# MANUFACTURING— FOOTWEAR

1993

# Footwear firm seeking liquidation

SUSAN RUSSