure.

Croese conceded the rebates were difficult to administer, but said income derived from the surcharges "was not to be sneezed at". *B/Days 17/6/92*

No big earnings hike due for Amrel

MARCIA KLEIN

20

AMREL, whose earnings dipped by 35% in the year to end-March, would show at best a moderate increase in earnings in financial 1993, chairman Meyer Kahn said in the company's annual review.

MD Stan Berger said any recovery in the performance of the furniture, footwear, apparel and consumer services group was dependent on an improvement in private consumption expenditure, reduced inflation, a fall in interest rates, a turnaround in job losses and a return to political stability in SA.

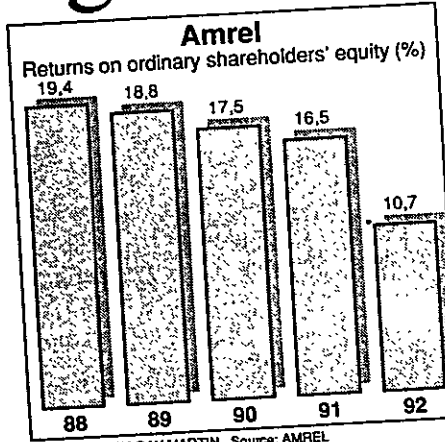
A recovery in consumer spending could only be expected in the second half of the year, and Berger said any increase in earnings was unlikely to be substantial.

The local economy could be stimulated through growth in exports, he said, but "the potentially negative effects of the drought on any recovery cannot ... be ignored".

However, the longer-term outlook for furniture was more encouraging, particularly in light of the attention being given to the shortfall in housing.

Kahn said Retailer Liaison Committee figures for the 12 months to end-March showed a 5% drop in real terms in the sale of furniture and appliances. A similar drop for footwear and a 3% real decline in clothing sales were reported.

The 2,7% decline in the group's turnover was amplified by the closure of



about 150 stores in the footwear division. About 137 Footprint stores had been identified for closure or conversion "to stem the losses in Select-a-Shoe".

It was also decided to close the 12 Barnes stores following the reassessment of the viability of maintaining separate trading identities of Barnes and ABC.

The effect of these closures was a loss of sales of R16m.

Strict credit standards led to a 1,5% drop in turnover in the furniture division to R650,5m, while turnover in the footwear division declined by 6,4%.

Berger said there was minimal store expansion during the year in order to conserve cash.

Excluding the stores closed, trading

B/Days 17/6/92
space increased by 0,2% and sales per store rose by 11%.

Berger said while this policy had undoubtedly led to a loss in market share, management believed this was prudent.

In the furniture division, three new stores were opened and four were closed. In financial 1993 there would be a significant increase in capex for the closure of two outlets, replacement of vehicles and store refurbishment.

The average length of the debtors' book at Amrel's associate finance company Amretfin improved to 15 months from 16,7 months.

Berger said the furniture division would be hard pressed to match either its contribution to group operating or attributable profits.

In the footwear and apparel divisions, the severity of the downturn in the second six months was unexpected, especially in terms of the cash businesses, Berger said.

Aggressive promotional campaigns to maintain market share had gained few spin-off sales benefits.

Since year-end, Amrel acquired an additional 17,6-million shares in Boymans for R15m to bring its effective holding up to 76%. Boymans produced a 69% decline in after tax profits.

Berger said the coming year would be "a watershed" for the footwear and apparel division, as it had the serious challenge of placing the leaner operation onto a profitable footing.

Sales House MD Ian Thomson resigns (30)

Ian Thomson (45), has resigned as managing director of Sales House, a member of the Edgars Group of companies.

Mr Thomson, one of the country's leading merchants, will be taking up the position of managing director of British Shoe Corporation within the next three months.

He has previously turned

down a number of offers from leading retailing groups worldwide, but said the position with the British Shoe Corporation promised long-term career opportunities and challenges.

Under Mr Thomson's direction, Sales House has undergone significant changes in profitability and profile, to become a major contributor to Edgars

Group profits. *STAR 18/6/92*

The chain reported a 31 per cent profit after tax for the 1991/1992 financial year, with sales increasing by 14 per cent, despite the severe economic conditions.

Mr Thomson said it was with "great regret" that he would be leaving the group.

Marketing boards defended

Food prices: Minister raps private sector

CAPE TOWN — The private sector must accept part of the blame for escalating food prices, Agriculture Minister Kraai van Nierkerk said yesterday.

Reacting strongly to the Board on Tariffs and Trade's (BTT) preliminary report on the causes of food price inflation, Van Nierkerk described the report as inadequate. He took issue with its emphasis on the marketing boards' contribution to rising food prices.

Van Nierkerk said concentration in the food processing and distribution sectors were partly responsible for fuelling food price inflation and this concentration had to be countered if the marketing of agricultural products was to be deregulated.

He said the BTT had been instructed to continue its investigation and to work with the Competition Board to look into the concentration in these sectors.

Van Nierkerk expressed surprise that while he and a former Trade and Industry Minister had commissioned the report, he had not been given a chance to examine it before it was released.

He said the report left many questions unanswered and did not fully take into account the negative effects of the drought and VAT on food prices.

Proper credit was not given to the measure of deregulation and change achieved

B/Dam 18/6/92

LINDA ENSOR

in the marketing of agricultural products.

Van Nierkerk said the share of the producer (including the direct influence of the marketing boards) in the consumer rand was a mere 45%, and the declining internal terms of trade for agriculture justified part of the increased producer price.

"The influence of the marketing boards can, however, not be held responsible for the remaining 55% portion which is added

to the price of agricultural products by the private sector. On the contrary, the facts point to a softening influence by marketing boards on consumer prices with the increases in the prices of bread and cheese a good example of what happened when price control under the Marketing Act was lifted."



□ VAN NIERKERK

Van Nierkerk said the suggestion that the boards' statutory powers be abolished to achieve cheaper food prices — as recommended in the report — was an oversimplification of the matter. He added that a reliance on food imports would negatively

□ To Page 2

Food prices

effect the balance of payments, food security and employment opportunities.

Van Nierkerk said a policy committee under his jurisdiction, and representing a broad spectrum of interested parties, is to be formed to devise a marketing strategy for agricultural products and to examine the future role of marketing boards.

This committee would evaluate the input from the committee chaired by Stellenbosch University professor Eckart Kasier which would examine the value of the Marketing Act for the agricultural industry and its vertical and horizontal effect on food prices.

Sapa reports Agricultural Board coordinating committee chairman S J J van

Rensburg said yesterday the BTT had been guilty of gross generalisations in its proposals that virtually all statutory powers for marketing boards be abolished.

Many of the findings and recommendations had been formulated with a preconceived and biased view of doing away with any form of statutory control, Van Rensburg said.

He found it regrettable that an official report was party to casting a reflection on all forms of statutory marketing, which in the past had stood the producer and consumer in good stead. Boards accepted the need for greater market orientation, and current and past action proved their commitment in this regard.

□ From Page 1

Cheap imported shoes trample SA production

MEREDITH JENSEN

CHEAP imported shoes from the East have severely affected footwear production in SA and led to large-scale retrenchments, says Footwear Manufacturers' Federation (FMF) director Dennis Linde. Linde said in a federation report released yesterday that production had dropped 3.1% over the past year, from 54,28-million pairs to 52,61-million, and nearly 3 000 employees in the industry had been retrenched. He blamed the decline in local production on the state of the economy and pressure from foreign imports.

"Since 1985, footwear imports have shown consistent increases, to an estimated 17,5-million pairs last year or 25% of local footwear sales." Conshu financial director Charles Rapp said the drop in demand of nearly 30% was largely due to low-cost imports from China, Taiwan and Vietnam. Rapp said retail outlets had experienced a drop in demand. Consequently, Conshu had retrenched about 800 people in the past three months.

He said SA production accounted for most of the "top end" of the market, which had been hardest hit by the recession. Black consumers, who now had access to improved transport, were buying the less expensive footwear. "They are less apparel-oriented and no longer need the heavy construction of the formal shoe," Rapp said.

Amalgamated Retail (Amrel) had also had to scale down its operations over the past year, MD Stan Berger confirmed 150 retail stores had been closed. "We had a lot of shoe stores next door to each other. It was not practical." Amrel's Select-a-Shoe stores were particularly hard hit by decreased consumer demand as well as consumer boycotts. "The situation does not look healthy, as the footwear industry is very sensitive to consumer demand," Linde added.

TODAY'S WEATHER

Wooltru extends home shopping to musical ware

8/5/92 19/6/92

(30)

LINDA ENSOR

WOOLTRU's home shopping operation, Leading Concepts, is to open a catalogue showroom in the Cape and launch a specialised music catalogue called Music Direct.

Leading Concepts, which started operations about 14 months ago, has about 100 000 customers on its books. The expansion of the business into new areas of cataloguing in SA is being supported by an aggressive mailing programme with over 2-million catalogues scheduled for release later this month.

The first catalogue showroom in SA would display the full range of Leading Concepts' merchandise which could be purchased

directly by customers, a statement said. Further showrooms in heavily traded shopping districts in other major centres were planned if the pilot project proved popular.

Music Direct is a buyer's guide compiled by international music specialists.

It offers about 200 titles in compact disc and cassette format, and has a facility to order difficult-to-find titles.

Leading Concepts' divisional manager Nick Linnel said the company planned to expand into other specialist leisure product areas targeted at specific audience groups.

Friday, June 19 1992

COM

Foschini performs in great fashion ⁽³⁰⁾

B/day 19/6/92
LINDA ENSOR

CAPE TOWN — Blue-chip clothing chain Foschini has defied economic trends by producing an increase in net income of 24% for the 15 months to end-March, compared with the previous 12-month period.

The results are remarkable in that they include two January-to-March quarters, which are the worst profit periods in the clothing retailer sector year. Traditionally this is when heavy markdowns of summer stock take place.

The year-end has been changed from December 31 and, while the results are not comparable, MD Clive Hirschsohn said growth in diluted earnings a share for the year to end-December at least matched the inflation rate of 14%-15%.

Earnings a share for the 15 months rose 19,3% to 216,2c (181,2c), after restating the previous figure to take into account the increase in the number of shares in issue to 42,9-million from 10,2-million. New shares were issued in various scrip dividends. A scrip dividend — worth 3 750c a share at the time of the dividend declaration — will be paid on the basis of one new share for every 83 held.

Hirschsohn attributed the performance to a good choice of merchandise and a growth in market share by the group's approximately 700 stores. All the four divi-

sions — Foschini, Markhams, American Swiss and Pages — performed well in the difficult economic climate.

Turnover increased by 40,3% to R1,2bn (R822m), but because of the double January-March period, operating income rose by a lesser 26,4% to R213,6m (R169m).

A high level of borrowings at the start of the year and high interest rates contributed to the 122% rise in the interest bill to R44,7m (R20m).

Debt:equity at year-end was just over 50% and within the group's self-imposed parameters. The bad debt situation had weakened but was also acceptable.

The 13,5% increase in pre-tax income was converted by a lower tax rate into a 20,6% increase in after-tax income. This was further boosted by the retained income of the associated company to produce a 24% rise in net income.

The results include the R6m income retained from the 35,6% stake in Oceana Investment, but exclude any income from Lefic which declared a scrip dividend.

A total of 30 new stores were opened. Lefic's earnings a share rose to 109,7c (91,7c) and it declared a scrip dividend worth 1 750c on the basis of one new share for every 73 held.

the group and improving returns before it will be viewed as an attractive investment. Still, a contrarian view might just pay off.

William Gilfillan

COMPANIES

FM 19/6/92

30

PEPKOR FM 19/6/92

Liquidity lake

30

At first glance at the Pepkor balance sheet, the most extraordinary aspect of this large business is that cash resources represent 88% of ordinary shareholders' funds. Even after

FINANCIAL MAIL • JUNE 19 • 1992 • 97
Cont →

Activities: Investment holding company.
Control: Pepgro 54%.
Chairman: C H Wiese; MD: J A Louw.
Capital structure: 15,9m ord. Market capitalisation: R2,31bn.
Share market: Price: R145. Yields: 1,7% on dividend; 4,2% on earnings; p:e ratio, 23,7; cover, 2,5. 12-month high, R145; low, R90. Trading volume last quarter, 304 000 shares.
Year to Feb 29

	'89	'90	'91	'92
ST debt (Rm)	12,7	7,3	64,5	177,7
LT debt (Rm)	7,0	5,8	5,4	61,5
Shareholders' interest	0,45	0,43	0,35	0,31
Int & leasing cover	12,0	14,3	80,3	21,0
Return on cap (%) ..	18,4	17,8	17,6	8,4
Turnover (Rm)	1 193	1 481	1 957	4 266
Pre-int profit (Rm) ...	103	119	149	183
Pre-int margin (%) ..	8,6	8,0	7,6	4,3
Earnings (c)	433†	483†	558†	612
Dividends (c)	158	185	212	244
Net worth (c)	1 272	1 623	1 856	2 813

† Adjusted for conversion of debentures into ordinary shares.

deducting interest-bearing debt, there is still R138m cash — 32% of ordinary shareholders' equity.

It highlights two special facets of the organisation: its capacity to generate cash and the underlying strength of the business even after it had absorbed the pro rata results of loss leaders like Tradehold/Tradegro, acquired last October.

With the year's acquisitions, Pepkor has become the biggest retail organisation in Africa. The real strength in the portfolio remains Pep Ltd (*Companies* June 12), still the largest profit contributor. It increased turnover by a fifth and EPS by 11%.

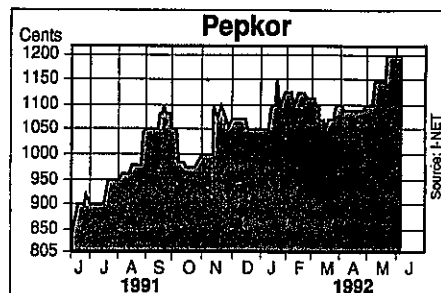
Rising star Shoprite turned in a glowing performance as the benefits of its 1990 takeover of Grand Bazaars began to show. Turnover jumped 54% to R1,3m. Synergies of the takeover were seen in the 80% leap in operating profits. After-tax earnings and EPS rose by 51% to R12,2m and 41,1c respectively.

In fiscal 1992, Pepkor acquired four listed companies: Tradehold, Tradegro, Cashbuild and Smart Centre. All came from Sankorp, with Smart Centre and Cashbuild bought out of Tradegro before the group absorbed it.

The main attraction in the effective



Pepkor's Wiese . . .
looking abroad



R54,9m purchase of 50% of Tradehold and Tradegro was Checkers (*Fox* October 25 1991). Results for the five months to end-February of Tradehold and Tradegro were incorporated with Pepkor's but had no material effect on Pepkor's annual result.

When control of Tradehold was bought, a 46% shareholding of Cashbuild, a leading supplier of building materials, was acquired. Its trading for the five months to February were also incorporated with Pepkor's. Pepkor chairman Christo Wiese says only that the company is trading satisfactorily.

Smart Centre, a family fashion credit chain of 136 stores, produced satisfactory results in the eight months to end-February (*Companies* May 29).

Two unlisted smaller chains were acquired: 42 Fraser mine stores and 208 Harties outlets. These enhanced the geographical spread and all have been renamed Pep.

After these events, considerable reconstruction was needed, but combining Checkers with Shoprite has overshadowed other developments. Tradegro has acquired the supermarkets, butcheries and trademarks from Shoprite Holdings in exchange for new Tradegro shares, which Shoprite will renounce in favour of Tradehold, in exchange for new Tradehold shares. These are to be distributed *in specie* to Shoprite shareholders, who may exchange them for Pepkor shares or cash.

During the financial year, Pepkor sold about a tenth of its shareholding in Pep Ltd to achieve a better spread. Since then, Pep Ltd's share price has climbed strongly. But the strongest price surge came last week after the 10-for-one Pepkor share split. The price now seems to be discounting strong long-term earnings growth, especially given the earnings dilution of the R262m rights issue (*Fox* May 8).

One of the most attractive aspects of the group — with the exception of the comparatively small Smart Centre and the department stores, Stuttafords/Greentmans — is its sharp focus on cash-based retailing. Another is its strong, widely spread national and, recently, international trading base. Then there is the cash balance, which, after the rights issue, will exceed R500m.

By coming to the market for equity, management is expressing confidence in long-term prospects. Whether this can justify an earnings multiple of about 24 and whether the market can sustain the price at this level, is another matter. Perhaps, at the least, consolidation is called for.

Gerald Hurshon

BUSINESS

Free the markets, urges BTT

w/ mail 19/6 - 25/6/92.

THE long-awaited government study of food prices comes down heavily in favour of deregulation. Its stance is strongly against intervention, such as control boards represent, and in favour of free market solutions.

The Board on Tariffs and Trade (BTT), which undertook the study, issued a preliminary report last week.

As reasons for persistent food price inflation above the rate of general inflation the board rounded up some of the usual suspects.

It mentions wage increases which outpaced productivity improvements, hijackings, removal of subsidies, indirect taxes like Value-Added Tax on food, regulation and marketing board-administered schemes to drain off excess food production.

The board found it impossible to identify specific culprits abusing special privileges. But it did find concentration at agricultural board and processing levels.

"The fact that cost increases can be readily passed on to the consumer seems to indicate a lack of effective competition in certain areas."

The report clears farmers themselves, and it does not make any arguments for breaking up

Agricultural control boards are not the only villains of the food price spiral. Deregulation and breaking down of concentrations are needed, the recent government report found. By REG RUMNEY

as being at the root of the concentration. "It is at the intermediate levels of crop purchase and storage, primary processing and wholesale distribution that concentration tends to be greatest.

"Significantly, it is also at this level that intervention is most common. In the BTT's opinion this intervention increases concentration more often than it disperses it."

The BTT goes on to say that *concentration stemming from control boards contributed to further upstream concentration.*

In the course of its investigation the board has taken a close look at profit margins and returns in various parts of the food chain. But

it urges circumspection about this statistical evidence, arguing that conclusions on efficiency, exploitation, or fairness cannot be arrived at by studying statistics alone.

This could be aimed at among others arguments put forward by the big retailers that their low margins showed they were not exploiting the consumer.

The board notes elsewhere the declining productivity of workers in food retailing, compared to wage rises. It also notes: "The co-operatives do virtually all the wheat storage. Only two companies distribute refined sugar. Seventy percent of maize milling is done by six major companies. About 85 percent of all dairy processing is done by seven major players. Approximately 63 percent of all fresh vegetables are sold on the 15 national markets."

The report does not single out the retail chains or the processors. It merely advocates removing barriers to competition, and identifies a wide variety of such barriers for consideration.

The board believes import tariffs should replace quotas to allow competition from food imports, and that eventually tariffs should only be used against dumping.

It recommends replacing minimum standards with a clear marking of quality and grade.

It urges that the scope of the Competition Board be broadened to that of an "ombudsman" to which anyone could appeal to remove competition-inhibiting laws, including health regulations.

Several issues are not fully dealt with, such as the effect of VAT and whether the official food price inflation figure correctly reflects what is happening to food prices, but the board promises to look at these as well.

●See PAGE 18

Minister 'naive' about food prices

STAR 19/6/92
By Shirley Woodgate

The private sector has labelled as "naive and misleading" claims by the Minister of Agriculture that concentration in the food processing and distribution sectors are partly to blame for soaring food prices.

Defending the marketing boards, Dr Kraai van Niekerk said on Wednesday that the private sector had to take some of the blame for spiralling food costs.

According to Housewives League president Jean Tatham, government figures showed an increase of nearly 30 percent in food prices between April 1991 and April this year.

Econometrix spokesman Tony Teine said all players in the entire supply chain carried the blame for increasing costs and, logically, all were trying to secure the greatest margin possible.

"If the food sector were completely decontrolled, this situa-

tion would continue with each one trying to optimise his position.

"My worry about the piecemeal deregulation of certain areas of the economy is that the areas not deregulated would begin to enjoy huge leverage in negotiating prices because of the protection that regulation implies," Mr Teine said.

"While everyone tries to get the maximum out of the economic system, the presence of additional middlemen such as control boards means there are more players than necessary trying to optimise their positions. This must add to the cost chain.

"The ultimate answer is to deregulate on a broad front," he said.

Pick 'n Pay food director Sean Summers regretted that the minister had resorted to "finger-pointing without getting to the root of the problem".

Calling for the removal of current restrictive tariffs, he said in-house monitoring had proved that the highest levels of price increases occurred in the

cost of agricultural-type products.

"As a broad principle, it is essential to keep the farmers on the land. But with the present drought, there is no logic in protecting non-existent crops by selling imported foodstuffs like maize and wheat at artificially high prices set by the control boards.

"The major task facing the nation is to feed the people. Therefore the need is to import these foodstuffs at the lowest possible levels, without protecting structures and status quos as currently happens," he said.

Pick 'n Pay had initiated talks which would include leaders of the various sectors of the industry, the Government and the control boards.

OK Bazaars food marketing director Mervyn Kraitzick said the minister should distinguish between manufacturing and production, and retailing.

There was no question that monopolies and oligopolies which dictated prices existed in the manufacturing and production sector.

FM 19/6/92

Predictably, a mini-panic has arisen in the wake of the Department of Transport's recently released feasibility study on a light rail transport system to connect Alexandra with Johannesburg CBD. The city council's metropolitan planning department says it has been inundated with calls from worried property owners in Orange Grove.

And some estate agents — waving a map purporting to show the agreed rail route — appear to be bullying owners into selling their homes.

Russell Marriott & Boyd Trust's Stan Arenson says he has received calls from homeowners alleging that some agents have attempted to persuade them to sell "on the basis of false information."

The planning department recently sent an open letter to all property owners in Orange Grove, particularly directed at those who live along Louis Botha Ave, Eighth Ave and Second St — the area most affected by the DoT's proposals. The letter confirmed that residents had expressed "their concern and anguish most vociferously" at a public meeting.

Transportation Committee chairman Paul Asherson says the problem lies squarely with the DoT report with its "routing suggestions, devised at the department's own volition . . . which deviate from the line of the main arterial connection (Louis Botha Ave). We certainly haven't accepted these proposals."

In fact, it is unlikely that council will ever accept the proposals. Asherson is blunt: "They do not conform with the widely accepted principle that new transport systems must adhere as closely as possible to existing main arteries — and not go wandering around the suburbs."

Asherson confirms a string of reports about unscrupulous estate agents attempting to trigger panic selling. However, he adds that a number of callers have expressed rather more interest in when they can expect expropriations to begin — and when expropriation payments will be made.

The metropolitan planning department's circular urges residents and homeowners "not to be scared into crisis by selling below market rates, or relocating to other areas by the actions and advice of estate agents operating in the area."

The Estate Agents Board has a different story. Assistant manager Clive Ashpol confirms that he has heard reports about the alleged miscreants — but "we have received no formal complaints from any genuinely aggrieved consumers. Until we do, we can't take any action." He believes it is possible homeowners are unaware that they are entitled to seek redress from the board.

Asherson remains in combative mood. "We haven't even agreed to the implementation of a light rail system as yet, let alone the route it is to follow," he says.

However, "a decision will clearly have to be made soon because the situation which could arise five years hence could be frightening if we don't address the problem now."

Asherson says the council is under no obligation to accept all or indeed any part of the DoT's Masstran's feasibility proposals — nor will it do so until the matter has been properly aired and canvassed. The benefits of a mass transport system such as that proposed — which some observers describe as dubious — will need careful scrutiny. A public participation exercise is due to start next month and "everyone interested will be given an opportunity to state his opinion."

Asherson says the council's decision is unlikely to be made before February.

Referring to the DoT's recommendations that a second mass transit line should be established between Hyde Park in Sandton and Johannesburg CBD, Asherson says this is a pipe dream without economic foundation. For a light rail system to be effective anywhere, it must carry large numbers of people, and "those numbers simply aren't available from that area," he argues.

Property owners along the proposed route are best advised to bide their time. Such projects cost a great deal of money — and even the spendthrift Johannesburg City Council is likely to find the Mass-trans system way beyond its reach.

In my view . . .

A daily commentary on current economic affairs by writers of The Star.

SBDC plan to create jobs worth second look

STAR 19/6/92

By Michael Chester

Though there were deep frowns in many corporate boardrooms this week as computers busily calculated the cost of production losses caused by the big stayaway on Soweto Day, the general atmosphere was relieved by the relative calmness of Day One of the ANC mass action programme.

Even so, it did little to ease the pervasive anxieties of businessmen over the state of the economy.

With spreading gloom about the prospect of a third successive year of stagnation, new investment has slowed to a crawl.

As pointed out by Naas Steenkamp in a presidential address at the annual meeting of the Chamber of Mines, South Africa's investment attractions are still more than counter-balanced at present by the image of rampant violence, the unsteadiness of transition and universal uncertainties about the future scenario.

South Africa, he said, must confront the blunt fact that the horn of plenty is *not* about to flow in the form of cash injections from overseas.

"We shall have to start developing our industry and our economy ourselves," he said.

One starting point may be a strategy devised by the Small Business Development Corporation, which it estimates could create or expand as many as 50 000 or more small and medium business enterprises — and in the process create 2,5 million new job opportunities in the next five years.

The key, says SBDC senior general manager Jo Schwenke, is the



mobilisation of venture capital in a joint exercise by government and financial institutions.

He suggests an initial budget of around R400 million a year from private sector institutions (after all, equal to no more than one percent of annual cash flows in pension companies and pension funds) and R2 billion a year from government.

To allay fears in the business community at this cost, it could be launched as a modest pilot exercise with, say, R50 million from the institutions and R200 million from the government.

The SBDC, now with a 10-year track record of success with venture capital schemes, is willing to act as fund manager to select entrepreneur candidates and monitor progress.

It is a possible initiative that deserves serious examination if South Africa is going to show a bit more economic dynamism.

Foschini weathers the recession

STAR 19/6/92

By Sven Lünsche (30)

Fashion group Foschini continued to weather the severe impact of the recession on consumer spending, showing real growth in earnings in the 15 months to end-March.

The year-end has been moved to March and results are not strictly comparable, but the 1991-92 period includes two March quarters, traditionally the worst for clothing retailers.

Turnover for the 15 months rose 40,3 percent to R1,15 billion (financial 1990: R822 million), while

the operating profits were boosted by 26,4 percent to R213,6 million (R169 million).

The high level of borrowings lifted the interest charge from R20,1 million to R44,7 million, but net income still showed a strong 26,6 percent improvement to R92,9 million (R73,4 million).

Earnings a share rose from 181,2c to 216,2c despite a rise in the number of shares in issue.

A scrip dividend of R37,50 has been declared on the basis of one new

share for every 83 held.

Holding company Lefic lifted earnings a share by 19,6 percent from 91,7c to 109,7c and has declared a scrip dividend of R17,50, equal to one new share for 73 existing shares.

Boosted by a strong performance at UK store group Etam, Oceana Investment, Foschini's UK arm, reports a 34,4 percent rise in earnings a share in the year to end-March from 18,6p to 25p, and is paying an unchanged total dividend of 11p.

It's tough out there — Wiese

By Stephen Cranston

The recession has never been tougher in all the 23 years he has been in retailing, says Pepkor chairman Christo Wiese.

In a presentation to the Investment Analysts Society at the Johannesburg Sun, Mr Wiese said that the retail trade went into a downspin from October last year and profitability all but disappeared from early 1992.

Mr Wiese admitted that the acquisition of Checkers from Sanlam at the end of last year was a great challenge but he had "great confidence" in the present management team led



Wiese... Pep divided into three divisions.

by MD Whitey Basson.

Mr Wiese confirmed that most Checkers stores would be converted to Shoprite other than those in affluent areas

such as Johannesburg's northern suburbs.

Pep has divided its business into three sectors — clothing headed by Tony Houghton, food headed by Mr Basson and specialist retailing headed by Carel Stassen.

Pep plans 200 UK stores

By Tom Hood

CAPE TOWN — Pep Stores will open more than 200 stores in Britain in the next few years, says Pep's managing director Tony Houghton

He told the Investment Analysts Society in Cape Town: "Our longer-term

Commenting on Shoprite's reputation as anti-union, Mr Basson said he expected staff morale to improve with the introduction of staff share schemes and a return to profitability should also help.

target is to dominate the low-income clothing mass market sector.

"This will require organic growth as well as acquisitions of small and medium-sized operations."

Seventeen were already trading in Scotland under the name of Your More Store.

NEWS IN BRIEF 30

Threat to Barlows

THE ANC has called for a consumer boycott of all Barlow Rand products until 600 Barlow Kew workers — dismissed in 1989 — are reinstated. ANC NEC member Elias Motsoaledi told a meeting of the dismissed workers yesterday that if a consumer boycott did not get Barlows to reinstate them "we will have to hit them harder".

Numsa condemned yesterday's arrest of 31 workers when they tried to march on Barlows' head office. The workers were arrested for contempt of court following Wednesday's urgent interdict by Barlow Appliance against Numsa to prevent the union associating itself with the march.

Barlow 19/6/92



By Justin Pearce

WALKING through the Waterfront is like walking through a particularly tasteful shopping mall. It is a scheme designed for consumption and consequent profit-making — just don't expect to find anything as mundane as a loaf of bread or a tube of toothpaste in the shops.

Yet the Waterfront site is, technically, public property — which prompted a meeting between the ANC and the Waterfront management to discuss what the ANC perceived as an elitist development.

"Our constituency felt angry about what's going on," said Mr Basil Davidson, ANC spokesperson on planning.

As the Waterfront is on public property, it deserves to be regulated by a greater degree of public consultation than would be the case if it were on private land, Davidson said. The Waterfront site is leased from Transnet, the private company that controls the harbour.

"We felt the development did not reflect the community of Cape Town," Davidson said, pointing out the high prices and inaccessibility of the Waterfront make it off-limits to most Capetonians.

"If you went to the Waterfront on any day, you would see it is just not true," said Professor Brian Kantor, chairperson of the Waterfront Management Committee.

"That criticism may once have had some validity — white customers were catered for first because they had more disposable income — but now we are attracting customers across the board."

The ANC recommended the establishment of an advisory board, which would include representatives from the Western Cape Traders' Association and trade unions.

The response from certain members of the committee was to "go on a rave about free markets," Davidson said. "Other members were more receptive, but there is a block at the top because of the ideological position of individuals."

The Small Business Development Corporation (SBDC) has also negotiated with the Waterfront management committee, said

Waterfront: Yuppie themepark

or a plek for all the people?

SOUTH 20/6-24/6/92



GETTING BACK TO THE 'FRONT: Will the workers return to enjoy Cape Town's elite attraction? Photo: Yunus Mohamed

SBDC assistant general manager Mr Mike Klopper.

He said the number of people, including wealthy tourists, who visited the Waterfront made the site an excellent site for a small business trying to take off. "They need the exposure of the Waterfront, but the trading requirements are quite high, so the small guy battles."

Among the trading requirements Klopper mentioned the high rents and the long business hours. For example, the craft market operates seven days a week, putting strain on a business owner who does not employ extra assistants.

A further objection by the ANC concerned the racial imbalance in employment opportunities — most

of the waiters and waitresses at Waterfront restaurants are white.

Kantor pointed out the white domination of restaurant jobs was not exclusive to the Waterfront. "We'd like to see all kinds of people working, but the business decisions that restaurants take tend to favour young white kids."

He said Waterfront employment

opportunities were not confined to restaurants. "The number of jobs created in construction at the Waterfront is large, and there are other employment"

But as Davidson put it, it was inappropriate for business to parade a free-market position "after three centuries and, in particular, 40 years of affirmative action for whites".

Imports of used clothes 'straining' SA industry

LARGE quantities of imported second-hand clothes "flooding" into the country under the pretext that it is destined for charity, are placing the already embattled clothing and textile industry under strain and could lead to further job losses and factory closures.

The industry — currently involved in a bitter wage dispute with the SA Clothing and Textile Workers Union (Sactwu) — was being "crippled" by the imported clothes being sold at "incredibly" low prices at flea markets and second-hand shops all over Cape Town, the chairman of the Garment Manufacturers Association, Mr Patrick Boers, said this week.

By JESSICA
BEZUIDENHOUT

A Department of Trade and Industry spokesman, Mr Charl Nel, said it was "unfortunately" true that most of these garments had been imported duty-free.

He said some retailers were "abusing" a provision in the Customs and Excise Act which allowed churches and charity organisations to import second-hand clothing duty-free, provided it was distributed free.

Misuses

According to Mr Nel these retailers imported under the pretext that the goods would be used for charity.

He said proposals for the amendment of this provision to stop this abuse "would be submitted" to the government by the Board of Trade and Industry, which is currently investigating.

The alleged misuses are specifically connected with a concession granted a few years ago which allowed churches and welfare organisations to sell some of the imported second-hand clothing to cover import and distribution costs, he said.

Mr Nel also said recommendations to cancel this concession had been received by the department and an investigation into cancelling it or finding ways to police it was currently underway.

Customs permits to the value of R639 939 have been issued to churches and welfare organisations so far this year.

Dr Helgard Muller, a

spokesman for the Board of Trade and Industry, said the board was "doing everything possible" to protect local industries.

He said a full report on the investigation would be available soon.

Another concern is that "a lot" of the imported goods were being "dumped" in South Africa.

According to Mr Hennie van Zyl, executive director of the National Clothing Federation, these goods were being sold more cheaply here than in their country of origin.

It is extremely difficult to control the import of second-hand or dumped goods, Mr van Zyl said, mainly because the duty was too low.

Block

He said the government should increase the current duty of 30 percent and implement anti-dumping legislation to prevent retailers from selling imported garments for less than in their country of origin.

Sactwu's assistant general secretary, Mr Ebrahim Patel, said the government should block the unnecessary import of textiles which were available in South Africa.

He said SA had an "excessive" tendency to import, which caused problems because it created jobs abroad but resulted in severe job losses and factory closures in SA.

Now Visser puts Pep in the Brits

SI Times (RUS) 2/16/92

AFRICA's largest retailer Pep aims to take on the nation of shopkeepers by opening 200 stores — it has already opened 17 in Scotland — in Britain in the next few years.

Group chairman Christo Wiese says Pep is furthering its international operations within Africa beyond Namibia, Lesotho, Swaziland and Botswana, where Pep Botswana shares were listed last week.

Challenge

Taking note of the hazards of trading in Africa, Mr Wiese said Botswana had been most successful and would likely be the springboard for entry into Mozambique, Angola and Zimbabwe.

The UK chain will trade as "Your More Store" under the guidance of former Pep Stores retail MD Johan Visser, who entertained members of the Investment Analysts Society with an im-

By JULIE WALKER

promptu speech as part of a Pepkor group presentation on Thursday.

He claimed he was not in Scotland on account of his English or for the weather but to relish the challenge: "I'm a retailer and I know my business."

Having been involved in the opening of 300 stores in Pep's Southern African stable in the last four years, 200 in the UK does not daunt him.

"Many people do not understand what being poor really means, or that living on £100 a week makes you count every 20p. A third of the UK population is in the D/E income group, nine million earn less than £100 a week and three million are unemployed.

"That represents a low-income market 10 times the size of SA's working population in the same bracket."

The China syndrome

By FRED KHUMALO

INDIAN businessmen in Durban are bracing themselves as an influx of Chinese and Taiwanese entrepreneurs continue to provide stiff competition in the city's hitherto "Indian" business district.

Already with a foothold in the newly established Victoria Street Market - 10 of them run businesses here - there are fears among local Indian businessmen that the Orientals might eventually force them out of the lucrative black market.

A snap survey carried out by City Press at the market and other parts of the Grey Street area, long considered to be the stronghold of Indian business, attracted comments which ranged from non-committal generalisations to anti-Chinese statements.

"Their aim is to attract the black consumer because they have realised that that is where the money is," said property developer Hans Meyer.

Manager of the Victoria Street Market, Owen Holland, agrees that the

C/Press 21/6/92. (30)
Indian traders fear an 'invasion'



TRADING PLACES ... Some Indian entrepreneurs fear stiff competition from their Chinese counterparts.

■ Pic: DESENI MOODLIAR

Chinese are shrewd in business and offer goods at "keen prices".

That's exactly what peeves Indian businessmen.

Trader Umesh Gopaul confirms that there is growing tension between Indian entrepreneurs and their Chinese counterparts "especially because

they (the Chinese) are offering cut-throat prices".

Gopaul said the Chinese "sell things for next to nothing". He said while Indian traders import the same goods from the East as the Chinese, the Orientals "have better access to goods and they speak the language and get the goods cheaper from China and Taiwan".

Raman Patel, a trader at the Victoria Street Market, agrees: "I do not object to free enterprise and other races opening business in the Indian areas, but they should operate in a manner which is beneficial to other businessmen."

Chinese traders are also operating in West

Street and The Wheel shopping complex near the beachfront where they run boutiques and unique wholesalers which sell everything from exotic clocks to leather jackets.

Most Chinese traders approached for comment were reluctant to speak to the press or had language difficulties. "Engreesh. No speak Engreesh," said some.

But one of the Chinese traders at the Victoria Market dismissed the accusations against his fellow countrymen. He told a journalist: "We have come from Hong Kong and Taiwan to make our bread. We know we are cheap, but we do not want our Indian trading partners to feel we are aiming for their territory."

An Indian businessman who runs a curio shop at the market agrees: "With political change comes free enterprise. So why should we complain? We just have to work harder and try to establish contacts overseas where we can get the goods cheaper. Let's learn from our Chinese friends."

The mud butter of Evaton



Spar set for R3bn record

By ZILLA EFRAT

SPAR is close to usurping the OK Bazaars group as South Africa's third largest food retail chain. Its food sales are now larger than those of OK Bazaars stores and have "almost" eclipsed those of the combined OK Bazaars-Hyperama group.

Spar group marketing director Brian Beavon says the retail chain's turnover is expected to top a record R3-billion this year.

He says Spar has become SA's fastest growing food retailer and has been rapidly gaining market share, largely from OK Bazaars and Checkers.

Independent research shows that Spar's sales were 8% higher than the average growth rate of major retail stores during the year to April 1992.

Growth has come from acquisitions, a major revamp of stores and increasingly competitive pricing.

Last month, 17 Hyperettes moved into the Kwikspar stable, giving Spar a strong foothold in the Western Cape peninsula.

Spar has also acquired nine OK Stores over the past eight months and could take over more in the near future.

Growth has also come from Spar's focus on customer service, which results from the stores being owner-managed, and Spar's successful TV advertising campaign.

ton subsidy

2/6/92

of controversy when garment-makers claimed it would cost companies their business and employees their livelihoods.

Textile producers have cautiously welcomed it. Mr Grace says textile producers should feel the benefits in about six months' time when their volumes start rising as imports are cut.

However, he says, a long-term programme for introduction at the end of the 18 months will have to include measures to alleviate raw-material costs of the fabric producers if the sector is to survive without excessive duties and a quota system.

Apart from a cotton subsidy, he calls for capital grants for upgrading and rebuilding plant, tax-breaks for manufacturers, capital allowances and other unspecified incentives.

New MD at Sales House

30

STAR

22/6/92

By Stephen Cranston

Arthur da Costa, MD of the Edgars distribution and retail services arm, UPC, has been appointed MD of Sales House.

He replaces Ian Thomson who resigned earlier in the week to return to the UK as MD of British Shoe Corp.

Edgars corporate affairs director Fred Haupt says Thomson's resignation was unexpected and purely for personal reasons.

Mr da Costa, a Hollander, joined Edgars in 1968, and has worked in both the Edgars and Sales House chains.

Edgars says Darryl Cousins has joined the corporate board. Mr Cousins is chairman of Celrose and MD of Edgars Investment Holdings.



SOWETAN BUSINESS

POLITICAL organisations and trade unions have been challenged to involve black business in their campaigns aimed at liberating the oppressed masses.

They have also been called upon to involve black businessmen in their activities, including the mass action propagated by the ANC and its allies.

The two messages came up at the 22nd annual conference of the Southern Transvaal African Chamber of Commerce and Industries held at the Jan Smuts Holiday Inn, near Johannesburg, last week.

The conference, whose theme was "Meeting the business challenges of the future South Africa", also addressed several issues such as the surging violence and crime, unemployment, poverty, a stuttering

Business throws down gauntlet

Sowetan 22/6/92

which are having devastating effects on township business."

Leading the discussion on campaigns, business consultant Mrs Pam Ngulwa challenged, in particular the ANC and its alliance partners, to involve and inform black business on their mass action campaigns.

She said: "Black business has never been informed about the mass action which has, in some instances, affected our operations in the townships. "We are deeply concerned about the escalation of crime and violence

violence in the country and halt negotiations.

Ngulwa also charged that black businessmen were not well informed about the action of political and trade union movements and the impression created was that "we simply do not care".

"We are part of the black struggle against the system that has oppressed us for decades," she said, adding, "we do not have to be neglected".

strikes and marches caused concern among black business.

"All these events are occurring at a time when the most severe drought in living memory, combined with the consequences of failed political systems and recession, are causing unemployment, poverty, hunger and misery across the sub-continent.

"Many of our people who are suffering from these events do not even understand the political issues and certainly cannot grasp the reason for the civil

warfare."

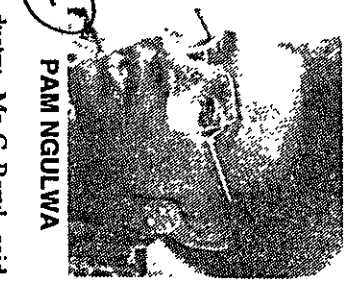
He called on black business to launch a campaign to hand out food parcels as a demonstration of the business community's concern at the high level of hunger and poverty.

These parcels would be given to the poor communities, especially in rural areas, from August this year so that "we can be seen to be playing a meaningful role towards uplifting our people".

On the question of the stuttering economy, the Deputy-Director of the Department of Trade and In-

dustry, Mr G Beryl, said that South Africa could not afford to continue to run uneconomical plants because of severe marketing restraints.

He said a revitalised economy and a highly competitive economy would require a "strong partnership between Government and the private sector".



PAM NGULWA

Regarding the development of small businesses in South Africa, Government and the private sector should together take up the challenge of cultivating a truly "entrepreneur-friendly" climate.

Pepkor offer to bring in R683m

30

Bldam 22/6/92

LINDA ENSOR

CAPE TOWN — Pepkor and its subsidiary companies would have combined post-rights offer cash holdings of R683m with which to fund their growth and expansion, Pepkor chairman Christo Wiese said last week.

Pepkor would have R332m in cash as well as R78m invested in preference shares, Tradegro R216m and Pep Ltd R129m.

During a presentation to the Investment Analysts' Society Wiese said the funds raised by the rights offer would help the group enter new fields of growth.

Priority would be given to international expansion through Pep.

Organic

He stressed that growth would have to take place within the confines of the group's focus on mass market retailing. Acquisitions would be focused on businesses of an appropriate size with high growth potential.

"Our preferences are for organic growth through our divisional operations, for international growth through our Pep operation and through other opportunities within the mass market," he said.

International growth would be driven by Pep International, which had 17 clothing retail stores in Scotland.

The small company had tremendous growth potential and was expected to become a substantial part of Pep during the next two to three years, Pep group MD Tony Haughton said.

The goal was for the Scottish chain to dominate the low-income clothing mass market, he said.

This would require establishing at least 200 stores during the next few years through organic growth and the acquisition of small- and medium-sized operations.

He said the Scottish operation was trading well but had a long way to go to establish an adequate infrastructure, systems and procedures to deal with the planned rapid growth.

"We are also looking into further inter-

nationalisation of our operations within Africa, beyond Namibia, Lesotho, Swaziland, and Botswana.

"Botswana has proved to be a most successful operation for us and can be the springboard for the entry of Pep Stores into countries such as Mozambique, Angola and Zimbabwe."

The takeover of the giant loss-making Checkers chain with a turnover of R3,5bn was absorbing the attention of Shoprite MD Whitey Basson, who assured analysts that Checkers would make a satisfactory contribution to group profits by 1994.

He said about 40 Checkers stores would be converted to Shoprite once the Shoprite name had gained market penetration through its association with Checkers.

This programme would begin in earnest in 1993.

Turnover growth of more than 40% had been generated in stores which had already been converted.

Pepkor portfolio director Carel Stassen said Cashbuild was expected to suffer a slight drop in earnings in the year to end-June as drought, unrest, cutbacks in the mining industry and the imposition of VAT had been detrimental to building material sales.

Turnover

Pepkor's turnover for the fiscal year to end-February 1993 was expected to reach R8bn as a result of its Tradehold and Tradegro acquisitions.

Group turnover last year increased 118% to R4,27bn while earnings a share rose 10% to 612,3c (558c).

Consisting of Cashbuild, clothing retailers Smart Centre, Pep Stores, Ackermans and Stuttafords/Gretermans and food retailers Shoprite and Checkers, the group has about 1 660 outlets and supermarkets, employs about 40 000 people.

It is the largest retailing group in Africa.

Keys calls top-level meeting on food prices

B/Daw 23/6/92

SHARON WOOD

FINANCE Minister Derek Keys has called a top-level meeting in Pretoria this morning with leading food retailers and manufacturers to investigate soaring food prices.

Private sector delegates attending the meeting include Pick 'n Pay food director Sean Summers, Premier CE Peter Wrighton, Tiger Oats executive director Hamish McBain and Shoprite/Checkers MD Whitey Basson. Department of Trade and Industry director-general Stef Naude and Board on Tariffs and Trade (BTT) CEO Ruel Heys will represent the public sector. Central Statistical Service head Treurnicht du Toit is also expected to attend.

The Finance Department and private sector representatives would not comment yesterday on the aim of the meeting.

Sources said the meeting reflected Keys's serious attitude to inflation.

The meeting would probably be used to discuss and decide on an agenda to combat spiralling food prices. Summers said the Minister had called the meeting in reaction to the calls by Pick 'n Pay and Premier for

a food price summit in August.

That meeting is scheduled to take place before the release of the full BTT food price investigation, expected in September.

Meanwhile, Sapa reports that the SA Agricultural Union (SAAU) yesterday informed the BTT chairman in writing of its objection to the board's recently released discussion document on food prices.

GERALD REILLY reports that SAAU president Boet Fourie said the report would be discussed urgently with the SAAU's affiliates at a commodity conference in Pretoria on Saturday.

The SAAU has told the BTT that the discussion document's findings and recommendations either contradicted the information available or used it selectively. Many important findings were ignored in the recommendations, it claims.

The document was also strongly biased against statutory marketing arrangements and marketing boards.

20

PROPERTY

Speculation rife about Oxford Manor

PETER GALLI

THE ultimate test of the success of a commercial property development is its acceptance by the market, reflected in tenancy levels and rentals achieved.

Time Property's (Timeprop's) R55m Oxford Manor development, scheduled for completion next week, has caused much speculation in the marketplace.

The 13 121m² development comprising four separate buildings has been sold to the Durban Corporation, which has a big property portfolio, but Time Developments holds a 15-year head-lease on the property.

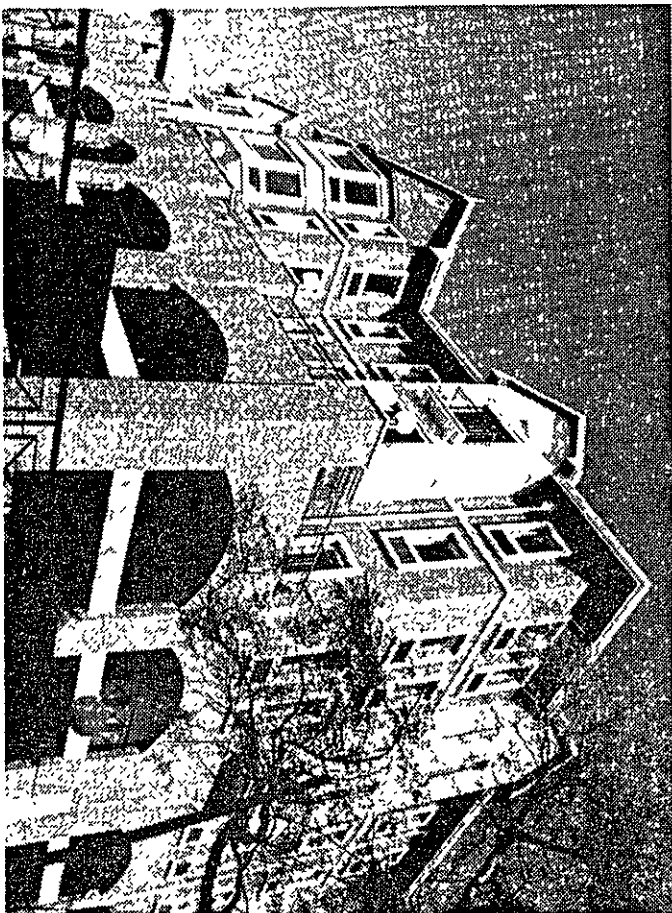
A property economist said this meant Time Developments was guaranteeing rentals for that period, and that its development profit could be quickly eroded if vacancies remained high.

The development comprises about 1 500m² of retail space and 11 600m² of office accommodation.

Industry sources feel head-leases are highly risky and perhaps used too frequently by Time Developments.

Time's property management services director Louisa Myberg feels that the excellent location of the development — fronting onto Oxford Road, the Wanderers Golf Club and Rudd Road in Illovo — and its accessibility negates that risk.

"All elements are taken into consideration when a head-lease is considered, and we believe this is not risky as the location is sound and there is little potential for the rezoning of further properties with business rights in the area," she says.



Timeprop's new 13 121m², R55m Oxford Manor development in Illovo, Johannesburg, is due for completion next week.

TimeProp MD Mike Raggett says the viability and risk of developments undertaken are carefully assessed. "The success of a scheme depends upon its ability to let, no matter what the state of the market in general, although timing in terms of demand and building costs is crucial."

With leasing enquiries for Oxford Manor building up strongly, the company is confi-

dent the property will let successfully and exceed rental commitments, he says.

About 2 800m² or 25% of space has been leased so far, and another 2 500m² is under negotiation.

Myberg says the development should be 50% let by the end of August and, based on current negotiations and the number of enquiries, she expects the development to be

fully let by year-end.

Other developers and property players feel this is a very optimistic view. They say the cost of the development, which works out at R4 191,75/m², is too expensive for present market conditions and will be reflected in high rents.

Myberg admits the cost is high, saying the land element was fairly expensive. "However, net rental levels of R27/m² are being asked and achieved, which is very much in line with those of other similar areas," she says.

While reluctant to give details of incentives offered, Myberg says Timeprop is not offering the same incentives as the big institutions and that each case is looked at individually.

The travel centre theme is still being actively pursued and about 1 500m² has been set aside in two buildings for this.

The aim is to offer a diverse service by selecting a variety of operators. Myberg says so far, Alltalia and Travel Creations have taken space, while negotiations are underway with several other international airlines. By the end of August, about 800m² of this centre is expected to have been let.

"According to our letting strategy, we are filling the two buildings that front onto Oxford Road so that if we have a prospective corporate tenant of, say, 5 000m² it can be accommodated in one of the buildings overlooking the Wanderers Golf Club," she says.

The latest tenant is Cape-based restaurant group St Elmos, which has taken 400m² of groundfloor space and is the first St Elmos outside the Cape province.

Myberg

Timeprop

Pepkor boss expects 'business as usual'³⁰

8/10am 24/6/92

Own Correspondent

PEPKOR chairman Christo Wiese has told his staff to prepare for business as usual in the coming months despite difficult times that may lie ahead.

Wiese said after a general meeting of Shoprite shareholders yesterday.

"Whether Codesa goes ahead or not, as long as we have a shop to open we will open it.

"Negotiations will have to reopen at some time, even if they stop now, because there is no other option."

Wiese said he had no doubt there would be trouble in the months ahead. He hoped bloodshed would be avoided.

"We have lived through a similar situation in Namibia (...) and we are doing well there."

Discussing the outlook for Pep International, Wiese said: "We shall concentrate first on developing our chain in Scotland."

At a presentation to the Investment Analysts Society of SA a few days

ago, Pep group MD Tony Haughton said it was intended to expand the Your More Store chain in Scotland, which now had 17 outlets, to 200.

Johan Visser, former MD of Pep Stores Retail, has moved to the UK to head the Your More Store operation during its formative stage.

Haughton said Pep International's longer term target was to dominate the low-income clothing market "which will entail establishing at least 200 stores over the next few years".

The group also intended to expand further into Africa.

"Botswana has proved to be a most successful operation for us and, we believe, can be the springboard for the entry of Pep Stores into countries such as Mozambique, Angola and Zimbabwe," Haughton said.

Year included 'good months'

Blaney 24/6/92
RESULTS from already depressed consumer-related companies are expected to decline even further until the end of this calendar year.

MARCIA KLEIN

An analyst said yesterday although results to end-March were already depressed, these had included some good trading months in the previous year.

Companies reporting to end-June or end-September would not derive the benefit of any good trading months, and trading over this period would also be compared with high bases established in the previous year.

Retail sales in the first quarter of the current calendar year had declined dramatically compared with the previous year, and had shown no sign of recovery. A progressive decline in consumer spending should be expected until the end of the year at least.

"Top quality" retail companies were, nevertheless, expected to maintain their earnings at the lower levels established to end-March, he said.

A major factor would be the retailers' ability to read the merchandising mix correctly. If not, they would have to move the

additional stock at reduced margins. Although sales would be worse over the remainder of the year, profits could be maintained or improved upon if companies had prepared for lower levels of spending.

What retailers could not have prepared for was the effect of the prolonged drought, unrest and mass action which would add further momentum to the recession.

Although signs of any recovery in consumer spending were not encouraging, companies had been rationalising and were probably in a better financial shape than for some time.

Retail companies were trading mostly on high PEs and low dividend yields, which meant they were coming off a high base. They were also the last to react to the recessionary conditions. But he said SA was effectively a consuming nation, so consumer related companies would be the first to turn when the economy picked up.

Taking a longer term view, he said, it was better to invest selectively in consumer related companies as opposed to those in heavy duty manufacturing.

Food meeting 'a good start'

Bl Day 24/6/92

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[initials]
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PRETORIA — Leading food retailers and manufacturers met Finance Minister Derek Keys yesterday as part of an effort to get to the root of the dispute over food price inflation.

The meeting is seen as a preliminary to a conference on the issue to be held in August.

Tiger Oats executive director Hamish McBain said yesterday's meeting was a successful start to a series of meetings seen by the industry and Keys as essential if the dispute over government's food price inflation figure was to be resolved.

It was encouraging that the minister had no political axe to grind, McBain said.

"Because of the initiative in calling yesterday's meeting, the logjam on interpreting food inflation figures is beginning to move. Things are beginning to happen," he said.

Pick 'n Pay food director Sean Summers said Keys had intimated the food price issue was a matter for the private sector.

Keys was concerned with inflation, but did not expect to give a direct input.

The Finance Department would not comment on the meeting.

Pick 'n Pay chairman Raymond Ackerman said of the food summit: "It will not be a talk shop, but will come up with a 10-point plan to bring down food prices."

One of the issues that would be addressed would be research into bringing in food imports at a cheaper price. "At the moment they are coming in at a cheaper price, but we are paying a higher price," he said.

Tariffs on farmers' fertilisers and equipment and the commodity

GERALD REILLY
and SHARON WOOD

boards would also be discussed. "The intention is to try and get goods to flow more easily with the employment of free market mechanisms," Ackerman said.

The summit would also look VAT and at inflation statistics, which were believed to be incorrect, he said.

"Central Statistical Service head Treurnicht du Toit attended the meeting and was receptive to discussing changes with us," Ackerman said.

However, Du Toit said he was not aware of any plans to investigate the validity of the consumer price index.

"We are using standard, internationally accepted procedures and there are no problems with these," Du Toit said. "You cannot compare apples and pears and that is what some private sector organisations are doing," he said.

Board on Tariffs and Trade deputy-director Helgard Muller said the two major issues being looked at now by the BTT were the gap between the food price inflation estimate of Pick 'n Pay and other private sector organisations (14% to 15%) and the CSS's 28%.

The other major issue was the impact of VAT on food price levels.

STEPHANE BOTHMA reports that the Vat Coordinating Committee (VCC) would meet with Keys tomorrow to urgently ask for the zero rating of foods and the reduction and stabilisation of bread and maize prices, VCC chairman Bernie Fanaroff said yesterday.

The VCC would also discuss the zero rating electricity and water, medicines and medical services, Fanaroff said in a statement.

Third-quarter upturn in retail sales forecast

(Monday 25/6/92) (30)

LINDA ENSOR

CAPE TOWN — Business confidence in the retail sector has edged up and retail sales should improve in the third quarter, Stellenbosch University's Bureau for Economic Research (BER) says in its latest survey of the retail, wholesale and motor trades.

"In what can be considered as an indication of better things to come, wholesalers and retailers have reported bigger sales volumes than a year ago," the report said.

"It would appear as if the adverse conditions in the trade sectors may be bottoming out. Retailers and wholesalers appear to be more optimistic of an improvement in business conditions in the third and fourth quarter." Retrenchments had, however, continued.

The employment situation was deteriorating, with regular retrenchments.

Wage negotiations between unions and employers were also not characterised by a large degree of consensus, which could lead to further unemployment.

This would dampen growth in SA's total wage bill. Personal taxes would remain high and, coupled with an expected high inflation rate, would keep disposable income under pressure until the third quarter, when a drop in inflation was expected.

The report said BER's survey results were stronger by 25% than those reflected by official statistics which showed a 6,4% drop in retail sales for the first three months of the year over the same period in 1991.

A small net percentage of retailers reported an increase in sales volumes of semi-durable and non-durable goods during the second quarter for the first time since early 1991. Sales of foodstuffs and pharmaceuticals increased "remarkably" after the previous quarter's poor sales.

Sales expectations for the third quarter were better, even for the durables sector where improved sales of electronic and office equipment, furniture and household appliances were expected.

BER said the improved expectations related to depleted inventories as fewer retailers indicated their stocks were too high in relation to demand. Retailers and wholesalers expected the rate of increase in selling prices and purchase prices to be lower than in the previous year.

Second-quarter sales of consumer and non-consumer goods outstripped the expectations of wholesalers, except for chemicals and raw materials for agriculture and industry where sales were poor.

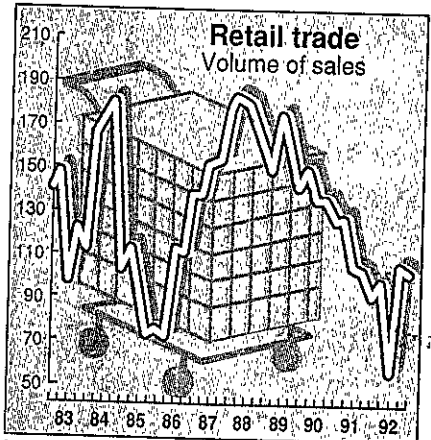
"While sales of food, beverages and tobacco were better than expected, sales of textiles, clothing and footwear, as well as furniture and electrical appliances were poor on a net basis."

The BER found there were signs of recovery in the wholesale sector.

The outlook for the motor trade for the third quarter remained depressed with lower sales volumes expected for the second quarter.

BER noted a strong improvement in black consumer confidence.

The survey found white consumer confidence had edged up marginally after deteriorating sharply in the second quarter.



City budget aims to help business

81 Days 25/6/92
JOHANNESBURG City Council's R2bn budget, announced today, is expected to include incentives for businesses.

The average increase in tariffs for non-domestic consumers, including electricity and water rates, is likely to remain beneath inflation and possibly under the state Treasury's recommended 13% limit on local authority budget increases.

It is believed this is the first time any major municipality in SA has managed to keep tariff increases below the Treasury limit. Assessment rates in Pretoria increased 27,1% for the coming financial year, while Cape Town announced a 16,5% rise.

"We have been particularly conscious of the economic environment in which we live and, in compiling the budget, have sought to keep proposed expenditure levels down," management committee chairman Ian Davidson said yesterday.

"We are very aware that we need to provide a cost-effective environment with adequate services and infrastructure to support the local economy and encourage foreign investment," he said.

Consultations were held with a

30
ADRIAN HADLAND

number of bodies, including Sacob, the Afrikaanse Sakekamer and civic associations, during compilation of the budget.

Small businesses in particular would be likely to benefit from the 1992/93 budget, with a restructuring of tariffs and demand charges serving to ease previous budgetary discrimination against this sector.

There is considerable support in local government circles for a reassessment of the regional services council's payroll and turnover levies.

Davidson said the levies were defective and needed to be refined to resemble more closely local income and sales taxes.

Steepest increases businesses are likely to face, possibly up to 20%, include sewage and refuse tariffs. The refuse increase had been in response to requests from several organisations to clean up the CBD, while a major R3bn upgrading of the city's sewerage system had necessitated that tariff increase.

Businesses provide about 28% of the Johannesburg municipal region's assessment rates income.

Going for broke

FM 26/6/92

Old Mutual Properties Natal (OMP) plans to almost double the value of its property portfolio in the province in two years.

According to regional manager Charles Oxenham, the value of the group's properties which fall under the Durban wing could increase from R658m to around R1,5bn.

Aggressive expansion in the depressed property market is rare but Oxenham says vacancies in OMP's industrial and commercial properties are low: 2,2% for industrial and less than 9,2% for commercial (both substantially below Durban's average).

"If a customer requested a large amount of space now in either sector, we would have to develop additional properties to accommodate them," he says.

Plans to expand in Natal conform with the OMP group strategy of emphasising the growth of its coastal portfolios. Considerable investment has gone into the western Cape in the past year.

Looking at OMP's vacancies, it is not surprising that the focus for growth should now be on industrial property. "Our emphasis in Natal has been in industrial property and, despite the recession, this sector has done well. But the fact that we have just bought the former NBS headquarters shows that we still consider prime office investments," says Oxenham.

Along with its plans for growth, OMP is making an interesting departure from tradition. Institutional property companies have traditionally managed their own portfolios. Now, however, OMP has started farming sections of its portfolio out to independent property management companies.

Oxenham says J H Isaacs and Coreprop have been contracted to manage certain properties in Durban and Maritzburg. "The idea is to place the more management-intensive, decentralised properties in the hands of outside companies so that we can concentrate on key properties where returns can be enhanced by our special expertise." ■

tual" powers and the boards should become "open, voluntary bodies."

McGregor's Online Information chairman Robin McGregor says the BTT food report falls far short of expectations. "The report commences with the identification of the six main (food) chains chosen for special investigation — red meat, maize, dairy, vegetable, broiler and wheat. But, instead of then tackling these chains individually and in detail, the report becomes vaguely academic and merely scratches the surface of potential problem areas."

McGregor says a proper investigation would include a look at:

- Whether there is sufficient competition among the suppliers of farmers' inputs; whether farmers are competent; and whether inefficient farmers are being protected;
- The standard of distribution, storage and marketing of agricultural products and whether there are alternative channels which would provide a better price for farmers or a lower price for buyers;
- Whether there is vertical integration between processors, distributors, wholesalers and retailers which would allow prices "to be shuffled up or down the line;"
- What the packaging industry contributes to the price structure; and
- The efficiency of retailing.

The BTT report provided a fairly comprehensive list of State interventions in agriculture which lead to a distorted food price chain.

These include:

- Low-interest funds channelled to fulltime *bona fide* farmers by the Land Bank which may have influenced "over-investment and over-production, resulting in suppressed farm commodity prices and farmers relying too heavily on debt while farm prices increased." This may also have "prevented farmers from diversifying into downstream processing and other value-added activities;"
- Land Bank and control board policies that stimulated the development of co-operatives, "some of which now enjoy virtual monopolies in the primary handling and distribution of selected farm commodities." And, where members are heavily reliant on seasonal credit from the Land Bank advanced through their co-operatives, "the freedom of individual farmers to buy from or sell to other parties may be inhibited;"
- The establishment of 22 agricultural control boards (in terms of the Marketing Act) "to intervene in one way or another in markets downstream of the farmer and to stabilise prices." They try to "mould the markets in which each commodity is traded by channelling it through appointed agents and/or by intervening with fixed prices, price supports or price pooling arrangements;"
- Giving statutory marketing powers to the SA Sugar Association and the KWV (wine) in terms of the Marketing Act or through separate Acts of parliament which allow them to restrict competition;
- Siting most multi-species abattoirs of the nationalised Abattoir Corp in consumption

rather than production areas which could result in them "finding it difficult to compete in a completely free market;"

- Allowing SA's municipally-serviced fresh produce markets to operate under rules circumscribed by the Commission for Fresh Produce Agents; and
- Endorsing minimum health and hygiene standards imposed by the Department of Health and other statutory bodies which "may discriminate against smaller companies and individuals and effectively act as barriers to entry." ■

FOOD PRICES FM 26/6/92 A sharper spotlight

Finance Minister Derek Keys's call for a top-level meeting of food processors and retailers in Pretoria underlines the seriousness with which government now views the escalation of food prices.

Keys's action follows last week's announcement by Agriculture Minister Kraai van Niekerk that a departmental "policy committee" would look into the future of the marketing boards. Van Niekerk's committee will study, among other things, the findings of a committee chaired by Stellenbosch University professor Eckard Kassier which is investigating the future of the enabling Marketing Act. Kassier says he is still awaiting his "written appointment" and, therefore, cannot comment.

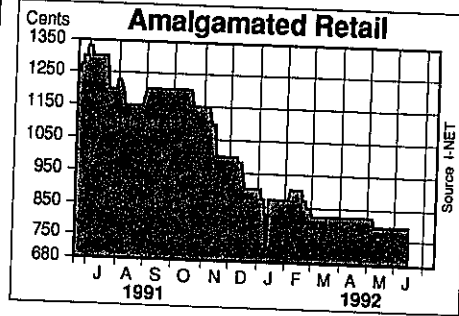
But the recent Board on Tariffs & Trade report on the food chain price mechanism (*Leaders* June 19) leaves little doubt that State interventionism has much to do with the problem.

The Sunnyside Group deregulation lobby maintains that "there are over a thousand regulations governing the red meat industry. The effect ... has been to severely curtail competition, add unnecessary links to the marketing process, increase consumer prices and reduce the availability and the per capita consumption of red meat."

Even attempts to deregulate the red meat industry have been criticised as disguised attempts at reregulation which would entrench producer control of the industry (*Business & Technology* June 12).

Sunnyside co-ordinator Gwynne Main maintains the statutory powers of control boards should be replaced with "contrac-

FM 26/6/92



Activities: Retail furniture, footwear, clothing and various services.

Control: SA Breweries 69%.

Chairman: J M Kahn; MD: S J Berger.

Capital structure: 9,21m ords. Market capitalisation: R70m.

Share market: Price: 762c. Yields: 7,5% on dividend; 22,3% on earnings; p:e ratio, 4,5; cover, 3,0. 12-month high, 1 325c; low, 800c.

Trading volume last quarter, 19 000 shares.

Year to 31 Mar	'89	'90	'91	'92
ST debt (Rm)	7,2	0,5	1,7	6,4
LT debt (Rm)	133	95	112	121
Debt:equity ratio	1,11	0,72	0,80	0,89
Shareholders' interest	0,30	0,31	0,30	0,30
Int & leasing cover	3,3	6,7	3,8	1,4
Return on cap (%)	13,0	11,7	13,8	7,0
Turnover (Rm)	760	849	1 031	1 003
Pre-int profit (Rm)	53,6	47,4	64,9	33,7
Pre-int margin (%)	7,1	5,6	6,3	3,4
Earnings (c)	241	245	260	170
Dividends (c)	81	82	87	57
Net worth (c)	1 352	1 361	1 592	1 518

nearly halved. EPS plummeted by a third and the dividend was slashed 34%. Two reasons for this are a substantial jump in financing costs, which rose by 43% to R24m, and the closure of about 140 stores in the footwear division. The closures resulted in extraordinary write-off costs of nearly R9m.

The furniture sector's average p:e is now 6,8; Amrel's is down to 4,5 — a savage market verdict but probably not unreasonable. Nevertheless, Amrel shareholders will be excused for feeling somewhat battered.

The problem is that the company is concentrated in a market where consumer spending and confidence are vital. After three years of recession, compounded by the delay in resolving political issues, the consumer has long since yielded to the unequal struggle.

Operations are divided into three divisions, of which the most important is furniture. It contributed 65% of group turnover. Berger says unprecedented levels of personal debt and restrictive monetary policy dragged down durable and semi-durable sales. The division's sales fell 2% but its attributable earnings rose by R4m.

National turnover in the furniture sector grew by 4%. So Amrel lost market share. Berger says this reflects the group's caution in granting credit and its refusal "to blithely pursue expansionist policies."

Amrel took its biggest knock in the footwear and apparel division. Turnover dropped R20m and attributable earnings were a negative R6,2m, compared with last year's profit of R5,8m. This performance has resulted

FM 26/6/92 (30)

in some soul-searching at head office.

Berger says that though the division's downturn was first noticed in the last quarter of 1990, its severity was unexpected. The cash business represented by Select-a-Shoe and Scotts experienced an "unprecedented deterioration." Amrel found large sections of the target market had been left with "little or no disposable income."

The division lost a significant slice of market share. Boymans produced a 69% decline in its after-tax profit, despite huge efforts to improve operations. Amrel has discarded about 140 outlets across the board in this division and faces "the serious challenge of placing the much leaner operation on to a profitable footing."

Strangely, Amrel then increased its interest in Boymans, from its previous 36% to 76%, by underwriting a rights issue.

Berger justifies the decision by saying management recognised the "exciting potential" of Boymans' businesses. Shareholders might be cynical about that.

The services division, which embraces operations such as Early Bird, Multiserv and Prontaprint, posted a small increase in turnover but a 20% fall in attributable earnings.

There is a clear suggestion in the annual report that the finance company, Amretfin, will disappear over the next year. Berger says the unfavourable publicity given to off-balance sheet financing schemes has caused management to review the separate structures set up by Amrel to distinguish between trading and finance risks.

He concludes that these arrangements now have what he calls "limited sustainability, given the recent trends in local and international accounting standards."

The company's short-term future is bleak. It may be better in the long term but, for 1993, Berger will say only that any increase in earnings is "unlikely to be substantial," meaning they are not likely to match inflation. With the share price where it is, shareholders can do little but wait for the turnaround.

David Gleason

AMREL

Shell-shocked

After the 1992 year's annual report reached Amrel's shareholders, it was hardly surprising that the share price slumped to a 12-month low of 762c. Frank and well documented, the report reveals in chilling detail reasons for the company's poor performance.

Turnover fell only marginally, to just more than R1bn. That was no small achievement in a market characterised by social turmoil, chronic unemployment, high inflation and punishing interest rates. Group MD Stan Berger says those factors caused consumer spending to collapse.

But the way turnover resolved into the bottom line is stunning: the trading margin

earnings were not as buoyant as may appear. It also emphasises the value of the Etam investment.

Hirschsohn says the group traded relatively well across all divisions throughout the 15-month period even though there were "a couple of soft spots." The ratio of cash sales to credit sales declined, while the life of the debtors' book was extended, but he says the book is still within acceptable commercial standards.

Fiscal 1993 has started "satisfactorily," but Hirschsohn is reluctant to predict a result.

All ordinary dividends are being paid by issue of new shares until borrowings — and related interest costs — incurred for the Oceana purchase have been repaid. For the year's final dividend shareholders will be receiving one new share for every 83 held.

The share peaked at R38,75 in January. Since then the price dropped to R33 before recovering to the current R36,50. During much of this year its performance relative to the JSE Industrial index has been weak, and the trend against the Retailers & Wholesalers index has been mixed.

That seems surprising considering the quality of Foschini's earnings. It raises the question of whether the market approves of scrip dividends without a cash option. But investors should not overlook the appreciation in the value of Foschini's investments in Lefic and Oceana. Since July the value of the Lefic stake grew by R30,4m to about R67m, and the Oceana holding gained R28,2m, to about R160m.

Gerald Hirshon

FOSCHINI FM 26/6/92

Foreign value

When Foschini's interim results were published in September they included for the first time the effects of the purchase of 35,3% of Oceana Investment Corp Plc.

At the time the FM noted that the group's results would be influenced by the cost of borrowing to fund the acquisition and that the bottom line would partly reflect the off-shore interests, which are equity accounted. To judge the performance of the local activities, the growth in pre-interest income should be analysed.

In the difficult environment of the past 18 months Foschini's results have been remarkably good. For the 15 months to end-March, operating income grew 26,4%. But, for comparative purposes, income generated from January to March this year should be excluded. MD Clive Hirschsohn reckons this is no more than 8% of the total. On that basis operating income grew by about 16,3% for the year to December, giving modest real growth.

Included for the first time in operating income is a R3,4m dividend from the investment in Oceana, which has a stake in UK clothing retailer Etam. Deduction of this from Foschini's operating profit gives a

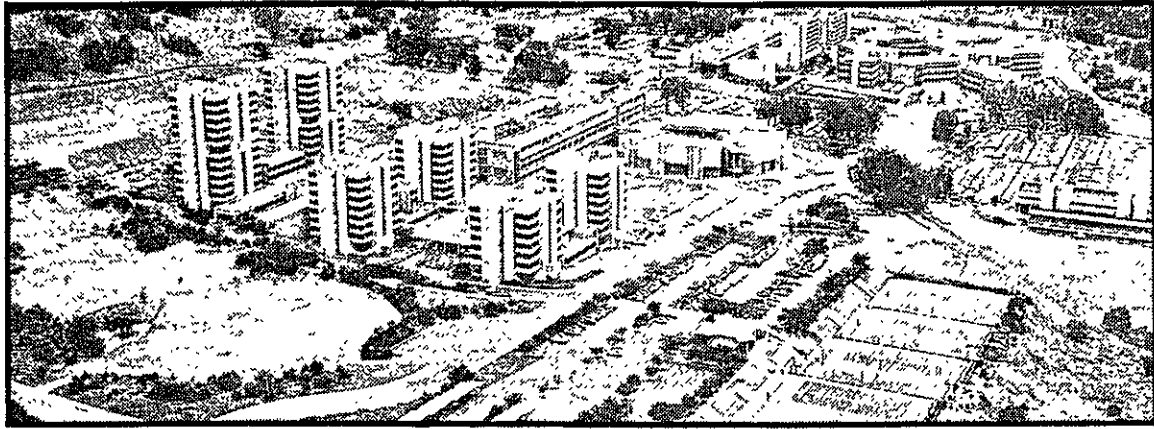
IN FASHION

	1990†	1992*
Turnover (Rm)	822	1 154
Operating income (Rm) ..	169,0	213,6
Pre-tax income (Rm)	148,9	168,9
Attributable (Rm)	74,8	92,9
Earnings (c)	181,2	216,2

† 12 months to Dec 31.
* 15 months to Mar 31.

14,3% increase in the local group's operating income for the 12 months to December.

This is not to detract from the result which, without the detail available from an annual report, appears good in every respect given the economic conditions and when compared with recent figures from most other retailers. Arguably, because the Etam investment is in clothing retailing, this calculation is not relevant. But it shows that local



An aerial view of the Technichon Rand campus.

Sammy Marks Square work on schedule

CONSTRUCTION on the Sammy Marks Square development is well on schedule for the opening of the private sector portion in September.

Murray & Roberts Buildings Transvaal has more than 1 000 workmen on site.

The vast size of the site, with a perimeter of 740m and total building area of 115 513m², combined with the nature of the construction and integration of the refurbished historical buildings, makes the logistics particularly impressive.

A total of 177 000m³ of soil was removed during the excavation, which took three months to complete.

Some 600 augered piles were put in place in pre-

paration for the construction of the concrete structure. To date, 32 000m³ of concrete has been cast and 80 000m³ of suspended concrete slab were produced at the rate of 3 000m³ a week. By completion of the project, 45 000m³ of concrete will have been used.

The first of the two bridges linking the square with Munitoria was constructed in October and the second is being built now.

The first is a double-storey structure on four columns, 28m long. The second will be 48m long.

At the moment bricks are being laid at the rate of 50 000 a day. In total 5,5-million will be laid.

Residents see the square becoming a major focus

point for the city.

The square will be the largest business centre in Pretoria's CBD and the largest development undertaken since 1979.

The premises of the largest tenants are being prepared for shopfitting.

More than 16 000m² of the 22 000m² of retail space has been allocated to national chains, while SA's newest cinema chain Starnet will open a 800-seat entertainment complex occupying 1 300m².

Woolworths is opening its largest CBD store, taking some 6 500m². Woolworths senior executive: operations Johan van Vuuren compares the ambience to St George's Mall in Cape Town and believes

the layout and decor will create an atmosphere particularly conducive to leisure shopping.

Major fashion chains are Jet Stores, Topics and Markhams. Furniture chains Johsua Doore and Bradlows have taken out 2 830m² between them.

According to spokesmen for joint leasing agents BSA Eidendomme and RMS Sy-frets, line shops are still available for specialist traders and negotiations are being held with a number of prospective tenants.

The city council's R70m portion of the development is scheduled for completion by mid-1993 and will include a library, health department, offices and an information bureau.

Chamber of industries has a key role to play

THE Northern Transvaal Chamber of Industries plays a key role in the commercial and industrial development of Pretoria and the rest of Transvaal.

The chamber is not only Pretoria-orientated, however. It also serves industry throughout SA through the activities of various trade associations administered by the chamber.

A broad range of services is rendered to these associations and their members, says the chamber's executive director John Toerien.

Among the associations are the Pharmaceutical Manufacturers' Association, the Proprietary Association of SA and Samed (medical devices).

The latter two are soon to become part of a reconstructed PMA, making it the largest trade association in the health care field in SA.

The chamber also administers the Bophuthatswana Chamber of Industries and Mines, the largest such group in that country.

The mission statement of the NTCI is not only to service its members, but to ensure that the most acceptable conditions should

apply for industry not only in Pretoria, but throughout SA in order to attract investment.

The chamber is international in its scope. Its major objective is to develop trade with overseas countries and to seek investment, particularly with the countries of central Europe.

In pursuit of its goals, it has developed a profound base for liaison with all levels of government and allied bodies, as well as with private sector organisations representing other group interests.

Transferred

Ownership of the Pretoria showgrounds has been transferred by the Pretoria City Council to the chamber in possibly the biggest private property deal ever negotiated in the city.

The 21-ha multi-million rand complex includes the Piet van der Walt Theatre and the huge Skilpad Hall.

Toerien says the chamber has not paid for the grounds because of massive capital works which has been completed by the chamber over the years.

The lease agreement provided for the city council to pay 60% of capital expenditure funding with the remainder coming from ourselves.

"In recent years, however, the chamber has accepted capital expansion financing without looking to the city council for its ratio contributions, and it is therefore clear that the new arrangement is based on investments made by ourselves to date," he says.

"An indication of this can be noted from the fact that insurance on current assets alone amounts to R60m on buildings alone," he says.

Toerien says the chamber and its associate, the Transvaal Agricultural Society, have planned a long-term development programme which will include a renovation project for certain areas of the complex as well as specialised exhibitions to complement the Pretoria International Show.

"Taking over the showgrounds is a major step in further establishing Pretoria as a city which can accommodate a great part of SA's exhibition business," he says.

THE Pretoria International Show later this month is expected to be the biggest yet, with attendance likely to top the 800 000 mark.

Organisers say inquiries about taking part have been received from as far afield as Russia, Hungary, Poland and Pakistan.

Last year the show attracted more than 700 000 visitors and it is now recognised as the largest retail sales show in the country.

Russians are set to come to the show

By Day 26/6/92

The 53rd show, which starts on August 26, will be followed in October by the first international wildlife and outdoors expo of its size in southern Africa — the Wild Expo '92.

A spokesman for the organisers said that like the Pretoria International

Show, the expo was expected to draw huge crowds.

Game catching exhibitions are expected to be among the major attractions. The expo will focus on nature conservation, wildlife, hunting, fishing, the outdoors life and southern Africa's flora and fau-

na. It takes place from October 27 to November 1.

The spokesman said the expo would be run in conjunction with the third international wildlife ranching symposium to be held at CSIR's conference centre.

Although still in the planning stages, overseas interest in the expo had been "tremendous", the spokesman said. Inquiries had been received from Europe and the US.

Sluggish property market predicts boom times

B/Doy 26/6/92
PRETORIA'S property market is waiting expectantly for an economic upturn to fuel new demand and development.

In recent years the city has seen a steady, if unspectacular, rate of property development and the recession has left landlords seeking to fill existing space rather than look to new investments.

The city has an office market of about 1,5-million m² better grade office accommodation.

Pretoria's stability has a lot to do with the fact that the state takes about 70% of available space.

Sanlam Properties' regional manager: asset management Frikkie Botha describes the cur-

rent market as "relatively weak", but he adds that there are opportunities to be found.

Sanlam — one of the two big players in the local market — has some 170 000m² A and B grade office space.

Pretoria as a whole has a vacancy rate of about 14%.

Higher

B grade space is currently letting at an average of about R14/m², while A space is currently going at about R25/m² net, although some of the better addresses command higher rentals.

In addition to the stability of the market, particu-

larly that of the CBD which has never lost its attractiveness for tenants, Botha estimates that rentals are about 20% lower in Pretoria than in greater Johannesburg.

Apart from the Sammy Marks Square, retail development is virtually at a standstill — a reflection of the fact that the city has virtually all the shopping centres it needs.

Sanlam's property investment regional manager Fanus Gerber is optimistic about the future.

In the prevailing climate, Sanlam's current priority is filling its new R100m Sancia complex, which has 7 000m² of office space in addition to large retail and parking

39
facilities. Botha says the unlet space will soon be taken up.

Both Botha and Gerber emphasise the importance of political developments on the future of the city's property market. Should the city be deprived of its capital status, the results would be very detrimental.

But it seems no-one is taking that threat too seriously. Foreign countries, it seems, are not taking the possibility too seriously either.

Gerber notes that the influx of embassies and consulates resulting from SA's new-found international respectability is already having a small, but beneficial influence.

Huge oversupply makes Durban a tenants' market

THE market remains a tenants' market and landlords are still being forced to offer reduced rates, rent-free periods, relocation costs and other incentives, says JHI Durban commercial brokers director Guy Levine.

"The major source of inquiry is still in the 100m² to 200m² range, directed mainly at B-grade buildings. However, recently we have experienced a number of inquiries for A-grade accommodation."

The huge oversupply of office space remains a concern, but a recent Sapoa survey shows that the market has just about hit the bottom. A and B-grade space collectively, which had a vacancy rate of 2,3% a year ago, rose to 12,2% in

February.

A-grade space, which recorded a vacancy figure of 0,8% a year ago soared to just under 30% in February. In April, JHI had about 142 000m² of lettable space on their books, he says.

Asking rates are similar to those six months ago — between R27 and R30/m² for A-grade space, R17 to R26/m² for B-grade space and R12 to R16/m² for C-grade space.

Escalating rates on basic rentals are between 12% and 13%, with escalations on operating costs running at 15% to 17%.

"The investment market remains active with a continued dearth of well located, well tenanted properties, particularly in the R450 000 to R1m range. In-

vestors have become more discerning in selecting the property they wish to acquire, with the emphasis on the strength of the tenant," Levine says.

Resistance has been found to properties in the R2m to R5m range, as these are usually too large for an investor and too small for institutions.

Secure

This gap in the market has been filled by syndications which can provide a secure and financially rewarding investment opportunity, he says.

Capitalisation rates for A-grade leasebacks in CBD areas are 10% to 10,25% in Durban, 9,5% to 9,75% in Johannesburg, 9,5% to 10%

in Cape Town and 10% to 10,25% in Pretoria.

The leasing market came alive in February after a quiet last quarter of 1991 that continued into January of this year. This impetus was ended by the referendum call and numerous property decisions were delayed until after this, says JHI Durban industrial manager Greg Elliott.

"Vacant lettable space in the industrial areas of Durban remains high at more than 185 000m², offering prospective tenants a wide choice of space. However, over the past six months we have seen an increased demand for premises larger than 250m² to 500m²," he says.

The market remains a

buyers market, which is reinforced by the demand from both institutions and private investors for industrial property. However, good stock and willing sellers are difficult to find.

Yields still range from 11% to 13% and while, up to a short time ago, institutions would not consider buying property for less than R5m, they will now consider properties for R1m.

Logaro CE Gary Periman feels that the Durban market is buoyant and offers good potential. "The new SA will need to look at expanding exports and Durban's location and facilities must facilitate increased demand for all types of space and an improved demand," he says.

Through the roof for the bouncing cheque writers

STANDARD BANK GROUP INFORMATION SYSTEMS
director Taffy Hewson.

Mr Hewson says 40% of them have a serial number below 100, indicating they are signed by people with new cheque books.

It irks him that the banks "are making a fortune because they charge R20 to R50 for every RD cheque".

But a Standard Bank spokesman says the charge is to deter customers from issuing an RD cheque and to cover the bank's cost of reversing it through the system.

Retailers claim that the banks are not being selective enough when handing out cheque books.

Retailers have united under the Retailer's Bank Liaison Committee (RBLC) to pressure banks to be more careful in issuing cheque books.

Mr Hewson says: "We have written to the Reserve Bank and are holding meetings with the commercial banks to get them to change the system."

Edgars chain credit manager Andrew Gardiner says cashiers scrutinise cheques with a serial number below 100.

The value of bounced cheques is not public knowledge. The clearing bureau does not keep count, banks are unwilling to give figures because that would

put them in a bad light and the retailers do not want to divulge their costs to competitors.

But one source estimates that cheques with a face value of about R3,9-million bounce in the Transvaal each month. He says this amounts to about 200 000 bounced cheques a month.

Mr Gardiner says retailers first met the banks two years ago. But the banks have not dealt urgently with the problem.

Formats

"For example, the banks will not give retailers details of the issuer of the cheque, making it difficult to trace the customer. Nor will the banks say whether a customer has funds to cover a cheque."

Mr Gardiner also complains about the banks taking too long to return the bounced cheque.

"We are still receiving cheques from a year ago."

Mr Hewson says retailers want the banks to issue a courtesy cheque card to customers stating what their limit is —

as most countries do. Mr Hewson says 32 different cheque formats exist in SA.

"The system is complicated and uncoordinated. Some have a bank guarantee, some require a number on the back while others require one on the front."

Mr Hewson suggests that the individual's details be printed on the cheque to save them and the customer time when filling out the cheque.

Banks and retailers agree that issuing an RD cheque should be made a criminal offence — as it is in most countries.

A Standard Bank spokesman says it is not up to banks to clamp down on RD cheques, although they might close an account if it regularly goes into overdraft.

Nedbank assistant general manager Tom Bangert attributes the increase in bad cheques to the poor economy and to the growth in the current account base. "The more accounts there are, the greater the likelihood of RDs."

However, he believes Nedbank customers are sophisticated and responsible and should have proportionately fewer bounced cheques.

Absa banks try to contain the increase in RD cheques by helping customers to maintain financial discipline.

By TERRY BETTY

STANDARD BANK GROUP INFORMATION SYSTEMS

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PROSPECTS for the hybrid born of the corporate marriage of Kudu to Impala look better than they would have been if the granite companies had continued to go it alone.

A shake-out in the hard-rock business has inevitably since Gencor paid a fortune for rights to Pioneer in Transkei.

This led to a deal with leading producer Keady, and the formation of Anglo American into action in the growing business of granite production. It holds 55% of German group Deslag, owner of unlisted Impala Granite.

Listed Kudu, which according to managing director Pesiudu Toit is bigger than Impala in terms of production but not in reserves, has effectively been merged with Impala in a deal at six a share. The deal leaves Kudu controlling shareholders with 50% of the merged Kudu, Deslag and Impala, and minority with the rest.

Keady and Kudu account for 85% of SA's granite output. They and most other producers belong to the recently formed SA Granite Association (SAGA), which is funded by levies.

SAGA's aim is to increase SA's 15% share of the world's granite market, says Pesiudu Toit. Producers of granite, perhaps to leading architects, will be undertaken.

Another of its less widely publicised objectives is to arrange co-operation between producers on pricing. Almost every other granite-producing country issues price lists and producers are bound to discount - within

Happy hybrid of the Kudu-Impala mating

STEWART 28/6/1992



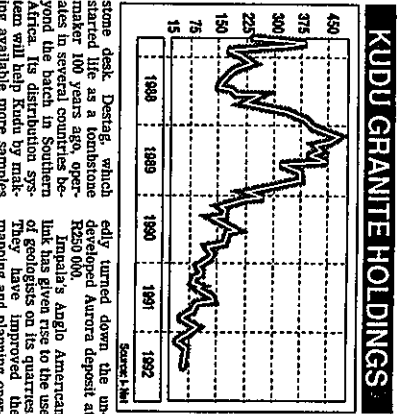
PESIUDU TOIT: Everybody in Europe wants granite in the kitchen

Mr. Du Toit says SA producers have taken a beating in the past 18 months. A price war in this long recession has been the biggest problem.

SA exports grew from 590 000 tons of stone in 1989 to 650 000 last year, but revenue has fallen sharply. So have earnings, says SAGA's not one of the spin-offs of the about price fixing. "There won't be huge export growth this year, but we expect to maintain our market share in a much more profitable way."

Both Kudu and Impala are large producers of classic Rustenburg grey material and of complementary stones is booming.

"Everybody in Europe wants granite kitchens and furniture," says Mr. Du Toit. "The market for coloured



grades. Kudu quarries light and medium, whereas Impala sells dark and speckled for which Far-Eastern demand is strong.

Impala's eastern connections open up a new market for our other materials."

Impala has much larger reserves than does Kudu, and one of the spin-offs of the about price fixing. "There won't be huge export growth this year, but we expect to maintain our market share in a much more profitable way."

Both Kudu and Impala are large producers of classic Rustenburg grey material and of complementary

WHEN Premier Group chairman Peter Wrighton "Heinz" what's that?" from an employee, he realised that international brand names do not necessarily mean much to South Africans.

"Sure, we had lunch with Tony O'Reilly (the Heinz boss) when he was last here, but we are interested in a deal only if there's enough in it for us," he admits to talks with the international Kraft General Foods, but describes the matter as sensitive.

Mr. Wrighton and deputy chairman Gordon Ulan gave a presentation to the Investment Analysts Society in Johannesburg on Monday - 11 months to the day after 1981's talk at which the rationale for the Mexican takeover was first aired.

There was a view that Peter Wrighton was in fact struggling mixed bag of retail and wholesale operations in Metcash. However, Premier has had the last laugh.

In the 13 months to April this year, the group's turnover nearly doubled to R10.6 billion. Distribution accounted for R4-billion and food R3-billion, pharmaceuticals and retail each topping R1.2 billion.

Mr. Wrighton underlines the importance of distribution. The group has 40 warehouses, 200 000 outlets and served by 41 000 employees.

Brands and margin are the focal points. Premier aims to capture 5% of a year one. The years. In the past five years it achieved a compound return of 29% against inflation's 15%.

The highlights of 1992 were lower gearing arising from sales of underperformers in food, elimination of debt in Tyvis pharmaceuticals and

Last Laugh for Premier

STEWART 28/6/1992

cash generation through tighter controls in Metro. Interest was well down as a result of the sale of a stake in the US.

Mr. Wrighton advises against underestimating the value of industrial peace in a strike-prone nation.

"We have had virtually no work stoppages apart from community action since introducing participative and other progressive human resource practices."

Although the drought will have a certain impact on the country, Mr. Wrighton does not expect Premier to be too badly affected.

Imported grain ought to be landed at lower cost than normally paid for SA purchases. Provided that the State's cut on resale is not too high, Premier will benefit from the imports.

DIAGONAL STREET
by Julie Walker

Pep-up for Checkers

STEWART 28/6/1992

PEP chairman Christo Wieser prefers to look at the group's takeover of Checkers from the point of view of 145 good leases - not the 25 bad ones.

Mr. Wieser says everybody knows about the 25 bad leases. He says the 145 good leases, however, are the ones that matter. The Arlton and Galleria in Cape Town, Brickhill Road (Durban) and Brickwell (Cape). Another 20 are poor.

Pep's takeover of Checkers holding company Tradeagro from SanCorp depended on the Brackenfell lease being bought off.

Managing director "Whisky" Bopprey demonstrated management. Checkers had an even more demoralised major shareholder. Overheads were out of control, and the agreements with trade unions among the most onerous in the business.

On the plus side, Pep bought 146 stores with historically 60% margins, an excellent administrative systems, a reasonable shareholding record and, most of all, R3.5-billion of turnover.

Mr. Basson says Pep bought Shoprite in 1979 for R1-million.

Where this has been implemented, store turnover has grown by 40%. Staff morale has improved and Mr. Basson is confident that the trade union help in restoring profitability.

Mr. Wieser hopes Checkers will make a significant contribution to group profits by 1994. He says Pep would not have bought Checkers from SanCorp if it did not believe it had the skills to turn it around.



PETER WRIGHTON: Heinz lunch cryptically to a question from an Afrikaans stockbroker about whether Premier would give or sell equity to black organizations and dilute the interests of existing shareholders.

Because of resistance to yellow maize production, a group is the nation's largest supplier, is expected.

Poverty-relief boxes of staples are being distributed through Premier's infrastructure. The Food and Allied Workers Union. It is also a job creation scheme.

Mr. Wrighton estimates the rate of food at between 12% and 20%, far lower than other commentators forecast.

The profit margin in Premier Foods is only 6.1% - hardly the stuff inflation figures are made of.

Mr. Wrighton responded

On Rustenburg deposits

"On Rustenburg deposits you need high volume to compete - it's like a supermarket," says Mr. Du Toit.

Impala chief executive Volter Schultz is to manage the Southern African operations and Mr. Du Toit will handle the domestic business.

Mr. Du Toit says the deal is a good challenge. The price will not move much above six, until the marriage is consummated and the product shows its worth. But the downside is strictly limited.

Hard times ahead for the jobless

Sowetan 29/6/92

By JOSHUA RABOROKO

THE employment situation in South Africa is deteriorating as more and more people are being retrenched, according to the latest report of the Stellenbosch University's Bureau For Economic Research.

The report, which focuses mainly on the wholesale, retail and motor trade sector, says the on-going threats of mass action, stayaways and go-slow strikes will also not contribute towards stability in the already troubled and politicised labour force.

It adds that wage negotiations between labour unions and employers are also not characterised by a large degree of consensus, which may even lead to further unemployment.

In its survey, the South African Chamber of Business says official figures indicate that employment within the formal private sector is currently contracting at a rate of about four percent a year.

According to the survey, more than 250 000 jobs have been lost during the current recession, and indications arising are that the number will continue to in-

crease in the coming 12 months.

In addition, the survey says, the widespread drought has brought added misery and hardship to millions of people, and has served to further erode prospects of growth.

The Stellenbosch report says unemployment will dampen growth in the total wage bill of the country while personal taxes will remain high.

"Coupled with an expected high inflation rate, this will keep dispensable income under pressure until the third quarter, when a drop in the inflation is expected," it says.

Consumer spending will therefore not be particularly buoyant during 1992.

"We forecast marginal growth in real terms," the report says, adding: "Per capita consumer spending is forecast to continue declining during 1992."

White consumer confidence edged up marginally, but remains relatively pessimistic.

The report notes a strong improvement in black consumer confidence.

The possible explanation to black confidence can be linked to the high publicity given to the process of political change, particularly within Codesa.

In what could be considered an indication of better things to come, wholesale and retailers have reported bigger sales volumes than a year ago.

Motor dealers continue to experience poor sales volumes than a year ago - symptomatic of an economy still in recession.

Expectations for the second quarter are not much better and a net majority of all dealers anticipate lower sales volumes.

The report says: "It now appears more likely that the upswing in the economy may only become visible well into the second half of the year.

"Retailers and wholesalers appear to be more optimistic of an improvement in business conditions in the third and fourth quarter."

Factors which may continue to dampen the activities of both dealers and consumers, include the worsening drought, excessive Government spending, high interest rates, a high level of crime and violence.

SOWETAN BUSINESS

Soweto traders refuse to pay arrears

SOWETO traders have reaffirmed their stance not to pay rent and service charge arrears arising from the boycott which started in 1985.

They maintain that they should be included in the Soweto Accord which scrapped all tariff arrears amounting to over R516-million in 1990.

The accord was signed by the Transvaal Provincial Administration, the Soweto Civic Association, the Metropolitan Chamber, the Witwatersrand Regional Services' Council and the three Greater Soweto councils.

The decision not to pay the arrears was taken at a meeting of the Soweto Chamber of Commerce,

Sowetan 29/6/92
Business Reporter

the Soweto Independent Shopkeepers Association, the Soweto Civic Association and Eskom held at the Jabulani Standard Bank Hall, last week. The executive director of the Soweto Chamber of Commerce and Industries, Mr Max Legodi, yesterday said business people were prepared to pay new rent and service charges, including electricity, introduced after the accord had signed. He urged businesses to ignore the threat by the Soweto Council to prosecute or evict those who refused to pay the arrears.

"Many individual traders have been contacted by the local authorities and warned to pay or face drastic action. We find this action unacceptable," he said.

Legodi said traders were part and parcel of the Soweto community and urged any business people threatened by the authorities to consult the civic association or the chamber.

Professional people

This stance was confirmed by the president of the civic association, Mr Isaac Moggase, who said the accord should include business and profes-

sional people. The civic association, which was also part of the agreement, would represent traders, Moggase said.

The general secretary of Soinsa, Mr Thami Skenjana, said traders formed part of the Soweto community and should therefore be included in the accord.

Eskom's representative, Mr Paul Mare, outlined Eskom's takeover of the electricity supply in Soweto. Mare said his company was prepared to consult with the community on a regular basis. He said the company was busy repairing and installing meters so that they could charge appropriately after readings.

Tenants the winners in Braamfontein war-zone

B1 Day 29/6/92.

THE era of tenant power is here to stay and survival in the market will depend on landlords formulating packages that sell, says independent broker David Wainstein.

"Landlords who believe they have exclusivity in the market place are going to find that unless they change their corporate attitudes and realise they are in a tenants' market, they are going to have problems filling empty buildings."

The Braamfontein area is a microcosm of what is happening internationally. Competition is so fierce elsewhere that in Western Australia, for example, a five-year free rent contract can be negotiated.

About 50 000m² to 70 000m² of A-grade unlet office space will become available in Braamfontein over the next 12 months, as well as a growing amount of sublet space.

Definition

This is in an area which offers 386 000m² of space, of which 366 000m² is let.

"This depends on your definition of let. For example, the 6th floor of 76 Juta Street is let as there is a lease in place until June 1994, but it is technically vacant and ready to receive a tenant," he says.

The big players in Braamfontein — Anglo and Liberty Life — may be tempted to wait for the large tenants for their



DAVID WAINSTEIN

Braamfontein Centre revamp and Jorissen Place projects.

Whether they will have to sit it out until all available sublet space is taken up before they can begin to fill these developments is a moot point. "Market forces dictate the need to fill buildings with smaller tenants at competitive rates and meaningful sized tenants at between R30/m² and R35/m² will be rare, at least in the short term," says Wainstein.

This climate is changing the tenant/landlord/broker equation heavily in favour of the tenant, with Braamfontein becoming a war zone and testing ground for what could happen nationwide.

For the first time, tenants are in a position to

shake up and reshape the market. Customer relations will begin to take precedence, ushering in a new era of tenant power.

Anglo American Property Services national leasing director Grahame Lindop says many companies are taking advantage of this to negotiate their future leases. The nine-month free rental period offered is also seeing a large number of inquiries.

Creativity

"For brokers and landlords the days of order-taking are over. A degree of creativity should prise the leads out of a soft market and the stranglehold exercised by major landlords who abuse the broking fraternity should diminish," Wainstein says.

However, Lindop feels there is very little space available in Braamfontein, which offers the "best of both worlds" as it is not in the CBD nor that far decentralised.

Sanlam Properties decided to start the second phase of its Braampark office park after "considerable" tenant interest was shown. It will cost about R33m and will consist of about 9 300m² of office space. The R60m first phase was completed last year and is fully let.

"We believe the expected upturn ... next year will put us in a good position," says Sanlam's Gert Nel.

Niche areas contain pockets of growth

THE commercial market is generally not showing the level of growth it should, but there are still pockets of growth in niche areas, Leadenhall MD Philip Vermeulen says.

There is still a lot of business taking place in the market despite the tight economic conditions, with the smaller end of the market seeing a lot more activity.

Improved

"Interest in this end of the market — the 500m² to 1000m² range — is much improved from a month or two ago, but there is certainly no evidence of an upturn, which will only be precipitated by economic growth," he says.

While the offering of



MIKE DEACON

rent-free periods and relocation allowances is increasing, this is not the norm. While tenants are able to negotiate better deals, in most cases there is a level of reality in the market place.

"The past year has been

the most successful year for us, which proves that brokers can do well in times of change, whether this be good or bad. Companies need to become more resourceful as the economy worsens and must be reputable and offer excellent service," Vermeulen says.

Guidelines

RMS Syfrets commercial division director Mike Deacon says while the leasing market is relatively quiet, it is not as lifeless as often depicted.

Some of the emerging office market trends are enlightening and can serve as guidelines for the future for both developers and leasing agents, he says.

"It is becoming more and more obvious that quality counts in the present mar-

ket. Well designed office buildings in good locations are still letting well, but at the expense of mediocre buildings," Deacon says.

The attainment of correct design solutions is a subtle art that is time-consuming and demands experienced input from the full spectrum of the development discipline, he says.

Those buildings where the original architectural solutions were not executed with the market or future in mind are slow to let as today's tenant demands good location, cost and space-effective design, aesthetic appeal and quality finishes.

"We are also seeing a trend towards single occupier buildings, which needs to be taken into account by developers and architects alike," he says.

6/20am 29/6/92

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Clouds have a silver lining in Cape Town

8:10am 29/6/92.
THE western Cape commercial and industrial property market is feeling the pinch of the recession and is following the downward patterns experienced in other provinces, says Pam Golding Properties commercial and industrial division manager John Pistorius.

This is reflected in an oversupply of CBD property, at 11% in February, and declining shop and industrial rentals. "However, all is not gloom, and niche marketing is the path to success in the present economic climate," he says.

Both the institutional and entrepreneurial investors in commercial and industrial property are continually on the lookout for prime CBD buildings. The group has just concluded a multimillion rand sale of one of the city's landmark buildings, the Old Burger Building.

"An overriding feature of the market is a shortage of good stock in almost every sector. Unless properties are well let, investors are understandably nervous and are naturally looking for acceptable returns."

Good stock is tightly held in the Cape, people are not dumping their holdings and there have been few distress sales.

Market conditions no longer allow property

brokers to sell only real estate. "We have to be creative business and investment consultants, able to advise on profitable ways of structuring deals and offering clients a good turnkey service".

Creativity is a key and investors need to broaden their vision, which can result in unlet factories or commercial premises being converted into sectional title residential units.

While the market is waiting for stimulus from the economic upturn, Cape Town is generally in better shape than other major cities, he says.

Preferred

"I believe it will continue to grow in status as a preferred investment area, which bodes well for the future of commercial and industrial property."

As the western Cape is now the heart of the tourist industry, the group has been inundated with inquiries about hotels from both local and offshore investors.

While the hotel industry is under pressure, investors are looking to the future and positive developments should materialise once violence is controlled and the political situation is settled, he says.

Black areas 'have potential for retailers'

PETER GALLI (30)

THE Moolman Group, which is involved in developing a R6m retail centre for Game Discount World in Pietersburg, believes there is potential for the retail market to move into black areas. *BIPcom 29/6/92*

MD Jannie Moolman said in an interview that there was a huge increase in the population in rural districts, and his company would be involved in development there.

"Calls from the national retailers for facilities in these regions have prompted us to examine areas like Venda for the development of retail centres."

While these were traditionally high risk areas, that risk was related to returns.

"I believe high returns will be achieved. We have achieved good results in Venda and while capital appreciation is not as high as it is in areas like Sandton, our returns have been good."

The company was planning two small retail centres in Venda and other similar areas. It had identified niches for retailers who concentrated on the black market.

There was also opportunity for growth in the Pietersburg and northern Transvaal area, he said. The 4 500m² Pietersburg centre is being developed on land leased from Transnet and will be let to Game.

A second phase was planned that would offer 2 500m² of general retail space. The rights application was under consideration and a decision was expected next month.

Game Stores development and planning executive Rod Hall said Game's expansion into Pietersburg was part of the company's strategy in the Transvaal. Pietersburg was seen as an "important growth point" in the northern Transvaal.

Bergers saves R2,5m in costs by rationalising

CAPE TOWN — A rationalisation drive at clothing retailer Bergers Trading Holdings had shaved off R2,5m in overhead costs, MD Mervyn Jacobson said last week.

The benefits would flow through to the bottom line next year, he said at last week's AGM.

Other steps had also been taken to improve operational efficiencies of the chain which provides family clothing to the B and C income group and includes the Hilton Weiner and Jones chains.

Responding to questions by shareholders' association chairman Issy Goldberg, Jacobson said Bergers' credit operations were trading profitably.

Goldberg took the board to task for its decision to enter the credit market which he said could prove to be disastrous as it pitted Bergers against the giants in clothing retailing.

He also pointed out that a R23m debt had resulted from the decision.

Earnings last year fell to 6,4c (8,6c) a share and the dividend to 2c (3,7c).

Jacobson said that the mainly rural

B/Day 29/6/92
LINDA ENSOR 20
Bergers chain had had to enter the credit market if it was to expand into the PWV region where about 60% of SA's disposal income was concentrated.

The step had been successful albeit perhaps ill-timed, in that political and economic conditions had not been conducive to trade. However, the credit business had traded profitably in its first year and now represented 17% of sales. He was confident it would grow further.

Jacobson pointed out that the cash part of the business had been more badly affected by the recession than the credit section.

To maintain market share, goods were marked down substantially last year and this had seen a marked drop in pre-tax margins to 4,1% (7,9%).

In his annual report, executive chairman Howard Mauerberger said the group would focus on consolidation this year.

Adverse trading conditions were expected to continue throughout the year though profitability was expected to improve.

Syndication offers a solid return for cautious investors

THE syndication market continues to gain popularity among the investing public as a property investment with fairly limited risks.

However, finding prime buildings in strategic areas is becoming more and more difficult and margins are being squeezed, says Seeff Organisation Holdings chairman Lawrence Seeff.

"However, we would rather see our margins squeezed than acquire properties that are not suitable or not in our targeted areas."

The establishment of the Public Property Syndication Association as a division of Sapoa is a positive step for that industry. It is a voluntary organisation for the promoters of public property syndications. One of its tasks will be to provide a code of practice for the disclosure of information to the investing public and to strengthen investor protection.

"The syndication market is going from strength to strength... The industry is expected to rise from about R1bn now to between R3bn and R5bn in the next few years," says Seeff.

Announcing its new syndication in Johannesburg's northern suburbs recently, the Board of Executors' Greg Culhane said property was a growth asset.

While investment in commercial property had its own set of risks, these were minimised by the selection of location and ten-

ants. Taking these factors into consideration, BoE had selected a Northcliff site which fronted onto D F Malan Drive and served as a major access route northwards to the Western Bypass and southwards to Melville and Braamfontein.

"The present economic climate is seeing a perplexed group of investors emerge, who are both hesitant and cautious. There is a wait and see attitude in the market, resulting in many investors having high liquidity levels," he said.

The property, known as Board Syndicate Twenty Nine Limited, has a list of solid tenants. The initial capital requirement is R4.8m and the minimum investment is R20 000.

Invested

There was also the option of borrowing money up to an amount equal to the cash investment available. Both amounts are invested to receive a combined income sufficient to cover the cost of borrowing, he said.

"In terms of current income tax legislation, interest rates on borrowed funds may be deducted from the income received from the total investment. While capital gains remain tax-free and income received is taxable, the property market offers a suitable environment for investment gearing, which has enhanced taxed average returns by about 6% a year."

Time for serious sellers and good deals in Jo'burg

DESPITE the continued economic recession and tight market conditions, the commercial market is reflecting a lot of movement, says Seeff Organisation Holdings chairman Lawrence Seeff.

"I know of some four or five buildings that have been sold over the past two weeks for a total of more than R30m and not sold to institutional buyers," he says.

There are a number of smaller players in the market as now is a good time to buy. The market reflects a number of serious sellers and good deals are to be had for those who have the money to buy.

"Interest rates have not come off as much as expected and many sellers are keen to offload their properties. The market will only turn once the political and economic position stabilises and interest rates drop further," says Seeff.

Unsure

Players in the market are unsure of whether to take short or long-term positions as it is unlikely the market will pick-up in the next year.

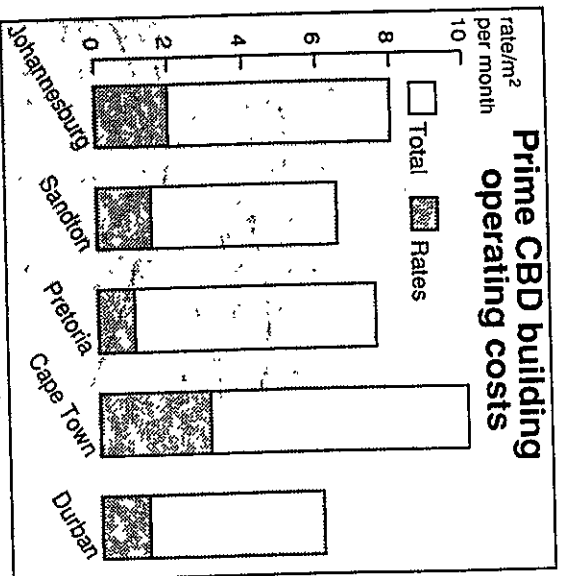
The rental market is very tight, with rental levels in the Sandton area down from R28/m² to R24/m² and the area reflecting a vacancy factor of about 17%, says Seeff.

Russell Mariott & Boyd Trust commercial broker Paul Maddison says Sandton take-up rates over the past three years reflect an interesting trend.

For the period February 1989 to February 1990, the net take-up was 45 000m², followed by 68 000m² for the same period to 1991 but only 11 000m² for the same period last year.

"A number of factors have contributed to this. The tendency of tenants towards low rise, low bulk developments with good parking ratios has affected the traditional occupancy of large Sandton buildings," he says.

Wierda Valley, the office node to the east of the Sand-



Graphics: RUBY-GAY MARTIN Source: FIMET

ton CBD, had a take-up of 17 000m² in 1991, indicating a net loss of 6 000m² from the Sandton CBD.

"If one views this in relation to Sandton's Structure Plan which promotes development in the Woodmead, Rivonia, Fourways and Sunninghill nodes, then only limited development should be allowed to continue within the Sandton CBD," says Maddison.

If further rezonings are

allowed to occur, notice should be taken of the demand for low rise, low bulk developments. To protect the investment potential of the older Sandton CBD buildings a situation needs to be created where supply is limited as development opportunities are scarce.

"The argument often put forward for increased development within the Sandton CBD is, we believe, ill advised at the moment."

Rents still low but rates set to rocket

810 am 29/6/92
WHILE many players in the property field think rentals are keeping pace with inflation, nothing could be further from the truth, Russell Mariott & Boyd Trust director Nick Harris says.

"In general, I see rentals coming under further pressure next year, with rentals in the popular locations that have low vacancies like Rosebank, Parktown, Randburg, Bellville, Westville and Berea rising slightly," he says.

In other areas they are likely to remain steady at best and could drop up to another 5%. If one or more of the major property owners decide to cut their losses and attract tenants there could be even greater falls.

Annual rental escalations are also on a plateau as while one or two major owners are striving for 13% and more, a resistance threshold has been reached for two reasons.

Structured

"The major fight is to bring down inflation. Many leases are structured so that operating expenses are handled as a separate item. These are recovered either by way of an operating amount escalating at 15% and above, or the actual cost is recovered," Harris says.

While Cape Town has outstripped other metropolitan areas with substantially higher rates, this gap is rapidly closing. With the probability of black municipal areas being integrated into the larger cities and municipalities, the city fathers will have to accept that they cannot keep the lid on rates increases for much longer, he says.

Rates can be expected to

rocket as the priority becomes upgrading areas with a low rate base. To protect the landlord, leases should be structured so that municipal rates increases can be recovered separately from tenants rather than having fixed increases covered in the overall basket of operating costs escalating at a fixed percentage.

"Local authorities and provincial government must resist the further proliferation of commercial nodes which have a direct cost impact of creating additional services, roads and infrastructure," he says.

30 Realistic

Instead, they should create realistic planning schemes that ensure the existing nodes are fully and viably utilised. This could be reinforced by applying realistic or actual costs of providing bulk and other services and roads and calling for independent environment impact studies at the expense of those seeking rezoning.

Only when market forces turn off the seemingly endless supply of unlet office developments will there be real rental growth, but this requires a responsible attitude from all concerned, Harris says.

"There are certainly opportunities for quality, well located office investments as these will secure tenants and provide the prelet investments all institutions seek. This will put downward pressure on purchase yields to the benefit of the responsible developer."

The country's CBDs have overall vacancies ranging from Johannesburg's 9,7% to 12,7% elsewhere. However, decentralised office locations push the vacancies up to 17,8% for Sandton and 13,7% for Pretoria.

Jo'burg suffering as unemployment boosts crime rate

CENTRAL Johannesburg is experiencing difficult times as increasing unemployment sees security problems in the area worsen, says Central Business Development Association chairman Stan Arenson.

In addition, hawkers are clogging up the pavements.

"The latest figures released in a report from RAU students show that crime rose by 94% in the first three months of 1992

compared with 1990.

"And, to make matters worse, parking in the city centre is difficult to find and traffic is backed up for a large part of the day."

In spite of all of these negative factors, some 200 000m² of office space is being developed in downtown Johannesburg and close to 80 000m² of retail space is being looked at in the Turbine Hall area and the Harrison Street bus terminus.



STAN ARENSON

"Only some 17 000m² of the office space is unlet as all the other space is for owner occupiers, which shows the continued desire by large corporations to establish themselves in the CBD," he says.

Commute

This was due to the fact that workers could easily commute and shop without having to use a car.

Developers and the city council identified the problems that existed in the area and in a workshop held in November on the central city, a partnership of the informal sector, formal sector and the city council was mooted.

This partnership was formalised with the signing of the agreement on June 1. The Central Johannesburg Partnership (CJP) is concerned with problem areas and has already looked at security, informal trading, inner city housing, marketing and transport.

The security committee has recommended that more satellite police stations should be established. "These will be fitted out and equipped by the CJP, while the SAP will hopefully provide the manpower.

"Discussions have taken place with senior police officials and it seems the necessary manpower will be made available. It has always been found that a high presence of uniformed police is a major crime deterrent," Arenson says.

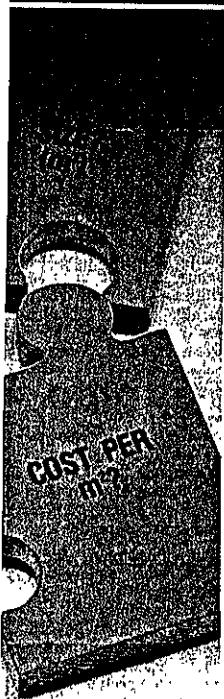
Residential

The city council and the CJP are committed to developing the residential element of the city centre as the 500 000 people who work in the city area do not wish to travel long hours to and from work.

The area east of Von Wielligh Street moving up towards Joubert Park and Hillbrow is ideal for residential accommodation. The institutions will have to consider buying some blocks in the area and re-vamping them to house their workers, he says.

Ownership will help upgrade the area as it lends pride whereas rental does not. An office vacancy factor of 10,7% in the area is in keeping with figures over the past few years. About 40 000m² of space has traditionally been taken up by new tenants in the area.

"The fear that developments such as BankCity would cause major vacancies has not materialised as these institutions continue to expand," he says.



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Recession drags market further into doldrums

Blpaw 29/6/92

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THE commercial and industrial market seems to be sliding further into the doldrums as the much talked about end to the economic recession fails to materialise.

Economists and senior property players initially predicted the recession would bottom out in mid-1992, but these projections have been revised and extend to between mid-1993 and the first quarter of 1994.

All of this does not bode well for an industry already faced with huge areas of oversupply, reduced demand and static to

weaker rental levels.

The huge vote of support for President F W de Klerk and his reform initiatives given by the white electorate in the March referendum was taken by many in the industry as a godsend.

Failed

It was expected to result in renewed local activity and to spur offshore investors and companies to return in droves, thereby rapidly mopping up the glut of space, pushing rental levels to new highs and creating new demand.

Sadly this has failed to materialise.

Foreign investors and companies are adopting a "wait and see" attitude as local violence continues unabated and political discussions become sidelined by rhetoric and accusations.

Foreign investment, if and when it does materialise, will alleviate many of the woes currently being felt. However, there has to be a sustained reduction in violence and probably an interim government in place for this to happen.

Token gestures have taken place but have had little effect on the property market. Local economic conditions are unlikely to improve for at least another year as that market lags the economic recovery by nine to 12 months.

In reality, rental levels are generally showing no real growth and only sought-after decentralised areas with low vacancies and little further development potential are showing any sort of rental growth.

Vacancy levels are static to increased almost across the board, with development also only really starting to taper off now.

In a positive move, the industry is also starting to call for less development and urging members to exercise caution.

However, this call probably comes too late as most of the major landlords find themselves with vast amounts of space to let and few prospective tenants.

This has resulted in tenants becoming more demanding and aggressive,

and landlords being forced to become more accommodating.

Rent free periods of up to a year seem to have become the norm, and a variety of other incentives like relocation contributions and actual moving costs are increasingly being borne by hard-pressed landlords.

Existing tenants are also examining the market and canvassing other landlords and agents for better deals which are then being presented to their present landlords.

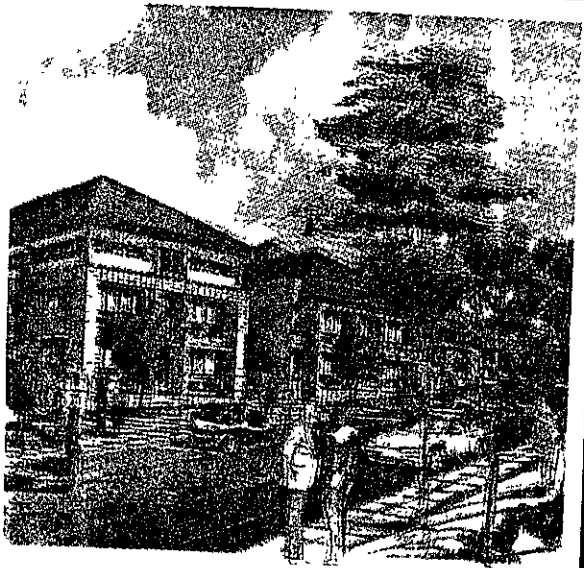
Quality

While the days of speculative developments are all but gone, huge institutional cashflows and property quotas that need to be filled are seeing those players continuing to seek quality, well-tenanted buildings that offer sound returns.

Competition for these properties is, however, fierce as private investors and syndication schemes stalk the market for similar developments.

Therefore the market is most likely in for another tough year and a considerable "tightening of belts" will be required.

The economy is expected to start its recovery towards the end of the year and if violence can be contained and political negotiations move forward, foreign investors and companies will move into the market, thereby boosting its recovery.



31E MARCH 1993



Sacob president Hennie Viljoen and former president John Hall at the Union Buildings in Pretoria after meeting President F W de Klerk. Picture: ROBERT BOTHA

Business delivers a plea for resumption of talks

BUSINESS conveyed to President F W de Klerk yesterday its strong desire to see political negotiations resumed as soon as possible.

A high-powered business delegation met De Klerk in Pretoria for talks on the political breakdown and its impact on the economy.

In a joint statement issued after the meeting Sacob, the AHI and Seifsa said they had conveyed to De Klerk their concern about the violence "as well as the negative impact of the breakdown in the Codesa talks on investor and business confidence".

The statement said business remained willing to assist in whatever way possible to facilitate the negotiation process.

"The employer bodies indicated they would throw their weight to an even greater extent behind the process and structures of the peace accord at both national and local levels," it said.

"There was an overwhelming need

for confidence building actions on the part of all concerned in SA."

De Klerk's office said in a statement the discussions had been constructive and he had used the opportunity to convey certain perspectives to them.

"He had also explained government's basic points of departure and given the assurance the government would meet its obligations concerning maintenance of stability in a responsible and balanced manner.

"He assured the delegation further that the government would leave no stone unturned in getting negotiations properly back on track," the statement said.

Other separate meetings have been arranged with ANC president Nelson Mandela and Inkatha leader Mangosutho Buthelezi.

These meetings are expected to take place within the next week.

PATRICK BULGER

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Musica's swansong report grim

MUSICA's earnings plunged to a loss of 12c a share (5c earnings) in the year to end-March, its swansong report before it is taken over by Clicks.

The music retailer, whose shareholders will not be receiving a final dividend, showed a R2,7m loss (R838 000 income) after tax despite a 37,1% rise in turnover to R38,9m from R28,4m.

Musica MD Derek Goosen said the turnover rise was achieved in difficult trading conditions.

Sales from existing stores declined in real terms, and sales from additional trading space "fell far short of expectations". Musica opened 10 new stores during the year to bring its total to 57.

Trade in the second half, which

traditionally accounts for the major portion of sales and profits, was "grim", Goosen said.

Musica showed a R236 000 loss before abnormal items compared with a R2,3m profit in the previous year.

The R1,2m abnormal item included a R1m adjustment for obsolete and slow-moving stock as well as a leave pay provision. Finance costs rose considerably to R1,3m from R613 000 to bring the pre-tax loss to R2,7m.

Goosen said that the change in control would see Musica return to profitability "on the back of the synergistic benefits that will flow from Clicks' retailing expertise and the rationalisation of resources".

MARCIA KLEIN (30)

COMMERCE — GENERAL

1992

JULY — ~~BE~~ AUG,

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Saficon seeks listing transfer

STAR
11/7/92
30
122

By Stephen Cranston

Saficon has applied for a transfer to the Industrial Holdings sector from the Motor sector.

Chairman Sidney Borsook said this reflected the changing nature of the business as the building materials group Boumat — which was previously an associate — had become a subsidiary.

Mr Borsook said that all other aspects of the group's long-term strategy remained unchanged:

"These were directed towards the continued development of the existing motor and industrial vehicle distribution business, the development of the motor component business on a selective and focused basis and entry into new business" where we can provide added value".

In contrast to previous years, Mr Borsook did not make a firm prediction of earnings per share, but said he expected 193 000 (192 850) passenger cars to be sold

in the year to March 1993, 100 000 (98 091) light commercial vehicles, 3 800 (3 941) medium commercial vehicles and 5 800 heavy commercial vehicles (6 683).

Mr Borsook predicted that monthly sales volumes would only improve in the latter part of the financial year, between November this year and March 1993.

"Vehicle prices are expected to increase in excess of the rise in the CPI," he added. "The cost pressures on vehicle manufacturers are considerable. Nevertheless, the motor industry continues to invest in new products and production facilities."

More than R690 million was invested during 1991. Production capacity in the industry was underused — only 69 percent of capacity was used in the three months to March 1992.

Just 62 percent of light commercial vehicle capacity and 55 percent of heavy truck and bus capacity was used.

Businessmen in power talks

30

Sowetan 1/7/92

By JOSHUA RABOROKO

A HIGH-powered delegation of Soweto businessmen is to meet with representatives of Eskom in Johannesburg today.

The meeting will discuss electricity, the executive director of the Soweto Chamber of Commerce and Industries, Mr Max Legodi, said yesterday.

The delegation will consist of chamber members, representatives of the Soweto Independent Shopkeepers' Association, professionals and community organisations.

Legodi said matters to be discussed would include the takeover of the electric-

ity supply in Soweto by Eskom, street lighting and meters to be installed.

"We feel concerned about the supply of electricity because in the past we were not consulted," he said.

Traders were not consulted when the Soweto Accord was signed.

An Eskom spokesman confirmed the meeting and said it was in line with the company's policy of "consulting with all communities" in the townships.

Vaal Chamber out over missing funds

By JOSHUA RABOROKO

Sowetan 1/7/92

THE Vaal Triangle African Chamber of Commerce and Industries has broken ties with the Southern Transvaal African Chamber of Commerce because of missing funds.

Sources said the money, about R300 000, was donated to the Vaal by local big companies to help traders whose businesses were destroyed during the 1984 uprisings in the area.

Vaal members are also unhappy because Soutacoc has taken over their offices. President of the Vaal Mr. George Thabe said the money was given to Soutacoc to administer on their behalf.

Thabe said inquiries regarding the money have drawn a blank. "Our members are demanding to know where the

money has gone because it was meant to help them," he said.

He said no explanation was given for the takeover of their premises until members decided to sever relations.

Affiliated

"We are now directly affiliated to Nafcoc until the matter has been resolved," Thabe said.

The executive director of Soutacoc, Mr Mike Lief, said the funds had "dried"

up when they took over.

The executive of the new president, Mr Joe Hlongwane, said former officials could not account for the money.

Various attempts were also made to trace a former president of Soutacoc to question him about the money. He was reported to have left the country.

The Vereeniging office originally belonged to Thabe who was paid by Soutacoc when they took over the premises.

These facts were divulged at the annual meeting of Soutacoc held at Jan Smuts Holiday Inn, Johannesburg, two weeks ago.

Suspended

The Vaal region failed to attend the conference and was suspended.

"We are trying to set up a new executive in that region because we need the members," Lief said. "We have good relations with some."

30

'No collusion on bread'

PRETORIA — The Competition Board said yesterday it could not find any indication of price collusion between bakeries when bread prices rose early in June. (30) (46)

The board had decided to investigate the issue after reports of possible price collusion. BWM 11792

Referring to "misleading advertising", the board said that soon after the bread price rise was announced, advertisements in the daily press indicated a certain chain store would absorb the increase itself for as long as possible.

The increase was in fact borne not by the chain but by the bakeries, the board said.

Prior to deregulation of the baking industry, the profit margin on a loaf was fixed at 4c.

"Retailers have now increased this margin, and margins of 20% to 25% are believed to be commonplace," the board said in a statement.

It was alleged that bread distributed in distant areas, including townships — particularly at weekends — sold for up to R2,50 a loaf.

— Sapa.

No clear trend away from CBD for cheaper rentals

blom 117192
ANDREW KRUMM

PROPERTY players seem divided on whether smaller companies have established a recessionary trend in moving from prime office and industrial areas to decentralised locations in search of lower rentals.

RMS Syfrets commercial broker Derek Jacques said lower office rentals in Randburg appeared to attract smaller companies from the Sandton, Rosebank and Rivonia areas.

The Randburg office market was characterised by companies requesting lower rentals and less space than the average for the same time last year, he said.

However, Ampros office leasing manager John Maynard said although there were many good deals for tenants, most would not sacrifice quality for lower rent.

There are cheaper premises elsewhere, but tenants in A grade buildings are not swapping this for lower rentals in C or D grade office blocks," Maynard said.

Seeff Organisation Holdings chairman Lawrence Seeff said there was definitely a trend for smaller companies to decentralise in favour of lower rentals, mainly for economic reasons due to tight market conditions.

"City landlords tend to be institutions that are presently able to hold out for high rentals. In general, the opposite applies in decentralised areas, where smaller landlords react more to economic circum-

stances, dropping rentals to fill space.

"However, I cannot say there is a similar trend in the industrial property sector."

JH Isaacs industrial director Wayne Wright said there was a move to keep industrial overheads down, but that relocations were driven primarily by safety considerations.

"Previously company decision-makers lived in the north and located their factories close to home in prime industrial areas like Eastgate and Wynberg."

Now, in the unstable political climate, security came first and companies were relocating away from industrial areas with adjoining townships like Kew's Alexandra, Chloorkop and Tembisa.

"Areas like Nancefield and Devland close to Soweto — have had no increase in demand for industrial space in the past two years.

"The industrial trend is more of a move to safer areas in the east like Isando and Spartan, where lower rentals also help keep overheads down," he said.

Strydom Park, Kyasands and the north-east part of Randburg were also proving popular. However, the discerning tenant would not sacrifice quality for lower rentals and "go for a downgrade building", Wright said.

Retail sales drop by an average 5%

8/10/92 217192

30

MARCIA KLEIN

A CONTINUED downward trend in consumer spending saw retail sales drop by an average 5% in real terms in the second quarter, major retailers said yesterday.

They said this level of sales was in line with the first quarter, and trading remained extremely depressed.

The Central Statistical Service's expected retail sales figures for June showed a 3.6% decline compared with June 1991 and a 0.8% decline from May, after seasonal adjustment. This reflected a continued downward trend since the third quarter of 1990.

An analyst said furniture, toys, records and tapes had been hardest hit. Clothing and footwear sales had been a bit better, but they included higher sales resulting from a significant amount of discounting. Food sales had been flat, and disappointing food sales by most major players could have been offset to some extent by relatively good sales by Pick 'n Pay and Spar.

Edgars MD George Beeton said the group's sales were down by about 5% in real terms. He said that mark-downs to a large extent had been self-defeating. While retailers had to have sales to get rid of inventory, the reduced prices meant that they were selling at lower margins.

Inflation had come down, particularly that of clothing, which was running at about 10%.

Pick 'n Pay chairman Raymond Ackerman said that his chain had experienced a good March and April on the back of its 25th anniversary promotion, but May and June had been quiet. He said Pick 'n Pay's sales for the quarter were 14.6% up on the previous year in nominal terms. This was mainly due to active promotion, and reflected no new store openings.

Ackerman said the drop in interest rates would have a small positive

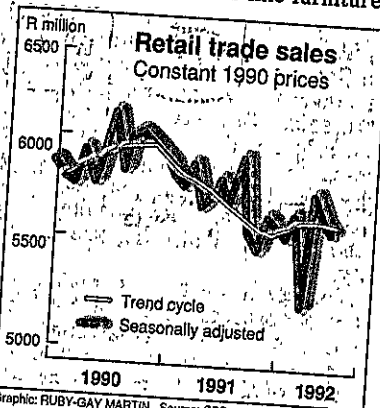
effect on sales, but progress in terms of negotiations was needed, as psychological hope would be the key to swinging out of the trough.

CNA MD Ian Outram said there had been no improvement in sales in the second quarter. Sales had been in line with budgets, but these had been conservative. CNA budgets reflected an improvement in the second half, but these were based on earlier predictions of an upturn towards the end of the year.

However, sales over the second half would increase due to the low base established in the second six months of last year.

An analyst said sales should pick up in September off this low base. Sales in September 1991 had shown a sharp drop, and the introduction of VAT at the end of September had exacerbated the decline.

The interest rate cut would also make a small contribution to increased sales. He added, however, the drought and continuing retrenchments could offset these positive factors. In addition, consumer sentiment was at a low ebb, and people were not eager to buy durables like furniture.



Sacob asks for return to Codesa

AN inability to overcome the current political impasse could lead to further closure of businesses, withdrawal of investment, a flight of capital and skilled manpower and loss of job opportunities. (30) ~~30~~

The warning was made by president of the South African Chamber of Commerce, Mr Hennie Viljoen, who said business was acting as trustees for the population and accepted that constitutional negotiations were a task for politicians. *Sowetan 2/7/92*

"Allowing the negotiation process to break down is tantamount to the breaking of a trust and is viewed by Sacob as most unfortunate," he told a Press conference in Johannesburg.

Viljoen said this before a top level Sacob delegation met the State President Mr FW de Klerk in Pretoria with the hope to get the ANC and the Government to get Codesa negotiations back on track.

The group is scheduled to meet ANC president Mr Nelson Mandela and Inkatha Freedom Party leader Chief Mangosuthu Buthelezi at venues still to be decided.

He said the suspension of negotiations by the ANC until certain demands were met should be seen against the "crisis of confidence" in the economy.

The South African economy had now been contracting for nearly four years, the longest recession in almost 50 years.

More than 250 000 jobs have been lost during the current recession with no prospect of a turnaround in the coming 12 months.

Nafcoc meets to elect a successor

Sowetan 2/7/92
By JOSHUA RABOROKO

30

Nafcoc is to hold a major strategic summit at the Downtown Inn Hotel on Saturday to elect a successor to president Mr Sam Motsuenyane.

He is retiring after serving black business for more than 28 years.

Among those who will be present will be Motsuenyane, chief economist Mr Vincent Phaahla, acting executive director Dr Morley Nkosi, deputy presidents Mr Joe Hlongwane and Mr Nkonyene and consultant Mr Pat Dempster.

Two deputy presidents - Hlongwane and Nkonyene - are tipped for the position.

Hlongwane is president of Southern Transvaal African Chamber of Commerce and Industries, while Nkonyene is president of the Transkei Chamber of Commerce and Industries.

Hlongwane is also chairman of Nafcoc's Strategic Planning Committee which is the main decision-making body.

Motsuenyane told *Sowetan Business* in Pretoria this week that he would not be standing this year.

However, he would still be an active member of the chamber.

Sacob slams strike

WORKERS would be the ultimate victims of Cosatu's call for general stayaways in August as already suffering business would be forced to fire workers or close down, a spokesman for the SA Chamber of Business said yesterday.

Mr Gerrie Bezuidenhout said in a statement in Johannesburg the business community, suffering the most severe recession since the World War 2, would take a hardline attitude towards strikers. - SA Press Association.

CLICKS STORES

Tuning in to lifestyle

FM 3/7/92

(30)

Targeted marketing and competitive pricing are keeping sales moving

When MD Trevor Honneysett and his management team took control of the Clicks group in mid-1988 there were 80 Clicks stores throughout the country — with 16 Diskom outlets in the western Cape. Four years later there are 130 Clicks and 73 Diskom shops; turnover, at R837m, has trebled; operating profit has climbed from R22m to almost R53m; and EPS have more than doubled.

In mid-1988 the share price was 650c and the dividend yield 4,2%; the earnings multiple was then 11,6. At R27,50, it is now 323% higher, and the p:e is 26,1, signalling that the market thinks there is potential to sustain significant growth.

The secret of success — in both Clicks and Diskom — has been to sell merchandise which, though composed of generic “essentials,” appeals to a clearly defined consumer niche in the toiletries and household goods market. Giftware complements this range. Advertising is all-important — with price a key selling point. Prices are checked daily against those of competitors and, if neces-

sary, adjusted to assure the integrity of marketing claims.

While the strategy was formulated to appeal largely to the mass market, it also attracts the more affluent shopper who looks for value. The less prosperous consumer is invited to trade up.

In the case of the Clicks stores, the targeted income group falls between B and C. Diskom is positioned to appeal to the income segment immediately below Clicks — the C and D income groups. Both ends of the target market are drawn into the group's outlets — and last year customers shopped at Clicks and Diskom at a rate of 4m a month.

Honneysett claims customers find shopping in Clicks a more pleasant experience than in most other stores with similar merchandise. He adds that the constant change in product ranges provides pleasant surprises for customers who then spend more time browsing. Clicks customers tend to indulge themselves more, he feels, because of the

PROFITABILITY RANGES

	Clicks 'n Pay†	Pick 'n Pay‡	Shop-rite‡	Pep Lid‡	OK*
Turnover (Rm)	706	5 911	1 129	1 468	5 045
Pre-Intr profit (Rm)	52,8	142	22,5	144	43,3
Pre-Intr margin (%)	6,3	2,2	2,0	9,8	0,9
Return on equity (%)	20	23,5	45	28,7	n/a
Return on capital (%)	20	12,4	9,4	18,6	n/a
Stock turn (x)	4,4	14,2	7,5	3	n/a
Share price (c)	2 775	2 375	650	4 700	800
NAV (c)	579	458	91	749	n/a
Div yield (%)	1,7	2,4	2,4	1,9	4,6
p:e ratio	24	22	16	22	10,6

† Year to April 30 1992. ‡ Year to Feb 29 1992.
* Year to March 30 1992.

varied composition of the range.

Asked who the group's competitors are, Honneysett names OK Bazaars, Pick 'n Pay, Checkers — and “all the others.” But he notes that Pick 'n Pay, for example, is focused on competition with Checkers, Shoprite and the OK who fight among themselves principally for the lion's share of the

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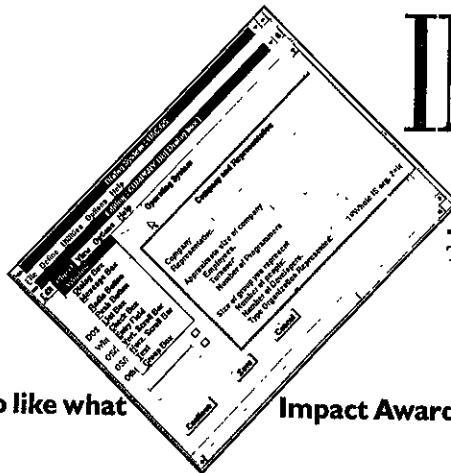
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SUBURBAN OFFICE DEALS

A time for sweethearts

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FM 317/92

As with the stagnating central business districts, the office rental business in decentralised areas — especially the suburbs — is battling with the oversupply. RMS Syfrets director Mike Deacon confirms that properties are not moving quickly.

However, he argues that there are two tiers in the office letting market in the suburbs. Good properties in prime sites are letting well at rentals of between R21/m² and R26/m² net. "In the poorer quality office blocks, rentals vary from R18/m² net upwards and the space moves slowly."

Deacon says sweetheart deals — rent-free periods and other forms of assistance — are being negotiated for decentralised areas but not on the scale of the offers being made for CBD space. In some of the city deals, property managers offer rent-free periods of up to 12 months.

Deacon says a number of factors influence property managers negotiating letting for a suburban office building. These include the quality of the building and its position, the

size and quality of the tenant and the rental levels under consideration. For example, Deacon says that a major prospective tenant, negotiating a 5 000 m² and upwards lease over 10 years, could reasonably expect up to six months rent-free, depending on circumstances. Prospective tenants negotiating for smaller premises would be more likely to get one month or two months rent-free.

RMS Syfrets MD Pat Flanagan says much of the industry has been taken aback by the aggressive letting policies adopted by some property managers and owners. He does not believe it unwise for a letting firm to have an aggressive leasing policy "but it is quite another thing for this to be marketed so openly."

Flanagan says his principal area of unease about such policies is the effect they have on existing tenants. "Why should a newcomer receive all kinds of favourable treatment at the expense of long-standing, reputable tenants? Effectively, they are being asked to subsidise the new tenant and no-one should

LITTLE CHANGE ... But Durban and CT offices mushroom

	May '92 m ²	May '91 m ²
Johannesburg CBD	76 600	70 700
Braamfontein	11 700	11 000
Rosebank	17 000	13 400
Parktown	17 800	16 000
Sandton	59 700	63 000
Randburg	21 300	22 600
Cape Town CBD	49 900	26 600
Claremont	8 900	16 400
Belville	10 100	2 000
Durban CBD	37 300	1 300
Westville	1 700	1 100
Berea	2 500	400

be surprised if they feel aggrieved."

Flanagan confirms that property development has fallen markedly in recent months. "The level of activity has dropped quite noticeably," he says, adding that some large architectural firms have reduced their working week to four days instead of retrenching staff.

Sizeable quantities of prime property development land are now being offered to the market. "If you take a contra-cyclical view," says Flanagan, "this is an excellent time to buy and build on the basis of good bargains."

Deacon says tenants should note that it is not only demand for space which pushes up rentals, but the major cost-push which must arise when new stock is created in an economic upturn.

Meanwhile, the latest Sapoa statistics for A-grade offices around the country show no noticeable change over the last year (see table).

New properties

In many cases, available space increased because new properties have come on to the market.

The exception is the Durban CBD where there is now 37 300 m² available, compared with only 1 300 m² a year ago. The reason for this is what RMS Syfrets manager Bruce Forrsmann calls "the Durban syndrome". More than a year ago, it became clear that there would be a substantial increase in demand for office space and rentals rose dramatically. Property developers reacted by initiating new projects, with the result that about 160 000 m² has been released on to the Durban property market more or less simultaneously.

"It'll be a few years before we work our way through this present overhang," Forrsmann comments. But he concedes that Johannesburg-style "sweetheart" deals have not yet arrived in Durban. ■

PRETORIA BY THE SEA

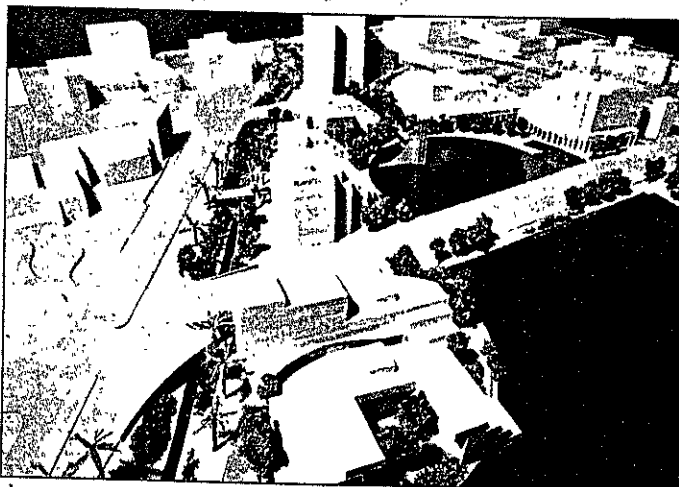
Given a notable body of water close to or in the Johannesburg CBD, developers would doubtless have attempted to do a Cape Town, à la V&A waterfront development. Bruma Lake is about as close as the City of Gold comes to it.

Pretoria City Council vows that it is doing something completely different. However, its recent launch of a programme of public participation in the City Lake Project in Sunnyside — in other words the making of a waterfront — sounds familiar. The scheme is designed to link Sunnyside with the CBD and, in its run-up, resembles Propnet's efforts countrywide to involve the public in various waterfront schemes. Pretoria mayor James Leach calls it a project of urban renewal and improvement which "cannot take place overnight."

The development calls for offices, shops, flats and recreation

areas around a man-made lake to be developed from the confluence of the Walkerspruit and Apies rivers. The area lies between Church and Esselen, Beatrix and Edward streets.

The participation programme aims to solicit input from ratepayers' associations, Sapoa, environmental and conservation groups, organised business and commerce and the Oost-Eind primary school, which will have to be relocated. All of this will be reflected in the final tender document that will go to developers in August or September.



FM 317/92 (30)

than developing new centres at a time when many experts believe the country — apart from a few niche areas and markets — is overshopped. That appears to be at least part of the thinking behind shopping centre specialists Retail International's and Sanlam Properties' decisions to extend their respective centres. It is also generally accepted that regular capital investment in modernisation, expansion and refurbishment is necessary for thriving shopping centres to maintain popularity. Hence the upgrading of centres like Eastgate, Hyde Park, and Carlton Centre shopping on the Reef.

In Durban the larger investment involves R50m by Retail International on extending the La Lucia Mall, Umhlanga, apparently in the face of stiff resistance from local residents. Due for completion before Christmas next year, the project involves the creation of 50 new specialist shops, a 500-seat cinema complex, and 800 more parking bays. This will increase the size of the centre from 16 000 m² to 25 000 m². Perhaps in deference to the neighbouring Health and Racquet Club, the developer has also decided to incorporate a jogging track.

Sanlam Properties says it is spending R17.4m on developing the fourth and final phase of its flourishing Chatsworth Centre. When completed later this year it will become the province's largest shopping centre — overtaking its stablemate, the Pinetown

NATAL SHOPPING FM 317/92
Maintaining the line (30)

Though the brakes may generally be on for major new retail developments in the greater Durban area, at least two major expansion projects — involving expenditure of nearly R70m — are on the cards. One will take place at Umhlanga north of the city, and the other is under way at Chatsworth to the south.

The investment seems to make more sense

COMA - D

FM 317/92 (30)

Sanlam Centre. But this position will be eclipsed in October 1993 when the 75 000 m² Pavilion shopping centre opens in Westville. Developers are M&R Properties and Retail International.

Chatsworth's fourth phase involves the provision of 21 line shops, a department store (to be occupied by The Hub), and 295 more parking bays. This will increase the total amount of retail space in the centre by 4 911 m² to 36 175 m².

Sanlam Properties MD Hendrik Bester says only three shops have changed hands at the centre since the first phase was opened at the end of 1988. Last year 900 000 people a month visited the centre and in December 1.4m shopped at the Chatsworth Centre. ■

Amcham setting up regional network

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

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

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

3/10/92 3/7/92 30
SHARON WOOD

abroad", Cohen said. ~~2007-194~~

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

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

Business acts to get talks going

30 C73/7/92

JOHANNESBURG. — Business bosses, fearing South Africa's democracy deadlock will bring social and economic disaster, said yesterday they would press political leaders to resume negotiations.

"We're seeking imaginative ways of getting the talks back on track," said Mr Johan Liebenberg, vice-chairman of the South African Co-ordinating Committee on Labour Affairs (Saccola).

Saccola, which groups major employers including the Chamber of Mines, met the biggest labour federation, Cosatu, last

week to discuss ways of halting the country's slide into chaos.

"We'd like to avert the national strike on August 3," Mr Liebenberg said. "We might do something else instead, like hold joint peace and democracy rallies."

"We've got to do something. Our economy cannot take any more hammering."

In other labour unrest, a union representing hospital workers threatened on Saturday to paralyse the Transvaal and Free State administrations because of the sacking of about 7 000 striking workers.

The union said that if the workers were not reinstated by July 17, protesters would occupy administration buildings.

Mr Peter Wrighton, chairman of one of South Africa's biggest corporations, Premier Group, said there was deep concern about escalating violence, the negotiations deadlock and the possible repercussions of mass protests.

"An urgent solution is necessary before further disruptive measures are taken which could preclude all hope of an early settlement," he said. — Sapa-Reuter

reason to believe an investment in Tradegro could produce strong returns over the next few years.
Gerald Hirshon

SHOPRITE FM 3/7/92 30
Managing the merger

Activities: Supermarkets, food and household products.
Control: Pepkor.
Chairman: C H Wiese; MD: J W Basson.
Capital structure: 29,6m ords. Market capitalisation: R192m.

Share market: Price: 650c. Yields: 2,4% on dividend; 6,3% on earnings; p:e ratio, 15,8; cover, 2,7. 12-month high, 625c; low, 420c.
Trading volume last quarter, 214 000 shares.

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	0,3	1,5	10,6	—
Debt:equity ratio	n/a	n/a	0,12	n/a
Shareholders' interest	0,2	0,18	0,12	0,11
Int & leasing cover .	5,6	4,9	3,1	3,2
Return on cap (%) ..	12,5	11,5	7,0	9,4
Turnover (Rm)	350	471	732	1 129
Pre-int profit (Rm) ...	10,5	13,0	12,6	22,5
Pre-int margin (%) ..	3,0	2,8	1,7	2,0
Earnings (c)	23,2	27,5	27,2	41,1
Dividends (c)	10,0	12,0	13,5	15,5
Net worth (c)	57,5	69,3	74,6	91,4



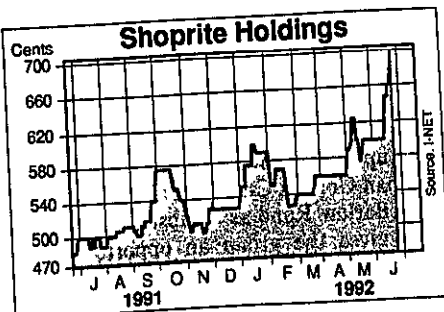
Shoprite's Basson ... sophisticated management information systems

Shoprite will cease to be listed as a trading company after merging with Checkers. It is to be turned into a cash shell that could later be delisted. So the most pertinent reason for reviewing its latest annual report is to assess management's potential to generate a winning formula for the enlarged entity.

Shoprite's 1992 year was arguably the best in its 12-year history. Increases of 54% in turnover and 80% in operating profit in this recession says a great deal. It was a remarkable accomplishment considering that the ailing 27-outlet Grand Bazaar supermarket chain, bought for R18,6m the previous year, had to be turned around. That MD Whitey Basson and his management team did this so quickly may be a pointer to the future.

The 12-year financial record shows how successful Shoprite has been. Turnover grew at an annual compound rate of 46,2%, operating profit 31%, taxed profit and EPS 30%.

In fiscal 1992, productivity was increased and costs were maintained. The administrative systems must have been good. Basson says Checkers has "highly sophisticated" management information systems that can



be used to benefit the combined Checkers and Shoprite.

Synergies have been produced through rationalisation of Checkers' head office. Rationalisation of stores has begun and there will be further action to eliminate duplication and overtrading. In total, Checkers/Shoprite will hold about a one-third share of the total supermarket market. It is expected to generate a massive cash flow which should produce healthy investment income. Shoprite repaid all its R10,6m interest-bearing debt in the 1992 year.

Tradegro, which owns 100% of Checkers, is acquiring, as a going concern, all the retail supermarket and butchery businesses of Shoprite. Payment, which amounts to R177,3m, equal to R6 a Shoprite share, is to be made by issue of new Tradegro shares and R5m cash.

Shoprite will renounce the Tradegro shares in favour of holding company Tradehold, in exchange for new Tradehold shares in renounceable form. Shoprite will renounce its entitlement to the Tradehold shares and distribute them to its shareholders as a dividend *in specie*. Shoprite shareholders will have the choice of holding these Tradehold shares or exchanging them for new shares in Pepkor; or they can take a cash equivalent.

The merged Checkers/Shoprite will be wholly owned by Tradegro, of which Tradehold will hold about 75%. Tradegro is the direct — and most attractive — avenue into the Pepkor food retailing operations. Tradehold, now holding only Tradegro, could be used to acquire other interests.

Shoprite's management now presides over a group of 240 supermarkets likely to produce turnover of more than R5bn in fiscal 1993. It would be pointless to assume it will all be plain sailing. There are thorny matters to be resolved, such as the merger of administrations and payrolls, as well as the unravelling of some store leases. But, if management is the key, there seems to be good

EDGARS

Falling short of the targets

Fm 317192 (30)

Activities: Retail clothing, footwear 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: 50,8m ords. Market capitalisation: R2,9bn.

Share market: Price: R57. Yields: 2,1% on dividend; 5,3% on earnings; p:e ratio, 18,7; cover, 2,6. 12-month high, R63; low, R49.

Trading volume last quarter, 174 000 shares.

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	20,8	40,3	18,9	20,8
LT debt (Rm)	122	201	262	378
Debt:equity ratio	0,41	0,62	0,57	0,68
Shareholders' interest	0,38	0,34	0,35	0,36
Int.& leasing cover ..	8,6	6,4	6,0	5,1
Return on cap (%) ..	25,0	26,0	26,0	24,2
Turnover (Rbn)	1,58	1,98	2,48	2,75
Pre-int profit (Rm) ...	210	288	353	373
Pre-int margin (%) ..	13,3	14,5	14,3	13,6
Earnings (c)	221	243	296	310
Dividends (c)	75	93	113	119
Net worth (c)	632	746	930	1 122



Edgars' Kahn ... expects further earnings growth this year

For the first time in five years, Edgars' 1992 annual results show earnings growth below the inflation rate. This is a clear indication of the state of the clothing market and the extent to which consumer spending is being squeezed by government's strategy of using monetary policy to reduce inflation.

Edgars had hoped to achieve increases of around 17% in both sales and earnings. The results were dismal by comparison, with increases of 11% and 5% respectively. However, sales of clothing, footwear, household textiles and accessories (CFTA) for the sector in general are estimated to have grown by a low 8%, indicating market share gains by Edgars. This was achieved without a significant change in the operating margin, which dropped from 14,3% to 13,6%.

The relatively good performances by the group's credit chains were dulled by the poor results from cash chain Jet Stores, reflecting a move towards credit purchases. Sales and profit growth for the credit chains were 13% and 10%, while sales in Jet were level and the attributable loss was R8m.

A divisional breakdown shows turnover at Edgars up 12,4% and attributable profit up 6%. Sales House was the top performer, with

turnover up 14%, while attributable profit rose an exceptional 31%. Despite its poor performance, the repositioning of Jet has placed emphasis squarely on the core fashion operations, resulting in a much improved in-stock position, the results of which are now being felt.

Celrose, the manufacturing arm, had declining levels of production and lower profitability, with export sales shrinking from R11m last year to R7,7m. The acquisition of the Lee operation pushed up net assets employed 30%.

While no growth in volumes is planned, Celrose aims to increase profitability.

There were additional pressures on this predominantly credit business. A 24% rise in financing costs, to R72,6m, saw pre-tax profit improve only 2%, from R294,4m to R300,6m. The decline in consumer spending led to a build-up of stock levels (22% rise, down on the interim's 39%) and this with competitive pressures called for aggressive promotional and discounting activity. Though at financial year-end stocks remained high, financial director Mark Bower says it was the result of stocking ahead of Easter which this year fell in April. Stocks are now down to acceptable levels.

The net effect of a 32% increase in discounting activity was to place pressure on operating margins, and lift gearing to nearly 70% from the previous year's 59% — uncomfortably close to the self-imposed limit of 75%. Labour unrest and the introduction of VAT in September and October resulted in costly disruptions.

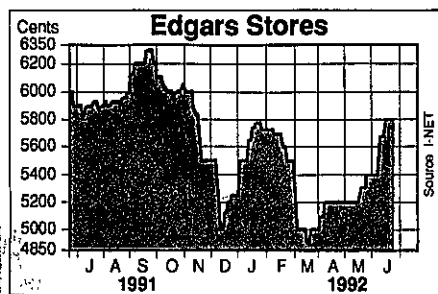
Total interest-bearing debt increased a sizeable 42%. A lower-than-expected cash generation for the year, and a 71% increase in incidence of tax payments, were behind the swing. Also affected was cash flow per share, which fell to 8,6c from 175,6c in financial 1991 and 20,1c in 1990. Its erratic nature is due to tax paid, which is the biggest cost component. Bower says tax payments have now caught up, which should see the

figure stabilise from now on.

Like most companies in this sector, another difficult year is envisaged for the group. CE George Beeton forecasts growth in sales and profits in line with CFTA inflation of around 10%.

The modest results achieved by the Edgars group might encourage investors to down-weight their exposure to consumer-based counters — assuming that more prosperous options can be found in depressed engineering, construction and heavy industrial stock. But the rating is not unduly demanding for this quality company, currently on a forward p:e of 17,5.

Marylou Greig



Activities: *Retails clothing.*
Control: *Bergers Group 94%.*
Chairman: *H V Mauerberger; MD: M Jacobson.*

Capital structure: *86m ords. Market capitalisation: R38,7m.*

Share market: *Price: 45c. Yields: 4,4% on dividend; 13,8% on earnings; p:e ratio, 7,3; cover, 3,1. 12-month high, 80c; low, 45c.*

Trading volume last quarter, nil shares.

Year to Dec 31	'90*	'91
ST debt (Rm)	10,6	19,3
LT debt (Rm)	3,4	3,9
Debt:equity ratio	0,79	1,11
Shareholders' interest	22,4	21,5
Int & leasing cover	4,2	2,3
Return on capital (%)	20,0	13,7
Turnover (Rm)	134	165
Pre-int profit (Rm)	13,8	11,8
Pre-int margin (%)	10,3	7,2
Earnings (c)	8,6	6,2
Dividends (c)	3,7	2,0
Net worth (c)	17,6	21,2

* 10 months.

On an annualised comparison (1990 figures were for 10 months), Jacobson says, Bertrad's turnover grew by about 14,9% in 1991. But Jones, with 34 stores, dragged the group into an earnings decline. Mauerberger says the market niche in which Jones operates was severely affected by the downturn and violence. It made an operating loss after contributing to earnings in 1990. Hilton Weiner turned in a "satisfactory" operating profit.

Trading results for 1991 were discussed by the *FM* (Fox April 10) but the annual report casts new light on the financial position. In particular, working capital has changed materially.

Stock increased by R10,5m to R45,7m because of depressed trading. Debtors jumped by 31%, to R19,8m, for two reasons: attractive terms were used to coax Jones' customers to buy; and the debtors' book collection rate has slowed because of overdue payments by credit customers — not a good sign.

To finance these increases, accounts payable rose by R8m, to 41,2m. But increased overdraft funding was also required. Additional bank borrowings of R8,7m, taking the total to R19,3m, funded additions to stock and debtors.

Refurbishments (seven Bergers, one Jones) as well as new store openings (19 Bergers, five Hilton Weiner and five Jones) were financed from this source as well as from a R480 000 increase in long-term liabilities.

BERGERS TRADING HOLDINGS
 FM 3/7/92 (30)
Dragged back by Jones

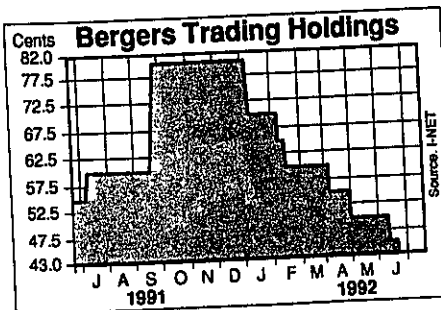
Every time group management accounts are studied, Bergers Trading (Bertrad) chairman Howard Mauerberger and MD Mervyn Jacobson must be haunted by the acquisitions of Hilton Weiner and, especially, Jones Retailing. In retrospect, they were follies.

Had it not been for those purchases, the core operation, Bergers, would have produced a solid trading performance and management would now be building on it. Instead, performance of the 224-store Bergers chain is hidden behind a cat's nest of problems which arose particularly after the acquisition of Jones, a credit-based retail chain.

The ratios all indicate considerable strain, the most worrying being the debt:equity ratio, which continues to deteriorate.

It is difficult to see how Bertrad can improve matters in this economic climate. Mauerberger is talking about a possible rights issue, though now, with the quality of its earnings deteriorating, is hardly a good time to come to the market. Such an issue would probably have to be underwritten by an institution that has faith in the long-term future of the group.

Mauerberger should not delay in deploying some tactic to diminish the strains in the business. As things stand, if trading does not improve substantially, the debt structure will increasingly impair results. *Gerald Hirshon*



Food sales lowest in 30 years

FOOD sales in the past two months have shown the worst real decline in 30 years, says Checkers Shoprite operations director Sergio Martinengo.

Mr Martinengo says: "Sales fell by between 5% and 8% in May and June, as the recession's stranglehold on the economy tightened."

All retailers are showing similar reductions in volume a square metre, says IBIS marketing joint managing director Gordon Pasley.

Retailers started feeling the recession 13 to 15 months ago. But the last two months have been disastrous.

"It is as though somebody has just turned off the tap," one retailer lamented.

Pick 'n Pay financial director Chris Hurst says May and June sales dropped in real terms on last year's.

"We did not expect it to be this bad."

30
S/Times (Buss) 5/7/92

By TERRY BETTY

Econometrix economist Tony Twine says it is unusual for the volume of food sales to drop.

"Food sales should keep pace with the population growth, which at 2,5% a year, is higher than economic growth of less than 1% annually for the past 12 years."

Food sales tend to grow positive even in recessions. He suggests people are buying cheaper and poorer quality foods.

Mr Martinengo says the middle class has been worst

hit. The bottom end of the market has been under pressure for so long that it cannot cut back any further.

Another retailer suggests that the informal sector could be doing better business.

Dion financial director Mannie Chaimowitz says the situation has reached crisis proportions.

"The money has dried up and non-food items have felt the worst impact."

Amrel financial director Bruce Sinclair says sales at cash stores have dropped more than at its credit chains.

Cape

Customers are buying on credit wherever possible. However, this does not imply credit stores are booming — the average person has exhausted all avenues of credit.

Mr Sinclair says Amrel's Cape shops have done relatively well. Low-cost housing developments in the coloured community two years ago opened a new market for furniture shops selling on credit.

Rusfurn chief Laurie Korsten says credit sales in middle-to-upper market shops have been above budget. Blacks moving into expensive white areas have presented a new market.

Woolworths managing director Syd Muller has the last word on the sad state of retail sales: "Please talk kindly about the dead."

Pick 'n Pay could drop price by 8c a litre

Secret fuel deal outcry

STimes (Buss) 5/17/92 (30) 167

PICK 'N PAY's Raymond Ackerman has fired a broadside at the Government and the oil industry over a secret agreement about to be signed to regulate fuel distribution for another four years.

The agreement, known in the industry as the Ratplan, is a three-way deal among the oil companies, service station operators and the Government. Mr Ackerman says: "Regulation has made oil companies extremely wealthy and consumers poor. Protection is there to benefit the big companies."

By KEVIN DAVIE

If the Government allowed it, Pick 'n Pay would drop petrol prices "tomorrow" by between 8c and 8c a litre.

The Government raised retail and wholesale margins this week by 2c/l and 4c/l respectively.

They bring the retail margin of 93 octane to 15.1c/l and the wholesale one to 13.5/l.

The National Energy Council's Dourens van den Berg confirms that the new version of the agreement, which dates back 30 years, will extend it by another four years. He says the agreement awaits the consideration of Mineral and Energy Affairs Minister George Bartlett.

Mr Van den Berg declined to make a copy available, saying it was a contract between the three parties.

Mr Ackerman says he was led to believe that deregulation of SA's highly controlled fuel industry would come in February. He appeals to Mr Bartlett not to sign the new agreement. He will take up the matter with President De Klerk.

Wrong

"It would be completely wrong for the country. We need deregulation because high petrol prices increase all others."

Mr Ackerman's criticism of the profits made by the large oil companies is supported by the Automobile Association.

AA public affairs manager Robin Scholtz says "an increase of 42% in the wholesale margin once again emphasises the previous call by the AA for the multinational oil companies to declare their trading accounts in SA."

Mr Ackerman says Pick 'n Pay is prepared to wait until February to lower its petrol prices, but if regulation is to be extended, then "judgment will have to be reserved on what we do next".

Oil major Engen is preparing for deregulation of the industry, according to the latest issue of The Executive magazine.

Twelve garages converted from the Mobil to the Engen brand name already feature "prime signs" which advertise the price of fuel at the station. Industry sources suggest that in a deregulated market these prices could change daily with lower offers to attract motorists in off-peak periods.

Engen group marketing chief John Roberts has told The Executive that his company is behaving as if deregulation is already a reality.

It is using the prime signs to gauge public reaction, says Mr Roberts. Its competitors can test their signs abroad,

but SA-based Engen has to do so here.

Mr Roberts says: "We know there's a 'threat' of deregulation hanging over us. If we're ready, it won't have a major impact."

"But if one of the other players is not ready, the others will become vultures, they will see an opportunity to steal market share, so it's crucial to be prepared."

Mr Roberts plays down the possibility of a price war bloodbath, but believes Engen will emerge as the dominant player with nearly 50% more market share than its main rivals.

The Executive says Engen, Mobil, Shell, Caltex and BP each controls between 16% and 18% of the market. But add in Trek and Sonap - Engen's other brands - and the

group's share jumps to between 26% and 30%.

The article says: "It is an advantage that Roberts can't let slip as he heads for what will be a cut-throat free market."

Mr Roberts says where there are two or three competitors with equal market share, there is generally a bloodbath because nobody leads, everybody follows and it becomes a street fight.

"An undisputed market leader can prevent that, and it's therefore crucial that we use the full power of our market share."

The Executive says Engen would probably hold its own in a showdown with the most powerful of the foreign-based companies (presumably a reference to Shell) and win against the others.

The NEC 1989-90 report says the service station

● To Page 3

Keys ponders VAT of 16%

By CIARAN RYAN

FINANCE Minister Derek Keys is considering raising VAT to 16%, says the VAT Co-ordinating Committee chairman Bernie Fanaroff told Business Times: "The minister indicated that the present rate of VAT at 10% was insufficient to counter the effects of dissaving in the economy. 5/17/92

"He said he might have to raise VAT to 16%."

A spokesman for Mr Keys says: "The minister was referring to the increasing worldwide shift from direct to indirect taxation. As the economy moves to a more indirect form of tax, this could require an increase in VAT rates."

"The minister indicated that VAT rates in most European countries were of the order of 16%."

Board of Executors economist Rob Leg says the correct way to deal with government dissaving is to cut its spending, not raise taxes.

Dissaving refers to the excess of government spending over revenue. This year the Government deficit, or dissaving, is budgeted to be about 4.5% of gross domestic product.

Control

Mr Fanaroff says the VAT Co-ordinating Committee met Mr Keys to discuss the plight of the poor in SA under VAT.

Mr Fanaroff says: "We are one of the few countries in the world to charge VAT on basics, such as food, medicine and electricity."

"The minister said there was insufficient money for zero-rating food. We asked him what about the money being wasted in corrupt government departments."

"He replied that these were not under his control. We cannot accept this argument."

Tax partner with attorneys Hoymeyr Van der Merwe Henry Vorster says "any increase in the VAT rate would normally be accompanied by a decrease in income-tax rates in accordance with the principle of broadening the tax burden."

"But one must always consider whether such an approach is appropriate for a country such as SA."

Fuel deal introduced by all interest groups in collaboration with Government and with retention of the free market principle, to regulate the industry. (30)

● From Page 1

rationalisation plan was implemented in 1960. The number of petrol stations has since increased by less than 10% while volumes sold have risen by 300%. It says: "The plan was in-

Food sales lo in 30 y

STimes (Buss)

By TERRY B

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Sasol, Engen in line for deal with Kenya

By ZILLA EFRAT: Nairobi

SASOL and Engen are about to form a joint venture with a project cost of \$10-million with a Kenyan company called Oil Tanking.

A source says the project involves lubricating oils and blending facilities. A plant is being built in an export processing zone in Mombasa, the largest port in East Africa. It should be in operation by the end of the year.

Once in full swing, the project is expected to generate between \$25-million and \$100-million a year in exports from SA.

The plant will supply Central and East African markets. Oil Tanking would not comment when approached this week.

W&A Investment corporation has formed a joint venture with two Kenyan finance and trade companies - Abbey Investments and Marathon Corporation. Called Kensa, it will facilitate trade between SA and East Africa, particularly Kenya, Uganda and Tanzania.

● See page four.

COMPANIES

Provisional liquidation for Focus Holdings

8/10 day 6/17/92
FOCUS Holdings, which owns Smiley Blue, Cashworths, Bachelors, Mattress World and Forty Winks, was placed under provisional liquidation on Friday, chairman Irwin Sacks confirmed.

However, he said it was unlikely that the liquidation would go through, as Focus was currently proposing an arrangement to restructure and rationalise the group's activities.

The group's interim results to end-January were due to be published by the

MARCIA KLEIN

end of April, but Focus had been granted permission by the JSE to defer the release pending "reorganisation".

Analysts said recently that the group had been suffering from a decline in consumer spending and a strain on cashflow.

Focus had two rights offers in two years. A R6,3m offer in 1990 was aimed at improving working capital and repaying bank borrowings for various acquisitions, and a

30
further R7,1m was raised in 1991 for working capital.

But, in the year to end-July 1991, it reported a loss of R7,2m and analysts were expecting severely depressed results to end-January 1992.

In August last year, Focus launched a store charge card and bonus cards in a drive to offset the group's limited capital base and its inability to finance a large debtors book.

The share has dropped from 25c a year ago to a close on Friday of 5c.

n the hospital strike

the nation in brief

Sowetan 6/7/92
Vow on hospital strike (1) (2)

THE National Education, Health and Allied Workers Union has re-affirmed its commitment to ending a nationwide hospital strike if the proposals it made at Friday's meeting with Commission for Administration are met.

Nehawu president Mr Neal Thobejane yesterday said that the status of temporary employees, interim dispute resolution mechanisms, salaries and dismissal of strikers were the demands which formed the "bottomline" to call off the strike.

Nehawu, ten public service trade unions and CFA are to meet again today to resolve the logjam.

Boycott set for Vaal

 (30)

A CONSUMER boycott is set to hit four Vaal towns today after local organisations suspended the work stayaway, which started 12 days ago.

The public relations officer for the Vaal Civic Association, Mr Paul Sithole, said the consumer boycott was aimed at white-owned businesses in Sasolburg, Vanderbiljpark, Vereeniging and Meyerton, and that Indian-owned shops had been exempted. Sowetan 6/7/92

SABC strike end in sight

THE resolution of the six-week-old strike by SABC employees may be in sight with further talks between the two parties set for tomorrow.

The workers, all members of the Media Workers Association of South Africa, are locked in a wage dispute with management. - Sowetan Reporters. (1) (2)

Sowetan 6/7/92

Businessmen to meet Mandela

STAN 1 617/92
Business representatives will meet ANC president Nelson Mandela tomorrow to discuss how the business community can help end the present political crisis and speed up the resumption of negotiations.

The meeting with the SA Chamber of Business, the Afrikaanse Handelsinstituut, and the Steel and Engineering Industries Federation follows a similar meeting last week with President F W de Klerk and Inkatha president Mangosuthu Buthelezi. — Sapa.

Shunning of Vaal businesses

intensified

Staff Reporter and Sapa
7/17/92 (30)

The Broad Forum, consisting of community-based organisations in the Vaal Triangle, yesterday announced that it would step up its consumer boycott of white-owned businesses in the area following the June 17 Boipatong massacre.

Organisations in the forum include the ANC, the SACP, Cosatu, Azapo and the Vaal Civic Association.

Forum spokesman Paul Sithole said in a statement that Indian-owned businesses had been exempted, but would have to issue civic association stickers to customers.

Boycott demands include the demolition of KwaMadala hostel, the prosecution of all people implicated in violence, the withdrawal of security forces from Vaal townships, and Iscor compensation to residents who suffered loss in the massacre.

The forum also demanded that OK Bazaars, Premier Milling and Star Bakery explain why food had been delivered to KwaMadala the day after the massacre.

Mr Sithole said the boycott would be reviewed weekly, and warned unruly elements not to exploit the situation.

In a statement yesterday, Cosatu denied reports that the forum was terrorising residents, saying forum members merely "escorted" residents who asked for protection.

Cosatu national organising secretary Zwelinzima Vavi blamed the burning, hijacking and looting of vehicles on "criminal elements". Residents should not allow them to take control, he said.

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Shunning of Vaal businesses intensified

STAN 7/7/92 (30)
Staff Reporter and Sapa

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Vaal stayaway ends, but boycott stays

THE Broad Forum, an alliance of community groups and political organisations, yesterday suspended the work stayaway in the Vaal Triangle — but immediately announced an intensification of the consumer boycott of white businesses in the area.

The towns targeted for boycott were Vereeniging, Meyerton, Sasolburg and Vanderbijlpark, forum PRO Paul Sithole said yesterday.

The boycott was aimed at backing several demands made by local residents in the wake of last month's Boipatong massacre.

The suspension of the stayaway meant Vaal Triangle residents would no longer need "comrade" escorts to travel outside the area, a forum spokesman said yesterday.

She said there had been no coercion during the stayaway, and claimed

people had asked for escorts before venturing into nearby towns.

Organisations participating in the forum include the ANC, the SACP, Cosatu and the Vaal Civic Association (VCA).

Sithole said the boycott was selective, and Indian-owned businesses had been exempted provided they showed solidarity with the forum by distributing VCA stickers to customers.

- The demands behind the boycott included:
- Demolition of the Kwamadala hostel, from where the Boipatong attack was allegedly launched;
- The arrest and prosecution of all people implicated in violence;
- Withdrawal of all security forces from Vaal townships;

- Compensation by Iscor to Boipatong residents who suffered loss in the massacre; and

Clarification from OK Bazaars, Premier Milling and Star Bakery regarding alleged support for the Kwamadala hostel — it has been claimed they delivered food to hostel dwellers the day after the massacre.

OK advertising director Bob van Collier denied the company had delivered food to the hostel.

"We don't deliver food and we do not donate to political organisations. The food might have been bought from OK Bazaars, but it was not delivered or donated by OK."

Premier Group CEO Peter Wrighton said: "It is a case of mistaken identity — we did not deliver to Kwamadala and we are talking to the organisers about the issue."

Paul Sithole
National of the movement



Tenants make best of surplus in office space

8/17/92 PETER GALLI

(30)

THE Pretoria commercial property market is battling with a surplus of space. Most movement is restricted to existing tenants moving from one building to another.

Sanlam Properties regional manager Frikkie Botha said there were few new tenants.

Activity was generally restricted to tenants relocating for a better deal, he said.

This trend was shown by Saambou Bank's sale of its 24-storey head office building in Andries Street to Sanlam Properties for R26m so it could move to a new building in Lynnwood — a 8 400m² head office rented from Sanlam, to be known as Saambou Park.

The building has two connected three-storey wings and was completed last year for about R17m, Botha said.

Saambou group MD Johan Myburgh said the bank was the only large financial institution with a Pretoria head office. The relocation was necessary as many of the group's subsidiaries were housed in various buildings in the city because of the limited space at head office.

The move would bring the Saambou head office, insurance and brokerage companies, board of executors and consumer financing into one building.

Botha said Sanlam Properties' city centre portfolio had been significantly extended by the purchase of the bank's present head office. He said it expected rentals of R28/m² for the 7 456m² of office space. The 1 929m² retail space was fully let for between R40/m² and R60m².

Sanlam owned about R500m worth of properties in the greater Pretoria area. Its portfolio was 95% let.

Writing in Saambou Properties' annual report, released yesterday, Myburgh said there was an oversupply of space in most cities. The greatest challenge for owners was to keep their tenants, even at lower rentals.

NEWS Businessmen in top-level talks • Blast claims two lives

Worried businessmen meet ANC and allies

Sowetan 8/7/92
 By Joshua Raboroko and Sapa

8/7/92 30
 ■ POLITICAL DEADLOCK Concern over the

threat of mass action and the country's crisis

BUSINESS LEADERS held top level talks with the African National Congress and its allies in Johannesburg yesterday on the political crisis in the country.

And, despite a "narrowing of the gap" in their thinking, the two parties remain divided on mass action.

The business delegation reiterated its concern and opposition to the ANC-led mass action campaign while the ANC used the opportunity to explain why they launched the protests.

It was announced after the meeting that the two sides were considering establishing a small group "to keep the lines of communications open" in times of crisis.

Yesterday's meeting was the third of a series called by business leaders to discuss with political parties the negotiations' deadlock

The ANC and its allies pulled out of negotiations after the Boipatong massacre on June 17 and issued a list of demands to be met to resume talks. In the past week, the business leaders held talks with State President Mr FW de Klerk and Inkatha Freedom Party president Chief Mangosuthu Buthelezi.

"We have had very fruitful exchanges," ANC president Mr Nelson Mandela said in a brief address to the media after the two-hour meeting at the organisation's head office.

He said the deadlock between the Government and ANC had led to a "serious situation in which positions have been hardened".

Mandela said what was important about talks

was that "we have narrowed the gaps between us in our thinking and we are coming closer a common attitude on the final issues".

The business delegation was led by Mr Hennie Viljoen, president of the SA Chamber of Business, members of the Afrikaanse Handelsinstituut (AHI) and Steel and Engineering Industries Federation of SA (Seifsa).

THE ANC group included the SA Communist Party and Cosatu. AHI president Mr Attie du Plessis said the business community would continue its discussions. Sacob director-general Mr Raymond Parsons said employers would consult all parties, including PAC and Azapo, in order to bring about peace.

PROPERTY

Call to alter Sectional Title Act

A REVISION of the Sectional Title Act is needed to accommodate the sale of industrial developments and shopping centres by sectional title, attorneys Fluxman Rabinowitz-Raphaely Weiner senior partner Michael Jelley says.

When the original Act was promulgated in 1971, the main intention was to allow buildings to be divided into units so that people could acquire ownership of their flats.

"The buildings which the Act envisaged being sectionalised were mainly residential buildings. Now there is a move to start sectionalising industrial developments and shopping complexes.

"Up to now, the only shops sectionalised were those that formed part of a block of flats where the shops were on the ground floor," he says.

The reason for the interest in sectionalising industrial developments and shopping centres appears to be that anchor tenants require security of tenancy.

In addition, there is a trend for them to re-enter the arena where they own the property on which the shop, supermarket

or factory is situated — to gain the benefit of the long-term rise in the value of the property.

"Despite half-a-dozen amendments and a complete new Act in 1986, as it now stands the Act does not provide for the difficulties encountered when an industrial development or shopping centre is to be sectionalised," Jelley says.

However, Richard Codron of the SA Property Owners' Association's sectional title and group housing committee disagrees. He says the Act is quite adequate and mechanisms are in place to cover problems.

Revisions

"While the Act adequately covers these issues, there is never any harm in examining legislation to see if it needs to be revised.

"A sectional titles regulatory board sits as a comprehensive body representing the wide interests of the industry and will look at revisions or amendments if they feel

these are necessary."

Jelley says shopping centres normally have four or five major tenants and a number of smaller shops occupied by tenants whose occupancy varies from a couple of months to a few years.

In many cases it is not feasible for the smaller tenant to buy the property under sectional title, because of the costs involved.

In addition, each tenant normally needs to alter the premises to suit his needs.

"One also finds that the shop fronts do not run in a straight line and often project onto the centre's passages. The passages would either be common property or the subject of right of way servitudes.

"A possible solution is to sectionalise the major premises as separate sections and have the remainder of the complex as one section.

"Any future tenant wishing to acquire premises under sectional title could do so through the developer subdividing the remaining section," he says.

There were also problems with parking, participation quotas, the apportionment of levies, offloading zones, service corridors, passages, malls, escalators and security.

PETER GALLI

30

BIDING 8/7/92

Indaba on SA's crisis

Sowetan 8/7/92



■ **AGREEING TO DIFFER** ANC, business leaders

meet to discuss country's deepening political crisis:

BUSINESS leaders yesterday discussed the country's crisis with ANC president Mr Nelson Mandela and other leaders of the Congress Alliance.

The parties agreed to differ, but understood each other's positions.

The businessmen's delegation consisted of leaders from the South African Chamber of Business (Sacob), the

Afrikaanse Handels Instituut (AHI) and Seifsa.

These also met with President FW de Klerk and Chief Mangosuthu Buthelezi last week.

According to Mr Raymond Parsons of Sacob, they hoped to meet the PAC and other organisations in due course.

See the main story on page **2**

R2bn to be spent on project

A TOTAL of R2bn is planned for future expenditure on Cape Town's Victoria and Albert Waterfront development.

Commenting in the annual report released yesterday, chairman Prof Brian Kantor said revised capital expenditure figures showed that R170,28m was predicted for 1992, rising to R242,65m in 1993. The cumulative total at the end of the project, scheduled for 2003, was R2,04bn.

A total of 32 500m2 of retail space was anticipated by the end of the project, while about 1 102 hotel rooms were planned. Total office space of 99 000m2 was anticipated and 1 500 residential units were expected to be made available by 2003.

However, in an interview yesterday, Kantor said the company would only develop to these levels if there was demand.

Most of the R2bn was for housing and Transnet would only supply basic infrastructure capital for this. The residential developments would be financed by developers and buyers, he said. (30) €

The R100m Portwood Ridge office and parking development, offering 18 200m2 of A-grade office space, had been given the

PETER GALLI

13/10/92 8/7/92
go-ahead and construction would start shortly. Stocks & Stocks, the developer, had supplied all of the capital.

"Transnet has funded projects to the value of R202m while other investors have committed more than R200m to a number of projects," Kantor said.

The heart of the development, the Pierhead Precinct, had attracted far more visitors than projected. This had in turn generated revenue significantly ahead of budget and cemented tenant support for the major extension of the Pierhead — the Victoria Wharf development — which would open on schedule and on budget for the summer season," he said.

A number of projects were under construction, including the 26 500m2 R112m Victoria Wharf complex, which would offer 11 cinemas, 10 restaurants, just over 100 line shops, a market and underground parking for 630 vehicles.

Agreement was also reached for a R20m City Lodge development to open in time for Christmas.

At Naspers, the good news is in more growth

NASIONALE Pers (Naspers) reported buoyant results to end-March, and expected to maintain this level of growth off an already high base; directors said in the media group's 1992 annual report.

In the year under review, turnover increased by 14,6% to R815,3m from R711,5m and improved productivity resulted in a 76,2% rise in net attributable profit to R62,2m.

The dividend of 45c was 28,6% higher than the previous year — including an additional bonus dividend of 10c a share in 1991 — and 80% higher than last year's normal dividend of 25c a share. Dividends rose an average 32% over the past five years. Dividend cover was held to 12,5 times.

Directors said the strong growth trend in the first six months had continued, and real growth was maintained for the third consecutive financial year.

This was achieved through sound discipline, and either reaching or exceeding targets. Investments had also started to show steady returns.

Results were achieved

MARCIA KLEIN

despite the loss of interest following its R72m investment in M-Net's rights issue and R2,4m in Penrose.

The four daily newspapers fared better than last year, and the magazines performed very well. The magazines, the deep-etch printing works and National News Distributors exceeded expectations and improved on last year's record results.

Newspaper Die Burger ended the year in a sound position, with circulation picking up. Beeld maintained circulation and advertising income was higher than projected.

Die Volksblad showed positive results in its first year as a morning paper and Oosterlig would embark on a campaign to increase circulation.

Magazine revenues reached record heights, particularly Huisgenoot, You, Sarie and Fair Lady. Landbouweekblad was affected by the drought, while Drum and True Love were attracting more advertising. Finansies & Tegniek increased circulation and

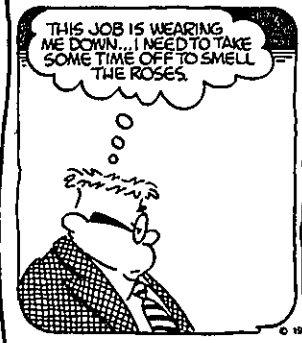
advertising revenue. Glossy magazine Red folded following a lack of advertiser support.

The Boekhandel group had improved on the previous year, but did not reach its target. Associated companies, including M-Net, Maisters and premium rate telephone service Parrott, had performed better.

Directors said that Naspers had negotiated more favourable contracts with paper suppliers, and this would promote greater price stability.

Although the group's profits were on a high plateau, directors said they had set "ambitious targets".

EXECUTIVE SUITE



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Grim outlook for economy

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Sowetan 10/7/92

Business confidence plunges as violence mounts, talks collapse:

THE rising levels of violence and the breakdown at Codesa had a negative influence on an already brittle economy in June.

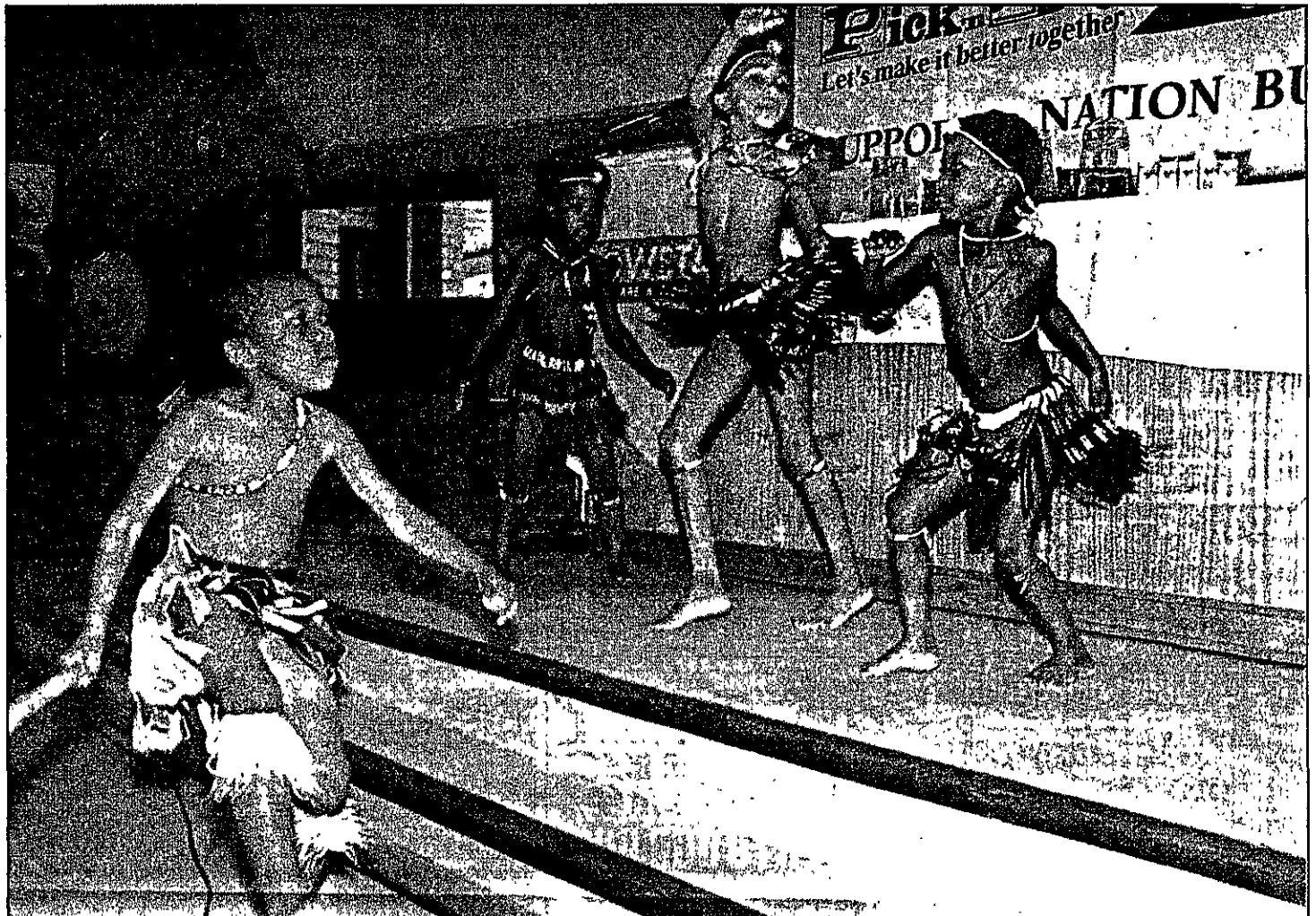
The impact on business sentiment was more fully represented by the South African Chamber of Business survey of confidence levels in the manufacturing sector, which showed a sharp drop.

In Sacob's Business Confidence Index (BCI), chief economist Dr. Ben van Rensburg said business confidence might be poised for a further decline if there is no political progress over the next few weeks.

He said the past events underscored the strong link between politics and economics, and Sacob was particularly concerned at the prospect of the economy becoming a political battleground.

"There is a strong possibility that many businesses will close if the planned general strike goes ahead," he said.

NATION BUILDING Kids — are the world and its very survival is in their hands



Doing it for the kids ... children are what it is all about and these youngsters at the Pietersburg parenting workshop in 1992 affirm the sheer joy of youth.

Children will inherit the earth

Sowetan 10/7/92

By Pearl Majola

HELPING HAND Parenting is a

popular element of our initiative: (40) (30)

FEW BUSINESSES can boast a successful 25 years of existence. Even fewer can pride themselves with a persistent commitment to social responsibility in that many years. But Pick 'n Pay can. The supermarket chain was launched in 1967 with only four self-service stores. Today it is a giant in the industry with 100 supermarkets to show for it.

Valuable contribution

Apart from the celebration of 25 years in business — during which they have made a valuable contribution to the country's economy — Pick 'n Pay can also pat themselves on the back for their worthy donation to the upliftment of the communities they serve.

"Profits are the bloodstream of our economic world," says the company's chairman, Mr Raymond Ackerman.

"But a businessman must realise that his role is a much broader one and that this fabric of social responsibility is woven completely through a business-

man's whole existence." Besides funding worthy community projects like Red Nose Day and Operation Hunger, the company acknowledges the dimensions of life and goes on to support education and culture, sport and business excellence. But perhaps the most admirable yet

has been the company's unrelenting commitment to Nation Building through sponsorship of the parenting workshops. The company has sponsored the project (and continues to do so) since its inception three years ago. "We see ourselves playing a major

role in restoring the priority of parenting for the sole purpose of developing the child," explained Pick 'n Pay's Martin Rosen.

Indeed many can testify to the success of Pick 'n Pay in helping to restore that role.

The enthusiastic response of the communities who have had the privilege of these workshops in their areas is remarkable.

Workshops have already been held in Pietersburg, Carletonville, Alexandra, Soweto and Daveyton and more are

planned for Pretoria, Bloemfontein and the Vaal.

Over the past 25 years Pick 'n Pay have invested about R70 million in benefit programmes for its own people.

In addition, the company contributes R5 million of its after-tax profits to community upliftment programmes every year.

The secret of this supermarket chain giant's success seems to lie in the way they conduct business — through experience, making profits and sharing them with the community.

The very first link in a nationwide chain

Sowetan 10/7/92

By Pearl Majola (30) (40)

Meet the man behind the concept of people power:

PLENTY of guts was what it took a man who had neither a job nor capital to create a supermarket chain which has turned into a giant in the industry.

The man was Raymond Ackerman and the time was 25 years ago.

From the outset the company committed itself to one important philosophy,

"people power", which has guaranteed its success over the years.

"Long before politicians and journalists coined the expression 'people power', we had adopted the now famous dictum," explains Ackerman.

"People power has always been a critical component of Pick 'n Pay's

corporate culture because we depend utterly on people — consumers, employees, suppliers and so many other stakeholders — for the success of our business.

"I believe people power is our richest asset because it has taught us to share and to care," Ackerman says.

People power, according to Pick 'n Pay, is the relationship with all the people with whom the company works —

consumers, employees, suppliers and the community in general.

That relationship is not confined to business.

It includes contributions to community development projects like sponsorship of the Nation Building Parenting Workshops, sports (Olympics sponsorship), donating and actively taking part in fundraising events like Red Nose Day, education and culture.

Pick 'n Pay

Let's make it better together

**Supermarkets
Hypers
Superstores**

Garage franchises

30

Sowetan 10/11/92.

■ Dream opportunity for budding entrepreneurs from Mobil:

MOBIL are looking for people with basic business skills who have the potential to run a successful owner-operated enterprise to take over several franchises.

The emphasis, according to Mobil's retail manager, Mr Ballie Viljoen, is the hands-on management approach.

He said to run a franchise conforming to the company's high standards, the owner would operate and manage the business personally.

"The right qualifications depend less on actual entrepreneur experience, and more on business acumen combined with the commitment and determination to succeed through your own efforts.

"We know there are untold numbers of people in the community who have the potential to build these franchises into highly profitable businesses.

"We need them to come forward and show us they have the skills, energy and determination we are looking for."

A seminar will be arranged by the company to educate those interested. For more information contact Mr Sipho Masinga on (011) 488 6111

Car sales continue their steady decline

By Sven Lünsche

(30)

New car sales in the first half of the year fell by 13,1 percent to 90 847 units from the same period last year amid indications that total sales for the year could fall to as low as 180 000 units.

The National Association of Automobile Manufacturers (Naamsa) said yesterday the prolonged industrial action at Toyota would have a material impact on sales in coming

months. *SAR 10/7/92*

The strike action had also impacted adversely on Toyota's market share which, as a percentage of cars sold, fell from almost 25 percent in April to 20,2 percent last month.

Naamsa reported that new car sales in June at 15 477 units, while 12,7 percent higher than May sales, provided little reason for optimism because the increase was largely due to strong demand for recently introduced models.

It said declining consumption spending and sharply lower fixed investment trends, coupled with political uncertainty, were likely to have a negative effect on the industry in the short to medium term.

Brand Pretorius, MD of Toyota SA Marketing, said yesterday: "Traditionally sales for the six months to June are 48,5 percent of the total for the year and if we apply this statistic to the current year we are looking at a market of 187 000.

"But this may be an optimistic figure and sales could dip as low as 180 000 units," he said.

"It is impossible to quantify the impact of the strike, but it is my view that Toyota lost 800 to 1000 car sales opportunities in June."

Naamsa figures show that sales of new light commercial vehicles, bakkies and minibuses in the first half fell by 12,5 percent to 45 878 units.

Sales of medium and heavy commercial vehicles declined by 20 percent to 2 100 and by 10 percent to 2 605 respectively.

Seeking a compromise

Goodbye Smiley Blue. Or is it? Some trendy teenagers may be temporarily put out by the imminent demise of their favourite chain of boutiques. Holding company Focus Holdings, listed on the JSE in the Retailers & Wholesalers sector, was put into provisional liquidation last Friday. The company has until August 18 to show why the court order should not be made final.

The company's main bankers — a consor-

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tium of Investec, Mercantile, Fedsure and a subsidiary of Unibank — withdrew their support from the cash-strapped business, with Investec playing the lead role in the application for liquidation. Trading in Focus shares on the JSE has been suspended.

Investec alleges Focus owes it R350 000 and is "hopelessly insolvent and unable to pay its debts." Investec further claims that the company's overdraft facility with Nedbank has been exceeded, Nedbank is refusing to honour its cheques, and the company and its subsidiaries cannot pay wages and meet daily expenses.

Focus's business has been concentrated in clothing, bedding and some wholesale distribution. It owns Mattress World and its retailing is in such diverse stores as Smiley Blue, Forty Winks, Cashworths, Bachelors, Grant Mackenzies and Spracklens. Last year — the company's financial year ends on July 31 — cash sales fell sharply and Focus recorded a loss of R7m after meeting an interest bill of R3,4m.

A Focus group spokesman, who declines to be named, says the losses have persisted into 1992. "These are now substantial." He adds that a severe cash-flow problem had ensued. "Our supporting banks have withdrawn their support. We have kept operations going at all our stores pending the appointment of a liquidator."

The spokesman says the group had faced two key problems. The first was that the

recession had resulted in a big fall in turnover. The second was that the scheme to institute a credit sale funding package, in terms of which Unibank associate Bonus Card would manage the risk, administer and collect debts, had resulted in substantial launch costs. "This was the first such scheme in SA," says the spokesman, "and positive results were beginning to be seen." Clearly, however, it was not enough for the bankers.

Large parts of the group's operations remain viable, says Focus. The spokesman says that moves are afoot to restructure Focus's operating companies. "The banks are looking at the possibilities involved in an offer of compromise with the company's creditors. We should have clarity on the situation in the next few weeks."

Investec spokesmen decline to comment and are referring all questions to the bank's attorney, Barry Farber. "Let me make it clear," says Farber, "that it is the banks' full intention to continue the trading operations while the restructuring of the group is investigated. We want to retain the goodwill of Focus's customers and, if we can achieve it, we want to avoid putting people out of work."

A JSE stockbroker's analyst says he is not surprised that one company in this sector of the market has gone into liquidation. "Durable and semi-durable are extremely cyclical and the extent of the recession means this is an area to stay away from for the time being."

However, judging from the optimistic tone of Farber's reaction, Smiley Blue fans could have reason to keep on smiling. *David Gleason*

New car models boost June sales

EDWARD WEST

THE launch of new car models in the first half of 1992 set the stage for the 12.6% increase in June vehicle sales over May, but year-on-year monthly sales were still down 13.9%.

Total vehicle sales in June were 28 816 compared with 21 209 in May and 27 791 in June 1991. Year to date sales of 140 990 units were 13% lower than the 162 010 sold in the first six months of 1991.

While the monthly improvement in sales was encouraging, trading conditions would remain difficult in the months ahead, the National Association of Automobile Manufacturers of SA (Naamsa) said. The impact of the strike at Toyota SA was expected to be reflected in July sales figures, it added.

Toyota marketing MD Brand Pretorius said between 800 and 1 000 sales opportunities were lost in June because of the strike. The strike would distort the vehicle market for some time to come, he said.

Supported by demand for new models, car sales in June increased 12.7% to 15 477 from 13 729 units sold in May, but fell 14.1% when compared with the 18 016 units sold in June 1991. Light commercial vehicle sales improved 11.7% to 7 662 com-

10 best-selling passenger ranges
All manufacturers - June 1992

Rank	Model	Units Sold
1	Toyota Corolla	2 478
2	Toyota Hilux	1 620
3	Toyota Land Cruiser	1 053
4	Toyota Proace	1 038
5	Toyota Land Cruiser	798
6	Toyota Land Cruiser	761
7	Toyota Land Cruiser	658
8	Toyota Land Cruiser	500
9	Toyota Land Cruiser	1 000
10	Toyota Land Cruiser	2 000

pared with 6 850 in May, but declined 13.6% when compared with 8 686 sales last June. Albeit off a low base, passenger and heavy commercial vehicle sales in June climbed 17.6% to 208 and 29.7% to 483 respectively compared with May.

Sales of heavy trucks and buses recovered a nominal 1.6% improvement compared with the same month a year ago. Naamsa said a number of factors would continue to have a negative effect on the

Car sales 81024 1011192

industry. These included falling consumer spending and sharply lower fixed investment levels as well as tight monetary and fiscal policy, the drought and socio-political uncertainty.

Despite the strike, Toyota's Corolla remained the best-selling car with 2 478 sold. Nissan sold 1 620 of its recently launched Sentras while 1 424 of the newly launched Honda Ballades were sold. Volkswagen sold 1 053 Citi Golfs while BMW sold 1 016 3-series units.

30 From Page 1

Pretorius said June sales did little to reverse the downward trend in the market. June was traditionally the best sales month of the year and this year had three more selling days than in May.

Nissan SA Marketing MD Stephanus Louber was similarly pessimistic about prospects. He predicted that sales in the second half of 1992 would be only slightly higher than the first six months because of the introduction of new models.



Panel moots new protest laws

BIDAY 10/7/92

LINDA ENSOR

CAPE TOWN — New legislation to regulate demonstrations, which would include severe limitations on the use of force by the police, should be promulgated urgently, an international and local panel of experts appointed by the Goldstone commission has recommended.

Legal enactment of the panel's recommendations would bring SA practice into line with international procedures, the panel said. The panel's report on the lawful control of mass demonstrations was released yesterday.

Judge Richard Goldstone, in opening the presentation on the report, said the commission would consider setting up other multinational panels to investigate matters such as police training and the public accountability of the police.

He said the panel would hold three days of talks with the legal representatives of the ANC, Cosatu and the Inkatha Freedom Party, and after submissions from the public next week the final recommendations and draft legislation would be submitted to State President F W de Klerk.

The report strongly recommended that demonstrators be universally prohibited from carrying weapons or replicas of weapons. Police should have special powers to

confiscate weapons carried at demonstrations, said the panel, which has sat under the chairmanship of Harvard Law School Centre for Criminal Justice director Prof Philip Heymann.

The fundamental principles of the report were that peaceful demonstration should be entrenched as a democratic right in SA and one of the central responsibilities of the police should be to facilitate the exercise of this right.

Lethal force could only be justified when delay in its use, and the use of anything less, would subject the police or others to severe risk of death.

"Our message to the SA police force is to avoid situations where self-defence or defence of others is necessary by planning, equipping and training," Heymann said. The panel believed shotguns firing bird-shot should be regarded as lethal weapons.

The panel recommended that the use of non-lethal force must be proportionate to the need, reasonable in the circumstances and minimal to accomplish what was required. It suggested arrest as the preferable form of action.

The report urged that the police force be properly organised, trained and equipped

to handle demonstrations without force. This new approach would mean the police would need skills in peacefully interacting with crowds, in negotiation and in human relations. To achieve this, police training would have to be reviewed.

The panel said respect for the right to demonstrate was especially needed in SA — despite its politically inflammatory conditions — as the majority of the population lacked voting rights. However, it noted that the police also had an obligation to prevent violent mass actions.

The panel believed those organising demonstrations, local authorities and the police all had a responsibility to ensure demonstrations were held without violence.

The Supreme Court should have wide powers to review local authority decisions.

The report acknowledged many demonstrations in SA occurred spontaneously.

The panel accepted an ANC recommendation that a commission be available to provide independent monitors of police conduct on request at demonstrations and said this could be an extension of the Goldstone commission. The report said a post-incident, independent review of police action would exert a powerful influence on police behaviour.

Three policemen die in East Rand unrest

THREE policemen had been shot dead in unrest-related incidents in Katlehong on the East Rand since Tuesday, police reported yesterday.

Police reservist Matli Mhale was shot dead and his firearm stolen by unknown attackers yesterday. Police are investigating. BIDAY 10/7/92

Two other policemen were killed in Katlehong on Wednesday by a group of men armed with AK-47 rifles.

Police said yesterday they would investigate claims made this week by the military wing of the Pan Africanist Congress, the Azanian People's Liberation Army (Apla) that it had attacked and killed policemen.

In another incident, two men were killed when ANC and Inkatha supporters clashed using firearms and other weapons near Estcourt in Natal yesterday. — Sapa.

Vaal business feels the boycott

THEO RAWANA

BUSINESS in the Vaal Triangle is beginning to feel the consumer boycott launched by the Broad Forum, but has vowed not to be brought to its knees.

Business leaders in the area have hinted at retaliation for a boycott they view as senseless as it hits "apolitical business people and innocent consumers".

The Broad Forum, an alliance of community groups and political organisations, this week announced the intensification of the boycott against white business in Vereeniging, Vanderbijlpark, Meyerton and Sasolburg. The boycott was launched after the Boipatong massacre to support demands which included the demolition of the KwaMadala Hostel, arrest and prosecution of all people involved in the violence, withdrawal of security forces from Vaal townships and compensation by Iscor for Boipatong residents.

Vereeniging Sakekammer chairman Heine Olberts said smaller businesses were the worst hit. But the boycotters were also

suffering.

"The boycott won't bring business to its knees. Blacks are suffering too, and it's time unions and political leaders saw what they were doing to themselves."

He said the business community was thinking of ways to "boycott the boycott", like refusing township deliveries.

The Vanderbijlpark Sakekammer said it had dropped the word "Afrikaanse" from its name to accommodate other language groups. BIDAY 10/7/92

"We opened our hand to them and we warn that if we close it they won't be able to get in again."

"They must be warned."

Broad Forum spokesman Paul Sithole said he had had "confidential approaches" from some companies asking what to do. "I suggested they lobby big business to come and address the issue."

He said it was too early to say how effective the boycott was.

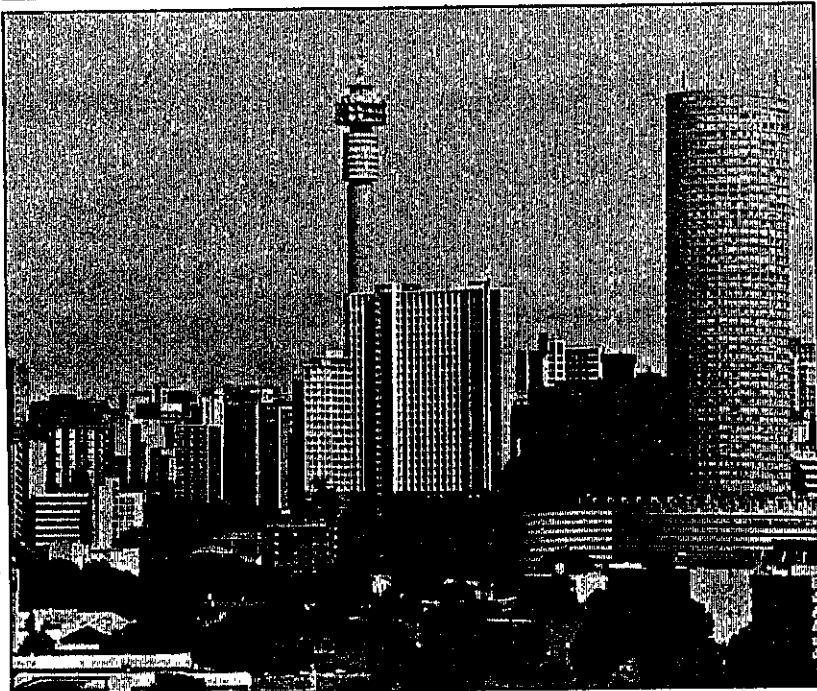
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Urban nightmare ... Johannesburg's inner-city decay is the worst in South Africa Photo: KEVIN CARTER

CBDs are suffering as business hits the burbs

Wimani 1017-1617192

WHETHER the South African Central Business District? That's the question on the lips of property investors and local authorities as apartheid boundaries collapse and businesses follow the international trend of moving offices to the suburbs.

Already alarm bells have been sounded about Johannesburg's CBD, which is far on the road to decay. While inner-city decay is by no means Johannesburg's monopoly it is worst in South Africa's biggest city. Johannesburg has also seen the worst of the business exodus. You need only look at vacancy signs in the CBD as well as the discounts property owners are offering tenants in this area to realise the depth of the crisis.

Some property owners are offering up to 20 percent discount on office rentals while Anglo American Property Services (Ampros) is offering nine months free rental for a five-year lease and has gone to the unprecedented step of advertising this on TV.

So alarmed are Johannesburg's authorities at the decline that they recently formed the Central Johannesburg Project to stall the city's decline.

Worsening this has been the refusal by financial institutions to grant major cities loan finance. Over the past two years cities have found it increasingly difficult to raise loans on the capital market as finance houses have become uncertain about cities' inability to pay back loans once they have become integrated with neighbouring townships. Cash-strapped cities — Johannesburg in particular — are therefore finding it difficult to maintain services and cleanliness. This has encouraged office tenants — already attracted by gardenised and conveniently located suburban office parks — to leave the CBD.

Crime has also become a major problem. A property economist points out that the city centre's flats are now mainly occupied by low earning and unemployed people, resulting in a rising crime rate.

Rising crime and traffic

congestion in city centres

have sent many companies

scurrying for the landscaped

office blocks of the suburbs.

MONDLI MAKHANYA

looks at how the CBDs

plan to fight back

Parking — a headache in city centres around the world — has also contributed to the exodus.

There is hope for Johannesburg, however. Major corporations such as Anglo American, Old Mutual, Sanlam and other financial institutions have large investments in the city centre and they are therefore committed to the area.

Anglo, for instance, recently spent R176-million on new offices in central Johannesburg and First National Bank has just completed a R1,3-billion head office in the CBD.

Standard Bank and Amalgamated Banks of South Africa also have their head offices in the city centre and these will go a long way towards stabilising property prices and rentals in the city centre.

"The big banks need to be in the city because a lot of their staff is clerical and make use of public transport. They also need to be central because they have a wide variety of clients and need to be close to them. So they will always be islands of respectability in the sea of decay," says Real Estate Surveys director Erwin Rode.

Ampros national leasing director Graham Lindop affirms confidence in CBDs: "We are a major investor in city centres. While there will always be a demand for decentralised office accommodation, we believe there will also be demand for city centre accommodation because for most people it is the most convenient place insofar as transport is concerned."

There is now talk of converting certain inner city office blocks into residential blocks to house employ-

ees of the major corporations which have opted to stay in the city.

Major property owners are also pressing the city council to levy a one percent rates tax on inner city business which they hope to use in cleaning up the CBD, also boosting security in the area. This tax is expected to bring an extra R28-million into city council coffers.

The picture in other major cities is not as bad as Johannesburg. In Durban, for instance, vacancy levels are lower than 10 percent and the move to the suburbs has not been very strong. A complex linking the city centre to the beachfront is soon to be developed. The mere rearranging of the roads will cost about R135-million.

Durban management committee chairman Peter Mansfield says the city has not experienced a problem raising finance because it is self financing.

Cape Town is also in quite a good state with an average vacancy rate of 11 percent in the city centre. Migration to the suburbs by Cape Town business has, however, been quite pronounced. Port Elizabeth's CBD also seems to be in a reasonable state.

However, Pretoria is experiencing a problem of a different kind. The capital city's CBD has in the past been predominantly occupied by the civil service which has been significantly trimmed recently, thus raising the vacancy levels in the city. Commercial tenants have also joined the exodus to the suburbs.

The future looks even bleaker; the capital city's role will be further downscaled as power is decentralised.

Predicts Rode: "Should we get a federal construction, there will be a devolution of power from Pretoria to capitals of other regions."

Says a property investment analyst: "There will always be vibrant CBDs. In South Africa the only one that is really under threat is Johannesburg and if the city council can get its act together and de-dirtify the city centre, there will still be life left in it."

A Business Times Feature



GERALD HAUMANT: Opportunities for all

Happy wanderer in search of peace.

ONE of the architects — together with Albert Koopman — of participative management in SA is Cashbuild managing director Gerald Haumant.

A veteran of the 1968 student riots in Paris, his socialist idealism was shattered by a paradox — he saw a worker shot outside the Citroen factory.

Mr Haumant says: "In 1968 I saw the harm that trade unions could do to their cause. I am still basically a socialist, but I resent the practical abuse of the system.

"Equal opportunities must be given to everyone by establishing an education system independent of government.

"If everyone has the opportunity to learn competitively and is employed according to his competence, you remove the need for redistribution.

Style

"Redistributing wealth does not redistribute entrepreneurship which is the sustainable advantage which should be spread among all."

He says participative management is the preferred style of management in Africa because it allows group participation in decisions. It is a system of empowering workers and promoting worker-management communication.

"Everyone must be allowed to flourish. One of the most important ways of doing this is through transfer of knowledge, giving more people access to opportunity. About 30% of our store managers are black and we are working

to increase the figure to 75% by 1997."

Cashbuild has a virtually blemish-free industrial relations record. Disputes with managers are generally resolved on the shop-floor long before any form of industrial action is contemplated. Workers have been known to fire managers in extreme situations.

After the 1968 student riots in Paris, Gerald packed his rucksack and started hitch-hiking to Australia.

He got as far as Afghanistan, then a kind of psychedelic supermarket for the hippie drug culture.

"In the 1970s drifters were divided into two schools — those who rejected their system at home and found liberation or abandon in their hippie drug culture, and those who wanted to experience their physical and mental limits by adapting to new cultures.

"The hippie stereotype dominated the road from Amsterdam to Darwin while the 'experimentalists' moved through Africa. I turned around and thumbed my way back to Beirut."

For three years he strayed between Arabia and Africa, drifting down the Nile to Ethiopia, Djibouti, Somalia and Zaire, doing odd jobs along the way.

"I lived for short periods in most African countries," says Mr Haumant. "Living on a shoe-string sharpens your senses. In one country you get thrown in jail for something which in another country is considered praiseworthy.

"You live at close quarters with all kinds of people and this teaches you toler-

ance and understanding."

These were qualities he later put to use in Cashbuild. Soon after arriving in SA in 1973 he took a job with a firm of building merchants. He learned the trade which was later to make Cashbuild the largest building materials cash-and-carry-supplier in Africa.

In 1978 Metro launched a building materials cash-and-carry division and Albert Koopman and Gerald Haumant were given the task of putting it on the map.

Cashbuild's earnings have grown at an average compound rate of 36% a year since inception, a record that is the envy of many other companies, although profits will be lower this year.

Mr Haumant's sense of adventure is still as keen as ever. He plans to take Cashbuild into Africa, a task for which he is well-qualified. His knowledge of Francophone Africa and the cash-and-carry business gives Cashbuild a head start over competitors.

Poor

"Our stores do well in under-developed regions where the distribution network is poor. We are ideally suited to African conditions where transport is generally difficult.

"Our strength is in the fact that we offer a geographical convenience to builders and retailers."

Africa's history of corrupt rule and stagnant economic growth is no deterrent. "You find people are better than the system that governs them. So you must allow the individual to prosper."

Metcash aims at expansion abroad

KARIN FRANKEN 30

METCASH planned to expand operations outside SA and take advantage of the local market by containing and reducing costs structures, CE Carlos dos Santos said in his 1992 review.

Metro has 182 Cash & Carry stores in southern Africa, operations in Portugal and an international sourcing centre in Hong Kong.

The company's hyper cash and carry stores, Trade Centre, reported a good year with the acquisition of four Stax superstores. Dos Santos said in 1991 the group rationalised through the merger with Trador and sales of wholesale divisions, Frasers Greenstein & Rosen, as well as 31 non-viable stores for R87m.

"To achieve optimum efficiency the group's Cash & Carry operations have been split into three operating divisions — northern, central and southern. And all stores now trade under the name of Metro or Trador."

the nation in brief

Strike warning

A COUNTRYWIDE rent and consumer boycott and a general strike would be launched unless the Government met three key demands made by the ANC and its allies before August 3, mourners were told at the weekend.

Mr Kgabisi Mosunkutu, president of the Post and Telecommunications Workers Association, was speaking at the funeral of ANC peace desk head Mr Floyd Mashele at Nkowankowa, outside Tzaneen.

Mosunkutu said the strike might be indefinite. Its end would depend on the Government's response.

Mashele was in a mysterious car accident on the Pietersburg N1 on

July 1, Sowetan 13/7/92

"People have to realise that some sacrifices have to be made in pursuing the struggle," Mosunkutu said.

an effort to address the township's needs and upgrade the area.

In a statement yesterday, Health and Housing Committee chairman Mrs Marietta Marx said: "The council's interdepartmental working group on Noordgesig has been working on a wide range of issues and has reached the stage where active community involvement is needed in structuring action plans for Noordgesig."

She said there had been an encouraging improvement in relationship between the council and community leaders.

Pick 'n Pay raises doubts over Abacor's 'monopoly'

CAPE TOWN — The monopoly the soon-to-be listed Abacor group would exercise over animal-slaughtering raised doubts over the way abattoirs were being privatised, Pick 'n Pay director Gareth Ackerman said at the weekend.

He said Abacor's equity should be available to all and not 50%-owned by producers and management.

"It could be argued that both have a vested interest in preserving the status quo with regard to the regulation of the industry."

Only 20% of Abacor's equity would be available to the private sector outside the trade, and producers would still be unable to slaughter locally or in their own abattoirs, he said.

Ackerman, who as GM of Blue Ribbon Meat Corp controls the chain of butchereries in Pick 'n Pay supermarkets nationwide, said deregulation and privatisation of the meat industry were

LINDA ENSOR

vital to reduce consumer prices.

He said traders should be entitled to slaughter at an abattoir of their choice and be free to obtain produce where they liked, with the only considerations being price, hygiene and quality.

"The present system prevents market-orientated competition and fuels inflation," he said.

"SA abattoirs are not competitive and therefore not cost-efficient in terms of the prevailing needs of consumers and producers."

Abacor chairman Fanie van Rensburg said Abacor's value would be determined within a month and indications were that shares would be available at R1 each.

Abacor shares will be available on a priority basis — 45% to producers, 30% to the trade, 20% to the private sector and 5% to Abacor personnel.

Waltons cuts gearing, lifts asset base

By Leigh Hassall

(30)

Cash-generating Waltons Stationery has halved its gearing in the past two financial years, while still increasing its asset base.

Chairman Frank Robarts, says in the annual report: "Since 1989, when the group was required to raise R112 million, it has generated R33 million in cash, while still actively pursuing investment opportunities".

Gearing has fallen from its high of 138 per cent in financial 1989 to 42 per cent at end-February 1992.

Assets have expanded to R419 million as Waltons broadened its business interests.

Last year it entered

the competitive office furniture and business systems market through a controlling stake in Atomic Holdings, a manufacturer and distributor of office furniture.

It also opened a discount office furniture warehouse in Cape Town.

It further diversified through the acquisition of Pac-King, a supplier and distributor of packaging material.

Pac-King has traded poorly in the seven months since acquisition, but Mr Robarts is confident of a positive contribution in the current financial year.

Reggies, the 60 per cent-owned toy and babyware chain, opened its first discount warehouse,

Toys R Us, this year. More stores are planned.

Waltons' earnings have been on a downward trend since 1990. Attributable earnings in the 1991-92 year were R33 million, 10 per cent down from the previous year, and 24 per cent down from the five-year high in 1990.

However, in his review Mr Robarts says that without an improvement in the economy and a stable socio-political climate, trading conditions for the coming twelve months are likely to be difficult.

A note to the 1992 financials highlights Waltons' R10 million contingent liability for taxation. This arises from investments in film part-

nerships which the Receiver later disallowed.

If the tax becomes payable, it will have a material impact on earnings in the year in which the assessment is made.

Waltons has been a dominant force in the supply of stationery to the corporate market. However, the high returns of this market have attracted new players — Office Mart and Makroffice entered the wholesale stationery market a year ago.

As the major manufacturer of stationery, Waltons is fairly protected at present. However, cheaper imports to feed the new market players could change the status quo.

STAR 13/7/92

Boycott set to hit shops on W Rand

STN 147/92
By Montshiwa Moroke

Residents of some Soweto and Dobsonville suburbs are expected to start a boycott of shops in Roodepoort and other West Rand towns tomorrow.

They intend to pressure businessmen into taking up the violence issue with the Government.

Residents of Meadowlands, Mzimhlophe, Killarney and Mofolo will take part in the boycott, which will also affect Florida, Maraisburg, Horison, and Witpoortjie.

The majority of Roodepoort shops are owned by Indians.

The boycott was announced yesterday by members of the Consumer Boycott Committee, who said in a statement that various memoranda had been sent to the Government, the Dobsonville Council and the police requesting action against violence emanating from the Sipiwe hostel, but nothing had been done.

The committee's peaceful pleas were countered by "massive detention" of its members, and residents and activists had been harassed by police. "We were left with no option but to embark upon mass action."

Residents are demanding, among others, an end to the violence; the closure of the Sipiwe and Mzimhlophe hostels; the immediate release of all those arrested; and the withdrawal of charges against residents.

Sowetans to start business boycott

CF 14/7/92
Own Correspondent

JOHANNESBURG. — Four Greater Soweto townships are to start a boycott of white business in Roodepoort and surrounding areas tomorrow to back demands for an end to violence and the closure of hostels.

And the Civics Associations of Southern Transvaal (Cast) sees the action as the initial stage of a boycott by the 2,5-million residents of Soweto in line with the rolling mass action campaign against the government.

The Consumer Boycott Committee of Dobsonville, Meadowlands, Mofolo and Killarney (Orlando West) said yesterday the boycott was a last resort after many efforts by residents to persuade the government and the police to end the violence.

continue until there was majority rule. ... a large group of men gathered in a hall.

SAP plea over trivial complaints

810AM 14/7/92 STEPHANE BOTHMA

STUDIES made of the calls received by police showed that well over half were not concerned with crime, a police spokesman said yesterday.

Witwatersrand police spokesman Capt Eugene Opperman said the public should stop wasting the SAP's time and allow them to deal with real emergencies and crime.

Leaves from neighbours' trees falling into swimming pools, dog droppings on neighbours' lawn and braai smoke blowing into a complainant's house were some of the complaints police were expected to investigate.

Too often police were expected to get involved with domestic disputes.

The Brixton Flying squad, for instance, received more than 1,7-million telephone calls a year.

"The telephone number 10111 is an emergency telephone number, yet people misuse this service by reporting trivialities or to ask street directions," Opperman said.

Recently, some businesses had started to use certain laws — one being the Hire Purchase Act — to institute criminal proceedings against buyers who disappeared. Once located by the police, charges were withdrawn because the business could now institute civil proceedings.

Soweto townships to boycott Roodepoort

810AM 14/7/92
"FOUR Greater Soweto townships are to start a boycott of white business in Roodepoort and surrounding areas tomorrow. This move is to back demands for an end to violence and the closure of hostels.

THEO RAWANA

Horison. The boycott was to back demands for:

- An end to violence;
- Closure of the Sipiwe Hostel in Dobsonville and the one in Mzimhlophe;
- The immediate release of, and withdrawal of charges against, all detained activists;
- The prosecution of people responsible for killings and the suspension of security forces allegedly involved; and
- The resignation of black local councillors.

And the Civics Association of the Southern Transvaal (Cast) regards the action as the initial stage of a boycott by the whole 2,5-million Soweto population in line with the rolling mass action campaign against government.

The Consumer Boycott Committee of Dobsonville, Meadowlands, Mofolo and Killarney (Orlando West) said yesterday the boycott, which was embarked on after a mandate from the residents of the four areas, was a last resort after many efforts by residents to persuade government and the police to end the violence.

"We have staged marches and handed memorandums to government and the police, and got no response to our calls," boycott committee convener Mandla Dlamini told a news conference yesterday.

Towns targeted for boycott were Roodepoort, Florida, Maraisburg and

The committee also called for the installation of an interim government and a constituent assembly before December.

Cast vice-president Kgabisi Mosunkuthu said yesterday boycott action would probably spread to the whole of Soweto. "These are initial stages in a campaign to demonstrate to (President F W) De Klerk that he has to go — that he will not be allowed to govern if he opposes an interim government."

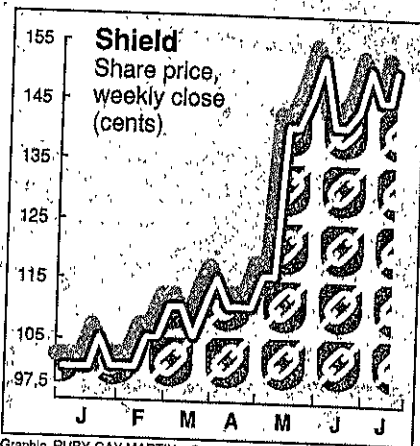
Tiny's 'gift' to Tambo



Market expects Shield sale

BIDAY 16/7/92 (30)

MARCIA KLEIN



Graphic RUBY-GAY MARTIN Source: I-NET

FOOD distributor Shield Trading was likely to be sold to a major food group, sources said yesterday.

The company, which distributes food and allied products to its nearly 400 retail and wholesale franchise members, cautioned shareholders yesterday that negotiations were taking place.

Analysts said the announcement probably referred to the sale of Shield, which is 72%-held by directors, to one of the major food conglomerates.

Tiger Oats already has a distribution and franchise network through Spar, so the likely candidate was Premier, they said. Shield could be incorporated into its whole-

□ To Page 2

Shield Trading

BIDAY 16/7/92 (30)

□ From Page 1

sale operation, Metcash.

One analyst suggested Pick 'n Pay as a likely buyer; another suggested Foodcorp. An analyst also said Shield was in the distribution and not the wholesaling business. It did not hold stocks, but acted as a pipeline between manufacturers and franchisees. It functioned through obtaining a franchising fee, so it was a low-risk company.

In the year to end-February, Shield bucked the trend by reporting a 30.1% rise in earnings to 16.4c a share on a 20.5% turnover rise to R782m.

Chairman and joint MD Theo Muller

said at the time that results had been achieved by reaching markets at the lower end. The group also had no borrowings.

Shield had forecast satisfactory results for financial 1993. At the 1991 year-end, Shield had shown a 44.9% five-year compound growth in attributable earnings and a 29.3% compound growth in turnover.

Analysts said it was a solid company with a good formula and an excellent track record. The share rose 5c yesterday to close at 150c, just below its yearly high of 152c. An analyst said the share had been rerated during the first six months of 1992, rising from 100c to 150c.

Messina faces boycott ³⁰

Messina in the far northern Transvaal is facing an indefinite consumer boycott called by the Messina Civic Association in support of its demands, which includes the closure of a rubbish dump because it is too near a residential site and the allocation of a new graveyard.

STAR 17/1/92

FOSCHINI FM 1717192

Eventful year (30)

Activities: Chainstore retailer of clothing and jewellery.

Control: Lefic 50%.

Chairman: S Lewis; Joint MDs: C L R Hirschsohn; B Belcher.

Capital structure: 42,9m ords. Market capitalisation: R1,6bn.

Share market: Price: 3 650c. Yields: nil % on dividend; 5,9% on earnings; p:e ratio, 16,9. 12-month high, 3 875c; low, 2 960c. Trading volume last quarter, 73 000 shares.

15-months to

Mar 31	'88†	'89†	'90†	'91*
ST debt (Rm)	2,4	14,4	13,8	11,3
LT debt (Rm)	40,4	60,5	56,8	179,0
Debt:equity ratio	0,27	0,39	0,27	0,54
Shareholders' interest	0,42	0,41	0,45	0,45
Int & leasing cover ..	11,4	7,5	7,8	4,7
Return on cap (%) ..	30	29	31	n/a
Turnover (Rm)	529	661	822	1 154
Pre-int profit (Rm) ...	99,9	125,2	170,0	213,6
Pre-int margin (%) ..	18,9	18,9	20,7	18,3
Earnings (c) ¹	116	136,2	181,2	216,2 ²
Dividends (c)	206	242	311	n/a
Net worth (c) ³	341	420	606	798

† Year ended December 31; * Share split 4-for-1; † Adjusted for the split and for scrip dividends; ² For 15 months; ³ Adjusted for split.

Much was accomplished during Foschini's 15-month trading period to March 31. The most significant event was its acquisition of 35,35% of Oceana Investment Corp Plc for R131,3m. To fund this UK investment, it appears, Foschini simply increased its long-term borrowings, with the result that interest payments more than doubled, to R44,7m, from the 1990 level.

The motivation behind the transaction lay in Oceana's bid for control of UK-based Etam, a 240-branch retailer of clothing for women, men and girls. Foschini chairman Stanley Lewis is also chairman of Oceana. Etam appeared attractive to both operations. However, Etam's management regarded the bid as hostile and it was rejected. Oceana now holds 34,4% of Etam, as well as other interests in Europe and Australia.

For the year to January 1992, Etam made an after-tax profit of £7,3m, which was reduced by the £1,1m cost incurred in opposing Oceana's bid. The profit flowed through Oceana and Foschini enjoyed dividends of



Foschini's Lewis ... expanding at home and abroad

R3,4m from Oceana (included in Foschini's operating profit), while an additional R2,6m, being Foschini's share of Oceana's retained income for the period, was equity accounted.

With Foschini's year-end changed to March, year-on-year comparisons of the local trading performance are problematic. But, after stripping out income that was not earned from the group's own operations, and excluding results for the first three months of this year (*Fox* June 26), it can be seen that the local operations did well to record operating income growth of about 14,3%.

Foschini stores grew turnover by 39,4%, American Swiss jewellers by 34,4% and Pages by an equally commendable 32,9%. But the star was Markhams, whose turnover grew 56,9%. In the 15-month period, Markhams expanded its number of stores from 88 to 98, American Swiss from 131 to 140 stores and Foschini from 293 to 302 outlets. Pages extended by only one outlet, taking the total to 153; its turnover growth of 32,9% was therefore especially impressive.

Working capital management was tight, but again the new fiscal year-end makes comparisons invalid. For example, stock was up 29% to R173,6m but this includes the stocking of an additional 30 stores. Moreover, stocks are always at their lowest at end-December (the base for comparison), whereas at end-March the stores are carrying their full complement of winter fashions. Director

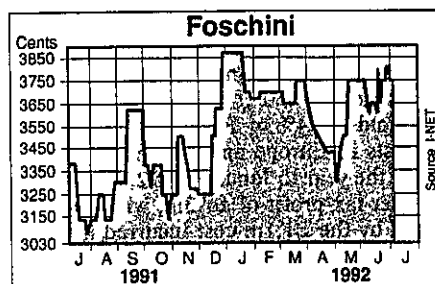
Roy Norman reckons that stocks are almost equal to the 1990 level.

The comparatively small 10,9% growth in the debtors' book, to R354,9m, is also misleading. Debtors are always at their peak at end-December. By end-March, extensive payments had reduced accounts receivable.

To conserve cash, dividends equal to the value of group attributable earnings are being declared in the form of scrip. At end-March, Foschini's issued shares were split four ways. For the full year, shareholders will have received dividends worth R92,8m. Had the normal dividend policy been applied, with a 2,4 times cover, dividends would have totalled about R39m. Irrespective of the dilution, shareholders have scored handsomely.

Borrowings incurred to fund the Oceana stake will have been repaid within three years by the cash conserved by issuing scrip instead of cash dividends.

The overall impression is one of highly competent management. The record over many years ranks Foschini as one of the industrial market's blue chips and the share deserves a premium rating. *Gerald Hirshon*



COMPANIES

Hopes for a good second half

COMMERCIAL property and international financing group Marshalls expects to achieve similar results in its second half as the 18% earnings increase to 17,4c (14,7c) a share in the six months to June 1992.

An interim dividend of 12c (10c) a share was declared, covered 1,5 times.

Income from sales and commission showed a robust 28% improvement to R7,53m (R5,97m) while rental income increased 18% to R5,61m (R4,76m). This brought turnover 22,5% higher at R13,14m (R10,73m). *BIDAY 17/7/92*

Operating profits were 18,2% higher to R3,78m (R3,20m).

Directors considered the group's 95% occupancy rate satisfactory in view of the recession and the difficult trading condi-

EW EDWARD WEST *(30)*

tions being experienced by its tenants.

The confirming and indent financing divisions continued to make satisfactory contributions to earnings although many industries were keeping inventories low.

If interest rates were lowered to boost the economy, the division was well-structured to benefit from increased imports, the directors reported.

The earnings of pyramid company Marshalls Controlling Investments, which derived its income from a 69% holding in Marshalls, improved 22% to 8,4c (6,9c) a share. An interim dividend of 5,75 (4,75c) a share was declared.

Where ^{are}
⁽³⁹⁾
the practical
incentives
for business?

Property Editor

THE South African entrepreneur requires a massive injection of confidence as well as offers of practical incentives to promote new investment and expansion leading to re-employment, according to Mike Flax, MD of Seeff Trust.

At the Cape launch of Seeff Trust's latest syndication, the R17,75m Verwoerdburg Centre yesterday, Flax said these inducements could well take the form of rate suspensions, tax allowances or rebates, accelerated depreciation or income tax holidays.

"It always puzzles me how they allow these incentives in the independent states and not in South Africa.

"We certainly can do without any more threats of mass action, boycotts and stay aways — the country and its people cannot afford it," he said.

Flax said he believed the SA work force was reaching a dangerous stage where they had become largely spectators, "disinterested in a work ethic as they awaited direction and inspiration from the leaders."

"What we should be hearing is positive plans to promote growth, encourage investment and reduce unemployment.

"Free markets and freedom of choice for business so that it can unleash its proven acumen is what is going to save South Africa — and for that we need sound and sensitive leadership and a lot more ability demonstrated by those who would wish to lead us."

Rich get to tighten those R300 belts

Monday 1717 - 23 (7192

HERE are still people out there willing to fork out R15 000 for a piece of Roman glass, R75 000 for a Persian carpet, R500 for a shirt or R767 000 for a Porsche.

However, the recession hasn't bypassed the wealthy suburbs entirely. The rich may still be spending money, but there are fewer of them — and they are being a bit more cautious about what they spend their money on.

A poll of upmarket retailers found some for whom business was continuing as normal, but others told *The Weekly Mail* they were feeling the pinch and that the flagging economy and uncertain political climate had cut sales figures, in some cases drastically.

Jaguar and Porsche importers LSM Distributors said well-heeled motorists are still paying R767 000 for the new 911 Porsche Turbo or R370 000 for the "cheaper" Jaguar X16.

Describing the market for new luxury sports cars as "depressed but not dead", LSM managing director Rob Croly added: "On the other hand, used cars are doing very well considering the state of the economy."

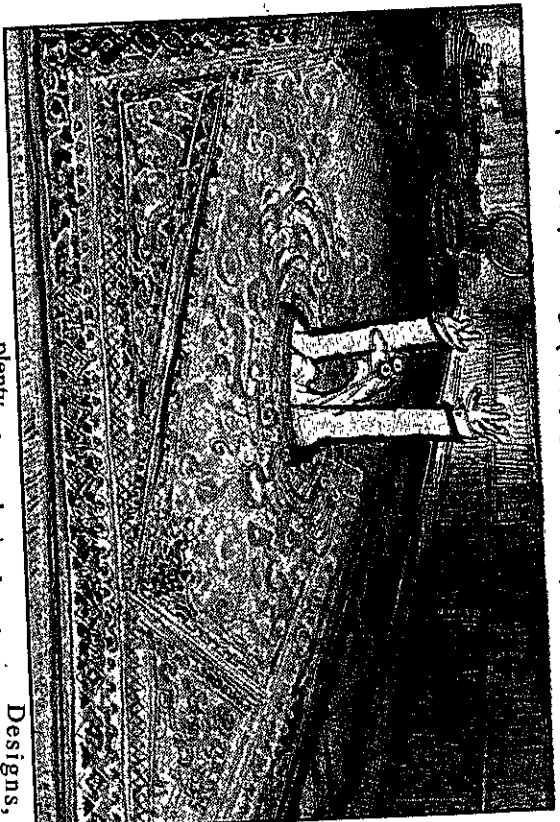
Croly said the recession had sent the price of used sportscars plummeting. "The price of used cars is determined by local conditions, so it has a better chance of appreciating when the economy improves. The gap between them and new cars, whose prices are determined by international standards, will eventually draw closer," he explained.

While the recession has reared its ugly head among the really wealthy, they're still prepared to pay a pretty penny for some upmarket objects.
LINDA RULASHIE reports

tomers was getting smaller as those on the bottom rung of the upper class were finding it harder to afford antique pieces.

Shopowners in the upmarket clothing industry said times were getting really tough.

A Hilton Weiner shop manager in Johannesburg's northern suburbs said it was barely managing to keep afloat: "If there's anyone coming in, they usually come to browse. Before, I used to take



plenty of cash, but now I'm dealing more with credit cards and cheques."

The manager of Anne Glazer

Designs, an exclusive hat shop in Rosebank, said business had "dropped off tremendously" and that things were "pretty quiet". Jackie Sacke — whose hats go

for R220 or more — said she had experienced a short respite during the Durban July Handicap but that her clientele, which includes MPs' wives, are now generally not buying a different hat for each occasion.

Levison's area manager Raymond Pietens said: "We are probably more fortunate than most other shops in that we sell to upmarket people. However, the general pattern with sales is that they have slowed down. Some of our branches, like the Carlton Centre one, have been feeling the pinch because their focus is more on the black trade."

Nonetheless, Levison's customers, who exemplify the typical executive, are still prepared to spend R3 000 on an imported suit, R400 on a shirt or R300 on a tie.

And one Rosebank boutique owner who specialises in imported Italian clothes said she was still managing to sell R3 000 dresses and R300 belts.

BMW distributor Stuart Bromfield's manager for new cars, Gary Young, said BMW sales were "very strong", particularly with the launch of the new 3-series, which range in price from R68 530 to R119 460. "Sales of the 5-series is still progressing well, while that of our 7-series is satisfactory," Young added.

An antique dealer in one of Johannesburg's northern suburbs said business had been "normal" until the Boipatong massacre. "Now people are not in the mood for spending, because of the anger and frustration of this country being ground into the dirt."

"Talking to people generally, no one wants to furnish their homes with expensive artefacts if they are going to move overseas or their place is going to be broken into."

Michael Prior, owner of the antique shop Collectibles in Parkview, said he was still selling high-quality artefacts, though not as many as three to four years ago.

"Items such as perfume bottles, quality gold and furniture are selling well, whereas the sale of average items has slowed down," Prior said. "Customers are generally deferring their decisions to a much later date, or for long consultations with their spouses."

Similarly, Selwyn Mendelsohn, of Dunkeld West's Art and Antiques, said while his turnover had been sustained, it was generally harder to sell. Dealing only in artefacts "over 100 years old", Mendelsohn said his pool of cus-

No rise expected in SA retail sales

PRETORIA — The slump in retail sales was expected to continue for the three months to end July, according to Central Statistical Services' calculations.

At constant 1990 prices, the value of sales was expected to decline by 3,7% to R16,055bn compared with May-July last year.

At current prices the expected increase is 11,5% to R21,522bn.

Real retail sales in July at 1990 prices were likely to decline by 6,1% compared with July last year.

A decrease of 2,7% was expected compared with June after seasonal adjustment.

Pick 'n Pay chairman Raymond Ackerman said trading conditions continued to be tough.

He estimated Pick 'n Pay's trade increase in the three months at current prices at 13,5% — "but to maintain that level is a constant battle".

30
B/DAY 21/7/92
GERALD REILLY

Ackerman said he was confident that against a background of UN interest in SA and the Saccola-Cosatu negotiations, the economy would begin to turn around before the end of the year.

Then all the economic energy which had dammed up over the past few years could be released, he said.

Economists said the CSS figures confirmed the obvious: that disposable incomes were shrinking and that the current political and economic uncertainty had led to selective and cautious consumer buying.

They agreed that only restarted political negotiations and an improved labour climate could revive consumer confidence.

They agreed, too, that this could lead to a moderate upsurge in demand particularly for durable goods.

STAR 21/7/92

Retail sales prospects slump

Retailers expect a decrease in real trade sales for July, compared with last month and the same period in 1991.

Figures released by the Central Statistical Service yesterday show expected real retail trade sales for July will decrease by

6,1 percent, compared with July 1991, and by 2,7 percent compared with June this year after seasonal adjustment.

Total expected retail trade sales for July 1992 will be R6,985 billion, Sapa.

McCarthy and Prefcor will announce merger terms today

By Stephen Cranston

30

More than two months after the original cautionary was issued, McCarthy and Prefcor Holdings will announce the terms of their merger at a press conference in Johannesburg today.

McCarthy is the largest motor vehicle trader in Southern Africa and Prefhold, the holding company for the Beares, Savells, Game and Bee Gee retail chains.

The combined group will have annual sales of more than R4 billion and shareholders' funds of about R850 million.

The market has been too preoccupied with other problems to show much enthusiasm for the

merger.

Prefcor shares have slid from 400c to 330c and McCarthy shares from 500c to 430c since the May 14 cautionary.

McCarthy sits on an undemanding price/earnings ratio of 7,6 and offers a 4,9 percent dividend yield.

Prefhold, just a year after listing at the beginning of the downturn in retail sales, sits on a P/E ratio of three and offers a 9,1 percent dividend yield.

The negotiations coincided with a downturn in interest in retail shares; had the merger taken place 18 months ago at the height of the retail bull market, the reaction would certainly have been more positive.

Furniture sales are going through a downturn

and Prefhold is unlikely to match its strong performance for the six months to December in the full year.

In that time operating profit was up 46 percent — bucking the trend at a time in which even well-rated furniture retailers such as Ellerines and JD Group reported lower earnings.

McCarthy's earnings in the December interims were down 11 percent, but the market share of the new-vehicle market increased from 12,4 percent to 13 percent.

Financially, the groups make a good match.

McCarthy is virtually ungeared, whereas Prefhold has more than R200 million invested in

FirstPref, a joint venture with First National Bank, which manages the hire purchase debtors' book.

Prefhold chairman Terry Rosenberg joined the McCarthy board as a non-executive director on July 1.

At the time McCarthy chairman Brian McCarthy wanted a Durban-based director and said he had a high regard for Mr Rosenberg's abilities.

Speculation has it that Mr McCarthy will be chairman of the new group and Mr Rosenberg group MD, with Theo Swart MD of the motor division, and the present McCarthy group and Prefhold deputy chairman Hymie Sibul MD of the retail division — the present Prefhold.

Acquisition taken all the way after seven years

PETER GALLI

MURRAY & Roberts Properties yesterday acquired the remaining 50% of the Retail International Group's (RI's) equity — seven years after its initial share acquisition.

"RI is a private company and the shareholders are finding it increasingly difficult to match the capital availability of the larger shareholders as deals and projects become bigger," M & R Properties executive chairman Eric Field said yesterday.

The price was based on earnings over a three-year period to June 30 1993. Bid 217M

One of the strengths of the company was the expertise that rested in its management team, which would not be changed in any way and would continue to operate as a separate business unit.

"About 80 staff are employed in Johannesburg and Durban, but we are looking to spread regionally to Cape Town in the near future," Field said.

The companies were currently involved in the joint development of the R340m Pavilion shopping centre in Westville, Natal — this was sold recently to the Eskom Pension Fund — and the recently completed R160m East Rand Mall.

"SA is not overshopped and the more dominant the centre the more successful it is," he said.

"The East Rand Mall, which opened three months ago, has no vacancies and shop turnovers are high."

McCarthy and Prefhold to merge

blOAM 22/7/92

(30)

GAVIN DU VENAGE

MCCARTHY Group and Prefhold are to merge, forming a retail operation, McCarthy Prefcor, with a turnover of R4,5bn, a market capitalisation of R900m and a workforce of 14 000 people.

McCarthy is SA's largest motor vehicle retailer, while Prefhold is involved in the mass marketing of consumer-durable and semi-durable goods and clothing through the Bears chain, Game and Clobea.

The deal, effective from July 1 1992, came into being because McCarthy was looking for growth through diversification, and the motor retail trade offered little opportunity for substantial expansion, chairman Brian McCarthy said. Prefhold had great potential for high sustainable growth in the mass retailing market.

Both companies would retain their focus, combining only in areas where this was mutually beneficial. For example, the do-it-yourself section of Prefhold's Game stores could tie in with McCarthy's spare parts division Midas, said McCarthy.

McCarthy will make an offer to acquire

75% of the ordinary shares and/or senior and junior convertible debentures in Prefhold in exchange for McCarthy paper.

McCarthy will also dispose of certain subsidiaries as going concerns to Prefhold in return for the allotment and issue of new Prefhold ordinaries.

Four McCarthy ordinary shares will be offered for five Prefhold ordinaries, and one McCarthy senior or junior convertible debenture for one in Prefhold.

McCarthy will be the holding company of 93,4% of the merged group (on an undiluted basis) and 87% after the conversion of the debentures based on the acceptance of all the interests in Prefhold.

Brian McCarthy will be chairman and Prefhold CE Terry Rosenberg will become CE of the merged group.

The merger still has to be approved by McCarthy and Prefhold shareholders, as well as by the JSE and the Securities Regulation Panel.

BUSINESS Motsuenyane retires as head of chamber

Nafcoc to elect new boss

Sowetan 22/7/92. 30
■ New man to be elected for the Chamber's hot seat:

By Joshua Raboroko

THE National African Federated Chamber of Commerce and Industries holds its 28th annual conference at Pilanesburg, Sun City, between July 26 and July 30.

A new president will also be elected at the conference.

Dr Sam Motsuenyane, the present president and one of the stalwarts of the chamber, is to retire after serving black business for more than 20 years.

Two prominent businessmen - deputy president of the Southern Transvaal African Chamber of Commerce, Mr Joe Hlongwane, and the president of the Transkei Chamber of Commerce, Mr Archie Nkonyeni - are tipped to contest the presidency.

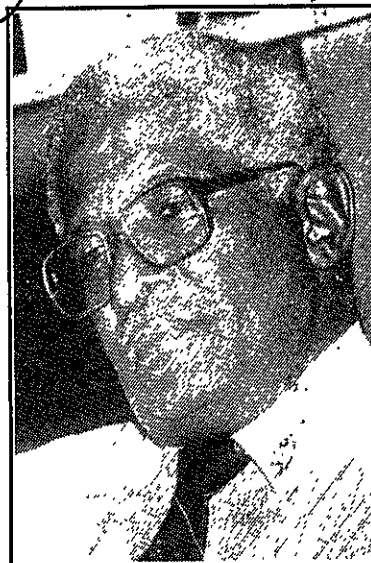
Motsuenyane said: "After many years of serving as president, I feel the time is ripe that somebody younger must take over the running of the organisation."

More than 1 000 delegates are expected to attend.

Political impasse

Some of the issues which will come up include violence, unemployment, high inflation, poverty, a stuttering economy and a political impasse.

"The role Nafcoc has played in South African black business is of such crucial importance that we are looking forward to our conference, with the input of our knowledgeable and respected speakers to give direction," Nafcoc's acting executive director, Dr Morley Nkosi, said.



Sam Motsuenyane

Office space planning cut back

15/00/92 22/7/92
PETER GALLI

PROPERTY developers seem to be finally taking note of the glut of unlet office space and cutting back on future developments, latest private sector building statistics show.

Building plans valued at R3,7bn were passed over the first four months of the year, a 5,3% drop compared with the same period the year before.

Non-residential buildings showed a 35,2% slide in plans passed, while residential buildings and alterations rose 13% and 6,9% respectively.

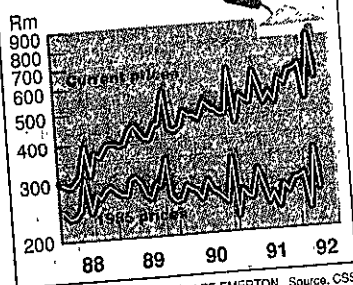
Property economist Neville Berkowitz said "demand had been wrung out of the economy" and most developers were not undertaking speculative developments.

International experience had proved that developments needed to be tenant

driven and developers who disregarded this, such as Olympia & York, had paid the price.

"Institutional players, with their massive cash flows, are generally finding niche markets or develop-

Buildings completed



Graphic: LEE EMERTON Source: CSS

ing their own properties. A trend is that they are now buying properties from about R250 000 upwards, which is something they would never do before as these are cost inefficient to manage," he said.

Once again, political uncertainty and escalating crime and violence saw plans for flats and townhouses soar by 55,2% to 3 989 compared with an 11,2% drop to 12 574 in plans passed for dwelling houses. This was an indication of the public's perception of the need for more secure homes and would continue as long as violence and crime escalated.

"This has negative implications for freestanding homes as demand will soften, as will prices," Berkowitz said.

However, existing townhouses and cluster homes would see prices rise to compete with new stock becoming available, he said.

The Central Statistical Service (CSS) said large increases were reported in the number of flats and townhouse units in the Witwatersrand (659 units) and Pretoria (362 units).

An analysis of dwelling houses with a floor area less than 81m² reflected

decrease, the CSS said. Over the first four months of the year 43,8% of the plans approved were for houses with floor areas of less than 81m², compared with the 47,4% during the same period in 1991.

However, total value of buildings completed over the first four months rose 18,4% to R2,1bn over 1991. Main contributors to the increase were Cape Town (35,9%), Durban (33%), the Witwatersrand (20,1%) and Pretoria (31,5%).

PROPERTY

PETER GALLI

OLD Mutual Properties had spent about R250m on commercial and industrial developments this year, regional manager Anton Bieber said in an interview.

This comprised about R90m for 70 000m² of industrial space and about R150m on 50 000m² of commercial space. *Blom 22 1792*

However, no office developments were undertaken before they were at least 75% pre-let, he said.

Old Mutual had let more than 20 000m² of commercial space in Sandton alone since the beginning of the year and negotiated several leases in Johannesburg.

"One has to be flexible when the market goes against you and we have negotiated deals but are not prepared to give space away.

Property group spent R250m

"There were minimum rental levels and the company was not prepared to drop below these or to offer rent-free periods as it was big enough to sit out the recession," he said.

Tenants looked for a stable landlord who was fair when things were bad as well as in boom times. Agents were actively canvassing the marketplace and the company was seeing better leasing activity than last year.

While the Sandton market was currently oversupplied, well located properties were continuing to be let. Rentals of more than R30/m² had been achieved, but most ranged in the R23/m² to R30/m² range in Rosebank and Sandton.

Certain parts of the Johannesburg CBD offered potential. The PAC had

signed a three-year lease for 600m² at Anderson Place and consulting engineers Read Swatman & Voight had taken 300m² in Swiss House. Rental levels here varied between R16.50/m² and R35/m².

The industrial market, which traditionally lagged the commercial market, was performing relatively well and seeing activity.

"We have some excellent land available for future developments and are also looking at redeveloping some of our well placed existing developments," Bieber said.

If market conditions and the overall supply situation continued to worsen, Old Mutual Properties would stop investing in these areas and find suitable alternatives, he said.

CNA Gallo gears for tough days

81044 23/7/92

DUMA GQUBULE (30)

FURTHER measures had been taken to counter recessionary conditions but there seemed little prospect of any earnings increase during the current financial year, CNA Gallo chairman Doug Band said in his 1992 annual review.

Shareholders could, however, be gratified by management's success at limiting the downside. In the year to end-march CNA Gallo reported a 5% decline in earnings to 160,3c (168,5c) a share on a 5% increase in turnover.

The highlight of the past year, Band said, was buoyant greeting card sales, stemming from product innovation and better service levels. Compact discs had also continued their successful inroads into the music market.

On the negative side, the Christmas trading period had proved to be dismal. The entertainment division's market in black music also had been severely eroded by

economic conditions.

The Gallo group had experienced a disappointing year with cassette sales falling 16% due to extremely depressed economic conditions and rampant piracy.

Compact disc sales increased by 51% but vinyl records declined by 42%. As a result manufacturing facilities for vinyl records would be closed in August. A new compact disc plant had been opened at the beginning of the year.

Band said management would, in anticipation of a difficult year, focus on aggressive marketing and promotions while concentrating on containing costs, improving efficiency and maintaining margins.

MD Dennis Cuzen said management would also dispose of underperforming and non-core businesses.

Mass action campaign jams retail outlets

ANC, Cosatu and SACP members jammed checkout points and inconvenienced hundreds of customers at retail outlets in Johannesburg and Pretoria yesterday.

As the mass action campaign continued police arrested 240 people in Port Elizabeth after an illegal demonstration at Livingstone Hospital. And in Pretoria 146 people were arrested after various protests.

These arrests, together with others on the Reef, bring the number arrested to 1 000 since the start of the mass action campaign this week, Reuter reports.

In Pretoria senior ANC officials Carl Niehaus and Derek Hanekom occupied a Pretoria Central Prison office for more

WILSON ZWANE

than two hours to highlight the ANC's demand for the release of political prisoners.

ANC PWV spokesman Ronnie Mamoepe said ANC Women's League regional secretary-general Lindiwe Maseko led the action at Clicks, OK Bazaars and Pick 'n Pay in protest at food prices.

A Pick 'n Pay spokesman said people entered the store, filled up baskets and trollies with goods and came to the tills where their purchases were rung up.

"They then refused to pay, saying they did not have money," the spokesman said. Goods were then abandoned at the tills.

A Clicks spokesman confirmed that a similar incident occurred at the chain-store's outlet in central Johannesburg.

No arrests were made in connection with protests at the chain stores.

A Correctional Services spokesman said Niehaus and Hanekom did not stage a sit-in at Pretoria Central. He said the ANC officials were on a visit to the prison when they asked the prison's commander to forward their memorandum of demands to the commissioner of prisons.

Niehaus said they had refused to leave the prison after visiting a prisoner until

To Page 2

Retail outlets

their petition had been faxed to the Commissioner of Prisons.

Meanwhile, people continued to be arrested on the Reef yesterday as they participated in sit-ins and other demonstrations at government buildings.

Mamoepe said 39 people were arrested for demonstrating outside the Rand Supreme Court building. ANC deputy president Walter Sisulu's wife Albertina and 12 other ANC/SACP/Cosatu alliance members who had occupied the court building were not arrested.

He said the 13 left the court after they

had secured an appointment to see Witwatersrand Attorney-General Klaus von Lieres today to discuss the violence.

However, police said only 21 people were arrested for demonstrating outside the court.

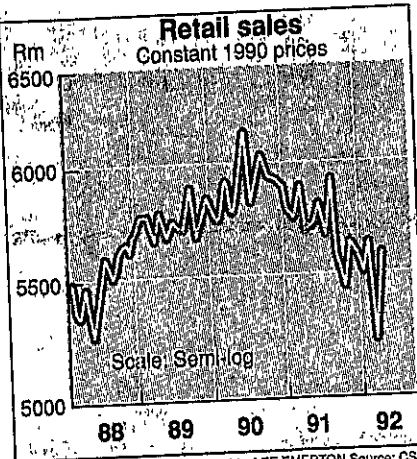
The ANC PWV region yesterday said it had not planned to march on the Johannesburg's John Vorster Square yesterday to demand the release of political prisoners. A march on the police station and another on the Union Buildings would be held on Saturday, the organisation said.

● Picture: Page 3

From Page 1

Retail sales higher, 'but no recovery'

HILARY GUSH (30)



HIGHER demand for clothing, footwear and textiles lifted inflation-adjusted retail sales in April from the four-year lows recorded in March, Central Statistical Service (CSS) data showed.

Economists warned, however, that the rebound was an anomaly and predicted a return to sluggish or falling sales.

Real, seasonally adjusted April sales were up 7.3% on March, but declined 2% in the 12 months to April. Year-on-year sales had fallen 11.6% in March.

Edgars financial director Mark Bower attributed the April increase in clothing and footwear sales to the fact that Easter

□ To Page 2

Retail sales ^{BIDA 2417192} (30) □ From Page 1

fell in April this year and in March in 1991. He said clothing sales traditionally rose over the Easter holidays.

Nedcor Bank chief economist Edward Osborn said it was dangerous to think that the larger April figure reflected a recovery in sales. Preliminary and expected sales figures for May and June, down 3% and 3.8% respectively, showed a return to the negative trend evident since late 1990. The decline was in line with the slump in government VAT receipts.

Reduced sales continued to reflect the depth of the recession and low consumer expenditure which could be attributed to retrenchments and a deterioration in household disposable incomes.

Clothing, footwear and textile sales

increased 16.9% in the month and 7.5% in the year to April. Liquor stores showed a real annual sales increase of 15.6%, and a monthly advance of 13.9%. Butchers posted a 14% monthly sales boost after falling 28.8% in March.

Southern Life chief economist Mike Daly said although there had been some improvement on March sales there was "no real light for the severely strapped consumer".

He said growth in real disposable income would be boosted only by the first quarter of next year when the effects of two interest rate cuts and lower consumer inflation, expected to fall to 12% by year-end, took hold. He expected a return to the negative retail sales trend next month.

OVBEL HOLDINGS

Still at a discount

30

Activities: Property development and trading.
Control: Ovenstone family and directors 32.2%.

Chairman: A D P Ovenstone.

Capital structure: 29.6m ords. Market capitalisation: R16.3m.

Share market: Price: 55c. Yields: 11.8% on dividend; 17.8% on earnings; p:e ratio, 5.6; cover, 1.5. 12-month high, 63c; low, 50c.

Trading volume last quarter, 77 000 shares.

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	3,7	10,2	4,8	11,4
LT debt (Rm)	8,9	13,4	10,8	19,4
Debt:equity ratio	0,36	0,61	0,42	0,79
Shareholders' interest	0,33	0,33	0,50	0,43
Int & leasing cover ..	4	19	n/a	n/a
Return on cap (%) ..	7,0	6,2	7,9	1,4
Turnover (Rm)	269	322	234	53,6
Pre-int profit (Rm) ...	7,6	7,6	5,6	1,2
Pre-int margin (%) ..	2,8	2,3	2,3	2,2
Earnings (c)	17,4	21,3	15,3	9,8
Dividends (c)	7	8,5	8,5*	6,5
Net worth (c)	112	125	113	112

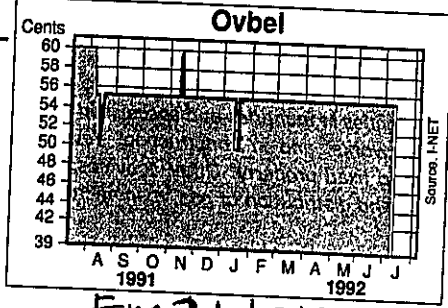
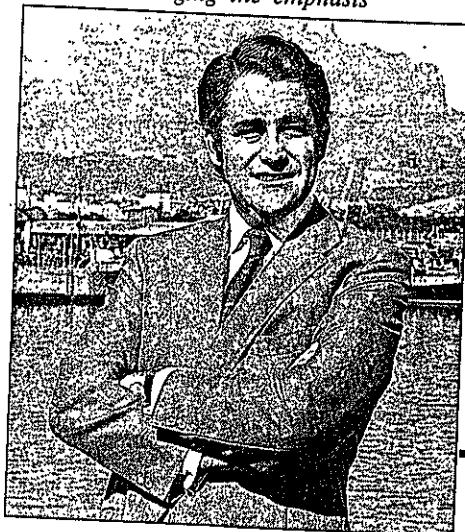
* Excludes special dividend of 12c.

Ovbel's share continues to trade well below net worth and its directors appear to be obsessed with this fact. They have introduced various schemes to try to unlock intrinsic value over the past few years but, no matter how clever or convoluted (*Fox* May 15) these have been, the market has paid scant attention. Ovbel trades at a 55% discount to NAV.

Chairman Andrew Ovenstone says this phenomenon is common in property companies throughout the developed world for three reasons. First, there is the perennial difficulty in achieving adequate returns on capital employed. Second, until sales take place, unrealised gains are not brought to book. Third, there may be a liquidity risk associated with diminishing demand — it is not easy to sell real estate in a recession.

It seems Ovenstone is now attempting to change the emphasis of the group from one that develops its own properties and markets the finished product, to one that will be more of a project manager. Hence he intends to realise all Ovland's property stock over the next three years and use part of the proceeds

Ovbel's Ovenstone ...
changing the emphasis



FM 24/7/92

to fund new projects in joint ventures with other investors.

Should this come about as planned, Ovbel's borrowings and gearing would decline. With debt:equity now at a peak, this is more necessary than ever.

Fiscal 1992 was not a good year. The 1992 figures in the table are not comparable due to the hiving off of Ovcon (*Companies* July 5 1991). The group's original 70% of Ovcon is now reduced to 20%. Excluding Ovcon, operating income declined by 16% to R3.9m.

If, however, pre-interest earnings are used to assess the performance, the picture is worse. Again excluding Ovcon, pre-interest earnings declined from R3.3m to R1.2m. Ovbel has always maintained that interest earned — mostly from instalment debtors — is an integral part of its operating activities and should not be separated. Even so, the trading operations produced considerably less income in 1992 than in the previous year.

Borrowings jumped 85% to R28.9m. The increase was generated because of the belief that an upturn in the property market is around the corner. About R15m was committed to improving the stock of property in anticipation. It is a brave step because the outcome is likely to be somewhere along the scale of the two extremes — boom or bust.

The politico-economic situation is increasingly forcing businessmen into decisions like this. If they don't invest, inflation and a stagnant business climate assures retrogression. If they do invest, and the fears of today translate into reality, business failure is possible tomorrow. Ovenstone's action is a commendable indication of faith in the country's future, but to have borrowed to make the commitment could become a folly.

When the market senses that sort of vulnerability, it marks down a share's rating. In Ovbel's case, it is not so much a reflection on management's capability as a perception of unduly high risk — hence Ovbel's discount to NAV.

Gerald Hirshon

DRUG PRICES

Fingering the culprits

30
FM 24/7/92

Everybody knows that medicine in SA costs too much but nobody is sure whom to blame. Pharmacies say drug manufacturers are the culprits. Manufacturers say their prices are in line with prices overseas and accuse pharmacies of excessive markups.

The truth lies somewhere in the middle. If blame must be assigned, the pharmacies appear to be more at fault even though all parties are culpable.

Over the years, a practice has developed that allows the wholesaler — who buys in bulk from the manufacturer and carries the storage costs — to charge pharmacies and other retailers a 21,3% markup.

Pharmacies mark up their medicine by a further 50% before adding — for prescriptions — a dispensing charge and a fee for breaking open a package. So the price of a drug can nearly double from the time it leaves the manufacturer to the purchase from the neighbourhood pharmacist.

The system fares poorly compared with other countries. Martin Jennings of US-based pharmaceutical manufacturer Glaxo says: "A prescription drug leaving the factory in the US arrives at the consumer level with a total delivery chain markup of only 20%."

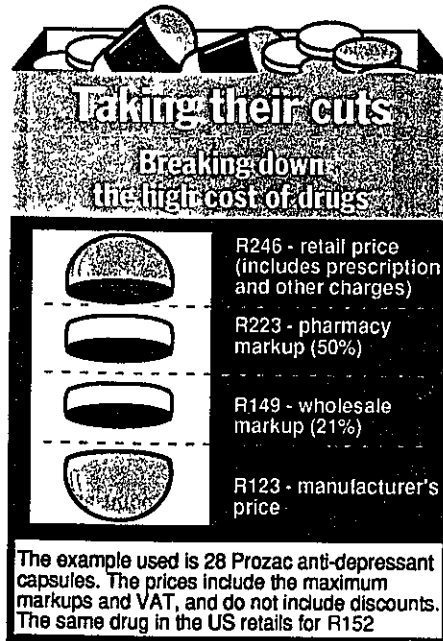
A comparison of the SA and US retail prices of three popular drugs — Prozac, Zantac and Nurofen — showed that SA prices were on average 120% higher (*Leading Articles* June 17).

But reforms are on the way. In recent months, the professional bodies and government have moved to cut back on the myriad rules that prop up prices, paving the way for more competition. Wolf Fürst, executive director of the National Association of Pharmaceutical Wholesalers, says wholesalers and retailers are now involved in a discount war that often cuts the markup in the distribution chain down to 45%.

Says Fürst: "Pressure from medical aid societies on dispensers to lower prices has resulted in retail discounts of no less than 15%. To enable retailers to afford this discount, wholesalers are discounting to their customers by at least 10%. The result is that prices to the patient are reduced by at least 20%."

He points out that even where pharmacies are franchised to a particular wholesaler, the pharmacies shop around for the best discount. "To get a net profit before tax of a mere 2%, wholesalers distribute around 6 000 products to more than 8 000 distribution outlets a day," he adds, defending the wholesalers.

He says the SA Pharmacy Council's decision last year to lift the ban on advertising prescription medicine prices has introduced



more competition among pharmacies.

Dropping the ban on pharmacists working for large retailers such as Pick 'n Pay and Clicks — which, because of their size and buying power, would be better equipped to bargain with drug manufacturers — could mean steep discounts to the public.

The Competition Board this month recommended that government scrap the professional bars on pharmacists working for stores, medical schemes and doctors. Health Minister Rina Venter is keen to go along.

Wits Commerce dean Duncan Reekie, a medical economist, says: "A bulk buyer can obviously get prices cheaper. Professional codes have kept retail pharmacists small, operating on low turnovers and high profit margins." He suggests that, ideally, pharmacists should operate the same way as Boots, the giant UK manufacturer and retailer. Boots, with a 70% share, dominates the retail market there.

Many people in the pharmaceutical industry are questioning the continued role of the small independent pharmacist. Critics say that with the advent of large manufacturers, retail pharmacists have become little more than pill counters and poor businessmen. The pharmacists acknowledge the problem and recently proposed that government allow them a greater clinical role.

Retailers and wholesalers have their own axe to grind with the system. Not surprisingly, they apportion much of the blame to manufacturers and the State. They note that manufacturers remain opposed to legalising the generic equivalents of many drugs and imports of drugs made locally — though both steps would cut prices.

But their main criticism is that the entire drug supply system is distorted by the immense buying power of the State.

Pharmaceutical Society of SA chief Pieter van der Merwe says: "About 70% of all medicine is sold on tender to the State for, at most, a third of the price paid by the private sector for the same product." He suggests that manufacturers make up the difference by boosting the charges to the private sector.

Fürst says manufacturers have little choice but to take part in the State tender system. "Private-sector volumes alone are insufficient to justify manufacturing capacities, compelling manufacturers to participate in State tenders at almost any cost."

Reekie says the blame for high drug prices should not be shifted to the State tender system. He says manufacturers in the US, for example, face a similar problem; they must provide huge discounts to large State organisations, health maintenance organisations and medical schemes.

"The fact that the private-sector base price is higher than the State base price is not the major reason for high drug prices in SA. Added on to this admittedly high base price is a substantial distribution margin at the wholesale and retail levels. There can be very few fast-selling commodities that have almost a 100% markup."

Mirryëna Deeb

AIRCRAFT MANUFACTURE

Flying start

A R500m order by the SA Air Force for 75 trainer aircraft is poised to make or break the embryonic aircraft industry. Tenders for the closely contested contract close on August 7 and it is expected to be awarded this year.

Local hopes are pinned on a consortium that includes Atlas Aircraft Corp; Denel, the four-month-old commercialised State company that took over Armscor's manufacturing activities; Aerotek, the CSIR's aeronautical engineering division; Aerodyne, a Somerset West composite materials manufacturer; Somchem, a Denel subsidiary; Midrand's Advanced Technologies & Engineering; and Fields Aviation.

Consortium members say winning the contract could mean the start of a lucrative aircraft industry. They add that previous efforts to build fighter aircraft were pie in the sky by comparison. The military trainer and a commercial derivative could put SA on the world map as a serious aircraft manufacturer.

Bidding is fierce. There are believed to be at least three formidable foreign contenders:

Checking the facts FM

24/7/92

Seeff Trust MD Michael Flax has responded to rumours that Seeff stands to make a healthy profit through its latest Verwoerdburg Shopping Centre syndicate. The complex, to be syndicated for R17,75m, was said to have been acquired for roughly R12m from Pangbourne Properties.

But Flax says: "You merely have to check the transfer document when it comes through in October to see that we paid substantially more. We are bound, however, not to disclose the sale price."

Pangbourne acquired the property in 1986 for around R8,5m. "Therefore," says Flax, "a rumoured R12m sale is out of line if you take into account the fact that Pangbourne has spent a few million rands on the building since it acquired it and the value of the property has appreciated significantly over a six-year period. Like Pangbourne, we have also spent a substantial amount to complete the refurbishment."

Flax adds that besides these costs, more expenses are incurred bringing a building to syndication, including letting activity.

The current syndication, the first in which the group chose not to underwrite the placing, has been well received, with roughly 40% of the paper already taken up. Though Seeff normally underwrites its syndications, Flax says the Discount House Merchant Bank underwrote the Verwoerdburg syndication "due to the development's size."

The 13 000 m² of retail space in the centre is fully let. Major tenants include Standard Bank, Checkers, Foschini and CNA. Altron has taken 750 m² of the 2 000 m² of offices and the balance is being let, on a short-term lease, to the Verwoerdburg Town Council for its art gallery.

Flax believes the syndicate's investors — mostly individuals, small pension and provi-

Continued →

PROPERTY FM 24/7/92



Flax ... squashing rumours about his syndication

dent funds, as well as family-type investment trusts — have been liquidating their equity positions, moving over to property investment. He reckons this explains why the placement has been successful despite the current political instability.

Explaining the location, Flax says the Seeff group, along with other property developers, has identified Verwoerdburg and Midrand as growth points — indicated by the flourish of activity in these regions.

The complex is a suburban one in Lyttelton, about 2 km from the Verwoerdburg lakeside development. Roughly R1bn has been invested by the major institutions in Verwoerdburg over the past few years, with the lake development accounting for a significant portion.

Pangbourne, a listed variable loan stock company, acquired the building in line with its strategy of buying, refurbishing and disposing of buildings. The Verwoerdburg shopping centre was acquired by Pangbourne in a R16,2m deal together with Durban's 385 Smith Street office block and another Verwoerdburg retail property sold for R3,8m two years ago.

The Durban property is on the market for R10m as Pangbourne moves out of CBDs. Pangbourne's Brian Clarence notes this is one of the last CBD buildings in its portfolio. Proceeds from the disposal will go towards acquiring industrial, retail and decentralised office developments. ■

BUSINESS Sam Motsuenyane retires after a lifetime of

End of a black era

■ **BUSINESS CHAMPION** The Nafcoc

president will retire after 28 years on

Sunday after liberating black business

and creating viable institutions:

Sowetan 24/7/92

By Joshua Raboroko

SOUTH Africa's *el supremo* of black business, Dr Samuel Mokgethi Motsuenyane, will announce his retirement as president of the National Federated Chamber of Commerce on Sunday.

This will be on the opening day Nafcoc's four-day 28th conference at Sun City.

He served the organisation for 28 years - 24 as president - and spearheaded numerous projects that are still effective.

"We are faced with numerous challenges and our role as business leaders must be counted in the future South Africa. They (colleagues) will have to work hard to face these challenges," he said this week.

He said the challenges included the political impasse, violence, unemployment, drought and the impending mass action propagated by Cosatu and its allies.

Business and the community agree that this charismatic and amazing man has achieved his lifetime ambition of creating viable institutions to be remembered in the history of the black liberation struggle.

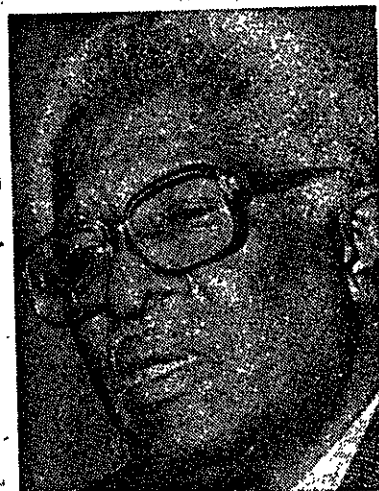
"We all agree. The world agrees. The man has filled his life," the president of Bophirima Chamber of Commerce and Industry, Mr Gabriel Mokgoko, said.

Mokgoko, a former public affairs manager of Nafcoc, said tribute must be paid to the man who helped "to create the black institutions that will be necessary when our history is written."

The early years of Nafcoc were hard for black traders. But Motsuenyane can now give the world his vision.

In his plush offices in Soshanguve this week, the charismatic Motsuenyane talked about the early days, the present and future of black business.

"To get a trading licence those days, you had to be medically examined. You had to go to Albert street in Johannesburg and be stripped stark naked . . . irrespective of your age."



Sam Motsuenyane

He said most analysts of black business emphasized what never happened - and with good cause. This was because the Government for decades made concerted efforts to limit black entrepreneurship and small operators in urban townships.

But realising that it was sitting on a powder-keg, the Government decided to relax the vexatious laws affecting black business.

Motsuenyane's message to black business was that it should fight to get Codesa back on track in order to resolve the political impasse.

They should work with organisations like the ANC, PAC, Azapo and others towards a non-racial and democratic South Africa.

More conglomeration in SA
 MOTOR dealer McCarthy and retailing group
 Prefhold are to merge to form a retail
 operation with a R4,5-billion turnover and
 market capitalisation of R900-million.
Reports by staff and Sapa-Reuter (30)

Umat 24/11 - 30/11/92

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1-88 DATE: 20/11/92 PAGE: 2/2

Boycott threat for 2 businessmen

STAR 25/7/92

**PETER FABRICIUS
Political Correspondent**

THE ANC-Cosatu-SA Communist Party alliance's mass action committee in Witbank has threatened two local Indian businessmen with a consumer boycott unless they evict the Kwazulu government from offices in their building.

The businessmen — Rashid and Moosa Bhamjee, owners of the Triangle building which houses the Kwazulu offices — say they have also heard that plans are being made to burn down another of their buildings near the local black township.

They feel that the decision to target them for boycott is unfair because it is a result of incorrect information. They say it is based on allegations by the ANC that a local gun dealer

had delivered arms for the Inkatha Freedom Party to the Witbank offices of the Kwazulu government.

Acting on the ANC's information, police raided the Kwazulu Witbank offices last week and discovered that the arms consignment consisted of antique firearms — some more than 100 years old — destined for a collector in Britain.

A gun shop across the street from the Kwazulu offices had acted as local agent for the British collector, although the arms had been delivered to the gun dealer's home many kilometres away, police said.

Despite this discovery, the ANC says it is sticking to its story that arms were delivered to the Kwazulu offices.

Moosa Bhamjee said the decision to boycott his businesses had been taken by the local mass action campaign committee on Monday. He said he did not discriminate in letting office space and that the National Union of Metalworkers — a Cosatu affiliate — also rented space in the Triangle building.

ANC eastern Transvaal publicity secretary Jackson Tembu confirmed yesterday that the Witbank mass action campaign committee had decided to boycott the Bhamjee businesses, but said he believed their fears of their building being burnt down were unfounded.

He said the ANC eastern Transvaal regional committee would be meeting the ANC Witbank branch and the Bhamjees on Tuesday to try to resolve the problem.

Tembu said the ANC eastern Transvaal region would tell the Witbank branch that it was opposed in principle to taking action against a businessman for renting offices to the Kwazulu government, as this amounted to political intolerance.

Even if the allegations of guns being supplied to the Kwazulu offices proved true, this would not justify such action, said Tembu. He gave an assurance that no action would be taken against the Bhamjees' businesses until the matter had been thoroughly discussed.



STANDARD PRACTICE ... Furniture Traders Association executive director Frans Jordaan
Picture: SUE KRAMER

Furniture code builds on 'good business practice'

STimes 26/1/72 [c/mto]

FURNITURE Traders Association executive director Frans Jordaan said the code laid down for his industry is just good business practice.

"The newly-published code set out by the Business Practices Committee is based on the one we've had for 10 years, though it is a little more comprehensive," said the former manager of a small chain of furniture stores in the Eastern Transvaal, who has been the FTA's director for six years.

The association which has been in existence in the Transvaal since 1931 and merged with the Cape association to become nationwide in 1949, has 300 members, including 10 major furniture groups. In total, 2 700 retail outlets are represented.

Mr Jordaan believes about 300 shops, many of which he would class as furniture boutiques, are not members of his organisation.

"The BPC has taken our codes and built on them. If anyone contravenes the code, it can be declared a harmful business practice. But there'll always be someone who finds a way round the odd clause," he said.

"I don't think there's anything in the codes that members won't try to adhere to, though it may be a bit difficult explaining to a shopful of 50 customers the ins and outs of a contract and their rights on a Saturday morning."

Asked if all his members would stick to the clause setting down a cooling off period whereby customers could cancel within 72 hours of purchase or before delivery (whichever is the later), Mr Jordaan said they should have been doing this already.

"What purpose do you achieve by not agreeing to cancel? You only make trouble for yourself. Sooner or later, if a customer is unhappy with a purchase

they'll stop paying, and then you've made more work for yourself.

"When I was in retailing, it was standard practice."

He advised consumers to first try and resolve complaints at store level, or if they are dealing with a big group, with its customer liaison officer.

"The code will only work if every consumer is educated to understand it," he said, admitting he wasn't sure how this could be brought about.

He also thought it would be difficult to train all staff in all furniture outlets in all aspects of the code.

But he believed big groups can ensure staff know that it is their policy to abide by the codes.

"With smaller ones, if we get a complaint, we can go there and say you're not training in line with the codes."

On an encouraging note, he considered it likely that some stores would use the code as a marketing tool. He said potential purchasers should look for the orange and black logo of the FTA in stores. They should then get satisfactory service.

Asked if the furniture trade had any specific problems, Mr Jordaan said that upholstery material, which was never guaranteed, did cause complaints.

"Much of the fabric used for furniture in South Africa is imported — we don't have a good range here — so that becomes a problem.

"I wish I could do something about upholstery."

Mr Jordaan said electrical appliances bought from furniture stores would also be covered by the code. He added that complaints received by his organisation from the Consumer Council, which always passed furniture problems on to him, have not increased over the past two years.

Cape's sheltered property market 'a good investment'

5 times (Cape) 26/7/92
THE Cape property market has been sheltered to an extent and enjoys the status of a preferred area of investment, says John Pistorius, manager of the investment property division of Pam Golding Properties, in the company's latest review of the Cape commercial market.

He points out that Cape Town CBD capitalisation rates are lower than other centres, there is an "unrelenting demand" for sectional title properties, flat rentals are escalating by up to 20 percent a year, and inquiries in the hotel and leisure industry are picking up from local and overseas buyers.

(30) (33)
In keeping with other centres, there is an over-supply of office space, particularly in the Cape Town CBD, with current vacancy levels at seven percent.

But, says Mr Pistorius, the northern suburbs have little or no vacant office accommodation and Bellville is Cape Town's fastest-growing satellite city, with the lowest vacancy factor in the country. The average new commercial rate in Bellville is R38 a square metre.

MOTOR DEALS MADE SAFER

30

THE code for the motor industry covers both new and second-hand cars as well as repairs.

Unlike the other sectors covered, the new car industry did not have an existing code, said Nicó Vermeulen, executive director of the National Association of Automotive Manufacturers of South Africa (NAAMSA).

"However, individual manufacturers had provisions under which they worked, so our part of the motor code was based on practices existing in the industry.

"We believe it covers every conceivable contingency. It's based on the relationship vehicle manufacturers have with customers — on real life practice.

"The representatives of manufacturers who drafted the code have dealt for years with customer relations and issues.

"It's a pragmatic attempt to inform the consumer of his/her rights and obligations, and how to complain. And it's also a guide to dealers."

"We endorse the code whole-heartedly and welcome the initiative taken by the government."

How will NAAMSA ensure that staff dealing with the

public carry out the provisions of the code?

Mr Vermeulen said he has asked manufacturers to ensure staff know of its obligations, and will carry them through.

"If complaints can't be dealt with at dealer/manufacturer level, NAAMSA will handle them," he said.

NAAMSA represents manufacturers BMW (BMW and Isuzu), Delta (Opel), Mercedes (Mercedes and Honda), Nissan, Samcor (Ford and Mazda), Toyota, Volkswagen (Golf, Jetta, Audi), AAD (Landrover), as well as three other makers of industrial vehicles and buses.

The used car and repair side of the industry is represented by the Motor Industries Federation (MIF).

Executive director Nic Fourie calls it the "automotive after market", and it covers all motor transactions beyond the manufacturing stage — second hand vehicle, tractor and motor cycle sales, automotive engineers, tyre retreaders and the body repair industry (or panel beaters, as we call them).

The MIF has 9 000 members countrywide, and eight

□ Turn to Page 12

Motor deals made safer

□ From Page 11

regional offices throughout South Africa. It deals with 3 000 customer complaints each year.

"When Kent Durr, the then Minister of Trade and Industry announced the codes, we were the first industry to say 'you have our full co-operation'.

"We already had our own code, and we tried to create something that should be a norm in the marketplace," said Mr Fourie.

"We also believe that a big advantage of the code is to educate the public as to what they should expect from a dealer.

"Full credit goes to Louise Tager and Evert van Eeden, who went out of their way to get consensus between consumer bodies and the industry.

"The final result is that we're not afraid of the code and promise to see it honoured."

Mr Fourie recommends, because the MIF only has authority over its members, that consumers deal with MIF members whenever possible — particularly when buying a used car.

He also advises consumers to deal with the right person when they have complaints.

"Consumers phone me and say they've spoken to the mechanic or the storeman and got nowhere. I tell them to go to the top, to the dealer-principal to solve their problems. I rarely hear from them again because by doing that their complaint is addressed.

"If there's a serious complaint, I arbitrate. We're here to look after the interests of the public, which also means looking after the interests of the industry."

STimes (C/moto) 26/7/92

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OfficeMart enters the grey market

S/Times (BUS) 26/7/92. (30)

OFFICEMART has become the first major retailer to sell electronic goods acquired from the controversial grey market.

Grey goods are genuine branded products imported through a party other than the official SA agent.

The grey market is growing because the goods are up to 30% cheaper than those bought through official agents. Some retailers say they have suffered a 30% fall in sales as a result of competitors selling grey goods.

Miltons recently dabbled in the grey market and offered a Mitsubishi video at a discount. Mitsubishi retaliated by advertising that it would not guarantee the product.

Younus Karim, managing director of major grey importer Western Bazaars, says most independent retailers have a few grey goods on their shelves.

Retailers buy from international wholesalers because SA suppliers' margins are too high.

By TERRY BETTY

Mr Karim says: "We can sell a video camera R1 800 cheaper than the equivalent sold through SA suppliers."

OfficeMart this week advertised a telephone, fax and answering machine for R1 200 less than the Panasonic equivalent.

Saddled

Business Equipment Association executive director Les Wood says grey goods are cheaper because the sellers are not saddled with overheads dictated by the foreign manufacturers.

Grey goods sellers have minimal advertising and marketing costs. They piggy-back on the money spent by the authorised SA agents. They also do not have to keep spare parts for current and outdated equipment.

The grey market has been threatened with legislation. In 1990 the Minister of Trade and Industry appointed an advisory committee on patents, trademarks, copyrights

and design under the chairmanship of Mr Justice Harms to review intellectual property legislation.

John & Kernick patent attorney Chris Job, a member of the Committee, says an amending Bill published last August was designed to outlaw the grey industry.

The Bill proposed prohibiting the unauthorised import of grey goods having copyright. This would have made dealing in the goods unlawful.

But grey marketers can smile — the Act was passed without the clause.

Mr Job says the Bill was opposed because it would be too regulatory and would go against the spirit of free enterprise.

Dumped

It is still unlawful to import goods made by a foreign licensee not licensed for SA.

This reprieve for the grey marketers has not dampened the battle. Allegations fly back and forth between the suppliers, the Consumer Council, Telkom, SABS and the grey goods importers.

National Panasonic marketing manager Martin Maddox says grey retailers cannot provide adequate guarantees.

"Spare parts and maintenance are not available for grey goods. They are often discontinued abroad and dumped on the SA market. When the retailer does have spares, they are often sub-standard."

Mr Maddox says Panasonic buys enough spares to service the product 10 years after it is discontinued.

Most independent retailers offer their own guarantees. However, the anti-grey lobby is quick to point out that many of the sellers are in and out of the market and the guarantee is useless.

But this is not the general rule. Western Bazaars cele-

brated its 50th anniversary last week.

Mr Wood says the industry has also had to cope with many crooks. Retailers cannot possibly compete against traders who sneak their goods through customs without paying duties.

Two customs officials and two businessmen have been arrested.

Mr Wood says it is illegal for an importer to sell goods under the original branded name after they have been modified for SA conditions.

Another problem is the law which says only telephones, faxes and answering machines that are registered may be connected to Telkom lines.

Consumer Council head of complaints At Meyer says many retailers purport to sell registered telephones when they are not.

"It is impossible for the customer to tell whether or not this is so until Telkom takes action."

Branches

Suppliers are bitter because they spend money on advertising, send technicians abroad for training, carry huge stocks of spares and invest heavily in infrastructure for formal distribution networks to build up goodwill for the brand.

It irks them that the grey marketers trade on this goodwill without contributing a cent.

But grey retailers do not believe these expenses justify high mark-ups.

Dion merchandise manager Mike Davidson says retailers with stores nationwide would never support the grey market.

"If the suppliers were to close shop in SA, there would be nobody to advertise the goods, distribute them to all branches and guarantee continuity of supply."



LES WOOD: High overheads

Change of mind for Rosenberg

By JULIE WALKER

IT took 10 weeks of negotiations between McCarthy and Prefhold before the proposed merger was agreed on.

Prefhold's Terry Rosenberg says it started when McCarthy chairman Brian McCarthy asked him to become a non-executive director.

"I turned it down because I didn't think I had anything to contribute."

Now Mr Rosenberg is to be chief executive of a group with a market capitalisation of nearly R1-billion.

"I had no idea what a wonderful company McCarthy was until I was invited to have a look. But I'll have to learn a lot about motor retailing," says Mr Rosenberg.

Mr McCarthy, who will chair the group, says growth opportunity in motor retailing is not high because manufacturers are reluctant to allow any one retailer to dominate. With a 14% share of the car market and 102 branches, McCarthy can be considered a mature business.

Prefhold has room to grow as a mass marketer through its three divisions — Game, Beares and draper Clobea.

The deal has two stages. Prefhold members will be offered (but not obliged to accept) four McCarthy shares for five Prefhold ordinary for 75% of their holdings. Both classes of Prefhold debentures will be exchanged for corresponding McCarthy scrip.

McCarthy will then sell all its businesses into Prefhold for the issue of 108.5-million Prefhold shares. It will become a pyramid of Prefhold.

Control of McCarthy will rest jointly with the Prefhold consortium and Anglo-American-Amic, with between 20% and 27% each depending on minority acceptance rates, the McCarthy family's 6% to 8% furnishing absolute control.

Prefhold's name will be changed to McCarthy Prefcor (McPref).

McCarthy's 36% of Midas will be sold to Prefhold, but because effective control will not change, there is no need for an offer to the minority.

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5/7/62

Vaaltrucar's profit falls

JONO WATERS

30

MOTOR trader Vaaltrucar performed poorly in the year to end-February against a backdrop of difficult economic, social and political conditions, financial director Chris Esterhuizen said at the weekend.

He said turnover fell 12% to R121m (R138m), reversing the R4,16m operating profit in 1991 to a loss of R123 000. *BDA*

The group passed its dividend because of the net attributable loss of R2,61m, compared to the profit of R1,51m in 1991. *27/7/92*

This amounted to a loss of 17c a share compared with earnings of 5,7c a share in the previous year.

Esterhuizen said while the results were disappointing, they were in line with the general trend in the motor industry.

Vaaltrucar has an 81% stake in Vaalauto which produced a net attributable loss of R3,46m (R827 000 profit), resulting in a loss a share of 21c (7,3c).

Meanwhile, the Pretoria-based Eddies Stores reported a turnover of R18,9m which produced an after-tax profit of R2,44m in the year to end-February.

The company has changed its year-end so there are no comparable figures. Earnings a share were 8,8c for the period.

COMPANIES

Pepkor hurt by stayaways, drought

CAPE TOWN — The rate of turnover and profit growth at Pepkor's clothing retailing subsidiary Pep was expected to be lower in the year to end-February 1993 than last year, Pep MD Tony Haughton said at the AGM last week. (30)

Haughton said poor trading conditions were continuing to deteriorate and results so far were not good. The mass stayaway and drought had had a dramatic effect, especially on outlets on the platteland.

But Shoprite MD Whitey Basson said the Shoprite stores, excluding Checkers, would have an exceptional year as the chain was showing strong gains in market share and turnover was well ahead of inflation. He attributed the gains to the fact that wages and salaries in the low income group had risen substantially. BIDAY 27/1/92

As for Checkers, its performance would depend on mass action and stayaways in the coming months. There were still 24

LINDA ENSOR

Checkers stores which the group wanted to sell. Five had already been closed and five converted into Shoprite stores, with plans to convert another 20 stores by March.

Basson said Tradegro companies were trading reasonably given the state of the economy and had made some market share gains in May after several months of losses. Tradegro was projecting a turnover of R4,8bn on an annualised basis.

Pepkor group MD Arnold Louw said the group was expected to at least achieve better results than last year.

"With the exception of Stuttafords/Greatermans, all Pepkor's investments are now focused on the retail mass market. This market has been severely affected by high unemployment, the pervading political uncertainty and the drought, he said.

Cashbuild, which primarily sells building materials, was hardest hit.

Waltons struggling to maintain its earnings

LINDA ENSOR

CAPE TOWN — Business conditions had deteriorated to such an extent that toys, stationery and office equipment group Waltons would be fortunate to maintain earnings this year, said chairman Frank Robarts at the AGM on Friday.

Much would depend on pre-school opening and pre-Christmas buying which built up between August and November, the group's peak trading months.

Robarts said Waltons had been hard hit by the recession. Turnover from stationery was only about 5% to 6% higher than last year. Since May, orders had dropped off as businesses closed down or cut back.

Conditions had been more difficult than anticipated and had deteriorated so much that Robarts was no longer able to predict an improvement in earnings with the same confidence he had had in his chairman's statement.

Specialised office products supplied by subsidiary Ozalid to groups such as architects and builders had taken a hard knock and Robarts said the turnover of some lines had dropped by as much as 20%.

At the same time that sales had declined, costs had risen by an average of about 15% and overheads had remained fixed. As workers were skilled, they could not be laid off and Waltons had not retrenched any staff, he said. Emphasis was being given to cutting costs and streamlining operations.

Robarts said there would be no drop in the tax rate this year and debt equity, at 42% at the February year-

end, would not be significantly reduced.

Robarts was pessimistic about an imminent upturn.

However, when the economy did recover Waltons would be one of the first to feel its effects as

companies caught up with a backlog of orders.

Last year Waltons' earnings fell 9,5% to 47,6c (52,6c) on a 9,2% increase in turnover to R748m (R658,3m) and the dividend was maintained at 19c.

The bad debt experience had not been "too bad" — 80% of Waltons sales are on credit — but this was being closely watched.

However, it was necessary to chase up on outstanding debt as customers tried to stretch out the payment periods.

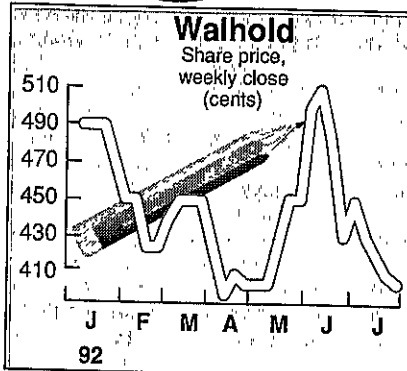
Walton's had put potential acquisitions on hold as

the sought after companies were not trading profitably.

He said expenditure by schools looked promising but added that the group was worried about problems of payment as each school would be responsible for its own costs.

There was no history of the debtors so Waltons was entering uncharted territory.

Robarts said the expansion of the toys division looked promising, while Minolta had won some big orders recently.



Graphic LEE EMERTON Source: I-NET

BIDAY 21/7/92 (30)

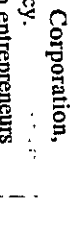
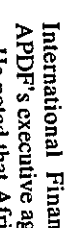
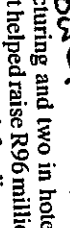
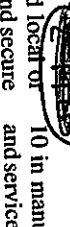
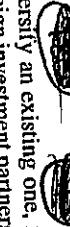
BUSINESS Help for entrepreneurs to set up businesses, expand or diversify

Small businesses are vital to economic growth on the continent:

By Joshua Raboroko

AFRICA'S economic recovery will depend to a large extent on the rapid development of the indigenous sector, according to the Africa Project Development Facility's annual report for 1991, released in Washington this month. APDF, which was established in 1986, provides advisory assistance to sub-Saharan Africa's small and medium

Recovery will come from inside



sized businesses. According to coordinator Mr Alexander Keyserlingk, these businesses "are vital to economic development in the region".

Keyserlingk is expected to be one of the speakers at the Sowetan Small Business and Entrepreneurial Development Conference that is to be held at the Eskom Training College in Midrand from September 13. APDF helps entrepreneurs set up businesses or expand or

diversify an existing one, find local or foreign investment partners, and secure debt and equity finance. It does not finance projects.

During 1991, it worked on 23 projects in African countries. The projects, which have total investment costs of R144 million, are expected to result in the creation of 2 000 jobs.

About 11 projects were agricultural in industry, the sector in which demand for APDF's services has been the heaviest.

10 in manufacturing and two in hotels and services. It helped raise R96 million or 66 percent of the total funding requirements for the projects. For the first time, projects in the West and Central Africa outnumbered those in East and Southern Africa.

This reflects the increase in private sector activity in Ghana and Nigeria, said APDF advisory board member Mr Makaram Dehoja, who serves as a vice-president for engineering at the

International Finance Corporation, APDF's executive agency.

He noted that African entrepreneurs "continue to show the ability to fulfill and successfully manage a large variety of enterprises despite difficult conditions, including a severe shortage of equity funding in several countries".

The APDF is sponsored by IFC, the United Nations Development Programme and the African Development Bank.

NEWS Warning over mass action • Aged may be left in the cold

General strike 'is illegal'

By Themba Molefe
Political Reporter

THE South African Chamber of Commerce and Business has warned that the planned general strike on August 3 and 4 is illegal and would be treated as a stayaway.

This is contained in a document of Sacob guidelines to its members on Cosatu's mass action campaign which reaches a climax next week.

Released on Saturday, the warning followed Anglican Archbishop Desmond Tutu's statement on Friday that mass action could plunge the country into anarchy after talks between big business and Cosatu failed to avert the planned strike.

Tutu told journalists in Johannesburg that he had hoped August 3 would be a day of reconciliation had the talks with the South African Consultative Committee on Labour Affairs succeeded.

The document also followed an agreement reached last week by church leaders to seek urgent meetings with the Government, business and labour with "the aim of breaking the negotiations deadlock and averting the strike".

Sacob said: "While we recognise the right to express political views and support peaceful and

Sowetan 27/7/92.
BUSINESS WARNING Workers may be acting unlawfully by participating in the work boycott, claims South African Chamber of Commerce:

non-disruptive initiatives aimed at expressing dissent, we are opposed to any action which would lead to an escalation in levels of violence, risk to life and property and further disruptions to the economy.

"Sacob suggests that prior to the general strike, management should discuss the matter with its workforce, making it clear that participation in the strike would constitute unlawful action and a material breach of the contract of employment."

Management should give written notice to workers stating its position, the document said.

It said it should be pointed out to workers that the country was in its longest recession in 50 years; more than 250 000 jobs were lost during the recession of which 160 000 were retrenchments; and between two and three million economically active people were unemployed.

Sacob said management should oppose any form of demonstrations during working hours

unless it was by arrangement.

"It is suggested that management obtain a written undertaking from employees not to occupy factory or office buildings.

Employers will observe the no-work-no-pay rule and disciplinary action should be consistent with the company's disciplinary code, if there is one.

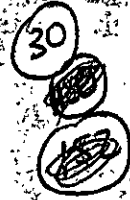
Sacob also advises its members to use National Peace Accord structures as, among other things, "mass action has the potential to increase violence".

Also at the weekend President FW de Klerk and his Cabinet emerged from a two-day "bush retreat" expected to make major announcements to break the logjam.

Nactu general secretary Mr Cunningham Ngcukana also announced that the federation was rescinding its decision to join the Cosatu mass action because Cosatu had held talks with Saccola which intended to revive Codesa.

Now bosses get tough

Sowetan 27/7/92



■ **NEW TURN** Workers warned of effects of strike
as showdown between Cosatu and business looms:

The South African Chamber of Business has asked its members to warn their workers of the consequences of the August 3 and August 4 general strike.

The strike is now set to become a showdown between business and Cosatu, with the Government — the target of the protests — in the sidelines.

Sacob has asked businesses to

apply the "no-work, no-pay" rule.

Where disciplinary action is to be taken, with the possibility of a dismissal, the chamber has asked employers to make this clear to employees well before hand.

It has also asked member companies to step up security at their plants.

See story page

2

Consumer confidence still low — HSRC index

BIDAY 28/7/92
GERALD REILLY

30

PRETORIA — The Human Sciences Research Council (HSRC) consumer index remained unchanged at 23 in April compared with February, indicating the poor economic performance of the first half of the year is likely to persist to the year's end.

The index measured 25 last October and 30 last August.

Responses to the survey, an HSRC spokesman said, indicated the purchase of items such as TVs, stereo systems, lounge suites, fridges, cars, washing machines and stoves declined between February and April.

Altogether 79% (71% in February) of respondents believed inflation was outstripping incomes. Only 5% enjoyed incomes which were beating inflation in April compared with 6% in February.

On unemployment, the survey found 80% of respondents believed it was more serious in April than in February.

Thirty five percent, compared with 40% in February, expected unemployment to become more serious in the next six months while 27% believed it would improve.

The index is based on six questions relating to the general economic situation in SA. The questions were put to 2 000 people of all races.

The HSRC spokesman said the index had been proved to give an accurate reflection of future economic trends, and tended to foreshadow changes in the economy by three to six months.

Black businessmen warned against 'a Lebanon option'

BUSINESS and the rest of civil society were risking civil war if they continued taking political sides, Consultative Business Movement (CBM) executive director Theuns Eloff said at Sun City yesterday.

Addressing Nafcoc's 28th annual conference, Eloff said: "The lesson learnt from other violence-ridden parts of the world is that if not only the political parties in a society but indeed the whole society is polarised, it creates the dangerous possibility of what can be called Lebanonisation of the society."

"But what is happening at the moment is that political parties are totally polarised and are indeed villifying one another."

"On a different axis, organs of civil society, such as the church, business and labour, traditionally have backed either the ANC or the government in such situations," he said.

If that happened again and without distinction, and given the levels of violence at present, the possibility of civil war was not hypothetical, said Eloff.

He said civil society therefore had the

responsibility of playing a stabilising role by focusing on what was right for the country and not who was right.

This was the foundation for the Saccala-Cosatu initiative around the planned mass action which had recently failed.

Eloff said even though the initiative had failed, business and labour had come up with an important charter.

He urged churches and other non-political bodies to take up this charter for peace, democracy and economic reconstruction.

□ Preferential trade area for eastern and southern African states (PTA) secretary general Dingo wa Mutharka yesterday officially invited Nafcoc to send representatives to next year's PTA summit in Lusaka.

□ Meanwhile Sapa reports that the International Finance Corporation yesterday told Nafcoc it had pledged R450m in investments and loan finances to help develop mainly black small and medium businesses over the next three to four years.

THEO RAWANA

Pulling two groups together at holding level

STAR 28/7/92

McCarthy

30

By David Canning

DURBAN — The only person who will change offices as a result of the McCarthy-Prefhold merger cemented last week will be Prefcor chairman Terry Rosenberg, who has signed a minimum five-year contract and will move into the McCarthy headquarters.

This, McCarthy chairman Brian McCarthy says, emphasises that there will be no staff cuts and minimum disruption of day-to-day operations flowing from Natal's largest business merger.

The widely-differing histories and activities of the retail groups have led to surprise and some scepticism in business and professional circles about chances of a successful merger into McPref.

Mass market

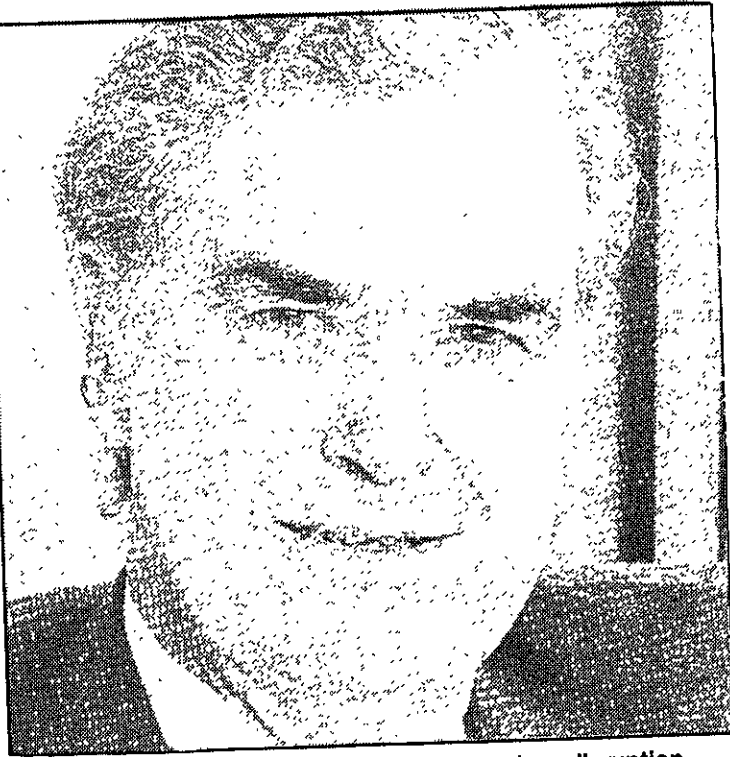
Mr McCarthy says he can understand some of the doubts being voiced but the key was to understand the rationale, which was largely to pull the groups together at the holding level.

For McCarthy (a mature business) — and its major shareholder Anglo American Industrial Corp. (AMIC) — the merger represents attractive access to mass markets for the first time.

For Prefhold, a major advantage is injection of the stronger McCarthy balance sheet which will help it to expand more effectively.

Mr McCarthy says putting together the groups, with total sales of R4,5 billion a year, is the biggest deal he has ever been involved in. Yet he has found the negotiating process stimulating rather than draining.

"I was not thinking of a



Brian McCarthy . . . no staff cuts and minor disruption.

merger when I invited Terry to join our board as a non-executive director.

"Although I did suggest to him that maybe as a result of him joining our board our companies may get closer together in the future, the idea of the merger came from him."

Mr McCarthy concedes the proposal initially elicited a lukewarm reaction from his directors.

However, Amic chairman, Leslie Boyd, who recently joined the McCarthy board, earlier saw the merits of a link into the markets in which Prefhold operates.

Mr McCarthy says the plan now has the support of the major shareholders on both sides, although a small minority — one or two in each group —

have some reservations.

Both companies have to call shareholders' meetings to approve the merger (probably in September) and the deal is subject to "due diligence" audits on both sides — but he thinks the requisite majorities will be received.

The most difficult part of the procedure was putting a price on the deal — eventually settled at four McCarthy shares for five Prefhold ordinaries.

Prefhold's senior and junior convertible debentures will be taken in on the same terms and conditions. This means they can be converted, in the normal way, between 1993 and 2003, but into McCarthy instead of Prefhold, ordinary shares on the same four-for-five basis.

JOHANNESBURG. — A multinational investment agency has pledged R450m in investments and loan finances to mainly black businesses over the next three to four years.

R450m ²⁵ for black businesses

Addressing the 28th annual National African Federated Chamber of Commerce and Industry conference at Sun City yesterday, Richard Perry of the International Finance Corporation (IFC) said the financial assistance would be used to help the development of small to medium-size businesses.

Despite the IFC's planned large injection of funds, Barlow Rand chairman Warren Clewlow warned South Africa would "have to pull itself up by its own bootstraps".

He told the some 1 500 delegates SA should not expect any meaningful foreign investment for a long time. — Sapa

MARITZBURG's commercial property market is experiencing renewed activity but the industrial sector remains depressed, say major players.

J H Isaacs local director Terry Thompson said the group had concluded more than R13m worth of industrial and commercial sales and leases in the six months to end-June.

"Contrary to perceived economic trends, Maritzburg is no longer dormant, and investor confidence is good, particularly in the commercial sector."

The only sector which was not showing a rise in activity was the market for large industrial property, which would take only two or three new industries to emerge for momentum to be restored, he said.

A Sacob survey showed that the industries already established in Maritzburg were confident of their

Maritzburg property B(DAY 29/7/92 (30) sees renewed interest

ANDREW KRUMM

future. Sacob's June survey of confidence in the manufacturing industry found Maritzburg had the most optimistic view of the year ahead. Most respondents surveyed expected to sell more in the coming year and would maintain levels of capital expenditure, while increasing employment of unskilled workers.

Cenprop MD Glen Hess said: "I don't see any improvement in the industrial property sector until we reach a political settlement in SA. From an industrial point of view centrally located Maritzburg has great potential. Land is cheap

and well-serviced, housing costs are lower and the area has a reliable labour community."

Property economist Erwin Rode said prime industrial properties in Maritzburg had medium vacancy rates. "On a scale of 1 to 9, greater Durban's 2,8 vacancy rating is much lower than Maritzburg's 4,3."

On the commercial side, developer Cenprop showed good growth over the past twelve years, while last year was especially good, Hess said.

"At present we have about R30m in developments coming out of the ground, including a R7,5m

office block for Eskom, due for completion in March 1993, and two shopping centres worth about R7m each," he said.

Vacancies in the retail market were virtually nil, Hess said. However, he warned that the office market could be headed for an oversupply.

A property commentator confirmed the view, but said an oversupply in A-grade and C-grade offices was already evident. "A year ago there was a drastic shortage of A-grade office accommodation. This spurred development, and currently about 6000m² of A-grade space is standing empty."

news in b

Consumer losses (20)

A CONSUMER boycott started by Dobsonville residents entered its 13th day yesterday with some departmental stores recording sales losses of up to 17 percent. *Durban 29/7/92*

The consumer boycott was started by the Dobsonville community to demand the resignation of all its town councillors as well as the demolition of the local Sipiwe and Mzimhlope hostels. Boycott committee spokesman Mr Sobanta Ndlangalavi said the aim of the action was to force the West Rand business community to exert pressure on local municipalities to ensure the safety and wellbeing of Dobsonville residents.

Trade boycott to start (30)

STAZ 2917192
A two-day consumer boycott of white businesses in the northern Transvaal towns of Louis Trichardt, Levubu and Messina begins tomorrow.

cy of buses was expected on some routes. — Sapa-Staff Reporter.

Action on ~~camp~~ urged

STAR 2917192
The Goldstone Commission has recommended that the Ivory Park squatter camp at Midrand be proclaimed a township, and policing be improved to help curb the taxi war there.

An interim report of the committee probing taxi violence found that Midrand municipal enforcement agencies enjoyed no official recognition in the camp because it was not an official township.

The Midrand municipality's application for it to become a township had not been approved after eight months.

The committee found the cause of the violence was competition between two taxi associations for the new market among the 70 000 residents of Ivory Park. — Political Correspondent.

Transkei mass action

STAR 2917192
Transkei's capital, Umtata, and Butterworth, the main industrial centre, were brought to a halt yesterday by a mass action stayaway in which thousands of people marched on the two towns.

Trade boycott to start

STAR 2917192
A two-day consumer boycott of white businesses in the northern Transvaal towns of Louis Trichardt, Levubu and Messina begins tomorrow.

Telkom exhibits in Zambia

Telkom SA will exhibit its products at a show in Lusaka this month. Telkom said in a statement yesterday it would show the Magnolia telephone and the T1000 telex machine at Zambex '92 from tomorrow to Monday.

Mother: I killed my child

A woman admitted in Durban Regional Court yesterday she killed her 22-month-old daughter by driving into the harbour with the child in the vehicle. Pamela Anne Drennan (36) of Pinetown was nearly inaudible as she pleaded guilty before Mr G J Maree to culpable homicide.

Nafcoc executive plan finds favour

THEO RAWANA

A NUMBER of companies have approached Nafcoc about its programme for increased black participation in the corporate world, outgoing president Sam Motsuenyane said at Sun City yesterday.

Delivering his last presidential address after 24 years, Motsuenyane also said Nafcoc's plans to train board directors had already been set in motion.

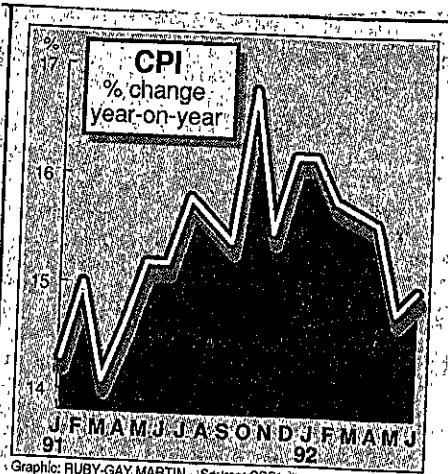
Nafcoc's 10-year plan triggered a lot of corporate criticism at its unveiling last year in calling for:

- 30% black representation on the boards of companies registered on the JSE;
- 40% black representation in the equity structures of such companies;
- 50% of the external supplies of such companies should come from black-owned enterprises; *BIPAM 29/7/92*
- 60% of the top managerial structures should comprise blacks.

Motsuenyane said the actual programme content and instruction modes for the training programme for board directors were being jointly developed by Prof Andy Andrews, former Dean of Wits Graduation School of Business and director of the Graduate Institute of Management and Technology; and Prof Prakash Sethi, associate director of the Centre for Management at Baruch College, City University of New York.

"This programme will be on a par with the best such programmes in the US and UK, although it will be adapted to meet the unique legal and economic conditions of SA," Motsuenyane said.

"Once we start developing a cadre of qualified people, it will be hard for the companies to hide behind the excuse that high-calibre-people for board membership are not available."



Graphic: RUBY-GAY MARTIN Source: CSS

Food prices give CPI a bad taste

HILARY GUSH
 FOOD inflation, climbing to an 11-year high in June, continued to lead increases in consumer prices and overall inflation edged up to 15.1% from May's 14.8%, Central Statistical Service (CSS) figures released yesterday showed.

CSS data indicated a 29.3% increase in food prices in the year to June from 27.8% in May. The rise was attributed to large increases in the price of vegetables and fruit — a result of the protracted drought.

Excluding food, consumer inflation remained unchanged at May's 11.5%.

Vegetable prices soared 83.2% in the 12 months to June after rising at an annual 74.1% in May. Fruit and nuts prices surged 42.3% in the year, but fell 3.7% in the month to June. Meat prices were up 27.2%.

Metropolitan Life chief economist Chris Visser said the figure was "more or less what the market had expected — food inflation was still the major problem".

He expected the overall inflation rate to fall next month when lower bond rates came into effect. Bond repayments account for half of the housing price index.

PAUL RICHARDSON reports that a Bank rate cut of at least 1% is expected before October. But Reserve Bank Gover-

To Page 2

CPI ^{8/04/92} ^{29/7/92}

nor Chris Stals says a cut will only be considered "once the effects of VAT on inflation had been calculated in October".

The latest consumer inflation figure indicated that the Bank's approach to inflation was correct and no change in the Bank's current monetary policy was foreseen, Stals said yesterday.

Visser said weakness of the domestic economy and spare capacity in industry meant there was virtually no demand-pull inflation.

He added that the "tax bump" would be smoothed out by October when the effect of the October 1991 introduction of VAT would drop out of the CPI. Excluding VAT, inflation ran at 13.7% in the year to June which was up on May's 13.4%.

The fuel price, which had already increased by 9c a litre this year, was concerning. Government had put up wholesale and retail margins three times in the last year, but under-recovery of the National Energy Council's equalisation fund signalled a looming fuel price hike.

From Page 1

This would have a multiplier effect on other prices, he said.

Absa chief economist Adam Jacobs said despite the disappointing monthly increase in consumer inflation, the underlying trend was still downward. Although unpredictable food prices made forecasting difficult, he expected a sharp decline in inflation by the fourth quarter.

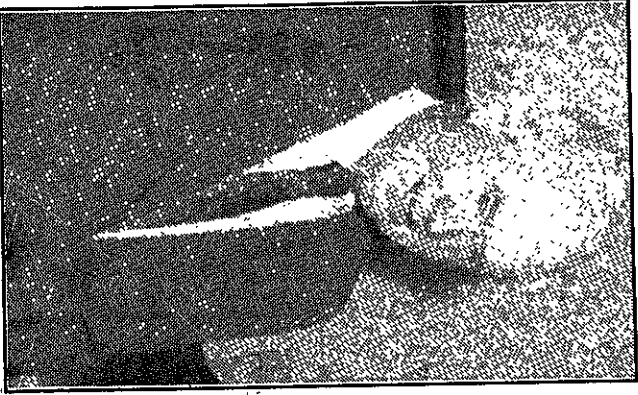
The absence of excess monetary demand meant the country was living within its means and the rand, on balance, was stable and interest rates were coming down.

GERALD REILLY reports that Consumer Council director Jan Cronjé stressed yesterday the urgency of identifying the causes of food price inflation.

A Board of Tariffs and Trade (BTT) spokesman said the second phase of the probe into food price escalation would start as soon as comment on the first phase report had been evaluated.

The second stage would involve a deeper and more detailed look at all links in the food price chain. The BTT was aware of the urgency of completing the probe.

BUSINESS UN special envoy Cyrus Vance says business could solve political impasse in SA



Mr. Cyrus Vance

Business told to help solve conflict SA

36
Sowetan 30/7/92

By Joshua Raboroko

FALSE HOPE Nafcoc told agencies abroad are unable to provide solutions:

U NITED Nations special envoy Mr. Cyrus Vance said active involvement of business could solve the violence and political impasse in South Africa. Delegates at the 28th annual conference of Nafcoc were told that various possibilities could be explored to break the deadlock and to get Codesa back on track.

In a keynote address, the executive director of the Consultative Business Movement, Dr Theuns Eloff, said unfortunately one of the possibilities, the Saccola-Cosatu initiative, failed to produce the desired results last week. With Vance at the moment in the country,

creative possibilities could be explored. It should be cautioned, however, that international agencies would not and could not solve the country's political problems. "To my mind the one constructive thing that could come out of the United

Nations visit would be implementing an international monitoring force to work in close co-operation with existing and local monitors proposed by the National Peace Committee. "A sad possibility is that the parties themselves could break the deadlock and this is not entirely without foundation."

The conference, whose theme is skills and technology for the development of black business, is attended by more than 1 000 delegates.

One of the highlights of the conference was when the outgoing president Mr Sann Motsuanyane bowed out to give way to the new president, Mr Arche Nkonyane.

The conference was also addressed by secretary general of the Preferential Trade Area for eastern and southern African states Dr Bingwa Wa Miffarika, executive chairman of Barlow Rand Mr Warren Clewlow and Motsuanyane.

Nafcoc is geared for new order

Sowetan 30/7/92

■ **Emphasis on skills and technology for development of black business:**

By Joshua Raboroko

THE country stood at the dawn of a new day and black business could be proud of having contributed to the changes now taking place, the 28th annual conference of the National African Federated Chamber of Commerce (Nafcoc) being held at Sun City was told.

Mr Gabriel Mokgoko, president of the Bophirima Chamber of Commerce whose branch is hosting the conference, said:

"Looking down the years, we have had our fair share of trials and tribulations in our efforts to find a place in the sun for black business people in Southern Africa.

"We all stand on the verge of a new economic order which we are called upon to help shape."

Nafcoc was also involved in negotiations with major business groups in formulating an economic policy for the new South Africa, he said.

Big cash injection

■ International finance company is very optimistic about the prospects of a future South Africa:

By Joshua Raboroko

Sowetan 30/7/92
THE International Finance Corporation would provide about R450 million in investment and loans to business in South Africa over the next three to four years.

An executive of the IFC, Mr Richard Parry, said the corporation would open offices in the country and assistance would be directed particularly at black and minority group owned business.

In the long term the IFC looked forward to expanding its assistance to larger South African companies in their expansion plans in the rest of Southern Africa.

The IFC had invested R18 billion worldwide with loans and investments to about R2 400 million in Africa.

NEWS Alfred Nzo accuses big business of pursuing a short-sighted policy

Natfococ conference honours Mandela

■ BLACK EMPOWERMENT ANC's Nzo

accepts award on behalf of Mandela and praises Natfococ for its commitment.

By Joshua Raboroko

Sowetan 30/7/92



THEIR organisation was pleased to be associated with Natfococ in its attempts to empower black businesses.

However, they were also concerned about the violence that is gripping South Africa. This violence must have affected black business.

Nzo said the deadlock at Codesa was because of the Government of State President FW de Klerk's inability to stop the violence.

The ANC could not allow the present Government to exist. The Government would have to provide houses, decent wages and equality for everybody.

He said Natfococ was part of the Patriotic Front which had fired the shots that saw the Codesa process in motion. "We have no doubt that Natfococ will not relent until the declaration of intent which the Codesa participants committed themselves to," said Nzo.

However, it was regrettable that the business organisation, Saccola, after lengthy discussions with trade union federation Cosatu, could not come to a suitable conclusion.

"The shortsighted policy pursued by Saccola has meant that they have placed profits ahead of the interests of our people. They should have learnt by now that they cannot hope to triumph in an atmosphere of violence and chaos which is the most treasured bedfellow of the apartheid system.

"The mass activity by the people throughout South Africa will go ahead regardless of the decision by Saccola. We shall not allow our march to democracy and peace to be delayed."

THE NATIONAL African Federated Chamber of Commerce's 28th conference, held at Sun City, yesterday gave a merit award to ANC president Mr Nelson Mandela.

ANC executive member Mr Alfred Nzo received it on behalf of Mandela who could not make it to the conference.

In receiving the award, Nzo said

Business must end violence

■ **Motsuenyane urges business to act to bring about political change:**

Sowetan 30/7/92

30

By Joshua Raboroko

THE failure of the South African Government to deal with violence constituted a major obstacle to resolving the country's political crisis.

Outgoing National Federated Chamber of Commerce president Mr Sam Motsuenyane said violence had continued to escalate despite the adoption of the National Peace Accord by a large

majority of South African parties.

He said the broad acceptance of the Goldstone Commission and the formation of the Patriotic Front in the past year was a way in which the political impasse could be resolved.

Motsuenyane was addressing the 28th annual conference of Nafcoc at Sun City on Tuesday attended by more than 1 000 delegates.

The conference was attended by delegates from the international commu-

nity, including the United States, Britain and African states such as Tanzania, Kenya, Malawi, Zimbabwe and Mozambique.

Motsuenyane said it appeared prudent that South Africans would be allowed to control international and local business.

"It is for the South Africans themselves to end the violence without foreign intervention."

the 'r' Container shops for

townships

Staff Reporter

BIG business has provided a number of second-hand sea freight containers for conversion to "spaza" shops in the townships.

Yesterday, Saffmarine in conjunction with Spazatiner (Western Cape) and the Foundation for African Business and Consumer Services (Fabcos) announced the launch of the project for Khayelitsha, Crossroads, Gugulethu and adjacent areas to uplift the community.

The first two colourful Spazatiners adorned with advertisements and stocking basic necessities were launched at the Phillippi Small Business Centre yesterday.

It is expected that about 35 units will be placed by the end of the year and a further 75 during 1993 in the Western Cape.

The containers cost about R8 000 to convert. The scheme will be subsidised through the sale of advertising in which the owners will also participate once the container has been paid for.

Spaza shop proprietors will pay R28 a week rent for two years.



BUSINESS MOVERS . . . Mr David Jacobs (left), Mr Mark Hoffman and Mr Glenn Johnston (far right) of Spazatiner with Mr Peter James of Saffmarine (right) at the launch in Phillippi yesterday of the first of two spaza shops which have been converted from sea freight containers. It is expected that 35 of the spazas will have been distributed in townships by the end of the year.

Picture: ALAN TAYLOR

Retail share prices bear brunt of JSE meltdown

DUMA GQUBULE

RETAIL share prices have borne the full brunt of the recent meltdown on the JSE, with many registering declines double the average 10% fall in industrial share prices over the past two months.

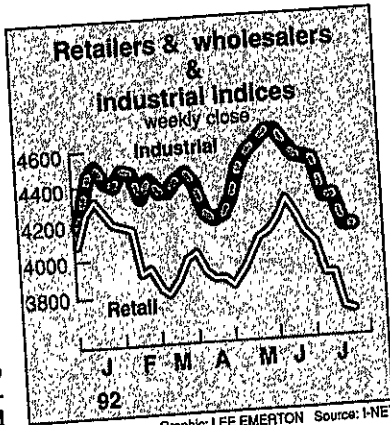
Erstwhile institutional favourite Wooltru, once regarded as the "bluest of blue chips", has plunged 27% to a new low of R53,50 from its 1992 high.

CNA Gallo has shed 30% to a new low of R21,25, Pepkor 20% to R11,25 and Pick 'n Pay 18% to R20,50. Showing relative strength are Edgars and Foschini, which have shown declines of 9% and 12% respectively.

Analysts said a reason for the sharp falls was that some retail shares had been on premium ratings to the rest of the market — trading at prices of around 20 times earnings — which made them more vulnerable.

George Huysamer analyst Helen van den Berg said the sector also had a tendency to outperform the industrial sector from mid-upswing to mid-downswing.

This cyclical trend explained why



Graphic: LEE EMERTON Source: I-NET

the retail sector showed relative strength until the middle of last year. Now that the recession had deepened and economic recovery was delayed, the retail sector would take even longer to recover. The sector was unlikely to show any signs of recovery before the second quarter of 1993.

Other analysts agreed that the short term outlook for the sector was not good. Sanlam's Dries du Toit said "the bad news is not yet over".

Wooltru's problem, Van den Berg

said, was the company's decision to go upmarket when trading conditions were deteriorating, and failing to take its market along. It also strained cash resources by pursuing an aggressive store expansion programme.

While targeting higher income groups had not been successful for Wooltru, groups at the lower end of the market were also feeling the pinch. There has probably been more people falling off the bottom end of the market — due to rising unemployment, which had stretched informal social security networks — than downtrading by consumers, she said.

Van den Berg said the retail companies that would do well were those, such as Pick 'n Pay and Clicks, which had strong balance sheets.

Another analyst said companies to look for were those which would go through 1992 without showing a significant decline in earnings.

These companies would benefit from a more favourable medium term outlook. Institutions were likely to increase their exposure to the sector again in the next six to 12 months.

from a reduction in the number of large building contracts since the middle of 1991.

Keeley said granite production last year had outstripped demand.

As a result, the group had increased its stockholding by 58% which, Keeley said, would place the company in a favourable costing position regarding future supply.

Amcham forum on peace

~~RAY HARTLEY~~ RAY HARTLEY ~~30~~ (30)

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

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

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

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

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

The conference is scheduled for August 7.

Landlords struggle to fill space, retain profit

BIDAY 31/7/92.

30

PETER GALLI

THE shortage of new tenants and falling real commercial property rentals were resulting in major landlords on the Witwatersrand battling to reduce vacancies but still retain profit levels, leading players said this week.

Prospective tenants were playing one landlord off against another for the best deal and the biggest incentives, while existing tenants were using this advantage to upgrade their space.

"Tenants in C- and D-grade buildings are finding they can upgrade to A- and B-grade space for almost the same rental as well as benefiting from a number of other incentives, and are doing so," Old Mutual Properties Witwatersrand regional manager Anton Bieber said.

This had resulted in many older buildings standing almost empty. Old Mutual had a number of these buildings, bought as street blocks to hold.

It had a total of 1,8-million m² of commercial, retail and industrial space in this category of which 9%, or about 162 000m², was standing empty. The Johannesburg CBD office portfolio, which accounted for about 250 000m² of these buildings, had the highest vacancy factor of 11%.

Anglo American Property Services (Ampros) office leasing manager John Maynard said the company held 420 000m² of office space in the Johannesburg CBD of which 13%, or 50 000m², was vacant.

"Our nine-month free rental campaign has been successful and we have had a satisfactory return on the R500 000 we

have spent on the campaign to date,"

Liberty Life Properties leasing divisional manager Chris Beehan said vacancies were increasing and tenants were taking the opportunities that existed in the market to upgrade their space.

"Unfortunately, there is no one to take their place and this is seeing vacancies in C- and D-grade buildings rising quite substantially. In addition, rentals are dropping in real terms," he said.

Take-up

Liberty had about 200 000m² of office space in the Johannesburg CBD, of which 6,7% was vacant, while its decentralised portfolio had vacancies of less than 6%.

Russell Mariott & Boyd Trust director Stan Arenson said there had been a take-up of space in both the Johannesburg CBD and the decentralised areas of Rosebank, Sandton, Parktown and Randburg.

"In May there was a total of 125 000m² or 10,32% of space available in these decentralised areas of a 1,2-million m² total, which has now been reduced to 115 000m² or 9,5%. This is because tenants are able to negotiate good deals and are being offered tremendous incentives," he said.

The Johannesburg CBD had about 1,398-million m² of space and had seen a 4 000m² take-up of space over the past three months, with vacancies now standing at 146 000m².

Sowetan 31/7/92

Business is assured

BLACK businessmen were assured by organisers of next week's mass action that the large-scale protests were not aimed at them, Soweto Chamber of Commerce executive director Mr Max Legodi said yesterday.

He said the ANC's mass action coordinator, Mr Mandla Dlamini, had given this assurance.

Legodi said they had agreed with Dlamini that Soweto businesses could open up to 11am during the two-day stayaway. - Sowetan Reporter.

Honour for Nafcoc ex-boss

■ Sowetan and bank pay tribute to Sam Motsuenyane:

Sowetan 31/7/92
FORMER president of the National African Federated Chamber of Commerce (Nafcoc) Mr Sam Motsuenyane will be honoured by the *Sowetan* and the Development Bank of Southern Africa in September.

This will be during the Business and Entrepreneurial Development Conference organised by *Sowetan* Business and sponsored by the bank.

The conference will focus on entrepreneurial development, and the guest speaker is Mr Alexander Keyserlingk of the International Finance Corporation.

Other top speakers include Mr Omari Issa, who is involved in regional development in Southern Africa, Mr Esom Alintah of the African Development Bank in North Africa, and Mr Ivan Norgaard of the Danish Import Promotion Office.

"Motsuenyane's leadership and courage in the dark days of apartheid was a guiding light for business people from the underprivileged communities.

"In fact, he has contributed to the economy as a whole."

NEWS Accused man killed his father in 1984 • Catholi

Nafcoc set on talks

BLACK BUSINESS YESTERDAY COMMITTED itself to playing a major role in curbing violence and getting negotiations at the Convention for a Democratic South Africa back on track.

This was one of the resolutions of the 28th annual conference of the National Federated Chamber of Commerce at Sun City in Bophuthatswana.

The conference condemned the violence currently gripping the country, adding that millions of rands had gone down the drain.

The outgoing president, Dr Sam Motsuenyane, said black business must expect take part in efforts to resolve problems of South Africa.

Southern 31/7/92. (30) ~~CONFERENCE DECISIONS~~ Pledge to

help revive negotiations process:

The problems he identified included the political impasse, unemployment, poverty and the economy.

He said Nafcoc members should be seen to be playing a meaningful role in bringing about change in South Africa.

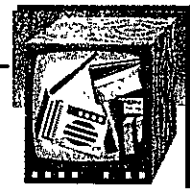
Nafcoc had taken part in attempts to formulate an economic policy for the country.

Motsuenyane said the mass action spearheaded by the African National

Congress and its allies would destroy the country's economy.

The newly elected president of Nafcoc, Mr Archie Nkonyeni, said the businessmen's organisation would have to play a major role in bringing about peace and stability to the country.

He said issues to be addressed included housing, education and the acquiring of skills and technology for the development of black business.



SPORTS SPONSORSHIP

The business of the Olympics

FM 31/7/92

By August 9, after the final Olympic tape has been broken and the last javelin hurled, SA marketers will probably have spent close to R35m coat-tailing on the world's greatest sporting event.

The SABC alone is expecting a minimum of R21m in sponsorships and advertising — more than enough to cover the R18m it cost for exclusive broadcast rights. But the figure could be even higher if more advertisers

penditure will top R26m. But that's only part of the story. A number of sponsors are running promotions, including a National Panasonic competition with R8m in prize money.

"The rule of thumb is to spend R1-R1,25 in advertising for every rand spent on sports sponsorship," says Schwartz. "We are exceeding that, though some of our expenditure is not specifically Olympics-orientated. This is an excuse for a lot of activity to come together at one time. The Olympics is a perfect event-marketing opportunity for Philips because it is a showcase for its technology — Philips products are being used in the Olympics and for watching them."

Is it worth all the money? Previous surveys have shown a high degree of public approval of sponsors. But sponsors have to do a lot to ensure maximum return on their outlay. As the table shows, the awareness accrued to sponsors so far varies widely, with Pick 'n Pay leading

en to making tickets non-transferable and putting the spectator's photograph on the ticket, but this would be impractical.

"Sponsors pay huge amounts and they want security," says Wendland. "Without sponsors, we would not be in Barcelona. Unsolicited promotions are contrary to the spirit of the Olympic programme, but there is no legal way of stopping it." The main hope is to embarrass the parasite sponsors.

Sports sponsorship is probably the fastest-growing form of marketing, but the apparent explosion of Olympic activity may have given rise to a myth that there are vast pools of money waiting to be tapped. It is significant that the National Olympic Committee of SA (Nocsa) was unable to attract the 12 sponsors it originally hoped for, to underwrite both the team and the TV broadcast.

Other sporting bodies have become victims of the myth, leading to some untenable sponsorship demands. The National Soccer League, for example, wanted R4m for screening rights to the three Camerouns matches. The SA Rugby Football Union's initial R12m demand for screening the upcoming rugby internationals was also evidence that sport marketability is being over-estimated.

"Ridiculous amounts of money are being asked," says Roger Garlick, media director of Bernstein Loxton Golding & Klein. "The audience ratings for most sports events are just not high enough, with the result that the broadcaster can't sell enough advertising to justify the cost of sponsorship. They would get more advertising if there was a sitcom or movie on, because they would then have all the female audience as well."

TV1 marketing and sales director Bruce Coldwells says that some international sporting events have achieved audience ratings comparable with a top sitcom such as *Who's the Boss?* But, he adds, "the Olympics have drained a lot from the system. It has not been easy to find additional money for other broadcast events."

Tony Koenderman



Wend Wendland



Elliot Schwartz

come to the party. On top of this, nine marketers jointly forked out R4,9m to sponsor the SA Olympic team in Barcelona.

According to Impact Information's Sponsortrack, which monitors spending on sponsorship and on supporting advertising, more than R4,5m had been spent on Olympics-related TV advertising by the end of June. This ranges from R318 000 by Caltex to R846 000 by Volkswagen.

This sum includes the advertising that is part of the R1,4m SABC sponsorship package bought by eight advertisers. The package offers a variety of promotional spots attached to the broadcasts. But no sponsors consider this enough and most committed heavy additional budgets to advertise their involvement.

Some sponsors are spending two to three times as much in supporting advertising and promotion as on the sponsorship. "Much of the money would have been spent anyway, but is being attached to the Olympics for added emphasis," says Elliot Schwartz, whose ad agency, SBBW, handles advertising for SA Philips. "The main difference is the timing." Philips is a worldwide Olympic sponsor, but not of the SA team.

Of course, the really heavy spending will be taking place between now and August 9. If one assumes that the sponsors will spend an additional 30% of their TV budget on other media, the total Olympic-related ex-

penditure at present. However, by July 13, when the survey was conducted, most sponsors' marketing efforts had barely started. Improvements can be expected by the time the Games end.

Another problem for sponsors is that of "parasite marketers" who associate themselves or their products with the Olympics without being official sponsors. "Parasites are a worldwide problem which the IOC wants to rectify by creating a 'fortress Olympics', cutting out all but official sponsors," says Wend Wendland, a sports law consultant with Webber Wentzel.

A common way of jumping on the bandwagon cheaply is to buy tickets to the Olympics which are offered as prizes in competitions. Some years ago, a US company that was not an official sponsor paid for a trip to the Olympics of competitors' families. Local companies have also tried to cash in on the Olympics without approval.

The trouble with this kind of activity is that it is totally legal and not easy to stop. Internationally, thought has been giv-

PAY-OFF

Which companies are currently sponsoring the Olympic Games?

Whites		Blacks	
	%		%
Pick 'n Pay	40	Don't know	54
Don't know	29	Pick 'n Pay	30
Nedbank	15	Shield for Sportsmen	14
Philips	13	Philips	11
Nat Panasonic	11	CCV TV	9
NBS	5	Nat Panasonic	7

Survey conducted by Impact Information on July 13. Only top six responses shown.

Most businesses and consumer services — public and private — will open as usual during next week's general strike, despite expectations of severe disruption.

Many businesses will, however, adopt a "no work, no pay" policy which will affect millions of workers.

Municipal, transport and education services expect major disruptions, and in the private sector, deliveries of milk and bread are expected

Disruptions expected

STAR 3/1/79

to be severely curtailed.

Spokesmen for the SA Communist Corporation and Putco said they would attempt to provide normal rail and bus services on Monday and Tuesday, but this would depend on passenger demand and availability of drivers.

The Southern African Black Taxi Association (Sabta) said it would not dic-

take a course of action to its members.

They would have to decide at local level, in consultation with the organisers of the protests, on the kind of service to be offered.

The SA Chamber of Business (Sacob) said that while many companies would not pay absentees, some were planning to allow employees to work extra time.

Some companies were making alternative sleeping arrangements for workers so they would not have to return to townships.

Sacob would leave disciplinary action to individual companies.

The Atrikanse Handelsinstituut has recommended that employers not pay strikers and should reserve the right to discipline absentees.

Edgars executive director Fred Haupt said the company hoped to keep as many stores open as possible. It had adopted the policy of no work, no pay, but strikers would not be disciplined.

Spar human resources director Richard Dady said each store was franchised and many were family-run, so strike disruption was likely to be minimal.

The Foundation for African Business and Consumer Services (Fabcos) — an

● To Page 3

Companies expect disruptions

STAR 3/1/79

umbrella body of black consumer, taxi, and traders groupings — while supporting "action towards the democratisation of our country," called on the ANC alliance to ensure that Fabcos members not supporting mass action should not be victimised.

A spokesman for the TPA said it planned to provide employees with alternative transports to work. It would adopt a "no work, no pay" policy, and reserved the right to discipline employees.

Atlas Bakery said it

would deliver bread in central Johannesburg only, and Bline Ribbon said it would be closed.

DairyBelle and Clover dairies will not be making milk deliveries, but consumers can collect from factories.

There will be no bread and milk deliveries to Soweto and other townships. Most Soweto shops will be closed, but OK Bazaars, Pick 'n Pay and Checkers will open.

All cafes are expected to be open. Ster Kinokor and Nu Metro cinema theatres will operate as normal. Banks and building so-

cialties in Soweto will be closed, but most doctors' surgeries will be open.

The strike will also affect education following a decision by the Congress of SA Students, the SA Students Congress and the SA Democratic Teachers' Union to call for a student boycott.

The Johannesburg City Council has set up a 24-hour hotline to keep residents informed regarding the operation of services during the strike. The numbers are (011) 403-3226 and 403-2626. Refuse removal and bus services were likely to be affected.

CHAMBERS OF BUSINESS

Doubling up in Durban

After years of on-again, off-again negotiations, the Durban Metropolitan Chamber of Commerce and the Natal Chamber of Industries will finally merge next week to form the Durban Regional Chamber of Business. The new chamber will have a membership of more than 8 000 companies with businesses employing 500 000 people. It will cover a region stretching from the Tugela River — but including Isithebe — south to Scottburgh and west to Cato Ridge.

The merger follows the example set at the national level, where the Associated Chambers of Commerce and the Federated Chamber of Industries joined to form the SA

Chamber of Business at the beginning of 1990. During the negotiations that produced the national chamber, it was emphasised that regional chambers would merge when they were ready. Most of the large ones have by now, but the Natal chambers moved more slowly, gradually joining committees and functions before the union became official. Differences over tariff structures and fears that one organisation would swamp the other also delayed the merger.

Proponents of the new, larger chamber say it is better equipped to tackle the increasingly complex issues that now face business. The inaugural president, M C Pretorius, who is deputy chairman of T & N Holdings, says the chamber's first objective is to alleviate some of the region's social and economic problems by working to create more jobs,

promote small business and attract foreign investment. The chamber will also continue the Durban and Natal chambers' active role in the peace process. All of Natal's local dispute committees were established with business participation and Pretorius is now co-chairman of the Natal KwaZulu Regional Dispute Resolution Committee.

Pretorius says the amalgamation will result in a rationalisation of duplicated services, though there won't be any redundancies because of the expected growth in the services offered and a job freeze in the past year that reduced staff numbers.

The executive director of the new organisation is Geoff Tyler, who formerly ran the Durban chamber, while Natal chamber director John Bryce becomes the director of operations. ■

SHIELD FM 317192

Still talking

(30)

Whatever is happening at Shield, the market is perceiving it as bullish. Two weeks ago the share stood at 145c; it is currently trading at 160c.

The 10% increase in price followed a cautionary announcement that negotiations were under way. Market talk has been that Shield is to be taken over, with several retail and wholesale chains cited as possible buyers. Among these are Metcash and Pick 'n Pay. But Shield management denies the involvement of these two companies and says a further cautionary announcement will be issued within a few days followed by an announcement in mid-August.

Shield, a distributor of food and related products, is 72%-held by its directors. Its earnings have continued to grow and the balance sheet is ungeared.

Marylou Greig

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Crosby's nasty fight and the telephone call he made to his secretary from London the next day to say he would not be returning to the office.

His Jag lay in the JSE parkade with its wheels clamped for months before being hauled away by the liquidators of his in-

been taken can easily be replaced

Rumours that the boxes were brimming with piles of Krugerrands and even hot money were just that, rumours.

Life is dreary on the JSE these days, so anything goes if it adds a bit of spice to life.

Mas Holdings 'back on track' after relocation

B/DAY 31/7/92 (30)

LINDA ENSOR

CAPE TOWN — Mail order and direct selling group Mas Holdings CE Marco van Embden is confident the group will return this year to the "excellent compounded growth" achieved in the past.

The group's export markets in Africa were being expanded and the direct selling company Magic by Mail was focused on exporting clothing to the UK, Van Embden said in the annual report for the year to end-February.

He said while adverse trading and economic conditions were expected to continue until 1993, steps had been taken to improve operational efficiencies and to focus the group on asset management and customer service.

Last year the group increased its after tax profit before extraordinary items by 8,2% to R9,2m on a turnover growth of 20,7% (43,8%).

Finance charges rose 44% due to the sharp rise in the group's overdraft to R36,7m (R20,9m).

High levels of retrenchment resulted in a decline in disposable income and demand for the group's mail order products dropped.

Margins also came under pressure due to the proliferation of cut-price retailing, Van Embden said.

An extraordinary loss of R1m was incurred by the curtailment of some direct selling activities and the relocation of Magic by Mail's head office to Cape Town from Johannesburg.

Van Embden said the group had merged two of its mail order companies in October last year and this had resulted in a favourable turnaround situation.

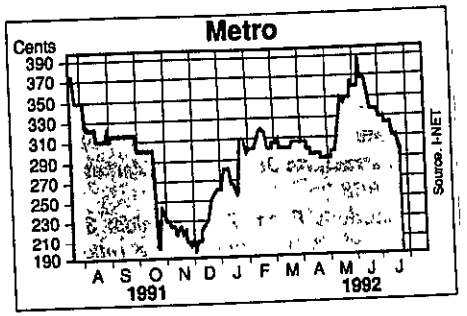
The Tablecharm direct selling operation performed well and the Transvaal branch had been expanded to cater for growth prospects. A new branch had been established in Namibia and the sales of the Wondercooker had been good, he said.

The three-month loss of turnover brought about by the relocation of the Magic by Mail operation had been stalled.

"We are now back on track," he said.

"Group budgets for this year reflect a return to the previous excellent compounded growth."

Activities: Cash and carry distributor of consumer goods.
Control: Premier 68,8%.
Chairman: P G A Wrighton; MD: C S Dos Santos.
Capital structure: 164,6m ords. Market capitalisation: R510m.
Share market: Price: 310c. Yields: 6,7% on dividend; 2,3% on earnings; p:e ratio, 14,9; cover, 2,9. 12-month high, 400c; low, 200c.
 Trading volume last quarter, 1,85m shares.



Year to April 30	'89	'90	'91	*'92
ST debt (Rm)	77,7	67,4	140,9	19,6
LT debt (Rm)	4,5	5,3	39,5	22,7
Debt:equity ratio	0,09	0,22	9,25	n/a
Shareholders' interest	0,27	0,24	0,02	0,17
Int & leasing cover	4,26	2,99	n/a	5,7
Return on cap (%) .	9,9	7,8	n/a	4,5
Turnover (Rbn)	3,14	3,49	4,06	4,07
Pre-int profit (Rm) ..	80,3	71,4	(14,7)	45,9
Pre-int margin (%) .	2,56	2,02	n/a	1,13
Earnings (c)	53,3	40,9	(79,4)	17,3
Dividends (c)	25,5	21,0	nil	6,0
Net worth (c)	288,4	294,5	256,3	92,7

* 10 mths to April — previously to end June.

Acquisition of the Stax chain provides knowledge and skills for non-foods in the hyper cash and carry Trade Centre — an area where rival Makro has so far proved much more effective.

Concern that the merger with Trador, Metro's main competitor, would lead to increased prices through lack of competition is unfounded, says Dos Santos. The two will continue to compete under different names, which will actually cut the group margin though this will not be material.

Management's immediate attention is on shrinkage (or theft). This is said to be under control since the introduction of a formal loss control division that has contained shrinkage to reasonable levels.

Despite the strong liquidity position, no major capex programmes are planned for financial 1993. Efforts will be directed towards refurbishment of stores and introduction of scanning systems in the Metro chain.

Metro claims to have a third of the market and hopes to improve on it through increased turnover in existing stores. Introduction of liquor into more of the stores is seen as an area of potential growth.

Another area being eyed for its growth possibilities is exports to African countries. Metro International, the merger of Premier's export development arm with the international trading activities of Metro Cash & Carry, has given management the opportunity to expand through exports of products to other retailers and wholesalers.

While management is "cautiously optimistic" about the future, stayaways and the drought will hamper results. Analysts suggest the market has largely discounted the favourable outlook, but there remains good upward potential in the medium term. Management is targeting a trading margin back at 1990's level of 2% within several years. If it had been 1,5% instead of 1,1% in 1992, there would have been additional trading profit of some R28m. If the group comes even close to the margin target, the prospective EPS growth would justify a higher share price.

Marylou Greig

METRO CASH & CARRY (30)
 Reborn results FM 31/7/92

Reverting to the previously successful hands-on management under the new controlling shareholder, Premier Group, may be the key to solving Metro's ills.

Effects of the merger between Metro and Trador have been felt faster than expected. Changes to the business during the past year, says chairman Peter Wrighton, make comparison against the previous year's accounts problematic. In addition, the year-end has been changed to end-April, in line with that of Premier, so the figures are for a 10-month period. Nevertheless, the turnaround achieved by MD Carlos dos Santos and his team is encouraging.

Metro entered financial 1992 carrying some R140m in interest-bearing debt. By year-end, this had been slashed to R19,6m. A R81,7m swing in attributable earnings to R28,5m and the transformation from an operating loss of R14,7m to a R45,9m profit, speak for themselves.

Last year's effective tax rate was 32%. Tax losses available at year-end totalled R112,2m.

The debt:equity ratio in the table is after deduction of intangibles, including trademarks and patents (R72m) and goodwill (45m). Had these been included, gearing in 1991 would have been 1,29. In any event, the 1992 balance sheet shows a net cash balance of R227m.

The build-up of cash stems from a number of sources. A rights issue yielded R87,4m. Other key contributors were the closure of Frasers Greenstein & Rosen, the group's wholesale divisions, rationalisation programmes, improved financial disciplines and better working capital management.

Even allowing for problems with comparisons, the tighter grip on working capital is striking. Stock levels were maintained, R33m was paid from debtors and creditors ballooned by R163,6m to R782m.

Restructuring, which was essential to Metro's survival, says Dos Santos, included closure of 31 non-viable cash and carry outlets and hiving off of the Fairways retail chain into Score Supermarkets. Focus has again been directed towards core activities.



Metro's Dos Santos ... restructuring essential for survival

LABOUR

Retailers' tills ring up a strike beat

HERE are rumblings of war in the retail sector where up to 10 000 workers may be out on strike in the next few weeks.

Already the sector has been hit by minor strikes involving a few hundred workers here and there as employees and employers — both hard pressed by the recession — try to squeeze the most out of each other.

Since retail is wholly dependent on the disposable income of consumers, job losses and lack of wage raises in other sectors of the economy affect the profit margins of retailers. Hence the past few months have seen store closures and retrenchments. This is set to continue until the recession is over and employment levels pick up in other industries.

The greatest threats of strike action are at the Wooltru chain and at Metro Cash and Carry stores. A dispute has been declared at these two chains and the South African Commercial, Catering and Allied Workers' Union (Saccawu) is preparing to ballot its members should conciliation fail to resolve the disputes. But the most significant industrial action — if it takes place — will be at the OK Bazaars. Negotiations there began this week and indications are that the two will deadlock.

The recession-hit retail sector is bracing itself for a fresh wave of strikes, reports

MONDLI MAKHANYA

Surprisingly, however, at Checkers Shoprite — which the union as regards a "problem employer" — a solution was reached quite early in the negotiations. Checkers was proposing an 10 percent cut in wages but eventually settled at an 11 percent increase with a minimum wage of R1 023.

But at smaller companies strikes have already been experienced. Workers at Lubbers/Melodys furniture stores are in their third week of strike following a deadlock in negotiations. Saccawu is demanding a R230 across the board increase, a R1 200 minimum wage and interest-free housing and education assistance. Saccawu is also pressing parent company Amrel to establish a central bargaining forum for all its companies, which include Cuthberts and Multiserve.

The issue of centralised bargaining on an industry-wide basis is also causing friction in the industry. Saccawu — in line with Congress of South African Trade Unions policy — wants an industry-wide bargaining forum to be set up because this will help it save on its stretched



Flashback ... An OK employee during the 1990 strike

resources. But employers are averse to centralised bargaining, mainly because of the competitive nature of the industry which precludes them from sharing ideas. Many employers boy-

cotted a union-organised industry summit on the issue last month. It was only smaller retailers who expressed interest in the issue, probably for the same reason as the union.

Retailers did, however, attempt to co-ordinate their approach to Saccawu this year, but this floundered when some caved in to union demands early.

Because of the recession and general rationalisation that has been occurring in the industry, retrenchments are featuring high on the negotiation agendas. After Pepkor's takeover of Checkers it began a rationalisation programme of shutting Checkers outlets and directing custom to Shoprite which has been merged with the chain. Pepkor management has targeted six Checkers outlets for closure but faced with strike action at a newly acquired outlet, it has decided to slow this down. But a confrontation cannot be ruled out as the company will need to resume its restructuring programme.

At the OK, where 18 outlets have been closed in the past 18 months, workers were willing to sacrifice wages in return for job security. However OK's refusal to consider a moratorium on retrenchments put paid to this. The matter has now been taken to mediation.

"We have begun a process of rationalisation and we have to finish it. We can't just suspend the process and leave it in the air," says an OK representative.



RHODES UNIVERSITY

Markets open up, but

(30)

ARG 1/8/92

TOM HOOD
Business Editor

THE business world is opening up for South Africa after years of economic sanctions but companies must not be too complacent, says the new chief executive of the South African Foreign Trade Organisation (Safto), Mr Len van Zyl.

"We have to recover from a backlog where we lost business when competitors jumped in and grabbed our markets," he said in Cape Town yesterday.

He believed the export function was both an internal challenge and an external challenge.

"We have to create jobs for many people who are either unemployed or are coming on to the labour market.

"One way of doing it is by increasing and enhancing our productivity and then going after local and export markets," he said.

Companies would have to improve their productivity and raise quality to what the market was prepared to pay for.

Mr Van Zyl paid tribute to Mr Wim Holtes, the retiring chief executive of Safto, for his work in promoting exports over many years.

Before his appointment, Mr Van Zyl was president and chief executive of the American advertising and marketing company FCB Lewis Gillman and Kynett.

He started his advertising career in Cape Town 30 years ago and worked with FCB's associates in more than 20 countries, gaining first-hand knowledge of international business conditions and practices.

Businessmen offered strike deal

Mandela in bid to head off dismissals

BIDAY 3/8/92

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ANC President Nelson Mandela contacted about 30 top businessmen late last week, hinting at an early return to the negotiating table provided that mass dismissals did not occur during the stayaway.

A senior source in the business community said Mandela had also informed them of the ANC's desire for the early establishment of an interim government of national unity — an issue to which UN envoy Cyrus Vance is understood to have devoted a great deal of attention.

Mandela also assured business that the ANC was taking its economic concerns more seriously.

An ANC source said Mandela would probably undertake to try to ensure that if there were no dismissals today and tomorrow, events for the rest of the week would go off with minimal disruptions.

An ANC statement said on Friday that all companies contacted had undertaken not to take any disciplinary action, including dismissals, against workers who stayed away today and tomorrow. Rather they would adopt a "no work, no pay" principle. This was because employers recognised "the right of workers to participate in the campaign for peace and democracy".

However, the source said, this was not a correct interpretation of what Mandela had been told. Business's position was far more nuanced than that.

In talks with Mandela, many of the business leaders had insisted on reserving their right to take disciplinary action. This was not because they expected large-scale mass dismissals — they generally had no intention of dismissing workers.

However, the source said, if business

ALAN FINE

waived its right to disciplinary action it would leave the impression that workers could participate in political stayaways as often as they liked without fear of penalty. This could not be countenanced.

"Everyone knows it will be a long hard march to democracy, and there will be many disputes and therefore occasions when people may want to use their 'right' to stay away. For business to accept this would put us on the road to perdition," he said.

It was possible that, even if there were no or few dismissals, other forms of disciplinary action could be applied extensively. This was particularly the case where special arrangements had not been negotiated between management and workers.

In many establishments, special arrangements had been made which involved taking leave, adjusted and/or short shifts, extra weekend work to compensate for time lost and, in industries where this was necessary, the performance of emergency work during the stayaway.

The source said Mandela had intimated in his talks with businessmen that a breakthrough in negotiations was imminent so long as business reacted calmly to the stayaway.

In earnestly requesting an undertaking from business that there would be no dismissals, Mandela had used the prospect of an early return to negotiations as a carrot.

Mandela had also implicitly expressed the view that business should be more flexible given his and the ANC's softer line on matters such as nationalisation and,

□ To Page 2

Dismissals

BIDAY 3/8/92

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□ From Page 1

more recently, his slapping down of the bond boycott proposed by the SA National Civics Organisation.

His reference to the interim government could represent a change of policy encouraged by Vance. The ANC has, until now, held the position that it cannot participate in a first phase interim government until negotiations over the second phase and the constitution-making body are complete. It fears, otherwise, being locked into a structure with, possibly, no way out.

Meanwhile, Sapa reports that about 250

Port Elizabeth businessmen held three hours of talks with SACP leaders on Saturday night.

SACP secretary-general Chris Hani described the talks as frank, while party chairman Joe Slovo said the "civilised" discussions augured well for the future.

The ANC/SACP/Cosatu mass action campaign dominated the discussions. Slovo conceded the economy would suffer "some immediate damage" as a result of the campaign. However, he said people had to take a long-term view of the situation.

SACP hold talks in PE

STAR 3/8/92

PORT ELIZABETH — About 250 members of the Port Elizabeth business community held three hours of face-to-face talks with top SA Communist Party leaders on Saturday night at a conference centre on the outskirts of KwaZakele township.

SACP secretary-general Chris Hani was flanked on stage by fellow senior SACP, ANC and Cosatu officials Joe Slovo, Essop Pahad, Sam Shilowa and Charles Ngakula.

The ANC/SACP/Cosatu mass action campaign dominated the discussions.

"You actually scare me," a young businessman said during question time. "You want to break down the economy and then rebuild it."

It was cheaper, he argued, "to close down operations, and become an importer of goods."

Mr Slovo conceded that the economy would suffer "some immediate damage" as a result of the mass action campaign. But, he said, people had to take a long-term view of the situation.

Mr Hani said: "With the Government's intransigence and lack of commitment to the negotiation process the only option available to us was that of peaceful and non-violent mass action."

Another businessman asked: "We all want to see this Government replaced with something better... but how can we be sure the (ANC/SACP/Cosatu) alliance will give us a better government?"

Political tolerance in the townships of South Africa was virtually non-existent, he added.

Mr Hani replied that there was a need for accountability and political tolerance.

If an ANC government came to power and it did not act in a democratic manner, "we will protest", Mr Hani added.

Mr Pahad said it was the democratic right of people to change a government. — Sapa.

Morkels bucks turmoil plaguing retail industry ⁽³⁰⁾

CAPE TOWN -- Political turmoil, labour unrest and the large number of public holidays in the first quarter of furniture retailer Morkels' current financial year had played havoc with trading conditions in the retail sector, Morkels MD Carl Jansen said after the group's AGM at the weekend.

He said retailers had experienced the brunt of the political power play which took place following the breakdown of negotiations and they were having to face pressures on all fronts -- from consumers, unions, staff and suppliers -- while government was not making life any easier.

However, Jansen was reasonably satisfied that steps taken to curtail the increase in costs and the growth in assets were effectively in operation. Morkels had performed well under difficult conditions, he said.

Achieving the group's targets and maintaining interim earnings in the period to end-September would depend greatly on the impact on trading of the rolling mass action which gets under way today.

Management has targeted a 7% increase in turnover and a 40% increase in earnings a share to 14,3c in the year to end-March 1993.

Jansen said the stayaway could be "very painful" for Morkels and could have a massive impact on its turnover as sales lost on one day tended to be lost permanently. Unstable conditions heightened the reticence of consumers to spend money.

LINDA ENSOR

"Our entry into a difficult year has been positively achieved to date," Jansen said. Turnover was slightly ahead of last year despite having lost 10 to 12 key trading days due to public holidays and political events in the first quarter.

The first quarter had also seen a 70% increase in labour unrest which had a marked impact on the ability of retailers to sell their goods. Jansen expected the recession to continue for the rest of the year.

Some slippage in bad debt had occurred but generally credit controls were working well. The group had tried to accommodate customers who found it difficult to pay rather than repossess goods. Jansen said people were taking longer to pay and it had been necessary to extend contractual periods.

Margins, however, were holding up well as Morkels had not cut prices to chase turnover.

New stores were being opened at a much slower rate this year following the overexpenditure last year which had hurt the group. Only prime sites were being taken up and the group was focusing on the rural areas.

Financial director Terry Simon said Morkels would benefit slightly from the increase in margins arising from the drop in interest rates compared with the fixed hire-purchase rates.

While the effect would not be significant, the differential would facilitate the achievement of the annual objectives, he said.

Recent investments boost Forim results ⁽⁵⁸⁾

PETER GALLI

PROPERTY INVESTMENT COMPANY





ANC committee chairman André Mkhomo yesterday. Picture: ROBERT BOTHA

ANC marching to Pretoria

PRETORIA — Pretoria's city council yesterday granted the ANC alliance permission to march from the city centre down Church Street to the Union Buildings, ANC PWV spokesman Ronnie Mamoepa said.

"Tens of thousands" of people would take part in the march tomorrow, the focus of the third day of the mass action campaign, he said.

The city council said negotiations on the march took place in the spirit of the Goldstone commission's recommendations that applicants, police and local authorities co-operate in drawing up orderly plans for public protests. The application, brought by the Action Council's PWV branch, said between 50 000 and 70 000 people were expected.

The march, intended to compel government to comply with 14 ANC demands on government, was to begin at 10am and end at about 3pm. ANC president Nelson Mandela, who would lead the march, would address demonstrators at the Union Buildings.

Sapa reports that the ANC said Spoornet had offered to transport protesters to Pretoria free of charge. However, Spoornet could not be reached for comment.

'Strikes more effective than marches'

CAPE TOWN — Urban black people felt strikes and consumer boycotts were more effective than marches and rallies, an opinion poll has found.

However, it showed that men were significantly more in favour of these actions than black women.

It also established that a month ago more than a third of those surveyed were unable to say what "mass action" meant.

The poll, conducted by Research Survey's Omnichek among 800 black women and 500 black men at the end of June and beginning of July in the major

Political Staff

metropolitan areas, found that 72% of men thought consumer boycotts and

strikes were effective or very effective, but only 56% of women thought consumer boycotts and 55% felt strikes were effective or very effective.

While 64% of men thought marches were also effective, and 53% believed rallies were effective or very effective, 55% of women felt marches, and 49% thought rallies, were effective or very effective.

It found 11% of the men felt consumer boycotts, and

10% felt strikes, were ineffective or very ineffective, 19% of women thought consumer boycotts, and 21% felt strikes, were ineffective or very ineffective.

On the other hand, 25% of men and women thought rallies and 15% of men and 20% of women believed marches to be ineffective or very ineffective.

Among those who replied to a question about what mass action entailed, 32% thought it entailed protest marches, 25% strikes, 22% peaceful demonstrations, 20% consumer boycotts and 18% rallies, Research Surveys said.

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Grim prospects for retailers

Blomby 5/8/92

MARCIA KLEIN

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PROSPECTS for retailers looked grim as the sharp drop in retail sales in recent months was set to gain momentum in the second half of the year, industry sources said yesterday.

They said retail sales, which had declined since end-1990 and dropped nearly 5% in real terms in the three months to end-May, were set to slump further.

Central Statistical Service (CSS) figures released yesterday showed that sales declined by 4.8% in real terms from March to May or by 1.8% when seasonally adjusted.

This was in line with estimates by major retailers, who said sales declined by up to 5% in real terms over the first half of this year. An analyst pointed out that sales were at 1988 levels in real terms.

Analysts said the CSS figures were buoyant compared with those of June, which have not been released yet. They expected

little improvement in the months leading up to the pre-Christmas period. The figures showed that real retail sales declined by 0.5% in May compared with May 1991. The largest decline was butchers (15%) and general department stores (14.5%). Clothing, footwear and textiles dealers showed a 13.4% sales increase.

An analyst said March's sales had been particularly weak as the previous March had included Easter. April's sales had shown some improvement, as this month included Easter. June had been weak, and July's figures could contain some buying in preparation for the stayaway.

An analyst said listed retail companies would do well to show a 3% to 4% improvement in earnings in this environment. Most would maintain earnings or show declines.

focus on Nafcoc

THE NATIONAL African Federated Chamber of Commerce (Nafcoc) is committed to opening channels for black business from Cape to Cairo.

But this will take affirmative action to economically empower disadvantaged black entrepreneurs in the new South Africa.

This is the message of the charismatic newly-elected president of Nafcoc, Mr Archie Nkonyeni, a businessman and farmer from Umtata in Transkei.

Nkonyeni, who has a bachelor of commerce degree from the University of Cape Town, occupies the hot seat left by Dr Sam Motsuenyane.

Born and raised in Transkei, Nkonyeni travels extensively between his hometown and the Nafcoc headquarters in Soshanguve, although he plans to move.

Black business struggle

Motsuenyane, president of the chamber for 24 years, has retired and plans to write books on the history of the black business struggle, serve on boards of several companies and farm.

The articulate Nkonyeni has a great sense of humour and a dream to liberate African business through affirmative action.

He has taken the reigns of Nafcoc when there is turbulence and tremendous socio-political uncertainty in South Africa.

The 28-year-old organisation was formed at a time when the Government was harsh on black traders.

Nkonyeni recalls some of the tough laws that governed black businessmen: beware natives in trade, no trade in the urban areas, back to the homelands, no expansion and no partnerships.

Amazing man

But this amazing man, also an accountant, is optimistic that with the changes taking place in South Africa, black business will be successful.

He believes that Nafcoc's theme of black economic emancipation is the solution to South Africa's problems.

He says the key to business is black economic empowerment, the basis of Nafcoc's three-point programme.

The two-year programme aims at integrating blacks into the formal business sector by increasing board memberships, pushing for upward mobility in the managerial ranks and expanding black entrepreneurship in companies listed on the Johannesburg Stock Exchange.

"Unless this is done, the new South Africa will be no different from the old," Nkonyeni says.

Nafcoc will continue relationships with African states in an attempt to open trade links from Cape to Cairo.

The organisation has been called upon to

The National African Federated Chamber of Commerce is committed to fostering business links with the rest of Africa.

Joshua Raboroko spoke to new president Mr Archie Nkonyeni about his vision:

Sowetan 5/8/92 (30)



Archie Nkonyeni delivers his acceptance speech at the Nafcoc conference where he was elected president.

New broom

Profile: Mr Archie Nkonyeni

Status: Married to two wives

Education: Bachelor of Commerce degree

Occupation: Businessman, accountant and farmer in Transkei

focus more intensively on the question of black advancement, and Nkonyeni says the acquisition of skills and technology is vital to this.

Part of Nafcoc's plan is a management and leadership development centre in Soshanguve,

one of the organisation's major achievements.

"The centre will develop black managers and leaders across the land who possess skills and experience to function effectively in business," he says.

Customer services

Courses offered include: transportation, in conjunction with Nafto college; manufacturing with National Industrial Chamber's Training Programme; hawking with Achib's Training Programme; and building, farming, merchandising and customer services.

The organisation is prepared to work with trade unions and political and community-based organisations to create jobs and wealth in South Africa.

Pretoria goes on the defensive

PRETORIA — Shopkeepers in the city centre yesterday were bristling at the thought of an ANC-alliance march past their premises today.

The march has been routed around Church Square in the heart of the city, but this has not allayed the fears of shopkeepers nervous about being swamped by thousands of toyi-toyiing protesters.

They spent yesterday preparing to batten down the hatches ahead of the march to the Union Buildings.

The city council has not allowed a march to proceed along Church Street before, but it agreed with the organisers' argument that the width and straightness of the street would facilitate proper crowd control.

A council spokesman denied the march had been routed around Church Square because "Oom Paul se plek" was holy ground, saying too much disruption would be caused if the square was included. Organisers claim the march will draw between

30 TIM COHEN

50 000 and 70 000 people.

Some shopkeepers were encouraged by the fact that the march would be led by ANC president Nelson Mandela. "If the big chief is there, they won't want to embarrass him," one said.

Others have expressed a desire to tell ANC supporters what to do with themselves. "If they come in here, I'll shoot them," said one.

But most are bracing themselves with a mixture of trepidation and resignation and do not intend closing, although many will remove items from their windows and keep their security bars up.

Pamphlets warning motorists along the route to remove their cars by this morning were distributed by police yesterday.

Cars will be towed away if they are still on the route but owners will not have to pay a fine to get them back.

Jo'burg hotels enjoy mini boom

ADRIAN HADLAND

HOTELS in downtown Johannesburg enjoyed a mini-boom this week as companies booked their employees into rooms to avoid transport difficulties and possible intimidation during the general strike.

Almost every non-luxury hostelry in the inner city had house full signs up yesterday.

Springbok Hotel MD Roy Amoif said "happy days are here again" after three days of full rooms — together with brisk business at the hotel's bar and restaurant facilities.

Employees from the JSE and the Bank of Lisbon took all five floors at the New Library Hotel in Commissioner Street, hotel manager Louis Valenti said.

The Elizabeth Hotel, Dawson's Hotel, the Johannesburger and the Downtown Inn all confirmed they were either full or busier than usual.

5/10/92

B/DAY 5/8/92



BER sees upswing in demand for industrial space as exports pick up

(30)

STAR 5/19/92

Industrial space is expected to lead the way when non-residential property investment picks up, but this may not show a significant upswing until 1994.

In its latest building and construction survey, the Bureau for Economic Research (BER) says economic recovery, expected to begin towards the end of the year, is likely to be driven mainly by manufactured exports — which will increase demand for industrial space.

However, says the BER, investment in non-residential buildings lagged the business cycle during the downswing, creating substantial overcapacity. This means building activity in the sector is likely to lag behind any overall economic upturn.

Investment in the retail space component is also likely to be affected by the fact that the upswing will not be consumer driven, while investment in office buildings may even drop off, given the oversupply resulting from the present poor demand and completion of buildings now under construction.

Public sector

Thirty-four percent of offices completed in 1991, and 47 percent of those to be completed this year, were unlet at the end of the second quarter.

There may be some benefit to the non-residential sector next year from increased public sector spending on community and other amenities, reversing a trend which has been the major cause of disappointing growth since 1985.

This is illustrated by the fact that investment by the private



Compiled and written
by Frank Jeans
and Meg Wilson

sector in non-residential building grew an average of 1.6 percent between 1985 and 1991 and 6 percent between 1989 and 1991 — while that by the authorities declined by an average of 5.6 percent and 11.6 percent respectively.

Nevertheless, the sector has performed much better than the residential market, where investment declined 9.2 percent in 1990 and 5.2 percent last year, and prospects are bleak.

Two of the most important determinants of residential investment are real disposable income and the real prime lending rate.

But no "noteworthy" growth is expected in real disposable income until the second quarter of 1993, and no softening of the prime lending rate before then.

The effect that a slowdown in building cost increases (from 12 percent in the second quarter of 1991 to 11.7 percent in 1992) might have had will be offset by a decline in the price of existing houses.

The only hope for the residential sector would seem to be more political and social stability, which might unleash demand for investment, especially to provide housing for blacks.

COMPANIES

Pick 'n Pay earns A-plus rating

PICK 'n Pay had been awarded an A-plus rating by Republic Ratings, Republic announced yesterday. **31 DAY 6/8/92**

It said the retail group had been given an A-plus for its ability to honour long-term debt commitments and an "A.1" for its capacity to repay short-term borrowings.

According to Republic, the high ratings were based on Pick 'n Pay's "firmly entrenched position as SA's pre-eminent mass food retailer".

Although operating margins had deteriorated in line with the economic environment, the group had continued to increase its market penetration.

It had remained "at the edge of retail technology" through its substantial capex over the past three years. The store automation strategy and the attention to work-

MARCIA KLEIN

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ing capital management resulted in an improved stockturn of 14,7 times.

It could negotiate favourable creditor terms, and had a cash balance of about R185m at year-end. Republic added that the trend towards forward integration by the major food producers could affect its ability to negotiate such favourable creditor terms.

Republic said that with the prospect of reduced capex, it expected investment income "to continue to provide a meaningful contribution to pre-tax earnings in the short term".

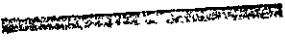
The rating was given due to "the quality of its trading income, management depth and the essential nature of its service".

Nafcoc boss has one wife

THE new president of the National Federated African Chamber of Commerce (Nafcoc), Mr Archie Nkonyeni, is married to one wife - not two as was incorrectly stated in the *Sowetan* on Wednesday.

We regret the error and apologise for any inconvenience or embarrassment we may have caused to his family, relatives and the businessmen's organisation.

Sowetan 7/8/92.



dividend. Chairman Rian Pauw attributes this in part to the 70,6% increase in interest paid. He adds turnover growth of 14,6% was achieved only at the sacrifice of merchandise margins, which led to a 25,3% drop in operating profit.

The acquisition of Ajay reduced EPS by 1,5c after the issue of additional shares as part of the purchase price.

Working capital grew 11,5%, the increase being used largely to fund the store expansion. The recession has extended the time taken for new stores to contribute to profit, placing further strain on unsatisfactory balance sheet ratios.

The uncomfortably high gearing ratio is of concern, says Pauw. He adds that the permanent capital structure will have to be addressed. Management is focusing on better asset management to limit working capital increases and is looking at curtailing further growth in the store base.

The debtors' book has been ceded to major bankers as security until gearing falls below 100%. The company is pursuing a financing structure which goes beyond the concept of joint finance companies now common in the industry.

While hindsight showed the timing of the expansion to be inappropriate, MD Carl Jansen contends it will yield long-term benefits. In the year to March, five new stores were added to the Morkels chain, bringing the total to 93, and 12 to the Totalsports chain, whose number increased to 37.

A divisional breakdown shows the distress of the furniture industry. Turnover of the Morkels chain rose a mere 5,3%, much in line with the industry experience. Totalsports' turnover grew 41,8%. The acquisition of Ajay has identified opportunities for imports and exports through a 33% shareholding in Turntec distribution organisations in the UK and Germany.

As to the group's forecasts (after-tax profit and EPS up by 40% and 42% respectively), the question left begging is: Where will such growth come from? Financial director Terry Simon says there is room to reduce costs and earn more on the margin. He notes that a small percentage increase in operating margin will have a significant effect on the bottom line.

Nevertheless, growth in the furniture industry is consumer-driven. Consumer spending is not likely to improve before the first quarter of next year, even if there is a token reduction in the interest rate. The company is well-positioned to take advantage of economic recovery but such positioning will be costly should the economy remain sluggish.

With the share on a p/e of 5,9 and a dividend yield of 6,7% (the sector average is 5,2%), the market is not as optimistic as management about the forecasts. Analysts feel there is not much room for further weakness in the share but the gearing makes any purchase speculative.

Marylou Greig

MORKELS FM 7/8/92
Distressed industry 30

Activities: Retail furniture and appliances mainly on HP. Has cash sporting goods and apparel chain.

Control: Daun et cie A G 75,3%.

Chairman: G R Pauw; **MD:** C H M Jansen.

Capital structure: 42m ords. Market capitalisation: R25m.

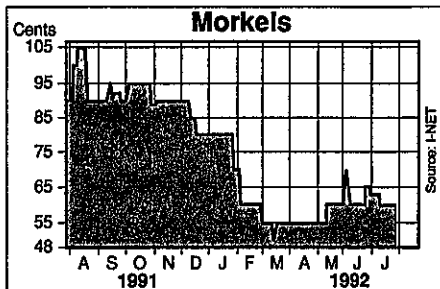
Share market: Price: 60c. Yields: 6,7% on dividend; 17,0% on earnings; p:e ratio, 5,9; cover, 2,5. 12-month high, 110c; low, 55c.

Trading volume last quarter, 10 200 shares.

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	24,0	29,6	65,4	95,8
LT debt (Rm)	1,5	1,6	1,8	1,9
Debt:equity ratio	0,52	0,56	1,12	1,50
Shareholders' interest	0,33	0,35	0,29	0,27
Int & leasing cover ..	2,17	1,62	1,74	1,16
Return on cap (%) ..	14,9	10,9	13,5	9,0
Turnover (Rm)	199	205	268	308
Pre-int profit (Rm) ...	22,2	18,2	28,4	21,2
Pre-int margin (%) ..	11,1	8,1	10,6	6,9
Earnings (c)	23,5	14,5	23,7	10,2
Dividends (c)	10	7	10	4
Net worth (c)	123,3	130,6	150,6	155,7

The furniture industry has been hit hard by extended recession and stringent monetary and fiscal measures, with company results reflecting the drastic downturn in consumer and corporate spending.

Morkels shows 1992 after-tax profit falling 55,6% to R4,2m, requiring a cut in the



Activities: Investment holding company. Derives revenue from rentals, dividends, interest and management fees generated by subsidiaries.

Control: Directors 29%.

Chairman & MD: A Wapnick.

Capital structure: 10,6m ords. Market capitalisation: R27,6m.

Share market: Price: 260c. Yields: 7,3% on dividend; 7,6% on earnings; p:e ratio, 13,1; cover, 1,0. 12-month high, 300c; low, 250c.

Trading volume last quarter, 181 000 shares.
Year to Feb 29

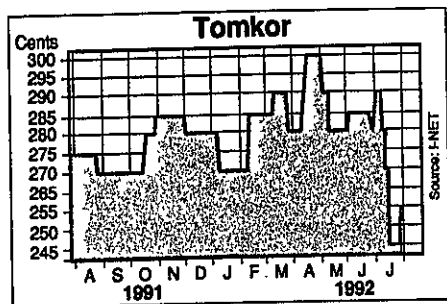
	'89	'90	'91	'92
ST debt (Rm)	8,8	2,8	0,9	0,2
LT debt (Rm)	75,7	115,3	54,5	57,4
Debt:equity ratio	1,08	1,05	0,99	0,60
Shareholders' interest	0,44	0,47	0,49	0,59
Int & leasing cover	1,65	1,21	1,13	1,27
Return on cap (%)	9,6	9,2	16,5	8,8
Turnover (Rm)	20,4	27,4	24,9	18,2
Pre-int profit (Rm)	17,2	21,7	18,9	14,1
Pre-int margin (%)	84,3	79,0	76,1	77,3
Earnings (c)	39,0	18,4	14,2	19,9
Dividends (c)	34	18	14	19
Net worth (c)	869	1 049	524	902

restructuring a couple of years ago. Last year Tomkor's acquisitions and developments absorbed more than R9m. Cash flow was boosted by a R5m increase in creditors, as management extended payment periods to help shrink interest payments — which are continue

TOMKOR FM 7/8/92
Still an asset play

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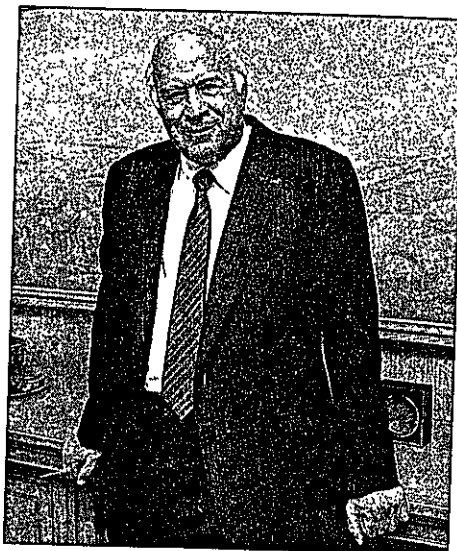
A revaluation of Tomkor's property portfolio added R40m to fixed assets, improved gearing and almost doubled NAV. Less favourably, though, borrowings had increased again



at last year-end.

The Pretoria-based property company has been tightly run by chairman Alec Wapnick for more than 20 years and grown through gearing in that time. He considers the present gearing satisfactory for the industry but a further reduction would have a marked effect on earnings.

Borrowings were brought down with the



Tomkor's Wapnick ... gearing for growth

two-fifths and the dividend by a quarter.

Wapnick says property values, whose rise in recent years has offered a sound hedge against inflation, have recently plateaued in some sectors and depreciated in others. Because of this, and the possibility of bad debts or depressed vacancy levels, he does not venture a forecast on earnings. He expects higher turnover to result from recent acquisitions,

which include 3 ha of the largest privately-owned property in Pretoria CBD's north-west.

Though gearing has improved, interest and leasing cover remain low. Considering the property market lags the economy by about 18 months, the year ahead is not going to be easy. The share stands at a 71% discount to NAV but is thinly traded. *Kate Rushton*

still absorbing 80% of pre-interest profit. But assessed tax losses have been exhausted and the effective tax rate will rise to about 48% (1991: 30%) this year and reduce attributable earnings further.

Last year — Tomkor's first fiscal year of operating as a single entity since the Octodec flotation — rental income improved 22% and there was a 94% occupancy rate in the group's properties in the PWV area, against the industry's 80% average. Earnings rose by

Car sale forecast cut

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By DON ROBERTSON

THE motor industry has slashed by 20 000 its projections of new-vehicle sales for the year.

The National Association of Automobile Manufacturers of SA (Naamsa) has made "one of the sharpest downward revisions ever in the industry's sales projections".

In the second quarter, new-car sales fell by 10,7% to 42 852. Combined commercial sales dipped by 9,9% to 23 753. There are, however, indications that the heavy-commercial sector slump is bottoming out. *S. TIMES (BUSINESS)*

Naamsa forecasts car sales of 182 500 compared with its 201 000 estimate at the end of the first quarter. Light commercial sales are expected to be 94 000 compared with 103 500, medium commercials 3 450 against 4 300 and heavy trucks 5 400 compared with 6 100. *1981/92*

Naamsa says in its quarterly report that the recession has gained momentum. The low level of consumer and business confidence and socio-political developments will continue to hurt the industry's short- to medium-term fortunes.

Average capacity use in the second quarter fell to 57,7% from 58,6% in the first three months. Capacity use in the medium and heavy sectors was lower. Employment, excluding Toyota which was hit by strikes, improved slightly.

Since the return to work by strikers at Toyota's Prospecton plant near Durban, production has almost returned to normal.

Capital expenditure commitments by the industry increased to R72,8-million in the second quarter from R68,5-million.

Wooltru's woes put blue chip status in jeopardy

LINDA ENSOR

CAPE TOWN — The market is expecting dismal annual results this week from food and soft goods retailer Wooltru and questions are being asked about how long the group will measure up to its blue chip status.

Apart from devastating economic conditions, Wooltru has had to battle internal merchandising and overstocking problems in the Woolworths chain's clothing component. Woolworths' clothing division lost its focus and production costs rose sharply as a result of its move into higher fashion goods.

The consumer switch to credit has also knocked Wooltru's cash and carry wholesaler, Makro.

Wooltru hired former Edgars' employees Carol Grolman and Farrel Ratner at high cost to help solve the problems. But analysts believe it may be too early for this move to have had much effect.

Analysts expect the last six months of the year to end-June to have shown a further deterioration. While Woolworths merchandise is said to have improved, the change has not been dramatic.

Although expectations of an earnings drop range from 25%-35%, analysts believe the dividend will be maintained through the group's cash flow.

The gem in the Wooltru group, the largely credit-

based Speciality Retail Group, consisting of Truworths, Topics, Truworths Man, Daniel Hechter and Leading Concepts, is expected to do better than the sector average. A 15% earnings growth forecast.

Group interim results for 26 weeks to December 29 were worse than expected.

Turnover rose 17% but pre-tax profit and earnings a share fell 28%. Woolworths sales rose 9% while pre-tax profit slumped 55%. Makro's profit slid 61% on a 26% improvement in sales. Speciality Retail Group's sales rose 20% and pre-tax profit rose 18%.

At the interim stage chairman Colin Hall predicted that the full year's profit decline would be less than for the first six months.

In 1991 group sales rose 22% to R3,3bn and earnings a share by 12% to 422c.

Analysts say the Wooltru share has underperformed in the past year. On Friday it closed at R50. It peaked in January at R73.

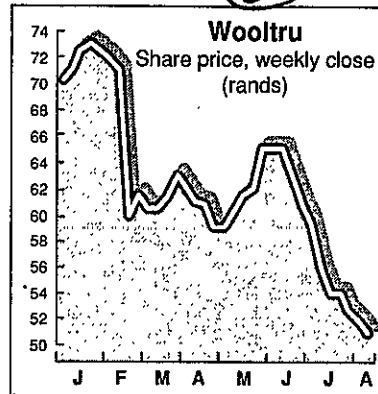
Analysts are divided about whether the stock can still be regarded as a blue chip.

One feels Wooltru cannot be ranked in the same class as Edgars. While conceding that the market is negative,

another analyst says many of this year's costs were one-off.

"The group is still a quality business and even if the economy continues to be weak, earnings should rebound next year provided the problems at Woolworths are sorted out.

"Margins should be better and Makro's profitability should improve. I would still rank it a blue chip."



Graphic: RUBY-GAY MARTIN Source: I-NET

EXECUTIVE SUIT



COMPANIES

Clicks geared for expansion

MARCIA KLEIN (30)

CLICKS, which outperformed most other retailers in the year to end-April, was set to maintain this growth and expand further in financial 1993, chairman Carlos dos Santos said at the weekend.

In his 1992 annual review, Dos Santos said there were no indications that trading conditions would improve meaningfully in the short term. These conditions would be exacerbated by the drought.

But Clicks, the holding company of Clicks and Diskom stores, would "be able to maintain its growth, continue with its ongoing expansion programme and remain a market leader in its field".

In the 14 months to end-April, Clicks increased its attributable profit by 21% to R24,8m and its turnover by 51,6% to R836,8m. Turnover reflected a disproportionate trading period. A R50m rights issue had significantly improved gearing.

CE Trevor Honeysett said both Clicks and Diskom stores had shown "pleasing

real growth" in spite of the recession.

He said the group's success was the result of developing growth in existing stores and opening new stores which would benefit from the expected upturn.

Clicks had shown rapid growth, with the 15 new stores opened during the year bringing its total to 130. Another 12 stores were scheduled to open in the current year.

Clicks would also launch the first of its upgraded "new generation" stores in the coming year. This would include new shop fronts and special interior design features with a modern feel.

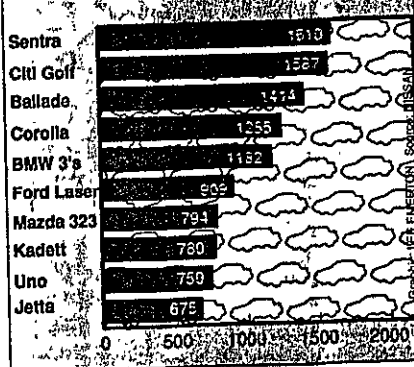
Diskom, whose sales were well ahead of inflation and whose margins had improved, was moving away from its developmental phase and was bringing added value to the group, he said.

It had opened 24 new stores during the year bringing its total to 73.

10/18/92
MIA

10 best-selling passenger ranges

All manufacturers June 1992



July vehicle sales continue to slide

EDWARD WEST (30)

TOTAL vehicle sales continued to fall in July, with sales 8,2% lower than the same month a year ago and 3% lower than in June 1992, statistics from the National Association of Automobile Manufacturers of SA (Naamsa) showed yesterday.

While new car sales were better than expected, the overall market dropped by 0,9% against June's sales.

Vehicle sales were affected by industrial action at Toyota. Toyota marketing MD Brand Pretorius said the 13,2% market share achieved during July was higher than the original forecast of 11% following the strikes at its assembly plant.

The company held 29% of the total market in the first half of 1992.

Pretorius said about 8 700 units would be produced in August, which would bring Toyota closer to a normal stock position in October. *6/10 AM 11/8/92*

Nissan marketing MD Stephanus Loubser said the strike at Toyota had had a negative effect on total sales, but it had meant that Nissan had increased its overall market share to 20,9% in July from 20% in June.

He said that on a monthly basis, because of the Toyota strike, BMW's share of the car market increased to 10,3% from 8,7%, Mercedes-Benz to 13,3% (13,1%), Nissan to 17,1% (16,5%), Samcor to 17,5% (13,8%) and Volkswagen to 20,5% (16,9%).

The 23 217 vehicles sold in July 1992 were 8,2% lower than the 25 299 sold in July 1991 and were 3% lower than 23 926 units sold in June 1992.

New car sales fell 0,9% to 15 328 units

□ To Page 2

Vehicle sales *6/10 AM 11/8/92* (30) (30)

□ From Page 1

from 15 477 units in June 1992 and 5,6% when compared with the 16 234 units sold in July 1991. Light commercial, bakkie and minibus sales fell 6,5% to 7 154 from 7 652 in June 1992 and 12,6% from the 8 182 units sold in the same month a year ago.

Medium and heavy commercial vehicles (MCV and HCV) sales remained at historically low levels. MCV sales improved 1,7% to 289 from 284 the previous month, but were 28,8% lower than the 406 sold in July 1991. HCV sales fell 13% to 446 from 513 sales in June 1992 and 6,5% from 477 in

July 1991.

Pretorius said the "buy-down" trend towards smaller vehicles would continue into 1993 and the medium car market could show increased activity as new models were introduced.

Samcor sales and marketing executive director Sean Bowles said July sales were unacceptably low and there was no sign of short-term recovery.

Naamsa forecast economic activity to continue declining in 1992, with vehicle sales remaining under pressure.

Bergers may be holding talks

LINDA ENSOR 30

CAPE TOWN — A significant player in the retail sector is believed to be talking to clothing retailer Bergers about acquiring an important stake in the group which would, however, be less than 30%. *BIDAY 11/8/92.*

Bergers and Bergers Trading Holdings issued a cautionary announcement last week to the effect that negotiations were in progress which, if successful, could affect their share prices.

The investing group would give financial muscle to Bergers. It would apparently pay a price calculated at net asset value and future earnings potential rather than the prevailing share price. Bergers stock was untraded at 125c on Friday, but the shares have fallen nearly 17% or 30c in the past month. The share was untraded yesterday at 125c.

As the group would take a less than 30% stake, an offer would not have to be made to minorities at the higher price. This would give Bergers a strong financial partner while keeping control in the Mauerberger family.

Bergers was said yesterday to be undercapitalised and in need of either a rights issue or an injection of capital. Its debt:equity ratio deteriorated last year following the acquisitions of Hilton Weiner and Jones Retailing, a credit based chain.

While Pep Ltd was always interested in the Bergers group, it was categorically not involved in any takeover talks at present, Pepkor's Carel Stassen said.

Cash-strapped SBDC curbs lending

Govt subsidy cut squeezes small business

81044 11/8/92
30
PETER DELMAR

THE Small Business Development Corporation (SBDC) had been forced to cut loans by almost 30% because of government's virtual elimination of its subsidy, SBDC MD Ben Vosloo said yesterday.

He warned that loans could be cut by 50% unless new forms of finance were secured for the next financial year, which starts in April.

Meanwhile, inquiries from aspirant businessmen about loans were pouring in at the rate of 2 000 a day — almost double the rate of last year.

The cuts the SBDC had been forced to make come at a time when SA's employment outlook is far from bright. The SBDC has estimated that only 7% of the 380 000 people writing matric this year will find employment next year.

Last week the Afrikaanse Handelsinstituut predicted that the ranks of the unemployed would grow by 500 000 in the next 12 months, adding to the 1-million people who had lost their jobs in the past three years.

In its first 11 years the SBDC claims to have created 310 000 jobs at an average cost of R9 000 a job.

Government this year cut state capital funding for the SBDC from R100m to under R8m.

Vosloo said negotiations with the Industrial Development Corporation — which could have seen the IDC inject R750m into the SBDC — had failed.

Earlier this year the SBDC had rejected the IDC offer because the IDC had de-

manded that its control of the SBDC equal the private sector's. (The IDC holds 50% of SBDC shares, but has just 25% of the seats on its board.)

Vosloo said the SBDC's regions were all working on reduced quotas and had already cut back on issuing loans by almost 30%.

These cuts could not have occurred at a worse time, he said, with demand for the SBDC's services increasing sharply.

The regions' offices were receiving about 2 000 inquiries a day, and most of these had to be declined because of lack of finance.

Vosloo said the "demand for our services has increased dramatically. Thousands of people are desperately looking for ways to start their own business."

However, instead of the average R30m a month issued last year, the corporation was now issuing less than R22m, while income was running at R15m a month. The deficit was being financed from SBDC reserves.

Vosloo said it was possible that loans could be cut in half from last year's levels if new finance was not obtained.

The SBDC was currently negotiating with its private sector shareholders, government and the Life Offices Association on new funding.

However, he said he was optimistic that "an acceptable solution" would be found with its private and public sector shareholders.

Village Walk has teething problems

210A7 12/8/92

THE R80m Village Walk retail centre in Sandton, Commercial Union's first retail investment, is not showing expected initial returns, although this is not unusual in the case of a new centre, says Commercial Union director Roger Schooling.

"While Village Walk is not doing as well as we might have liked, it is not performing any worse than most other new centres. They all have teething problems," Schooling said.

"Most centres lose a number of initial tenants and of the 14 000m² of retail space we have only 300m² vacant.

"Pick 'n Pay is the only major tenant, and present economic conditions are seeing some smaller shops struggling."

The leasing objective was not just to fill the centre but to create the right tenant mix, which includes a bank.

While an initial return of 9,5% has been targeted, only 6% is being achieved. This is mainly because of vacancies in the 6 500m² office component of the development.

"However, we expect to achieve a 9,5% return within the next year. While we are offering some concessions and new tenants are given a free settling-in period, we are not giving space away," Schooling says.

"Rentals of R22/m² plus R6,50/m² operating costs are being achieved, with annual escalations of 12% to 14% built in."

The development stretches from the Balalaika Protea Hotel in Maude Street to

the Rebel building in Rivonia Road. The refurbished Balalaika is performing well and showing good occupancies. Its target is the business and conference market rather than the holiday market, he says.

Initial concern with the development was whether there was a market for another major retail development in the Rosebank/Hyde Park/Sandton triangle, with industry players saying the real test would be in 1992 after the festive season.

Certain market players still feel the centre is not performing as well as expected, but centre owners say it has continued to remain popular and will strengthen even further.

Commercial Union has a property portfolio of about R380m. This is 17% of its total investment portfolio.

The company took a strategic decision in mid-1991 not to hunt for opportunities in the property field but to see what the market offered.

"Property will not be our greatest expansion area. As the bulk of our portfolio is located on the Reef, we are looking at acquisitions away from here, probably at the coast," Schooling says.

Traditionally, property investments outperform gilts but perform less well than equities. However, this has not happened in 1992 and shows the cyclical nature of the markets, he says.

Reports by
PETER GALLI

Barberton consumer boycott urged

By Clyde Johnson (30)
Lowveld Bureau

BARBERTON — Barberton's Alliance Campaign Forum, comprising the Barberton Civic Association, the ANC Youth League, the ANC and Cosatu, has called for a consumer boycott in the town in retaliation against employers who allegedly fired staff who took part in last week's general strike.

In a statement yester-

STAR 13/8/92
day, publicity spokesman Craig Padayachee said the decision had been taken at a public meeting at the eMjindini Community Hall on Sunday.

The boycott is set to begin on Saturday, but no indication has been given as to how long it will last.

Barberton Chamber of Commerce chairman Ed Sturgeon said he had received a letter from the

Alliance Campaign Forum on Tuesday pointing out that the boycott was to take place.

He immediately replied, stating that the chamber did not represent all businesses in Barberton, and requested a list of names of businesses that may have been responsible for any dismissals.

If any chamber members had been involved, he promised immediate action.

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REPUBLICAN PRESS.

Voters stay away but NP holds Florida

30

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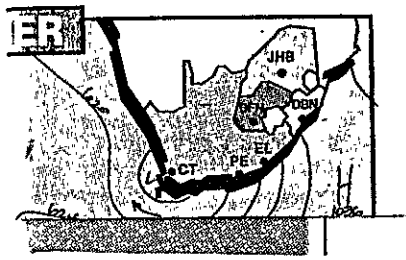
The Argus Correspondent

JOHANNESBURG. — The National Party held its Florida seat, vacated by former Finance Minister Mr Barend du Plessis earlier this year, in a lacklustre by-election yesterday which saw a low 30 per cent poll.

The new MP, Mr Jan Bredenkamp, polled 4 726 votes, a majority of 3 253 over Herstigste Nasionale Party candidate Mr Oscar Hartung. There were 41 spoilt papers. Mr Hartung retained his deposit.

Mr Bredenkamp said the result was a victory for President F W de Klerk's reform policies, but he was disappointed by the low turnout.

He said it could be attributed to the fact that the "irrelevant" HNP was the NP's only challenger, and to the uncertain political climate.



BPAY 13/8/92

Food price meeting 30

A TASK force comprising influential players in the food supply chain will hold a meeting to work out an action plan against food price inflation at the VW Conference Centre in Midrand today.

The Food Logistic Forum, chaired by Judge Cecil Margo, aims to bring about a sufficient reduction in the food price inflation rate to close the gap between the declining producer price index (PPI) and the still-rising consumer price index (CPI), Pick 'n Pay chairman Raymond Ackerman, a co-convenor, says.

WALTONS

Joining the ranks

The unrest has side effects many of us don't see. Security has been tightened so much in many central city buildings that it has become difficult for Waltons' representatives to call on customers without first making appointments.

Chairman Frank Roberts says it has become difficult to find parking and car theft has increased to such an extent that he has had to re-organise the mode of company representation and take some sales staff off the road.

Activities: Makes and distributes stationery and allied products, toys and babywear.

Control: Waltons Consolidated Investments 50,1%.

Chairman and MD: F E A Roberts.

Capital structure: 68,3m ord. Market capitalisation: R280m.

Share market: Price: 410c. Yields: 4,6% on dividend; 11,6% on earnings; p:e ratio, 8,6; cover, 2,5. 12-month high, 680c; low, 400c.

Trading volume last quarter, 528 000 shares.

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	39	40	57	28
LT debt (Rm)	119	92	41	66
Debt:equity ratio	1,87	0,95	0,66	0,47
Shareholders' interest	0,25	0,36	0,43	0,45
Int & leasing cover ..	4,8	3,9	5,4	5,6
Return on cap (%) ..	26,0	30,5	29,3	24,8
Turnover (Rm)	548	648	685	748
Pre-int profit (Rm) ...	85,6	109,0	106,0	99,3
Pre-int margin (%) ..	15,6	16,8	15,5	13,3
Earnings (c)	55,0	63,6	52,6	47,6
Dividends (c)	18	21	19	19
Net worth (c)	90	149	184	212

Nevertheless, he believes most customers still prefer to have their stationery delivered. Though Waltons has diversified, stationery is still the main activity. This has always been a competitive business but, with the emergence of competition from new cash-and-carry outlets such as Makro, stationery margins have narrowed.

Waltons' stationery manufacturing continued to improve on previous good results; other activities in the group were mainly responsible for 1992's lower earnings.

Until recently it was often assumed Waltons was immune to recession on the grounds that stationery and related products were basic needs of all businesses and an area where customers could not cut back as it would involve pruning administrative procedures and systems. That assumption was



Walton's Roberts ... more difficult to call

wrong. Expenditure on stationery and office equipment is not escaping the cost-cutting.

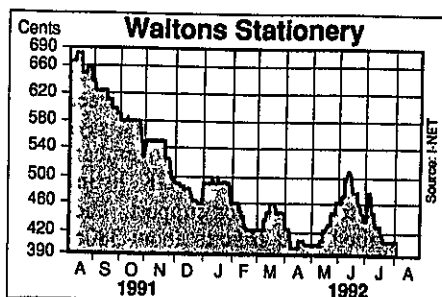
It was a difficult year for all the Waltons companies. Each was affected by the decline in the mining and building industries and by reduced growth in government spending. Roberts points to Ozalid, the drawing office and plan printing specialist in particular. Its turnover decline was so sharp that its poor performance led to a reassessment of its goodwill. Ozalid was bought for R44m in 1988 from its Dutch parent. Goodwill of R7,4m has now been written off.

Several material changes are shown in the balance sheet. Borrowings were reduced and some short-term debt was converted to long-term liabilities.

Gearing also fell. Deferred tax jumped from R4,6m to R11,8m. Management of working capital was tight.

The share price has dropped considerably from a year ago and the short-term chart suggests there could be reasonable support near this level. Given the present state of the stock market, it seems fairly priced.

Gerald Hirschon



Cashbuild finds it is not totally recession-proof

B1 DAY 13/8/92 (30)

MARCIA KLEIN

EARNINGS of cash and carry wholesale building materials group Cashbuild have dropped for the first time in 10 years.

CE Gerald Haumant said the group had outperformed the industry over the years and appeared to be recession-proof. But it could not escape the present trading conditions, and earnings dropped by 9,5% to 33,3c (36,8c) a share in the year to end-June.

Cashbuild, which became a Pepkor subsidiary in October, announced yesterday that turnover increased by 10% to R425,9m from R387m.

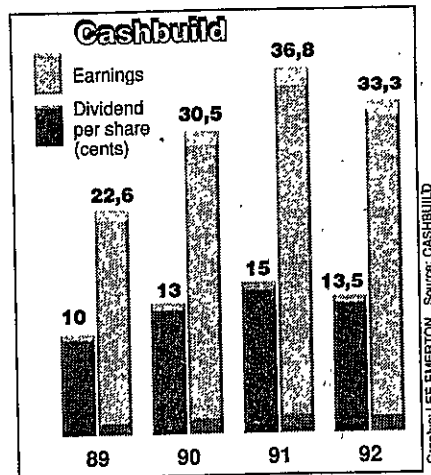
Haumant said that the introduction of VAT "more than any other factor" had affected sales.

He said sales had grown by 10% because of the increase in the number of outlets from 59 to 72 over the past two years. Only 23 of the 59 other stores had beaten the industry's inflation rate of 7%.

Operating income was 10% down at R15,9m (R17,7m). After higher finance charges and a reduction in taxation, income after tax was 5,7% lower at R9m. Attributable income was 9,5% down at R7,1m, figures show.

Cashbuild declared a final dividend of 8,5c to bring the full year dividend to 13,5c, 10% lower than last year's dividend of 15c a share.

Haumant said Cashbuild operated in two markets which had peaked and dipped at different times in the past. This had enabled the group to weather two recessions in the past 10 years. But since October, the



bottom had fallen out of both its markets.

The introduction of VAT saw sales to rural traders plummet, and the drought had worsened this situation. The building industry was crippled by "high interest rates, the freeze on the financing of affordable housing and the deterioration in consumer confidence".

Haumant said inflation in the building industry was at a record low, and Cashbuild had calculated it at 3,6% in July.

Haumant said that a political solution would be followed by a boom period.

"As we want to be part of the action, we will continue to expand our stores network, even in the current adverse trading conditions," he said.

New bid to end boycott in Messina

STAR 14/8/92
MESSINA — With sales plummeting by as much as 90 per cent because of the consumer boycott in Pietersburg, businessmen in Messina plan to take action to resolve the deadlock with the Messina Civic Association, if the town council does not address the problem.

The association has demanded the closing of a dumping site near Nancefield township and the building of a clinic, among other things.

Businessman Piet Roux yesterday said both the town council and the civic association were dragging their feet and businessmen were planning to have discussions with the civic on Monday in an effort to resolve the contentious issues.

Mr Roux said business was outraged by the town council's failure to resolve the crisis.

He added that negotiations between the council and the civic leaders were progressing at a snail's pace.

Several shopkeepers said they would have to close their doors shortly if the boycott continued. Messina mayor Jack Klaff and town clerk Johan Kok have refused to comment on the dispute. — Northern Transvaal Bureau and Sapa.

Ailing Wooltru maintains dividend

By Marc Hasenfuss

(30)

CAPE TOWN — Although Wooltru suffered an expected massive drop in earnings, shareholders will be relieved to hear that it has not reneged on its generous dividend policy.

While earnings fell 38 percent to R91,9 million (R160,1 million) — 263,3c (422c) a share — the payout has been held at 170c for the year to June.

Turnover was up 15 percent to R3,8 billion, mainly on the back of a strong performance from Speciality Retail Group (SRG).

Chief executive Colin Hall says the results reflect the combined effect of "appalling trading condi-

tions and the heaviest investment programme in the group's history".

The bottom line looked better after the inclusion of a R51,5 million extraordinary income stemming from profit on the sale of properties. This boosted net income after extraordinary items to R143 million.

In the period under review, five properties, in which Wooltru holds security of tenure by way of long leases, were sold for R119,7 million to fund expansion and acquisitions.

Mr Hall says the counter-cyclical investment strategy and the maintained dividend are a gauge of the directors' long-term

confidence in Wooltru.

Mr Hall says Woolworths shouldered the full impact of cash-strapped customers and the cost of dealing aggressively with high levels of stock flowing from optimistic budgets.

Some styling did not find favour with customers, resulting in substantially lower profits.

Woolworth's clothing was the only Wooltru division that made a loss in the review period.

"We have addressed this challenge and did not hesitate to invest substantially in top people, in information systems, an exciting marketing initiative and in stores."

Makro's major expansion pro-

gramme (including a 42 percent growth in space) impacted adversely on profits.

Mr Hall says the depressed results are a reflection of both this investment and trading conditions.

SRG, comprising Truworths, Truworths Man, Topics and Daniel Hechter, was the star performer.

He says SRG's results were particularly pleasing and were the reward for substantial investment over many years.

Mr Hall says that Wooltru is not budgeting for any economic recovery in the current financial year. "However, we do expect to increase profits this year, though not to the levels of 1991."

STAR 14/8/92

Star 14/8/92

Alliance demos raid OK shelves

CAPE TOWN — A city supermarket was raided by about 100 people yesterday who snatched bread and milk from shelves, which they then ate in the aisles, said OK Bazaars security guard Russell Adonis.

The lunchtime raid was part of the ANC alliance's mass action campaign, according to Cosatu regional chairman Johnny Malebo. (20)

"We are proud of it," he said, commenting on the swoop by protesters who took bread and milk from the OK Bazaars's Adderley Street basement food department. The "very successful" action against high food prices had been organised by the Unemployed Workers' Union.

Police were at the scene but took no action.

Cosatu affiliates were to meet in Cape Town last night to plan more action related to the alliance campaign. — Sapa

Sales 'alarmingly low' in furniture retail sector

6 DAY 14/8/92 (30)

MARCIA KLEIN

FURNITURE retailers would need to do exceptional trade over the Christmas season to pull them out of this year's devastating slump, analysts said yesterday.

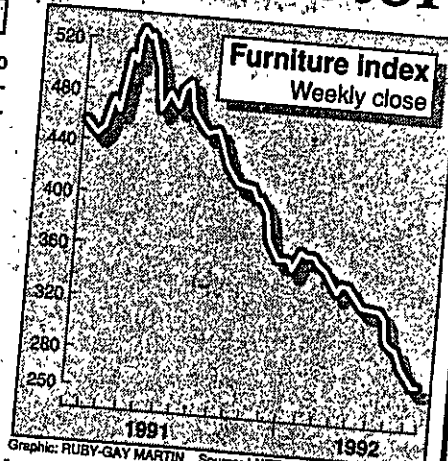
They were commenting on yesterday's release of Retailer Liaison Committee figures which showed that sales of furniture, appliances, TV and audio equipment were up by 4,3% at current prices during the second quarter.

The figures, which were released by the Furniture Traders' Association, showed that furniture sales grew by 3,7%, appliances by 9,3% and audio equipment by 11,9%. Sales of TVs and videos dropped by 6,6% at current prices.

Taking inflation into account, all these sectors showed significant sales declines in real terms.

Analysts said the figures reflected the extent of the downswing in the sector, and said sales were "worryingly low" in real terms. Retailers reporting over the next six months would do well to show a 20% drop in earnings, they said. The figures come off a low base in the previous year, and sales for May and June 1991 grew by 6,3% at current prices. Sales have declined in real terms since April last year.

Analysts said furniture retailers made about 60% of their annualised profits in the



Graphic: RUBY-GAY MARTIN Source: FNET

last quarter, so there was a possibility of an improvement in the second half.

Association executive director Frans Jordaan said the latest drop in the prime bank rate meant a reduction in the finance charge rate would follow soon. Although this did not have a dramatic impact on monthly instalments, it should boost consumer confidence.

Shares of the major retailers have dipped significantly over the past year. Ellerine, once a high flyer on the JSE, closed yesterday at a R46 low after reaching a high of R64 in August last year. JD Group, which traded as high as 450c at this time last year, closed yesterday at 300c.

EXECUTIVE SUITE

Wooltru's profit drops 37%

BIDA 14/8/92

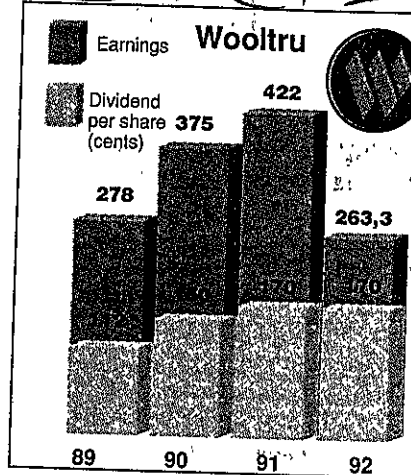
LINDA ENSOR

CAPE TOWN — Retail giant Wooltru suffered a 37,6% drop in earnings a share in the year to end-June — somewhat worse than analysts' expectations — but has maintained its dividend of 170c.

Earnings fell to 263,3c (422c) a share and the dividend cover to 1,5 times (2,5) after the declaration of a final dividend of 93c.

The recession, merchandise and stock problems in Woolworths' clothing division and a heavy investment programme resulted in the 15% increase in sales to R3,8bn (R3,3bn) being converted into a 39% decline in pre-tax income to R164,7m (R263,5m) and a 37% drop in attributable profit to R91,9m (R146,9m).

□ To Page 2



Graphic: LEE EMERTON Source: WOOLTRU

Wooltru

BIDA 14/8/92

30

□ From Page 1

The results show a deterioration in conditions in the second half, as at interim stage turnover rose 17% and pre-tax profit and earnings a share slumped 28%.

Wooltru CE Colin Hall said Speciality Retail Group (SRG — Truworths, Truworths Man, Topics and Daniel Hechter) gained market share and made an "impressive" increase in profits. "Although not Wooltru's biggest division, SRG made the biggest contribution to profits."

The Woolworths food division gained market share but the clothing division lost market share and produced substantially lower profits than last year.

Hall was confident Woolworths had returned to its formula of high quality, low priced merchandise and that it would begin to regain market share this year. Expenditure on marketing increased to R12m (R3m) last year and would increase further to about R25m this year.

Cash and carry wholesaler Makro produced turnover above inflation and gained market share but profits were hit by the major expansion programme which saw store space increase by 42%. Makro parent Massmart launched stationery and business equipment supplier, Makroffice, and acquired the Drop Inn liquor chain.

The final results gave no divisional breakdown, but at interim stage Woolworths had increased sales by 9% while its pre-tax profit fell 55%. Makro's profits slid 61% on a 26% improvement in sales, and SRG produced a sales increase of 20% with pre-tax profit rising by 18%.

Borrowings were reduced by R24,6m and the group had bank balances and cash amounting to R39,9m (R33,7m) at year-end.

While increased profits had been forecast for this year, profit levels would not reach 1991 levels. The dividend would at the least be maintained. Hall said



Pick 'n Pay chairman Raymond Ackerman in discussions at the Food Logistics Forum in Midrand last night. Delegates resolved to approach government to consider zero rating VAT on basic foodstuffs.

Picture: ROBERT BOTHA

Forum to appeal for zero-rating on food

BTDA 148192.

MEMBERS of the Food Logistics Forum, which includes the major players in the food chain, said yesterday they would approach government to consider zero rating VAT on basic foodstuffs.

The forum, which included 94 delegates representing farmers, marketing boards, agricultural co-operatives, manufacturers, wholesalers, retailers and consumer representatives, met yesterday under the chairmanship of Judge Cecil Margo to discuss "the constraints and costs which affect food inflation".

It outlined several key issues to be addressed in an attempt to bring food prices down, including:

- Whether to put recommended prices on basic foodstuffs and whether to control some prices or let market forces reign;
- Whether the profits gained from import tariffs and duties should be used to lower prices on basic foodstuffs;
- To consider the status and function of marketing boards and how they could be restructured to protect the farmer and offer a more streamlined service to the manufacturer;
- To examine the cost issues with regard to retailer, manufacturer relations and the issue of economic concentration;
- To measure and improve productivity, strike action and shrinkage;
- To obtain clarity on the formulation of Central Statistical Services figures;

MARCIA KLEIN

To pinpoint the underlying causes of inflation, including electricity, water and interest rates; and

To look at the gap between the price the farmer is paid and what the manufacturer pays.

Pick 'n Pay chairman Raymond Ackerman said it was generally accepted that the marketing boards had a role and that farmers should stay on their land. But the boards needed to be more marketing-orientated.

Delegates said the sustainable importation of food was not viable. Boards had a role to play but should be opened up to more competition.

Ackerman said it was notable that the private sector was going ahead without waiting for government. Ten task groups would be sent out to investigate the key issues, and the forum would meet again to examine their findings.

Sapa reports that the task group on VAT will seek a meeting with Finance, Trade and Industry Minister Derek Keys shortly.

Pick 'n Pay food director Sean Summers said there was no doubt VAT was having a severe effect on food price inflation. He said the re-introduction of VAT exemption on basic foodstuffs could see the food price inflation rate fall by as much as 5% in the short term.

Woolworths returns to its strong points

WOOLWORTHS has paid a heavy price for misreading its market.

Its foray into high-cost fashion clothing resulted in another drop in market share in the year to June.

It was one of the main factors behind parent Wooltr's 38% drop in earnings. It was the group's first decline since 1986.

Although remedial action is under way to reposition Woolworths as a high-quality, value-for-money store, the recession is likely to delay its recovery.

Wooltr's chief executive Colin Hall says Woolworths followed an international move up-market move by introducing higher priced designer-type fashions. But it met with unprecedented resistance from customers. Ranges broke down,

BY CHERILYN IRETON

leaving the group with relatively expensive stock which was costly to move.

Earlier this year, when management identified the problem, they hired several top executives, including marketing whizz Carol Grolman. A strategic decision was taken to return to the image that Woolworths had strayed from — an affordable, quality clothing and household goods store that offered real value.

Longer

Heavy stock write-offs followed. Mr Hall says: "We've always been conservative in our accounting and are even more so at the moment. The only thing we haven't written off is Woolworths."

ing lines, our customers picked up the problem quickly. Unfortunately it takes a bit longer to fix the problem."

Woolworths scored in the past from buying ranges of clothing in large quantities. This enabled long manufacturing runs, which kept prices affordable. High-fashion goods are made in short runs, using imported materials, which are subject to currency fluctuations.

Apart from a rejuvenated marketing effort, which includes a multi-million-pound advertising campaign, Woolworths is investing heavily in better buying, in-store systems, aimed at increasing efficiency.

Once up and running, Woolworths will examine payment options to its present cash system in an attempt to make it more accessible to customers.

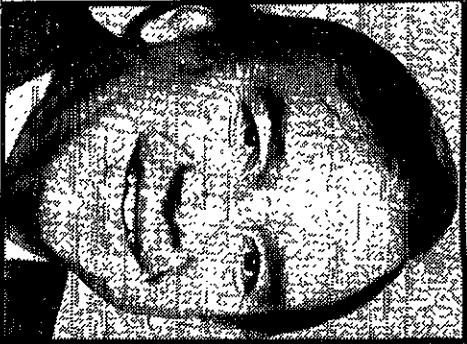
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"We have to offer more options at the point of purchase" says Mr Hall. "If we are going for lower-income groups we must give the customer the opportunity to make purchases easily."

Details of Woolworths' financial haemorrhage will not be available until the publication of Wooltr's annual report. But in the statement accompanying the results, Mr Hall says profits were much lower than last year's.

The only embroidering he will do is to say that the feet count through stores held up, "remarkably well", but spending dropped. May and June were particularly bad months. As a result stocks were higher at the end of the financial year than he would have liked.

But management is happy that the steps taken have already drawn people back to the shops. If there



COLIN HALL: We've plenty of cash

were no recession, management would be remarkably confident of a speedy recovery.

Mr Hall is not too troubled by concern that the results might damage the company's market rating. "We are one of the few groups strong enough to make contra-cyclical investments."

"The best thing that I can say to investors is that their dividend is safe, we have plenty of cash, strong management and are building up assets."

Eviction threats ^{Sowetan 18/8/92} (30)

■ Cloud hangs over shopping centre:

By Victor Tsuai

BUSINESSMEN trading at the Dobsonville shopping centre are angry over threats by the local council to evict them.

The centre has been operating for 30 years.

According to Reuben Gumede, secretary of the Dobsonville Traders Association, the shopkeepers last month received a notice from the council instructing them to attend a meeting.

"We went to the meeting but there was no proper agenda," said Gumede.

"Instead, two officials showed us plans and kept saying the place needed renovations. But what worried us is that council officials kept saying they were going to invite tenders.

"This could mean that we are possibly going to be outbid by other more prosperous businessmen. The sooner the council officials explain the whole matter the better," Gumede said.

He said the traders wrote a letter to the Transvaal Provincial Administration last year requesting that the premises be sold to them.

He said the matter had since been referred to the council.

Boycott of shops (30)

BLACKS were boycotting white businesses in Richmond this week following the fatal shooting of a 19-year-old man and the wounding of a youth in Magoda. *Sowetan 18/8/92*

The ANC demands that 121 Battalion be withdrawn from the area.

The body of Mr Fani Ndzimande was found by the police on Saturday. He had a bullet wound in the neck.

Few workers were absent from work in Richmond yesterday. - *Sowetan* Correspondent

Too many amateurs in retailing, says MD

STAR 18/8/92.

(30)

South African retailers should start looking at shopping as a business and not merely as a means of making a living.

As a well-known property man puts it, South Africa, unlike the UK, cannot be described as a nation of shopkeepers.

Patrick Flanagan, managing director of RMS Syfrets, who has been involved in the assembly of main shopping complexes, including Eastgate and Southgate, says: "There are too many shopowners who are part-timers, hobbyists, bored housewives, or who are simply unsuited to the task."

He sees the consequences of this attitude as poor service and merchandising, understocked shelves and under- or over-priced goods.

"There is also a failure to identify target markets and no marketing strategy," Mr Flanagan says in the new South African Property Owners Association

(Sapoa) publication, Shopping Centre Profile.

The results, he warns, are likely to be cash flow problems, substandard turnovers and trading losses.

"Shopkeeping is a business that generates a living," he says.

"To start a business one needs a proper business plan.

"Before an aspirant shopkeeper rushes off to secure the 'best' available premises, his business plan should be formulated and should define the type of operation — service or product-oriented — to be run."

Target markets have to be determined and competition assessed.

A first-year operating budget has to be in place, with a longer-term strategy.

Emphasising that the landlord and shopkeeper should be seen as partners in business, Mr Flanagan, says: "The landlord needs his tenants to trade professionally, seek to optimise

turnover and complement the tenant mix in a centre.

"The tenant, on the other hand, seeks to optimise trading density and hence turnover, minimise operating costs and thereby make a profit."

Not along

Another report in Shopping Centre Profile points out that South Africa is not alone in experiencing a downturn in retail sales.

World-wide there has been a slump in sales, with turnovers down and rents easing off.

Retail property was the worst hit sector last year.

With consumer spending less buoyant generally, world figures show that shop rents fell four percent on average.

Drop in rents

Of 76 cities surveyed, 52 recorded static or falling rents.

While the publication does not list figures for South Africa, market sources say there has been a six to seven percent drop in retail rents here.

In Britain about 700 000 sq m of new shopping centre space came on to the market last year and another 900 000 sq m is swelling the market further this year.

Take-up, however, is likely to remain slow and some major groups are consolidating and disposing of surplus space acquired during the 1987-88 boom.

Keen demand at Fourways Mall

Fourways Mall, the R202 million complex at the key Fourways intersection in Sandton, is filling up fast.

Of the 165 retail outlets at the 60 000 sq m spread, only 31 remain for leasing.

This is considered an extraordinary start-up performance in view of the prevailing economic sluggishness.

Ronnie Sevitz, leasing agent

for the Investec Property Group, says: "The superb location of the Mall as well as the fact that it is a landmark in a rapidly growing high-income area, have undoubtedly been the main reasons for the strong business interest."

Major tenants in the Sanlam Properties-owned development include Woolworths, Hyperama, Edgars, CNA and Clicks.

Empty shops abound in ⁽³⁰⁾ Western Cape STAR 18/8/92

The economic slump and resultant liquidations are closing down businesses across the Western Cape, says Philip Upton, director of Permanent Trust, which has more shops to rent on offer than at any time since the mid-1980s.

The Permanent Trust is offering 450 shops for rent, in areas ranging from the central business district to the countryside, Alide Dasnois reports from Cape Town.

Mr Upton says: "I can't remember any time since about 1984 when we've had so many commercial properties to let. And this time it's not because of new buildings coming on stream.

Movement

"Some small businesses are being liquidated, others are not renewing lease agreements because their owners can no longer afford to pay rents.

"At the same time, there's a lot of movement from one area to another."

In areas like Parow and Vasco, big new shopping centres have taken clients away from smaller shops.

"Food shops, clothing shops have all been struggling. In some areas even big chain stores are closing down branches."

Though rentals in the best positions are still "pretty high," in general there is downward pressure on commercial rents.

Shareholders in a quandary over McCarthy merger plan

By David Canning

DURBAN — McCarthy and Prefhold face a "selling" job over their proposed merger.

Shareholders are divided into two schools of thought over the merits of their planned merger — evidenced by a sharp dip in McCarthy's share price last week.

Group chairman Brian McCarthy said major shareholders on both sides had taken "some convincing" about the merger. However, once the merits were explained, most institutional shareholders appeared content with the logic.

He conceded last week's selling — the price dipped to 300c at one stage after a long period of no trading — appeared to be from a disaffected shareholder.

"On both sides we initially found shareholders

who had either great enthusiasm or were lukewarm towards the proposals.

"However, when we explained in greater detail the very meaningful synergies, we found shareholders to be generally content."

High-focus

One of the issues which worried McCarthy shareholders was that the group's past success had flowed from its high level of focus on motor retailing.

It was true the group's high-focus had been successful — growth in earnings and dividend flow had always been in the upper quarter of industrial companies.

"So, they asked, why get involved in other forms of retailing?"

The answer was that synergies existed — and

the structure of McCarthy itself would not change. "We stay highly focused in motor retailing"

A stockbroker with a large firm unconnected with the talks said he found circumstances surrounding the merger difficult to understand.

"We find the groups to be very strange bedfellows — one highly involved in the motor trade while the other is in the mass market."

He believed the merger had occurred because of a mutual understanding between Brian McCarthy and Terry Rosenberg, more than from any inherent compatibility between the businesses.

"Shareholders, however, should not think about immediate prospects as much as what lies down the road."

In that sense, he be-

lieved Prefhold — which was still suffering a hangover from overpricing of its ordinary shares on listing — was getting the better deal.

Big plus

However, the injection of Terry Rosenberg's skills into McCarthy would be a big plus factor as McCarthy's top executives would be retiring in a few years.

He wondered whether there might be some future payoff — perhaps some of the substantial foreign holdings of major Prefhold shareholder Jonathan Beare could be useful for McCarthy expansion abroad.

McCarthy recently acquired four dealerships in the UK but generally its foreign expansion is limited because of exchange controls on South Africans.

Scheme will

boost black business

STAR 19/8/92

By Michael Chester

A multimillion-rand plan to bring more black entrepreneurs into the economic mainstream has been announced.

More than R500 million in bank loans could be ploughed into the cash-starved small business sector over the next three years.

The loan bonanza was announced by the Small Business Development Corporation (SBDC), which forecast an end to the frustrations of many budding entrepreneurs who had until now been denied loans because they were considered too high a risk.

The head of the SBDC business finance division, Kees de Haan, said First National, Standard, Nedbank, Boland and African Bank had agreed to channel special loans into the scheme. All five banks had alerted managers of a combined total of more than 1 000 branches to be on standby to offer their expertise and guidance to loan applicants.

Loans of up to R400 000 each would be considered, with repayments over five years.

Bank fees would be held at 0,75 percent a year and interest rates set at no higher than 4 percent above the prime overdraft rate.

The magic key that had unlocked loan funds was the provision of guarantee finance to safeguard the banks from the risk of bad debts.

The SBDC said the Department of Finance, through the Department of Trade and Industry, had already provided R20 million to underwrite the first flow of loans.

Govt underwrites bank finance

R500m loan plan to bolster small business

BlDAY 19/8/92.

30

THEO RAWANA

A R500m scheme would provide development finance for thousands of small and medium businesses to enter the mainstream of the economy in the next three years, the SBDC said yesterday.

The scheme — a joint effort by the SBDC, five commercial banks and government — would offer development finance to small and medium enterprises through the branch networks of the banks, the SBDC said.

The banks involved were African Bank, Boland Bank, FNB, Nedbank and Standard Bank.

The Finance Department, through the Trade and Industry Department, had provided the initial R20m to underwrite the scheme, which was being administered by the SBDC.

SBDC head of business financing Kees de Haan said: "The scheme underwrites a portion of the risk to which the bank is exposed when considering small business loans, thus enabling the bankers to retain their normal credit standards while at the same time reducing the collateral which the entrepreneur would normally have to supply."

The scheme harnessed the business financing expertise of thousands of the banks' managers and their infrastructure of more than 1 000 outlets, and combined this with the development of the SBDC, De Haan said.

It benefited the entrepreneur by reducing collateral requirements, increasing sources of development capital and providing greater access to the whole range of services offered by the banks, he added.

To date the scheme had underwritten finance to more than 130 small and medium enterprise clients for whom finance amounting to R28m had been mobilised.

"The maximum amount of financing per client which may be accommodated in the scheme amounts to R400 000, while the maximum period of the guarantee is five years.

"A fee of 0,75% per annum is levied on the amount granted, while the banks may not charge an interest rate higher than their prime overdraft rate plus 4%," De Haan said.

"The scheme is a further deployment of the SBDC's striving to optimise state development funds and the mobilisation of private sector resources in the promotion of entrepreneurship among all South Africans," he added.

He said the scheme was created to unlock the financial resources and infrastructure of the commercial banks for the benefit of the small enterprise community.

Last week SBDC MD Ben Vosloo said the SBDC had been forced to cut loans by almost 30% because of government's virtual elimination of its subsidy.

He warned that loans could be cut by 50% unless new forms of finance were secured for the next financial year.

Loan inquiries from aspirant businessmen were pouring in at the rate of 2 000 a day, almost double the rate of last year.

Government this year cut state capital funding for the SBDC from R100m to less than R8m.

Drought devastates wildlife

3/10/87 2018/72

RAY HARTLEY

THE drought is having a devastating effect on SA's wildlife and animal populations that had taken years to reach optimal size, African Wildlife Foundation senior associate Perez Olindo said yesterday.

Olindo, a Kenyan who was appointed chairman of the Bophuthatswana Parks Board recently, said game parks were undecided on whether to cull the animals and sell them before they died naturally because of the drought.

He said SA and Kenya employed very different game management methods.

While Kenyan game parks were seldom fenced and game interacted naturally, SA parks were highly managed and some species were actively protected against predators.

"SA's parks are heavily influenced by human decisions. Once you fence in, you naturally block off the traditional migration of animals and the management aspect intensifies," he said.

He said SA tourism could be improved

by increasing the number of high quality game viewing opportunities and charging higher fees for them.

The education of children on the value of game was an essential part of game management, and programmes to allow children into parks would be developed by the Bophuthatswana Parks Board, he said.

Olindo, who has acted as a consultant on game policy in 38 African countries, will spend a week talking to top game officials about the future of SA's game parks.

He is responsible for co-ordinating the African Wildlife Foundation's African elephant conservation programme and policy.

Olindo became deputy director of the Kenya National Parks Board in 1965, later serving as director until 1976. He was appointed vice-chairman of the East African Wildlife Society in 1978 and became director of conservation and management for Kenya's Wildlife Department in 1987.

Kaunda at convention

3/12/87 THEO RAWAN

FORMER Zambian president Kenneth Kaunda and SA Deputy Finance Minister Theo Alan will share the platform at the seventh annual convention of the Association of Black Accountants of Southern Africa (Abasa) next month.

The conference, with the theme "accountability within the SA economic structures", will also feature Auditor-General Peter Wronsky, Weekly Mail editor Anton Harber, Vrye Weekblad editor Max du Preez, and SADC executive secretary Simba Makoni from Zimbabwe.

The three-day conference starts on September 6 in Sandton.

August retail sales likely to drop, economists say

3/10/87 2018/72

GERALD REILLY

PRETORIA — The expected total retail sales value in August will reflect the continuing downward spiral and growing distress in the sector, economists say.

The Central Statistical Service says August's expected figure is down by 1.5% to R6,744bn compared with July.

The projection is based on information from 100 major retailers.

After seasonal adjustment, only a slight increase of 1.3% is expected. CSS says total real retail trade sales for the first eight months show a decrease of 5.2% compared with January to August last year.

Stellenbosch University's Bureau for Economic Research expects the trend to continue at least until the year-end, with some hope of a recovery in the first quarter of next year.

Other economists say most sectors of the economy will remain "bogged down and shackled" until real and measurable political progress is made.

CSS says that in the three months to end-August retail sales at current prices increased by 7.2% to R21,104bn, but at constant 1990 prices they declined by 6.7% compared with July-August last year.



Trafalgar Court

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Forum to lobby for variable VAT rates

CAPE TOWN — The Food Logistics Forum is to lobby for a differentiated scale of rates for VAT on different goods, Pick 'n Pay chairman Raymond Ackerman said yesterday.

A forum delegation is to present its proposals to Finance Minister Derek Keys in about 10 days.

Ackerman said the forum — which met last week — wanted all food to be zero rated, or alternatively wanted basic foodstuffs to be zero rated and other food rated at 5%.

Basic items such as clothing should be rated at 10% and luxury goods at 20%. He said this would reduce food price inflation to 10%.

Calculations on the effect of these proposals on total VAT revenue were being undertaken. However, Ackerman conceded that in the past government had opposed the idea of differentiated rates as this would make it easier to avoid paying VAT.

He also disclosed that Central Statistical Service (CSS) head Treurnicht

LINDA ENSOR

du Toit had agreed to publish two rates of food inflation in future — one for the chain stores and one for smaller retailers.

He said independent consultant Louis Heyl had calculated that the food inflation rate at the chain stores, which sold about 55% of all food in SA, was 15,6% plus 6% for VAT which gave a rate of 21,6%.

This compared with the CSS rate of 28,5% for food inflation which Ackerman said meant that the smaller outlets were charging excessive mark-ups of as high as 100%.

He said a differentiation of food inflation rates would open the way for joint ventures between the chain stores and the smaller retailers with the aim of bringing down food prices. Ackerman said the larger chains could take a minority stake in the smaller outlets.

● Comment: Page 8

Shoprite performance augurs well for Pepkor

610 AM 20/8/92 30

MARCIA KLEIN

PEPKOR's new food division, housed in Shoprite and Checkers, would start making a satisfactory contribution to group profits by February 1994, chairman Christo Wiese said in Shoprite's annual report, the last on Shoprite in its current form.

Shoprite showed a dramatic 51% earnings rise to 41,1c a share and a 54% turnover increase to R1,1bn in the year to end-February, which Wiese described as a year of social disruption and "the inability of the economy to shake off the recession and stimulate growth".

A 13-year financial review showed that since it was launched in 1980, Shoprite's turnover has grown from R11,8m to R1,2bn, and its earnings from 1,7c to 41,1c a share.

Wiese said the new financial year would be largely one of consolidation. The management team faced an enormous task of integrating the activities of two food chains while simultaneously turning Checkers around.

A rationalisation and development programme was already in place, he said.

He said there had been a high degree of acceptance and support by consumers and suppliers for the new food division.

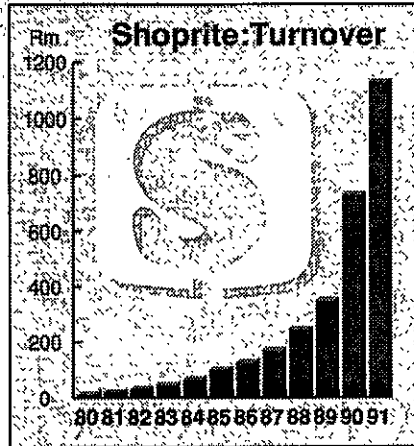
MD Whitey Basson said financial 1992 had been one of the best in the company's history.

Substantially higher turnover, profits and earnings had resulted from "enhanced systems, improved productivity, decreased debt and the complete integration of the acquired Grand Bazaars operation".

Pepkor's acquisition of Tradegro had afforded Shoprite the opportunity of further growth. Basson said that trading as a consolidated company, Checkers/Shoprite would command close to a third of the supermarket trade.

Since year-end, Tradegro acquired all the retail supermarket and butchery businesses of Shoprite as well as its trade names.

Shoprite would become a cash shell and its shares have been suspended on the JSE. All of Pepkor's food and household products interests would be housed in Tradegro, and Shoprite and Checkers would be restructured and merged into a single listing.



Graphic: LEE EMERTON Source: SHOPRITE

NEWS Banks join forces in far-reaching business scheme ● Craven on Die Stem row

R500m to set up

Small businesses

Sowetan 24/8/92
THOUSANDS of unemployed blacks have a chance of getting into the small and medium size business field - with immediate effect.

More than R500 million in bank loans could be ploughed into the cash-starved small business sector over the next three years, the Small Business Development Corporation (SBDC) announced yesterday.

The head of the SBDC business finance division, Mr Kees de Haan, said the African Bank, Boland Bank, First National Bank, Nedbank and Standard Bank have joined forces in a scheme which could provide employment for thousands of people. The Department of Finance,

(30)
■ A chance for thousands of unemployed:

through the Department of Trade and Industry, has provided an initial R20 million to underwrite the scheme which is being operated and administered by the SBDC.

The scheme underwrites a portion of the risk to which the bank is exposed when considering small business loans - thus enabling the bankers to retain their normal credit standards while, at the same time, reducing the collateral.

Those interested should contact their bank managers for advice.

NEWS Possible blackout at Diepkloof's Blackchain complex ● Time still to see Ibrahim

Businessmen owe councils R135-m

■ Arrears for rent, services and electricity

By Victor Tsuai

Sowetan 20/8/92

BUSINESSMEN in Soweto owe about R135 million for rent, services and electricity, it was learnt yesterday.

In Diepkloof alone traders owed the Diepkloof Council R126 million, Mr Eridi Maheppy, the council's spokesman said.

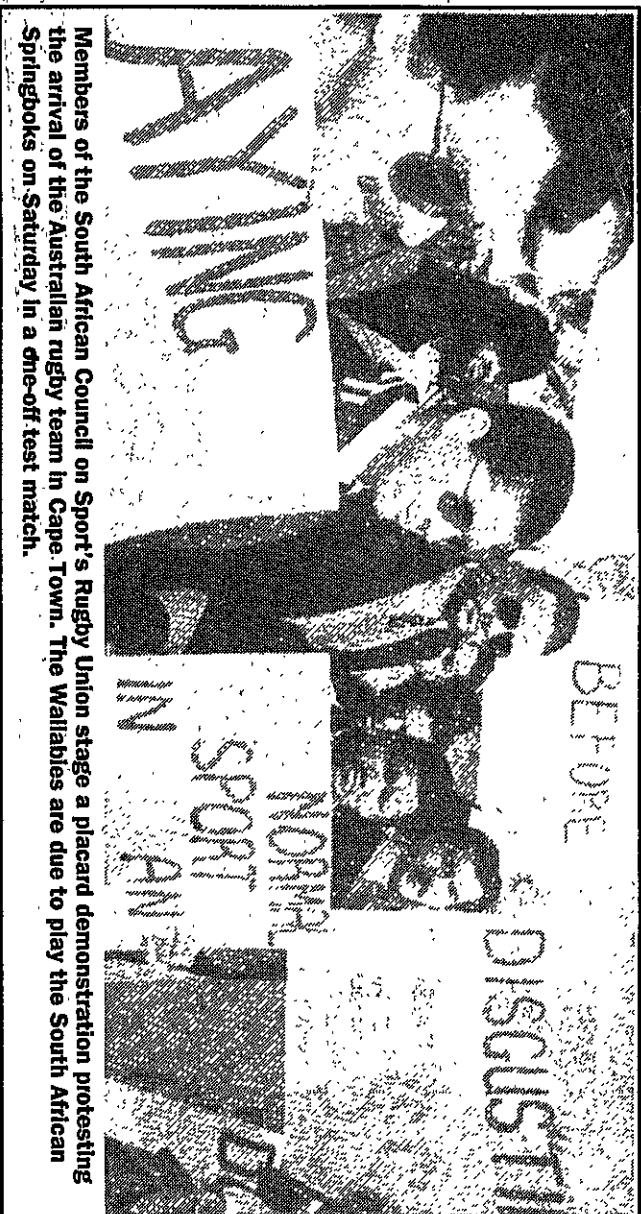
The Soweto Council says it is owed between R6 to R8 million by local businessmen. The Blackchain shopping com-

plex in Diepkloof faces a possible blackout because of a R500 000 electricity bill owed to the Diepkloof Council.

Maheppy said the money owed by businessmen in Diepkloof was being discussed with them for payment.

"The people at Blackchain have been enjoying our benefits for too long now."

"We have given them a fair chance to pay up and they've so far they haven't."



Members of the South African Council on Sport's Rugby Union stage a placard demonstration protesting the arrival of the Australian rugby team in Cape Town. The Wallabies are due to play the South African Springboks on Saturday in a one-off test match.

Retailers sell off buildings to raise cash

Aug 20 1992
TOM HOOD, Business Editor

RETAILERS are selling their buildings to raise cash and offset a countrywide drop in sales and profits. (30)

Properties worth R150 million have been sold in the past month to Sanlam by Pick 'n Pay, the Wooltru group and Bergers and leased back for up to 20 years.

Transactions of this kind totalling R260 million have been concluded over the past year, says Mr Fanie Lategan, general manager (Investments) of Sanlam Properties.

He said large companies had realised they would benefit by investing the capital in their businesses rather than having it tied up in property.

"Millions of rand would be released to address urgent social needs such as training, health and housing if government and semi-government institutions rented rather than built offices.

"It will pay the public sector to convert certain assets into cash."

Makro sold five warehouses for R120 million and Sanlam leased them back to Wooltru for 20 years.

ACREM

Trimming the sales (30)

Activities: *Retails general merchandise.*
Control: *Columbia Consultants 93%.*
CE: *A G Hirshowitz. FM 21/8/92*
Capital structure: *77,6m ords. Market capitalisation: R23,3m.*
Share market: *Price: 30c. Yields: 1,2% on earnings; p:e ratio, 81,1. 12-month high, 40c; low, 30c. Trading volume last quarter, nil shares.*

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	10,1	5,9	7,4	7,9
LT debt (Rm)	0,38	20,4	14,9	10,7
Debt:equity ratio	1,54	1,57	0,67	0,51
Shareholders' interest	0,22	0,31	0,53	0,63
Int & leasing cover	5,70	3,66	3,13	1,67
Return on cap (%) ..	7,1	20,2	15,4	9,3
Turnover (Rm)	43	54	56	37
Pre-int profit (Rm) ...	2,2	10,2	9,7	5,4
Pre-int margin (%) ..	5,2	19,0	17,1	14,6
Earnings (c)	7,3	15,6	8,5	0,37
Dividends (c)	—	5	6	—
Net worth (c)	27	41	43	47

Acrem, operating primarily in the western Transvaal, grants credit to a large customer base which buys merchandise ranging from jewellery and electronics to arms and ammunition. The decline in consumer spending, as well as a policy of more selective granting of

credit, reduced earnings by two-thirds in 1992. *FM 21/8/92* (30)

The sale last August of I Lubner & Sons gave Acrem the cash injection it needed to cope with the tax charge of R1,9m after nil last year. Further tax payments of about R1,5m will have to be made annually for the next four years. In any event, Lubner's earnings contribution did not justify the attention it required from group management.

The debtors' book was maintained and stock reduced. Gearing was brought down to 51% (1991: 67%) and the current ratio rose from an already high 3,6 to 4,2. Financial director Philip Tunstall says with low consumer spending, it would not be prudent to embark on a growth campaign this year, even if Acrem broke even or made a small loss; but more than two-thirds of clients are repeat customers, which should at least preserve turnover.

Tunstall says plans have not been finalised to delist controlling shareholder Columbia Consultants (93%), of which Acrem is one of two major investments. "The structure of the group is being reviewed and there may be rationalisation."

This may improve the thin market in the share. No ordinary dividend will be paid in 1993 and the share is trading at a 12-month low of 30c. A cautious approach from investors is called for.

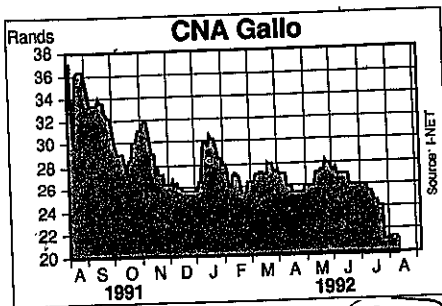
Kate Rushton

DEFINITIONS

Shareholders' interest: Total shareholders' funds expressed as a ratio of capital employed.

Pre-interest profit: Pre-tax profit plus net interest paid.

FM 21/8/92



mism for theft. Cuzen draws particular attention to this in his CE's report when he says that, despite constant control and vigilance, shrinkage has increased.

Two new developments hold out considerable promise for this year: the first is CNA Gallo's buy-out of the remaining 50% of the equity in Nu Metro, which will now be consolidated as a subsidiary. Cuzen says Nu Metro offers a good product, which is translating well into turnover and profit.

He is especially excited about the introduction of Sunday cinema, which will bring obvious benefits. New projects include an exclusive hold on the Cape Town waterfront, where Nu Metro will open with 11 screens in November, and a concentration on development of the black market, which Cuzen says has long been ignored.

He warns, however, that Nu Metro won't persevere with sites that run at a loss and don't incorporate the concept of several cinemas in the same centre.

The second new venture is CNA's establishment of a joint venture with Heinemann UK, in terms of which the company's Centaur scholastic operations will be merged with those of Heinemann; CNA will hold 50% of the equity and provide management. Cuzen says the scholastic publishing market will develop rapidly over the next few years and Heinemann, one of the world's largest publishing and information companies, has an excellent educational book list.

Chairman Doug Band's prediction for this year's results is sombre. He says there's been no respite from harsh trading conditions in the first two months and little prospect of any increase in earnings.

The counter is trading at 2 125c — its low for the past 12 months — with a p/e of 13,3 compared with a sector average of 15,4. Considering these results, this is probably an unfair reflection of CNA's true, long-term worth but in the present market anything's possible. Still, this is an intrinsically sound company and the present price offers a buying opportunity.

David Gleason

CNA GALLO FM 21/8/92
Slower chapter

30

The recession has finally caught up with CNA Gallo. Results for 1992 reflect a much slower growth in turnover and earnings fell for the first time in five years. MD Dennis Cuzen isn't enthusiastic about prospects for 1993. Given the lack of progress in talks aimed at settling the political impasse, the effect this has on consumer confidence, and inroads the slump has made on discretionary

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Activities: Supplies leisure; entertainment, information and knowledge products.

Control: Argus Holdings and Premier Group 65,3%.

Chairman: DDB Band; MD: A DL Cuzen.

Capital structure: 33,2m ords. Market capitalisation: R664m.

Share market: Price: R20. Yields: 3,4% on dividend; 8,0% on earnings; p:e ratio, 12,5; cover, 2,4. 12-month high, R37; low, R21,25.

Trading volume last quarter, 195 523 shares.

Year to March	'89	'90	'91	'92
ST debt (Rm)	1,4	8,4	3,0	2,2
LT debt (Rm)	4,1	5,1	8,8	8,2
Debt:equity ratio	0,37	0,90	2,22	0,09
Shareholders' interest	0,32	0,30	0,25	0,54
Int & leasing cover ..	4,0	4,9	1,7	5,7
Return on cap (%) ..	11,7	9,8	10,2	19,5
Turnover (Rm)	665	626	833	838
Pre-int profit (Rm) ...	52,9	67,4	86,5	80,3
Pre-int margin (%) ..	9,6	9,6	10,2	9,3
Earnings (c)	112,9	141,8	168,5	160,3
Dividends (c)	45	55	67	67
Net worth (c)	347	401	581	600

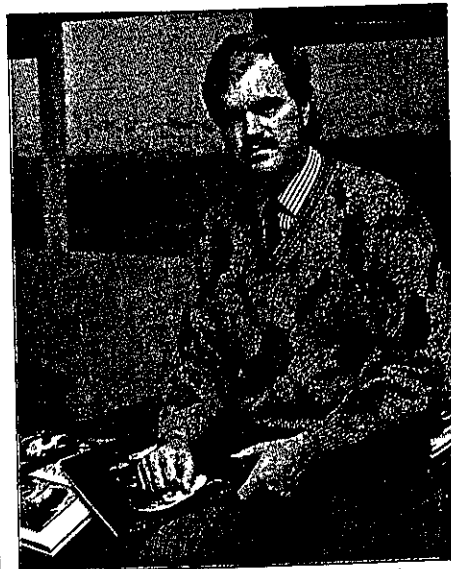
spending, Cuzen says holding earnings and dividends at current levels won't be easy.

CNA's performance in 1992 is creditable for a year in which the recession deepened and all companies that depend on discretionary spending consumer markets suffered severely. Cuzen is disappointed the growth trend wasn't maintained but pleased the potential damage was controlled to the extent that the dividend was held.

CNA's core business — retailing — again produced the bulk of profit by contributing 41% of earnings; Gallo provided 18,2%, down from last year's 25,5%; the associates — Waltons, Struik, Mast, Nu Metro and Siveray produced 31,5%; and the balance came from the property company and Constantia Greeting Cards.

The balance sheet continues to reflect underlying strength. Borrowings fell again, this time to R10,4m, and net borrowings are at a low R5,7m. In an operation this size the near absence of gearing indicates a disciplined and conservative approach.

One area of concern is shrinkage, a euphe-

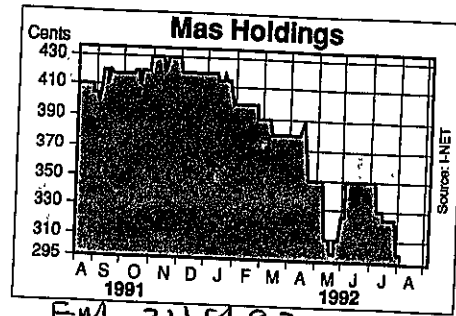


CNA Gallo's Cuzen ... difficult to maintain earnings

continued

MAS HOLDINGS (30)
Losing appeal

A realistic interpretation of the earnings suggests EPS declined rather than rose 8,2% as reported. If extraordinary items were included in attributable earnings, as they should



FM 21/8/92
 R137 000. In December, Magic by Mail, a mail-order company that operates two catalogues, one in SA, the other in the UK, was bought for R6,8m. The relocation costs were incurred by this operation's move from Johannesburg to Cape Town.

The purchase of Magic by Mail accounted for a large portion of the 67% leap in value of mailing lists to R13,5m, and the virtual doubling of the premium on acquisition of subsidiaries, to R10,8m. It was mainly responsible for increases of 24% and 30% respectively in stock and debtors. It was also partly responsible for the 76% jump in bank overdraft.

The large intangibles on the balance sheet are a source for concern. Premium on acquisitions as well as mailing lists and trademarks totalled 43% of shareholders' funds of R57,3m. Van Embden contends the values attached to the lists are real and, according to international practice, are at market value. However, as they are not sold or rented now, it could equally be argued that they merely represent the goodwill which any respectable business develops over time. If other credit-based retailers were to capitalise their customer lists, their capital structure would be materially inflated.

The bank overdraft has increased to R36,7m from R20,9m. Financing costs are rising steadily, and the interest and leasing cover has been declining for several years. Is it not time for Mashold to refinance itself

FM 21/8/92 (30)

Activities: Direct selling and mail order retailing.

Control: Mascon 57,9%.

Chairman: H van Embden; MD: M van Embden.

Capital structure: 22,4m ords. Market capitalisation: R78m.

Share market: Price: 350c. Yields: 4,6% on dividend; 12,0% on earnings; p:e ratio, 8,4; cover, 2,6. 12-month high, 430c; low, 295c.

Trading volume last quarter, 45 000 shares.

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	13,5	27,3	20,9	36,7
Debt:equity ratio* ...	0,6	0,9	0,6	0,8
Shareholders' int* ...	0,5	0,4	0,4	0,4
Int & leasing cover .	6,4	3,0	2,7	2,2
Return on cap (%)*	13,9	14,7	15,6	13,9
Turnover (% change) .	n/a	58	44	21
Pre-int profit (Rm) ...	7,3	12,1	14,2	16,3
Earnings (c)	25,6	32,8	41,6	41,9
Dividends (c)	12,0	14,5	16,0	16,0
Net worth (c)*	123	165	170	207

* Excludes premium on acquisitions but includes mailing list valuation.

have been, then EPS fell 3,7%. To isolate expenses incurred because of unsuccessful trading, and record them as an extraordinary item, does not wash.

It may be argued that all nonrecurring expenses should be recorded as extraordinary items and thus excluded from attributable earnings, but, as in this case, the practice can be misused.

In Mashold, the extraordinary item relates largely to costs that arose, in the words of CE Marco van Embden, because "Family Selections, the clothing direct-selling company, curtailed certain of its operations in the second half of the year as it was felt the effort in developing the operations did not warrant the rewards that could be achieved." The cost: R879 000. An extraordinary expense?

Relocation costs, the remainder of the extraordinary item, were small, at

FM 21/8/92

so that it is not borrowing short to fund long?

Granted, these are tough times to be marketing directly to consumers. The recession was bound to affect trading and Mashold did well to lift turnover by 20% and boost pre-interest profit, but the latest accounts do little for investor confidence.

At current levels, the share does not look expensive. But on present trends there is little about the company which is particularly appealing.

Gerald Hirshon

Curnow edges a bit higher

BIDAY 21/8/92 LINDA ENSOR

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CAPE TOWN — Automotive finishing product distributor Curnow M & G managed a slight improvement in earnings a share in the six months to end-June to 2,6c (2,4c). The interim dividend was maintained at 1c a share.

Curnow M & G distributes Duco paint, thinners and a range of allied products and equipment throughout the country.

Turnover increased by 7% to R23,3m (R21,8m) but margins came under pressure, causing operating income to stagnate. This was offset by the 26,4% drop in the net interest bill and an after-tax income of R585 000 (R533 000) was notched. Net asset value rose to 33,4c (30,9c) a share.

Union takes shopping list to retail employers

Weekly Mail Reporter

ALTHOUGH the retail sector has been relatively quiet this year, industrial action is still likely at some of the big companies. Under particular threat are the OK Bazaars and Checkers/Shoprite, with which the South African Commercial, Catering and Allied Workers' Union (Saccawu) is presently in dispute.

While the wage deal of an R110 across-the-board increase has been clinched with Checkers, the two parties remain in dispute over the issue of retrenchments, with the retail chain insistent on shutting down a number of its outlets.

A similar situation applies at the OK, which is also undergoing a period of rationalisation. The chain is offering R130 a month across the board as opposed to the union's R150. The OK has also proposed to

close up to 80 outlets this year, which could cost about 1 000 jobs. Checkers, which merged with Shoprite early this year after being taken over by Pepkor, faces strike action after management proposed a 10 percent wage cut. Management however quickly altered its tune after factory demonstrations. Checkers stores then settled on the R110 raise.

However, this is only valid for eight months, as the company agreed to the increases being applicable only from August rather than April, when it should have been implemented.

But now the two parties remain in dispute over the retrenchments. Pepkor — which is regarded in union circles as conservative — wants to shut down a number of Checkers outlets and keep the less-unionised Shoprite outlets running.

Although Shoprite is poorly organised Saccawu has been making inroads here since the merger. The union suspects Pepkor wants to rid the group of unionised employees as part of its rationalisation programme. Pepkor has apparently proposed to take give the union three days notice about store closures, which would give it a short cut on the retrenchment path.

The dispute is currently at the Conciliation Board but resolution does not seem very close.

"We may have settled the wage issue with Checkers. But there's even a bigger battle against the company, that of preserving jobs," says national bargaining committee chairman Motsumi Mokheane.

At the OK, which has been a regular target of strike action over the past five years, further shopfloor

disruption is likely this year. Workers are rejecting the wage offer as well as planned retrenchments later this year.

The chain's shop stewards will be holding a national conference at the end of this month and most of the metropolitan areas are understood to be itching for a showdown. Retrenchments are also at issue at Makro, which is in dispute with the union over wages and job cuts. The dispute is before a conciliation board.

Southern Sun's wage agreement with Saccawu may also not be enough to preclude strike action. After initially demanding a R250 rise, Saccawu agreed to the hotel chain's R200 offer. However, it has rejected Southern Sun's assertion that this should only apply from August rather than from April.

BIPAY 2/18/92

NEWS IN BRIEF

SBDC to assist exiles

THE SBDC says a development fund has been set up to assist returning political exiles in starting small businesses. (2) (30)

The project, which was being run jointly by the SBDC and the National Co-ordinating Committee for Repatriation (NCCR), was aimed at 14 000 returnees, the SBDC said. Loan applications already received exceeded R3m.

Stayaways plunge Morkels into red

MARC HASENFUSS
Business staff

30 ARG 24/8/92

LOST trading days owing to stayaways and public holidays pushed Morkels R462 000 into the red in the quarter to the end of June.

The Morkels furniture chain fared worst, with turnover falling 3,7 percent, compared with a market growth of 3 percent.

However Totalsports enjoyed a 12 percent sales increase, while the newly acquired Ajay division contributed a solid 6 percent to group turnover.

Margins were severely eroded and the 6 percent increase in group turnover to R66 million was transformed into a 14 percent drop in operating profit to R3,7 million.

The bottom line was further impacted by a 24 percent increase in interest paid to R4,6 million.

In spite of the poor quarterly performance, directors said that from a profit generation point of view the group was currently in a far stronger financial position that it was three months ago.

Fairly modest increases in sales are required from operating divisions to return the business to profitability.

● Conshu Holdings posted a 20 percent dip in earnings to R25 million in the year to the end of June as competitive pressures in the footwear industry intensified.

Directors said the worsening recession, coupled with low cost imports from the Far East, had seen footwear production in South Africa fall by 20 percent in real terms.

The group declared a lower final dividend of 13c — bringing the total for the year to 24,5c a share (previously 28c).

● Conshu's rubber products subsidiary Wayne Manufacturing lost some of its bounce in the year to the end of June — reporting a 33 percent drop in earnings to R6,2 million.

Turnover was static at R129 million

— indicative of the deterioration in business activity.

Fortunately for shareholders the dividend payout was cut only 13 percent to 5,2c a share.

● Kersaf seemed to weather the recession more easily than other blue-chip companies.

Attributable earnings rose 10 percent to R181 million (R165 million) in the year to the end of June. Kersaf also forecast acceptable growth in the current financial year as major extensions to operations would be completed by December.

A R29 million drop in interest received (as a result of capital developments) was offset by a R32 million fall in tax payments thanks to allowances available on capital projects.

Earnings a share rose to 240c (220c), from which a final dividend of 81c (77c) has been declared, bringing the total to 147c (135c).

Kersaf is offering shareholders new ordinary shares in lieu of the cash payments at an issue price of R33 on the basis of 2,45 ordinary shares for every 100 held.

● Anglovaal's computer group Siltek had much improved results for the year to the end of June, with attributable earnings up 30 percent to R36,5 million.

Earnings a share increased 25 percent to 75,1c, allowing the dividend to be lifted 15 percent to 23c.

Managing director Mike McGrath says industrial and financial groups have maintained spending on information technology, which is seen as an efficiency tool.

Siltek continued to expand offshore. During the year it acquired German and Asian subsidiaries to augment its UK distribution and networking operations.

Siltek also undertook a rationalisation programme, selling James Ralph and Tarsus Technologies to management because it no longer matched Siltek's core businesses profile.

Recession and stayaways erode Morkels' business

LINDA ENSOR

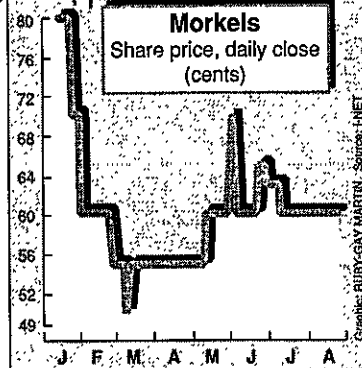
CAPE TOWN — Furniture, household and sports goods retailer Morkels made a R462 000 loss in after-tax profit in its first quarter to end-June on a 5,8% rise in turnover to R66m.

The depth of the recession, the loss of about 10 trading days due to public holidays and stayaways and the escalation of violence all eroded the ability of consumers to commit themselves to additional debt, chairman Rian Pauw said.

"Conditions during the quarter were the least conducive to trading in living memory."

He said the economy was in a survival mode and that retaining jobs in the national interest should be the primary concern of business.

Pauw said that despite a drive to curtail growth in expenditure and to reduce the asset base, the economies achieved were insufficient to offset the real decline in turnover with the



result that operating profit fell 14%. The group had to carry a fixed cost base of premises and people.

MD Carl Jansen said borrowings had been cut by R4m, the asset base reduced by R6m and operating costs by R1,2m.

The Morkels chain suffered a 3,7% drop in turnover against a market growth of 3%; Totalsports increased sales by 12,3% compared with a market growth of 6,4%; while the turn-

over of the new wholesale sports goods division Ajay rose 6%.

A 24% rise in the interest bill on the back of an escalation in short-term debt to R88m (R67m) contributed to the group's woes. At the end of the quarter gearing stood at 155%.

Pauw emphasised that a reduction in borrowings and the fall in interest rates would minimise the future impact of finance charges. He felt the group was in a stronger financial position at the end of the first quarter.

The volatile political and social environment made it virtually impossible to predict when stability would be re-established. However, he was conditionally optimistic about achieving the group's objectives for the year.

Management has targeted a 7% increase in turnover and a 40% increase in earnings a share to 14,3c in the year to end-March 1993.

Jansen warned that mass action would harm second-quarter results. However, only a modest boost in sales was needed to return Morkels to profitability quickly.

Analysts predict grim August for retailers

MARCIA KLEIN

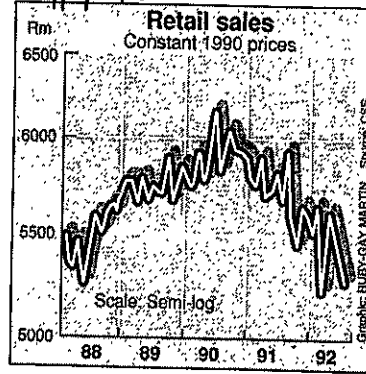
EXPECTED retail sales for August indicated it would be a grim month for retailers, as depressed consumer spending was further affected by mass action.

Analysts said August's expected sales figures reflected the extent of the pressure on consumer spending.

The Central Statistical Service figures released last week showed that 100 major retailers forecast a nominal 1.5% decline in sales compared with the previous month and a slight 1.3% increase in nominal terms compared with August 1991.

This painted a gloomy picture when inflation was taken into account, highlighting the precarious position of consumer-related companies as retail sales hit 1988 levels, analysts said.

Another said the figures also took into account the effects of mass ac-



tion and the accompanying dent in consumer confidence.

Some purchases which could have been made during the mass action campaign could have been postponed, and these retailers would not be affected as badly. But the purchase of food could not be postponed, and major food retailers would con-

sequently suffer.

The loss of salaries during the mass action campaign would also hurt buying at month's end.

It is believed that retailer liaison committee figures are slightly more optimistic, but the downward trend remains the same.

High levels of unemployment, no recovery in the commodity markets and slower-than-expected export activity did not bode well for the rest of the year as there was nothing to drive retail sales, an analyst said.

The lowering of interest rates could have a small positive effect on sales, but this would take some time.

The CSS said total real retail sales would show a 5.2% decline for the first eight months of the year. The figures indicated that sales in July and expected sales in August would be much lower in real terms than this eight-month average.

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August 25 1992

JD Group looks to the long term

MARCIA KLEIN

JD GROUP's earnings dropped 37,8% to 18,9c (30,4c) a share in the six months to end-June in line with a marked downturn in trading activity in the retail furniture industry.

The W & A group company, whose interests include Bradlows, Joshua Doore, Price 'n Pride and Score, reported turnover of R193,8m and operating income of R3,5m for the six-month period, with no comparative figures given for the previous year.

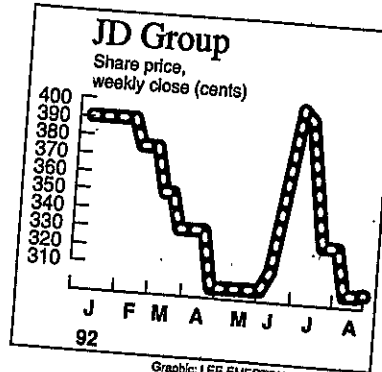
These figures reflected the R414m sale in 1991 of the debtors book to finance company J D Sales, which is owned by several banks. As all new credit sales were conducted by J D Sales, comparative turnover and operating income figures were irrelevant, chairman David Sussman said. Had this sale not taken place, group turnover would have increased by 5,5% from last year's R300,7m interim figure.

J D Group had missed its turnover budgets by 8,3%, said Sussman, because it was not prepared to chase turnover at the expense of the debtors book as well the fact that cash sales were below budget.

Sussman said although sales had declined in real terms, the decrease in income before tax — to R6,7m from R8,9m — was contained at 24%.

A tax add-back of R1,9m in financial 1991 reflected over-provisions in previous years. Sussman said this skewed after tax comparisons in the period under review.

Attributable income was R6,7m against R10,8m in the previous year. The interim dividend was reduced to



Graphic: LEE EMERTON Source: I-NET

4c (7c) a share in line with the decline in earnings a share.

Sussman said the quality of the debtors book remained excellent. Arrears were under 8%, and write-offs and losses or repossessions were below budget and only marginally higher than last year. Cash flows from deposits and instalments exceeded budget.

He said, in line with its confidence in the medium to long-term future, J D Group would open 12 new stores this year.

Its central distribution centres, which are linked by computers, delivery systems and communication networks, would soon see the group "launch an innovative marketing plan serving markets which were previously not accessible to our grid of stores".

Sussman said J D Group was prepared to forgo short-term earnings for longer term prospects. Given some sort of political stability in the next few months, J D Group hoped to exceed its budgeted turnovers for the full year.

Mail order medicines at 30% discounts

KATHRYN STRACHAN

A MAIL order pharmacy, which offers a 30% discount on certain prescribed medicines, could be a first for SA when it opens in September. But the SA Pharmacy Council remains guarded about whether it will be accepted.

Neels de Bruin — manager of the new service, Medipost, and also a member of the council — said although the advertising code for pharmacists had been relaxed, he did expect problems.

Pharmacists were now allowed to advertise their prices, but whether they could advertise the discount offered was still the

subject of debate, he said. "But I'm on the council and my interpretation says it's correct," said De Bruin.

Pharmacy Council registrar Daan Naude refused to comment.

De Bruin said his nationwide service was aimed at chronic and maintenance drugs, which would help the elderly in particular. He was able to keep his prices low by running a cash only business and lowering overhead expenses. There would be a 24-hour dispatch period.

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BIPAY 25/8/92

Electronic trading ³⁰

'could save R6bn'

BIDAM

DUMA GQUBULE

25/8/92

THE use of electronic trading in commercial transactions could save SA exporters up to R6bn a year, Simplification of International Trade Procedures (Sitprosa) CE Albert van Aardt said yesterday.

Van Aardt, who is involved in the newly formed Vanguard Initiative, a national project to promote the concept, said in an interview that UN research showed that the cost of handling paper in commercial transactions could be as high as 10% of the transaction's value.

With electronic trading, which reduced paperwork by linking computer systems, these costs were reduced to between 3% and 4% of a transaction's value — a saving of up to 6% on all commercial transactions.

Next month Vanguard Initiative reports back to delegates who attended its original plenary session earlier this year. It is hoped that representatives from government and organisations such as the SA Chamber of Business (Sacob) and Afrikaanse Handelsinstituut (AHI) will be at this report-back session.

Vanguard Initiative steering committee chairman Rob Peacock said SA businesses needed to use advanced business philosophies, such as electronic trading, if they were to have a chance of competing with exporters from other trading blocs. The concept could give SA exporters a competitive edge by improving productivity and customer-service levels, reducing costs and enabling business processes to be executed faster, he said.

Van Aardt said SA could follow the example of Singapore, which would refuse to process paper customs documents by next year.

PAC says no to consumer boycott

Sowetan 26/8/92

TEACHERS SUSPENDED Bid to get South Africa to

intervene in crisis at Mdantsane schools:

Sowetan 26/8/92

THE Pan-Africanist Congress (PAC) has come out against a consumer boycott of white-owned business in East London, saying it believes parents should be given a chance to resolve the Mdantsane education crisis.

The boycott, which started on Monday, was called in an attempt to get the South African Government to intervene in the crisis.

Schooling in Mdantsane schools has been disrupted since May when teachers and students began protesting against the indefinite suspension without pay of 35 teachers.

Twenty-eight of the teachers were suspended for staging a sit-in at the offices of Education Minister Mr Petros Jacobs. The others were suspended on the outcome of a

commission of inquiry set up earlier this year to investigate alleged lack of discipline in Ciskei schools.

The crisis has also affected the local Dr Rubusana College of Education which was closed at the end of last month after students refused to go to schools for teaching practicals.

PAC Border regional publicity secretary Sizwe Mfafa said they walked out of a meeting held to discuss the boycott on Sunday because the Mdantsane Education Crisis Ad-hoc Committee would not listen to their views.

Mfafa said the PAC delegation to the meeting was subjected to ridicule after proposing that parents should be given a chance to meet Jacobs without the ANC-aligned Congress of South African Students and South African Democratic Teachers Union being present.

A merger of 'strange bedfellows'

B/DAY 26/8/92

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MARCIA KLEIN

LAST month's announcement of the proposed merger of the McCarthy Group with Prefcor Holdings (Prefhold) took most market analysts by surprise, and they remain divided on the benefits of the deal.

Describing them as "strange bedfellows", an analyst said the only thing they had in common was the fact that they were both Durban-based.

Market reaction to the news saw the McCarthy share price tumble, although it has since recovered to some extent. But some analysts said the market was being too harsh, and some synergistic benefits would emerge.

The two groups announced recently that McCarthy would make an offer for 75% of Prefhold sharehold-

ers' shares.

Analysts said that the merger with Prefhold would not make McCarthy any less reliant on cyclical factors, as Prefhold operated predominantly in the furniture and retail sectors, which were dependent on consumer spending. McCarthy would also be taking on some responsibility for Prefhold's debt. But an analyst said it must have been satisfied that Prefhold's debtors' book, held by First-Pref, was in order.

Prefhold, on the other hand, would benefit from McCarthy's cash resources and from the fact that it was a market leader with an established business and a good reputation.

Analysts said Prefhold's results to

end-June would be lower than those forecast in the prospectus, but not significantly so. In the current trading environment, particularly in the furniture sector, this would be a good result, analysts said.

One analyst said the market had been too negative on the merger. The rating of the combined groups would obviously be lower than McCarthy's because furniture companies were generally lower rated.

McCarthy said it had been looking for opportunities for additional growth by diversification, and that Prefhold had excellent growth prospects. The analyst said McCarthy wanted to diversify, and had limited choice when it came to an investment as most companies were already held by the conglomerates.

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FW asked to resolve row over R1-bn

By Michael Chester

STAR 26/8/92

Business magnate Dr Anton Rupert yesterday urged the State President to intervene and halt a corporate feud that has been blamed for the blockage of some R1 billion in funds earmarked to create thousands of new small businesses and new jobs.

Dr Rupert, founder and chairman of the Small Business Development Corporation, disclosed plans to seek talks with President FW de Klerk on ways to break the impasse and release more cash to counter the unemployment crisis.

The R1 billion has been trapped in limbo because of a breakdown in discussions between the SBDC and the State-controlled Industrial Development Corporation over control of the funds.

Dr Rupert intends to deliver a blunt warning that the power struggle threatens to force severe cutbacks in SBDC loan programmes because of critical cash shortages.

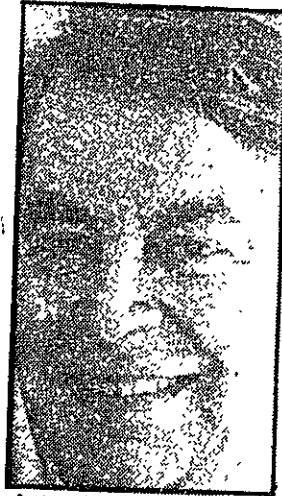
"We cannot allow a development programme of such critical importance to become shipwrecked by inertia or lack of vision," he told the SBDC annual general meeting in Johannes-

burg. (30) (26)

SBDC managing director Dr Ben Vosloo blamed the impasse on an IDC demand for equal control of the SBDC administration in exchange for an injection of R1 billion from its surplus funds.

He said the SBDC preferred to remain under private-sector control, which had worked with outstanding success since it was founded 11 years ago, and considered the IDC demands totally unacceptable.

IDC managing director Carel van der Merwe was unavailable for comment last night.



Anton Rupert . . . to deliver blunt warning on power struggle.

Athlone: business versus residents

By Rehana Rossouw

ATHLONE residents are risking watching their area decay as businesspeople embark on an "invasion" into residential property.

For the second time in a week, residents rejected a Cape Town City Council proposal that they participate in a process to plan the development of Athlone.

On Tuesday night a meeting organised by the Gleemoor Cape Flats Residents' Association passed a resolution calling for a moratorium on the rezoning of residential property for business use.

Business groups already own substantial property between Aden Avenue and Carrington Road and unless residents discuss how to proceed with the development of the area, they could face an unplanned invasion into the area with the associated traffic congestion, littering, noise and crime.

Public affairs consultant Ms Helen Zille, appointed by the council to evaluate the feasibility of a

participatory planning process in Athlone, said this week the area deserved resources and attention from the council and the community had to find the most appropriate and acceptable way of using the opportunity offered to them by the planning process.

"It is very difficult at this stage to consider our next step, but we are in the process of evaluating where to go from here," she said.

"What is tragic is that this opportunity represented what was possibly the last window of opportunity to upgrade and develop Athlone to the benefit of all its people.

"Athlone residents currently face the worst of all possible worlds. They have no certainty or security about their area's future and this makes it extremely difficult for people to sell their property at the value they should realise for such well-located real estate.

"Without a plan to bring some certainty to the future of the area, these values will continue to fall."

Gleemoor Residents' Association

secretary Mr Louis Roelf told the meeting this week that as long as they opposed it, no rezoning could take place in Athlone.

"No-one can throw you out of your home, as long as you stay out of the participation plan."

A lawyer consulted about the possibility of council rezoning in the face of residents' protests said the law was very clear on this issue.

"The council doesn't have the authority to rezone without the owners' permission, so residents need not fear that this will happen," he said.

"Anyone who tells them otherwise is clearly misinforming them or has no understanding of the processes involved."

Although the council has stated clearly on a number of occasions that it has no plans to rezone the residential area for business use, speaker after speaker at the Gleemoor Cape Flats Residents' Association meeting gave residents details about this "plan".

Speakers at the meeting said the

plans were to extend business to the bottom of Belgravia Road and Alicedale, build a massive shopping complex in the heart of the residential area and erect a medical centre in Sunnyside Road.

The meeting did not formulate action to counter the perceived threat to their homes. Speakers called for both businesspeople and the council to be targeted for action.

Roelf said his organisation had elected a task force to examine the issue and further action would be discussed at a meeting on September 8.

City Planner Mr Peter de Tolly said the city council had not suggested enlarging Athlone's business area at the cost of people's homes.

"Certainly, the business community of Athlone is pushing for an enlargement of the business area and the steady stream of rezoning applications submitted by business-owners owning land in the area south of Aden Avenue is evidence of this," De Tolly said.

"The council is now under enormous pressure from both sides — from the business community to extend the business area and from the residents not to do so."

De Tolly said his department believed no decision should be taken on this issue outside a legitimate participatory planning process.

South 22/8-26/8 92

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Risk in townships

'can be discounted'

B10A-1 26/8/92
RETAIL developers can discount political risks and enter township retail markets by consulting the communities concerned, says entrepreneur and shopping centre owner Gray Thathane.

Speaking at an SA Property Owners' Association (Sapoa) congress on African shopping centres this week, Thathane said the perceived high risk of entry into black areas could not be resolved by politicians alone.

"In our negotiations for the establishment of shopping centres in black areas, it has become clear that no major developments can be undertaken without consulting and involving the communities concerned," he said.

"While the provision of retail facilities is close to saturation point in white areas, the opposite is the case in black areas."

This would change as national retail chains — prompted by a declining formal market, growing informal sector competition and the rise of black purchasing power, became more broadly represented in black areas.

"If one accepts that African spending power has risen significantly and is continuing to do so, one should accept that black townships must start attracting retail developments," Thathane said.

In his address to the Sun City congress, Sanjam Properties GM Fanie Lategan said the retail industry's future included changes in



Reports by
ANDREW KRUMM

buyer composition and affluence.

He said retail sales were showing a softening trend, on which the change in purchasing power could have an impact.

"Black purchasing power has exceeded white purchasing power in categories such as food and groceries, and footwear and clothing in recent years. If mass electrification of black areas goes ahead, blacks will soon dominate the furniture and appliance market as well."

Value for money would become a major factor in a shopper's decision-making process. This would create new markets, although some shopping centres — in white areas — would get hurt in the process.

He added that the informal sector had entered the market in a big way and was in a position to adapt rapidly to change.

"They do not have the buying power of the big institutions but also do not have the overheads. Small black traders will group together and eventually formalise, creating a growing threat to the existing establishment."

Lategan said opportunities for retail development in black areas would grow as affluence and mobility increased. However, SA's CBDs would remain the dominant shopping centres for blacks over the medium term.

the Impala mineral process plant in Bophuthatswana.

"Rammy sustained serious leg and shoulder injuries and is currently in a stable condition at Impala's hospital in

the athlete might never walk again, Tshabalala made a remarkable recovery, competing in the ultra marathon again earlier this year. — Sapa.

Rammy Tsebe

5777 27/8/92

DP hammers supermarket bosses

By Peter Fabricius
Political Correspondent

The Democratic Party has slammed Pick 'n Pay chief Raymond Ackerman and other supermarket bosses for claiming to be the consumer's friends while imposing "enormous" mark-ups on food prices.

DP Yeoville MP Douglas Gibson told a report-back meeting in his constituency

last night that Mr Ackerman had received a great deal of favourable publicity from a recent high-level summit on food prices. 30

The conference was closed and only three important matters emerged: that VAT on food should be abolished; that the consumer price index had to differentiate between food prices at supermarkets and those at other

stores; and that an investigation was to be carried out.

"With great respect to the whole thing looks to me and to the consumers of South Africa like a public relations exercise," Mr Gibson said.

No concrete proposals had emerged for cutting food inflation. "The very people who claim to be the consumer's friends are the people who feel able to impose enormous mark-ups," he said.

Forum faces formidable task

STAR 27/8/92

ASA VBSA 30

The new National Economic Forum has finally reached the launch pad. Out of negotiations due to start next month, it is expected to spell out both short and longer-term policies, MICHAEL CHESTER writes.

SETTING the agenda for the new National Economic Forum that starts work next month will bring South Africa to the moment of truth about the formidable scale of problems to be solved as it emerges from the apartheid era.

How far back it has slipped in global economic status in recent years has been measured by international studies done by the World Forum and the Institute of Management Development in Switzerland.

In the 1992 count, in terms of overall economic muscle, South Africa has been shunted towards the bottom of the scale.

Out of 36 countries, South Africa was ranked no better than 29th. Even among the smaller economies in the second league, South Africa failed to reach mid-way on the ladder. When it came to what the researchers called the people factor — items such as equal education and job opportunities — South Africa hit rock bottom.

While South Africa was wrapped in its apartheid cocoon and isolated internationally, it has been overtaken by a swarm of rivals that started from smaller and weaker bases a couple of decades ago — even former weaklings like Singapore, South Korea, Thailand and Malaysia.

How SA decides to start climbing to higher rungs on the ladder will be watched not only by researchers in Switzerland in their annual reviews.

Methods and strategies agreed upon inside the National Economic Forum will be closely scrutinised by keen eyes at the World Bank and International Monetary Fund, whose nod or shake of the head may be crucial to new flows of foreign investment needed to reach socio-economic targets.

Before they put their hands in their pockets, potential overseas investors as well as investors at home will need the assurance of practicality and coherence in the blueprints that are drawn.

"It's no use weaving fanciful day-dreams that may raise high expectations and then crash to earth in a couple of years," said one seasoned observer.

"There are no magic wands to be waved ... real progress will begin only once cast-iron determination and credibility have been tested."

The first obstacle may equal the challenge of an Everest expedition on its own: the unemployment crisis.

Dr Edwin Basson, of the



Dr Anton Rupert . . . founded the successful Small Business Development Corporation.

Small Business Development Corporation (SBDC), found that a strict economic definition put the unemployment total at 6.3 million — no less than 44 percent of the worker population.

However, what was missing in all the calculations, he found, was the role of the informal sector. Deeper research showed that the informal sector, which began its phenomenal growth in the 1980s, now had a combined labour force of 3.5 million — from hawkers and street-traders to auto engineers and high-technology experts running their own businesses.

How to bring them from the outskirts into the mainstream of economic performance?

Slashing away at government red-tape ever since its foundation by tobacco magnate Dr Anton Rupert of the Rembrandt Group under the shadows of apartheid in 1980, the SBDC today operates a nationwide network of no fewer than 40 workshop complexes known as industrial hives.

The number of individual small businesses it has created has soared above 2 700, which in turn has created jobs.

The head of the SBDC central region, Jo Schwenke, who masterminds operations, estimates combined annual turnover at R600 million or more.

Better still, in many ways, even big business has learnt to build more and bigger bridges to the small business sector and how to cut down overall production costs by handing the mini-companies subcontract work.

The value of subcontracts awarded so far has already topped R50 million. Economists agree that the potential for

big/small business contact is almost without limit. They take their cue from some Far East economies.

So far the SBDC has created no fewer than 312 000 new jobs out of thin air under its loan programmes. It believes even that impressive total could be overshadowed by new initiatives of high-finance giants.

A think-tank has worked out that an avalanche of more than 50 000 new small and medium-size enterprises — with as many as 2.5 million new job opportunities — could be provided over the next five years.

The scheme revolves around agreement between the State and big financial institutions — insurance companies and pension funds — to invest in the masterplan.

No one is following behind-the-scenes discussions with more attentive ears than millions of potential entrepreneurs now standing in unemployment queues as the recession swings its scythe.

Tuned in even closer are school-leavers, now spilling out into the labour market at the rate of 400 000 a year — and with only about seven in every 100 likely to find vacancies in the formal industrial and commercial sectors, according to estimates by the SA Chamber of Business.

But the agenda confronting the National Economic Forum does not end with the unemployment issue. Yet to be resolved is the clash in arguments about the merits of privatisation — or nationalisation.

Somehow, every time the nationalisation debate seems to retreat into the background, it springs back again. So, too, the

pros and cons of privatisation, which many private-sector economists advocate as an exercise in Thatcherism, with the Government using incomes from sales of State operations to finance more socio-economic programmes, but which the ANC has vowed to reverse.

The issue remains one of the hottest potatoes of all — and neither the African National Congress nor the National Party seems to be sure about precisely how to handle it.

In purely economic terms, also to be tackled are issues such as the future of exchange controls, interest rates and how best to attack the inflation syndrome, the missing link between productivity and wage increases.

On the agenda, too, come questions about economic power concentrations in the hands of so few corporate giants — suspicions of monopolies, oligopolies and cartels.

More barbed wire faces members of the forum over reform of the whole taxation system — sorting out equitable levels of VAT and company and individual tax rates to turn disincentives into incentives.

In turn, nerves still jangle over which decisions may emerge on which basic economic theories to pursue. Marxism? Watered-down socialism? Mixed economy? Free-market economy?

Final agreement on the launch of the National Economic Forum, as a think-tank formed to bring together business, labour and the Government around the table, was reached last week. Members are due to get talks under way in mid-September.

They are pledged to work out integrated economic strategies on issues that range from fiscal and monetary policies to labour and trade policies.

But it would be a gross error to talk above the heads of the restless mass of the population, peppering progress reports with obscure economic jargon that is supposed to impress everyone with its erudition.

South Africans also want — and deserve — a practical timetable of solutions to traumatic shortages of housing, a better education system, more career opportunities, more job creation, and higher living standards for everyone.

Mission impossible? Not necessarily so if the success formula of several overseas countries is examined in detail — rivals that set out with far fewer assets in natural and, especially, potential human resources.

Even if down-to-earth economic limitations make the trek towards an ideal new South Africa look a long and hard slog, at least the forum should be able to inspire hope by erecting a set of credible signposts.

Until such signposts are visible, the level of confidence among both businessmen and consumers can be expected to roll in the doldrums □

FM 28/8/92

(30)

Weak demand for new and second-hand vehicles saw turnover down 4% on year-ago levels, well below the rate of inflation. The rate of decline in sales peaked in the second half. Operating profit suffered accordingly, sliding by a fifth. Interest paid declined to R3,1m from R3,5m and pre-tax profit fell to R0,4m (R1,1m).

The group remains heavily overborrowed, though total interest-bearing debt was reduced by year-end and gearing continued to decline.

Like most groups in the industry, MJM embarked on a cost reduction programme. This resulted in the closure of two unprofitable used car outlets in the Cape. In addition, continued pressure on margins called for a decision by management to reappraise its Schus subsidiary's stock of used vehicles to realisable market values.

After consultation with the major shareholders, group chairman Martin Jonker says it was decided not to pay a dividend, but rather to reduce borrowings and so improve liquidity.

The easing of interest rates over the past 10 months suggests conditions in the motor trade may have bottomed. Optimism should be on the cautious side, but it is hoped that easier credit will stimulate or at least support consumer spending.

Strong annual increases in fixed investment may be needed before MJM will be able to realise good growth again. Nevertheless, Jonker expects Nissan will gain market share after new model launches. Problems at Toyota plants have also provided opportunities to increase market share.

The share saw little trade during the past quarter. Though the price has remained unchanged for the past year, the counter offers little attraction to investors.

Marylou Greig

MARTIN JONKER HOLDINGS

Downhill run

(30)

FM 28/8/92

Activities: Sells new and used motor vehicles, parts and petrol; supporting workshops.

Control: Directors 71%.

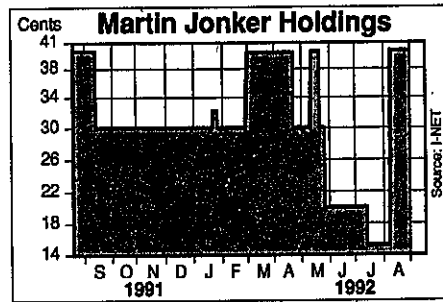
Chairman: M Jonker.

Capital structure: 28m ords. Market capitalisation: R11,2m.

Share market: Price: 40c. Yields: 1,5% on earnings; p:e ratio, 66,6. 12-month high, 40c; low, 40c. Trading volume last quarter, 200 shares.

Year to Feb 29	'89	'90	'91	'92
ST debt (Rm)	9,2	10,8	10,3	8,8
LT debt (Rm)	0,63	0,50	0,40	0,30
Debt:equity ratio	2,70	2,4	2,2	1,8
Shareholders' interest	0,15	0,15	0,14	0,16
Int & leasing cover ..	3,17	1,6	1,3	1,2
Return on cap (%) ..	9,8	14,3	13,5	11,6
Turnover (Rm)	77	137	157	152
Pre-int profit (Rm) ...	2,4	4,5	4,6	3,6
Pre-int margin (%) ..	3,1	3,3	2,9	2,4
Earnings (c)	10,9	6,2	2,2	0,7
Dividends (c)	4,0	2,0	2,0	nil
Net worth (c)	13,0	17,0	17,2	17,8

Vehicle retailer Martin Jonker Holdings (MJM) reported a 68% decline in EPS for the year to end-February. This clearly reflects the continued downtrend in the motor vehicle market.



continue

ARTHUR KAPLAN (30) (AK)

Clearing stocks FM 28/8/92

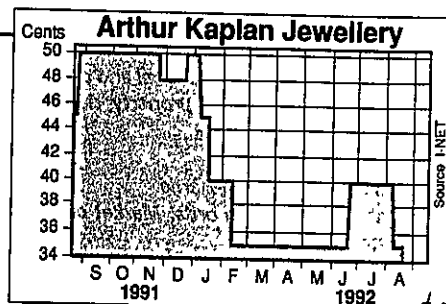
Activities: Retail and makes jewellery.
Control: Directors 84,5%.
Chairman and MD: A N Kaplan.
Capital structure: 15m ords. Market capitalisation: R5,3m.

Share market: Price: 35c. Yields: 5,7% on dividend; 19,1% on earnings; p:e ratio, 5,2; cover, 3,4. 12-month high, 50c; low, 35c.
 Trading volume last quarter, 31 000 shares.

Year to Feb 29	'89	'90	'91	'92
ST debt (Rm)	2,2	0,7	4,0	4,0
LT debt (Rm)	2,7	2,7	2,5	3,7
Debt:equity ratio	0,68	0,40	0,67	0,74
Shareholders' interest	0,50	0,59	0,52	0,50
Int & leasing cover .	8,3	5,6	5,9	2,9
Return on cap (%) ..	21,2	28,4	22,7	13,7
Turnover (% increase)	40,1	29,0	32,7	7,8
Pre-int profit (Rm) ...	3,0	4,0	4,2	2,8
Earnings (c)	9,9	11,9	12,8	6,7
Dividends (c)	4	4,5	5	2
Net worth (c)	49,5	56,9	64,1	68,8

These days, few people are buying much in the way of jewellery. Disposable income continues to decline and more relaxed credit restrictions have done little to promote sales. Poor December trading forced Arthur Kaplan Jewellers (AKJ) to succumb to unrealistic discounting, a trend fast becoming standard for the jewellery trade.

Only three years ago, chairman Arthur Kaplan said it was a misconception that jewellery sales are hit by recession — though



FM 28/8/92 (30) (AK)
 he contends now that the retail industry is actually in a depression.

Excessive stocks built up in December were brought down by a sale in the first quarter of this year but debt:equity still rose to the highest level since the listing in 1987. Profit margins narrowed as contributions from 17 stores had to finance overheads of 19 outlets, of which two were opened in November.

The West Rand Highgate store, which proved to have no profit potential, was closed in July and will be replaced in September by a store in the Sammy Marks development in Pretoria, AKJ's traditional stronghold. Highgate store's fittings, fixtures and stock may be used for the new store. AKJ's two administrative offices have been consolidated into a single head office.

Major expansion has not been planned for this year. Cumulative turnover at the end of July was up 15% and Kaplan says margins and debt are "looking better." Management's main objectives now are to reduce borrowings and strengthen the balance sheet.

There is little assurance that there will be any improvement in Christmas trading this year — though Kaplan says earnings will at least equal last year's and the dividend should be maintained. But the share, at a 12-month low, has no appeal on a near-term view.

Kate Rushton

Retailers blamed for CPI delay

RETAILERS were to blame for the delay in the release of the July CPI data and they could face prosecution, Central Statistical Service (CSS) chief Treurnicht du Toit said yesterday.

Du Toit said July CPI would be released two weeks late as retailers (respondents) had not sent in their returns for the month.

"Retailers do not always realise the importance of the data. We are looking at improving our system for identifying those to be prosecuted," he said.

At the same time, the Reserve Bank has come under fire from the money market for the late release of data. However, a Bank spokesman said there was no official publication date. The Bank's guideline was 15 working days after month-end.

The spokesman said if there was some deviation in the data, this first had to be investigated before the figures could be published. "This takes time."

Money supply was due to be released

30 TIM MARSLAND and HILARY GUSH

earlier this week. He said certain banks did not comply with Bank regulations and reported data incorrectly or late.

In another development, official sources said yesterday right-wing farmers were withholding vital agricultural data from CSS in an attempt to obstruct central government. The sources said the farmers were being prosecuted.

Du Toit confirmed that a number of farmers were being prosecuted.

But Transvaal Agricultural Union (TAU) president Dries Bruwer said farmers were suspicious of government's motives for wanting the data. "At a recent meeting of the TAU, farmers said they did not want the data to fall into the hands of the ANC. They were apparently concerned about

To Page 2

Retailers

what the ANC would do with the information."

SA Agricultural Union chief economist Koos du Toit said the union was concerned about the situation. "This data is vital for the health of the industry," he said.

CSS had attempted to tackle the problem diplomatically, he said, but was still having difficulty gathering the data. For example, some returns from the 1988 agricultural census remained outstanding. He said that the union was setting up a new system of gathering data through its regional offices.

An agriculture source said farmers thought questions on CSS questionnaires were irrelevant. "They call them 'pam-poen' forms," he said.

30 From Page 1

The CSS's Du Toit said he preferred not to take tardy respondents to court: "We prefer a co-operative approach."

There were no cases pending against CPI respondents, he said. The Statistics Act makes provision for a R1 000 fine and/or a R50 a day penalty for late returns.

Du Toit said in the case of July CPI, not enough returns had been submitted for the service to calculate reliable data. CSS required a return of more than 80% from across the spectrum to calculate its data.

A senior capital market dealer said the CSS should set a date and time for the release of the data and stick to it. It was "unprofessional" to release the data in an ad hoc fashion.

This is reflected in the 41% fall in operating profit. Turnover declined by a less dramatic 10,5% but at the expense of margins. The group strived to maintain its share of a shrinking consumer market.

Anbeeco's cash-flush position enabled it to reduce interest-bearing debt by nearly two-fifths to R0,7m. The highly liquid balance sheet made it possible for the group to sustain a slightly lower dividend cover. Nevertheless, EPS was down a third on the previous year and the final dividend was cut in line with this.

Supalek, Anbeeco's listed audio product distributor subsidiary, and previously its most dynamic in terms of growth, suffered a 55% drop in profit. Unlike the group's watch business, where profit fell 12% in line with consumer spending, Supalek faced the additional effects of the liquidation of R8m in Samsung stock after a decision to discontinue the product line.

alarming, the figures come off a high base and, with the business in a consumer-driven industry, the drop was not unexpected.

Considering the slump, Brookstone is cautious in forecasting an improvement in profitability but says the group is well positioned for the upturn. In financial 1992 watches and allied products contributed 63% to EPS, with the remainder coming from audio products.

The share prices of Anbeeco and Supalek, at 65c and 33c respectively, are not demanding. Though results are not set to show significant improvement in the short term, the shares have the potential to appreciate.

Marylou Greig

SUPALEK: Activities: Imports, distributes and services Kenwood and Cortina ranges of audio equipment and other allied products.

Control: Anbeeco Investment Holdings 52,5%.

Chairman: A N Brookstone; Joint MDs: C Cohen, I Cohen.

Capital structure: 14,9m ords. Market capitalisation: R4,9m.

Share market: Price: 33c. Yields: 18,2% on dividend; 22,4% on earnings; p:e ratio, 4,5; cover, 1,2. 12-month high, 100c; low, 33c.

Trading volume last quarter, 60 180 shares.

Year to April 30	'88	'90	'91	'92
ST debt (R'000)	38	89	307	1 517
LT debt (R'000)	109	230	592	305
Shareholders' interest	0,59	0,55	0,40	0,63
Int & leasing cover ..	20,4	24,7	14,1	6,2
Return on cap (%) ..	57,3	31,0▲	40,4	28,9
Turnover (Rm)	36,3	36,7▲	73,1	58,9
Pre-int profit (Rm) ...	5,8	4,2▲	10,2	4,9
Pre-int margin (%) ..	15,8	11,4	13,9	8,3
Earnings (c)	8,9	6,4▲	16,5	7,4
Dividends (c)	3,5	4,0	8,0	6,0
Net worth (c)	18,5	23,0	31,5	32,9

* 16-month to April. † Year to December.
▲ Annualised.

Supalek's balance sheet has had to absorb part of the impact. However, despite a 67% decline in year-end cash holdings to R2,3m and a more than doubling of interest-bearing debt, there was a net cash surplus of R0,5m.

Group chairman Tony Brookstone claims Kenwood continues to dominate the SA hi-fi market, despite a proliferation of competitors, and Cortina, which serves the lower end of the market, is gaining market share.

Though the fall in profit figures looks

ANBEECO/SUPALEK

Showing agility

FM 28/8/92
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ANBEECO: Activities: Imports, markets and distributes watches and audio equipment.

Control: Directors 67%.

Chairman: A N Brookstone.

Capital structure: 15m ords. Market capitalisation: R9,8m.

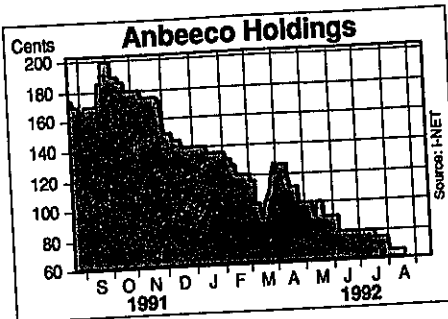
Share market: Price: 65c. Yields: 15,4% on dividend; 35,4% on earnings; p:e ratio, 2,8; cover, 2,3. 12-month high, 200c; low, 65c.

Trading volume last quarter, 33 300 shares.

Year to Apr 30	†'88	*'90	'91	'92
ST debt (Rm)	0,1	0,3	0,4	0,4
LT debt (Rm)	0,3	0,7	0,7	0,4
Shareholders' interest	0,50	0,49	0,44	0,55
Int & leasing cover ..	10,0	13,6	11,2	7,6
Return on cap (%) ..	33,1	29,8	32,0	22,6
Turnover (Rm)	72,8	95,5	114,1	102,1
Pre-int profit (Rm) ...	9,8	10,5	15,8	9,6
Pre-int margin (%) ..	13,5	10,9	13,8	9,4
Earnings (c)	20,3	22,7	34,2	23,0
Dividends (c)	8,0	8,0	12,0	10,0
Net worth (c)	73	88	110	123

* 16-month period. † Year to Dec 31.

The pent-up demand which realised good profits for audio and watch group Anbeeco Investment Holdings in financial 1991 was hit hard by continued high interest rates and weak consumer spending in the 1992 year. Much of the pressure on profits resulted from a lack of consumer spending, especially in the audio equipment industry.



PROPERTY AND THE ECONOMY

The space race

FM 28/8/92

30

Vacancies are hurting institutions but they intend to weather the storm

Economists may predict a general economic upturn during 1993 but the lagging property sector will continue to feel the tail end of a four-year malaise until well into 1994. That, too, has been predicted.

The reality is that vacancy factors in institutional portfolios — as in the buildings they hold — are creeping up. Empty buildings — particularly offices — are all too apparent.

“What’s happening to those empty offices in Sandton?” observers continue to ask. Why do developers continue to build?

The questions are valid. Of the offices completed in 1991, according to research company Real Estate Surveys, 34% are still vacant. Of those to be completed this year, an even higher 47% are unlet.

Sage Properties — whose operations include listed Pioneer and CBD Fund as well as Sage Properties and Sage Life’s property portfolio (giving a combined value of roughly R1bn) — does not believe the 10%-12% vacancy factor in institutional office stock represents a crash. Sage Properties executive director Simon Mills says all that is needed is a seven-percentage-point take-up to get to the normal 5% vacancy level.

His views and confidence are shared by many other institutional portfolio heads. But that doesn’t mean that they are not feeling the crunch — and acting on it.

The picture is indeed grim. Nonresidential building starts have fallen dramatically, by as much as 43% in the first four months of 1992 compared with the corresponding period in 1991. Though spec building persists — some believe if they build now rather than later the saving on building costs will make up for the loss in rents — the general trend is a decrease in office investment. This will decrease further, Real Estate Surveys notes, as a result of poor demand and the completion of office starts, which will further push up the oversupply.

On that point, Real Estate Surveys MD Erwin Rode says, given that building costs will rise by only 7%-10% this year, the spec building argument is fallacious.

He adds that office starts reached their top turning point only in the second quarter of 1991 to lag the economic downswing recognised in 1989 by the usual 12-18 months. This same time lag will thus translate into increased investment in office space 12-18 months after the improved economic conditions expected during 1993. Hence “no noteworthy increase in investment can be expected before 1994.”

The real losers, of course, are builders. More small firms — possibly as many as 300 — face liquidation this year. Former Bifsa economist Charles Martin estimates that unofficially 40 000-50 000 building workers

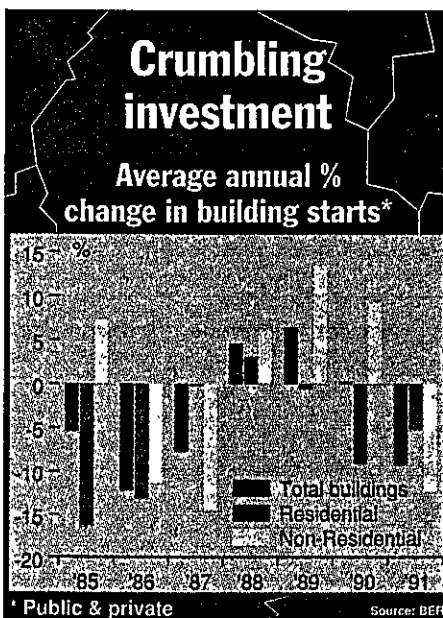
(officially 25 500) are unemployed.

The whiplash is also being felt by the professions.

Relief for the construction industry — when it comes — is not likely to emanate from office, retail or home building. The retail sector is expected to be negatively affected by the fact that the upswing will not be consumer-orientated and that private consumption will benefit only later in the upswing starting from mid-1993.

Then disposable income should begin to improve.

Disposable income will not increase until then; so the residential market will also con-



continue to suffer.

Builders may find some relief in the industrial sector. The Bureau of Economic Research strongly believes the economic upswing will be led by an increase in manufactured and other exports, which translates into a demand for industrial space. Coupled with the fact that there is less surplus capacity in this market, investment will be more sensitive to the economic upswing and react quicker. Signs of this are already occurring as developers ready themselves for demand 12 months hence for air and road freight-related business in key areas. The Jet Park industrial node near Jan Smuts is a case in point.

Timing is the most critical factor for developers. Many of the largest property owners believe they have learnt the lessons of the last downswing in 1982-1983 which hit the property industry in 1984-1985.

“At that time, all our new industrial park developments came on stream simultaneously,” says Old Mutual Properties’ Witwaters-

rand regional manager Anton Bieber. “This time round, we’ve spaced the developments better and can afford not to give space away.”

But, like many others, OMP is suffering. As the largest owner of property — about R6,5bn worth, plus another R500m in countries like Zimbabwe, Namibia and Kenya — its 8% vacancy factor translates into R500m worth of empty space around SA.

Much of its currently vacant space is in CBDs but also in suburbs such as Sandton’s Rivonia where Mutual Village has 4 000 m² of offices to let. Its industrial parks in City Deep, Isando and Droste Park (of which only 20% of 20 000 m² is let) also need to be filled.

Owners like OMP are confident their empty space will eventually be let in prime decentralised areas such as these but they are less confident of the recovery rates for older CBD buildings. They may now have to weigh up the advantages of receiving rentals from costly converted flats-from-office buildings or no rents at all.

Prospects for the recovery of small developers-cum-owners of buildings on suburban fringes are equally gloomy. Cases in point are offices in Sandton’s Fourways and Sunninghill and on the outskirts of Randburg. Development on Randburg’s fringes took place when CBD rentals there were already suffering.

The recent acquisition of Bankorp by Absa, and the rationalisation of the banking group, is expected to affect already oversupplied city centres. Staff cuts, and therefore more vacant offices, will add to the woes of the letting market.

Examples of vacancies in other major institutional portfolios are office space in Commercial Union’s Village Walk, Sandton (3 000 m²); Mine Pension Funds’ newly completed office buildings of Gillooly’s View, Bedfordview, 540 Pretorius Street, Arcadia, Pretoria, and phase two of Tulbagh Centre, in Colbyn, Pretoria; Momentum Life’s office buildings in Sandton’s Epsom Downs and Woodmead, as well as its minifactory developments on the Reef at Robertville and Wadeville (12 000 m²); and Barlow Rand Properties’ 3 300 m² of empty space at Alrode.

Vacancy levels in Ampros’ buildings have been well publicised. Affected Johannesburg buildings in the listed Amaprop stable include: Garden Plaza and 32 Diagonal Street; in Mainprop, Total House; in Apex, the well-known His Majestys, Damelin and Sebel Centre buildings; and Monex House.

The list goes on.

What are the holding costs for owners of semi-let or unlet buildings, the *FM* asked Sanlam, which, with a roughly 4% vacancy factor in its R6bn portfolio, has R240m

worth of empty space? GM Banus van der Walt cites the example of a R10m building 50% let. If the initial yield was 10%, half-let means a yield of 5%, which in turn translates into a loss of revenue of R500 000 a year. In terms of capital loss, on a simplistic level, if the income stream is valued on a 10% yield, it is R5m. To offset this, landlords will attempt to cut operating costs.

Naturally, most institutions are loathe to discuss their positions.

Part of the problem is that they feel it is unfair to test a portfolio's performance on vacancies alone — but admit that when vacancies are given in rand value terms, a truer picture is reflected.

Compared with the vagaries of including capital and income growth, however, the FM believes vacancies are a useful indicator. Income and capital growth figures can be manipulated. So they have been left out of the table.

Admittedly, as Sage's Mills points out, some portfolios may have achieved low vacancies by letting below prevailing market rates, though this may not necessarily be a sensible financial strategy. It is easier to assess capital and income growth in the listed vehicles. Nonlisted insurance and pension fund portfolios are likely to include capital growth figures based on internal valuations. These then prop up the figures.

Most of the quoted vehicles are showing income growths of 7%-12% but capital growth has been negligible.

It is interesting to note, says one property trust manager, that most of the insurance company portfolios reflect combined income and capital growth with figures of 15%-26%. But they do not denigrate Fedlife's boast of less than 1% vacancy and annualised net income and capital growth of 26,1% in 1989, 29,7% in 1990 and 25,1% in 1991.

These figures still translate into a better-than-average net income growth of probably 12%.

When it comes to letting in a tenant's market, two arguments prevail. The difficulty revolves around the fact that, instead of selling a product once-off at a discount, the discount as far as the landlord is concerned can last up to five years. Some landlords feel it is better to sit with empty space and wait for six months to a year for rentals to rise. Their problem is assessing the period required for the change.

Others believe that, because it is difficult to assess when rentals will rise, it is preferable to let at whatever rents are reflected in the market at the time.

Both Ampros and Investec Property Group have taken this view. IPG, which manages the R160m Metpro, reduced vacancies in this portfolio from 16% in September to 6% in June, mainly by embarking on an aggressive letting drive. IPG let 18 000 m² of industrial space (90% of Metpro is industrial) at 1991 rentals. IPG group property manager Jeffrey Sher says income growth in the year to March 1993 is expected

to be 6%-7%. Thanks to the letting drive, that's three percentage points higher than the March 1992 year.

The difference between these two attitudes may not amount to much at the end of the day, when proponents of the so-called "wiser financial strategy of waiting for better days" are propositioned by a willing tenant.

Though they may not advertise it, it is unlikely that they will turn him away at a cost of 15%-20% off the desired leasing package.

Still, says Sher, while the big boys can afford to hold out for better rentals — rightly or wrongly — the smaller funds cannot follow suit.

In the short term, it's the investors in the property trusts and the policyholders of the likes of Old Mutual, Sanlam and Liberty Life who lose from the empty space and all that it implies.

The improving prospects for the economy from next year will mean a better outlook for the nonresidential sector from the second half of 1994. While institutional portfolios are suffering — in the short term — it must be remembered that institutions invest over a 15-to-20-year period to match their liabilities for pension payouts or maturing insurance policies.

Their view, therefore, is that property is a long-term investment. They believe they can weather the downswing. But perhaps they would say that.

NO ONE LIKES THE SEE-THROUGH LOOK

A selection of SA's larger property portfolios

Institution	Size of portfolio	Total in m ²	Overall vacancy %	Portfolio breakdown				Portfolio vacancy factor		
				Retail %	Industrial %	Offices %	Other %	Retail %	Industrial %	Offices %
Old Mutual Properties	R7bn	na	8(V)	20(V)	25(V)	50(V)	5	3(V)	7(V)	11(V)
Sanlam Properties	R6bn	na	<4(V)	40(V)	5(V)	40(V)	5	<1(V)	5,6(V)	6(V)
Liberty Life Properties	R4,3bn	1,5m	<4(V)	59(V)	2(V)	39(V)	2(V)	<1(V)	0	<4(V)
Southern Life Properties	>R2bn	1,1m	5(A)	25(A)	15(A)	60(A)	—	3(A)	6(A)	6(A)
Mine Pension Funds	R1,8bn	na	4(V)	21(V)	12(V)	40(V)	27(V)*	#0(V)	#0(V)	4(V)
Amaprop	R1,7bn	444 891	6,6(A)	33(A)	—	67(A)	na	2,7(A)	—	8,6(A)
Absa	>R1bn	na	<1(A)	na	na	na	na	na	na	na
Iscor Pension Fund	>R1bn	na	<5(V)	30(V)	50(V)	20(V)	—	na	na	na
Fedlife	R1bn	na	1(V)	15(V)	25(V)	55(V)	5(V)	1(V)	0(V)	1(V)
Momentum Life	R1bn	na	7,08(A)	30(A)	21(A)	49(A)	—	4,8(A)	13(A)	5,9(A)
Standard Bank Group	R950m	477 000	3(A)	—	—	97(A)	3(A)	na	na	na
Metropolitan Life Properties	R775m	700 266	3,7(A)	30,2(V)	14,8(V)	47,8(V)	—	0,6(A)	5,9(A)	6(A)
Mainpro	R727,23m	276,466	1,35(A)	42(A)	—	50(A)	8▲▲	—	0(A)	2,41(A)
Transnet Pension Fund	n/a	n/a	0(V)	30(V)	40(V)	25(V)	5(V)	0	0	0
Barlow Rand Properties	R510m	na	0,1(V)	—	41(V)	11(V)	48*(V)	na	na	na
Canprop	R500m	126 000	3,2(A)	35(V)	—	32(V)	32(V)†††	na	na	na
Compass	R479,59m	186,464	3,5(A)	34(A)	—	66(A)	—	0,7(A)	—	3,6
Capital	R400m	395 000	2,7(A)	5(V)	55(V)	11(V)	29(V)‡‡	na	na	na
Apex	R383,95m	155,723	5,74(A)	62(A)	—	38(A)	—	2,18(A)	—	11,57(A)
Rand Mine Properties	R82m††	na	0,004(V)	2(V)	68(V)	30(V)	—	23(V)▲▲	0(V)	0(V)
Commercial Union	R330m	na	<1(V)	15(V)	13,57(V)	60(V)	21,4(V)	0(V)	0(V)	2(V)

V = Value. A = Area. **Comprises 8% warehouses, 36% motor showrooms and building material outlets and 4% vacant land.

††Excludes mining land and townships covering some 4 000 ha. *Comprising 15% hotels (City Lodge is 60% of its hotel investment) and 12% in property trusts.

†††Comprises 3% parking and 29% interest. ‡‡Comprises 2% parking and 28% interest. ▲▲West street south shops, Selby, Johannesburg.

Source: FM Research

Funding of small man a big issue

The existing banking and financial structures are hopelessly inadequate, says Gaby Magomola:

THE financing of small business is one of the subjects expected to evoke a keen response from delegates at the Business and Entrepreneurial Conference to be held on September 13-15.

Mr Gaby Magomola, executive chairman of the Inter-Africa group and a director of Future Bank, will be one of the speakers.

He believes that existing banking and financial structures are "hopelessly inadequate" for small black businessmen.

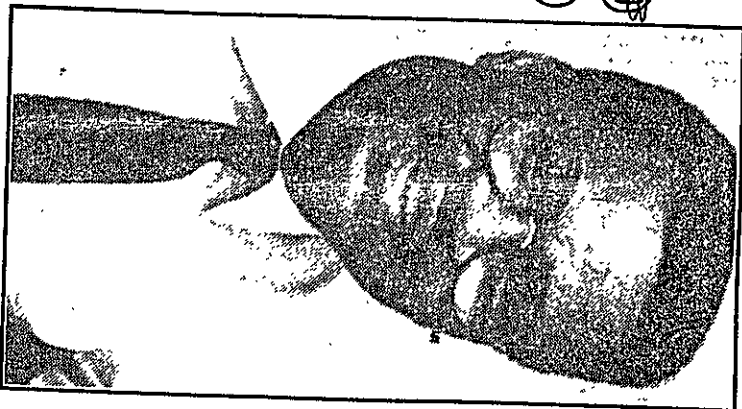
"Years of apartheid and exclusion from economic activities have prevented potential black businessmen from securing the type of collateral required by existing structures in order to

obtain financial assistance," says Magomola.

There had been little attempt to create specialised financial deals geared specifically for small businessmen found so readily in economically sound countries, he said.

Both the public and private sector need to come together and reorganise financial structures to ensure a facility which provides greater credit to this group.

Their economic success would have a domino effect on the rest of the economy and their participation in the economic activities must be encouraged and nurtured, Magomola said.



Gaby Magomola ... a speaker

Business sense & brains

Venue:
Eskom Training College, Midrand.

units;

- Officials of development agencies;

Who should attend:
Executives of major companies and those managers dealing with small business and entrepreneurial development.

- All interested in getting an insight into the challenges ahead, and how some of these can be overcome.

- Officials of business associations;

Themes:

- Officials of chambers of commerce and industry;

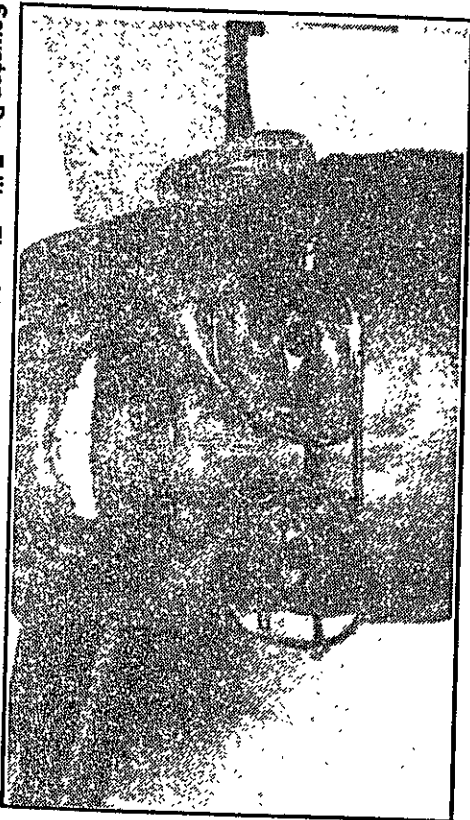
- Role of Government in transforming small business into medium sized enterprises;

- Officials of financial institutions and funding organisations;

- Financing of small business;

- Small businessmen from all sections of the community who want to grow into sizeable

- Role of big business in developing small business;
- Women in business;
- Looking into the future.



Sowetan Day Editor Thami Mazwal ... organising the conference.

Internationally famed two to speak at our conference

Africa Development Facility chief discusses the continent:

TWO officials of the International Finance Corporation will take part in our business and entrepreneurial development conference.

The two are Mr Alexander Keyserlingk, general manager of the Africa Development Facility, and Mr Omari Issa, regional manager for

Southern Africa.

The two experts have been involved in entrepreneurial development in many parts of the world, including the now booming Far East. They will cite many examples of the success story of the East in their presentations at the conference. Keyserlingk, who is the guest

speaker, will speak on: Entrepreneurial development - lessons from Africa. He will discuss what has succeeded in Africa and what has not.

Another of the overseas speakers will talk on the development of external trade.

Local speakers are Dr Nithato Mollana, Sipho Shabalala, Professor Jakes Gerwel and Gaby Magomola.

Major shake-up hauls Score back on track

MARCIA KLEIN (30)

A RATIONALISED and re-focused Score Supermarkets is set to further improve efficiencies and produce acceptable results in the coming year following a major shake-up in financial 1992.

The Premier Group subsidiary, which consists of the former retail supermarket interests of Score Food Holdings and Metro Cash and Carry following their merger in June 1991, exceeded its earnings forecasts in the 10 months to end-April.

Attributable earnings of R877 000 were 15% ahead of forecasts, despite the fact that turnover of R512,4m was 2% lower than forecast and 1% below the previous year. *BIDAM*

Score, which listed on the JSE in October, has 160 stores.

Chairman Gordon Utian said in the group's annual report Score had turned a R14m operating loss into operating income of R8m, largely due to reductions in the overhead structure and staff rationalisation. *31/8/92*

Activities had been refocused on more basic food lines and non-food ranges had been reduced, Utian said. Gearing and interest would be reduced by lowering stock holdings and increasing stock turnovers.

Fourteen non-viable stores were closed or sold.

Score used R55m of the proceeds of the R142m Metro rights offer to reduce borrowings.

Interest bill impacts on McCarthy

McCarthy lifted its share of the market in new vehicle sales from 12,6 percent to 13,7 percent in the year to June.

Operating profits rose ³⁰ 45 percent, or R19 million, over the first half, but interest and a higher tax bill eroded attributable earnings.

Chairman Brian McCarthy says profits on the bottom line were hit by a R6,5 million higher interest burden and an under-provision in tax in previous years.

Attributable earnings dropped 14 percent from R51,4 million to R44,1 million, equivalent to earnings per share of 50,9c (59,8c).

The final dividend, however, has been maintained at 13,5c, giving a 2,4 times covered total distribution of 21c.

In the previous year the total payout was 23,5c (covered 2,6 times), which included a special one-off bonus distribution of 2,5c to mark the group's hundredth dividend.

The results come at a time when work on the proposed merger between McCarthy and Prefcor Holdings is on its last lap. *STAR 31/8/92*

"Due diligence in the merger will be completed by the middle of next month," says Mr McCarthy.

A capital surplus of R29 million arose on the revaluation of group properties.

On the other hand, consistent with the policy adopted for subsidiaries, the investment in Midas has been written down by R13 million to net asset value.

Despite a number of acquisitions, the record group turnover of R3,1 billion and operating profit of R104 million were lower than the previous year's.

The interest bill was up from just under R7 million to R16,7 million because of higher inventory levels and new investments. — Sapa.

Keys promises to take new look at food VAT

GERALD REILLY

PRETORIA — The zero-rating of basic foods will be taken into account "with all relevant factors" when Finance and Trade and Industry Minister Derek Keys next looks at taxation changes.

Keys gave this assurance to the VAT action group of the Food Forum at a meeting in his office in Pretoria on Friday.

The group stressed to Keys that zero-rating would immediately reduce prices. However, Keys said he was concerned that the zero-rating of basic foods might not bring about a reduction in food prices in many areas.

Keys and the group agreed clarity on food prices was vital to eliminate exploitation of consumers.

The action group was made up of representatives of consumer bodies, retailers, processors and organised agriculture. Among them were Pick 'n Pay chairman Raymond Ackerman and Premier Group chairman Peter Wrighton.

The directors-general of Keys's two departments were also present.

Keys was briefed on the developments at the recent Food Forum conference.

The conference, he was told, had found the main burden in the implementation of

VAT fell on basic staple foods which had formerly been exempt from GST.

This, it was claimed, had increased food inflation by about 6%.

It had also come at a time of drought and recession.

It was agreed at Friday's meeting that relief programmes for the very poor should be continued and that their efficiency should be stepped up.

A forum task group would be formed to investigate food relief problems as well as alternative means of relief in conjunction with the Department of Agriculture and National Health, the forum said.

Meanwhile, Board on Tariffs and Trade deputy chairman Helgaard Muller said work was progressing on the second phase investigation into food price inflation.

Comments from a large number of organisations had been received on the board's "discussion document" released six weeks ago.

Muller said he welcomed the investigations being made by the Food Forum, and a decision would be taken next week on liaison between the board and the forum.

Interest and tax ravage McCarthy's bottom line

EDWARD WEST

THE McCARTHY Group's bottom line in the year to June 30 1992 was ravaged by a sharp hike in the interest burden and a higher than expected tax bill resulting from previous underprovisions, chairman Brian McCarthy said.

In a market which was 15% below the previous year, SA's largest vehicle distributor posted a 14% drop in attributable earnings to R44,1m from R51,4m in 1991. This translated into earnings of 50,9c a share against 59,8c previously.

However, the final dividend was maintained at 13,5c, giving a 2,4 times covered total distribution for the year of 21c (23,5c).

The results come at a time when work on the proposed merger between McCarthy and Prefcor, with a combined turnover of about R4,5bn, is on its last lap.

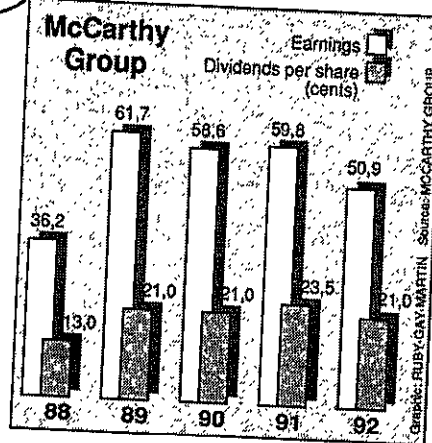
The merger could be completed by the middle of next month and shareholders were again cautioned in share dealings.

In spite of a number of acquisitions during the year, the group's record turnover of R3,1bn (R2,9bn) and operating profit of R104m (R106m) were lower in real terms than the previous year.

However, second half operating profits were more encouraging and increased by 45% over the first half.

The interest bill was higher at R16,7m from just under R7m because of higher inventory levels.

New investments, which also contributed to the higher interest bill, totalled R72m. The most notable of these was the acquisition of Beachway Volkswagen in Durban and two UK Toyota dealerships.



Short-term loans jumped to R80,2m (R2,2m).

However, gearing remained low at 35% even though it was substantially higher than 9,8% in the 1991 financial year. Interest cover was 6,3 (15,2).

Tax of R44,9m (R46,3m) comprised the provision for the current year of R38,4m (R46,3m) and a R6,5m underprovision in taxation from prior years.

A capital surplus of R29m arose from the revaluation of properties, while, consistent with the policy adopted for subsidiaries, the investment in Midas was written down by R13m to net asset value.

The group increased its new vehicle market share to 13,7% from 12,6% in the year to end-June 1992.

McCarthy's net asset value was 301c compared with 268c a year earlier. It traded at 335c on Friday.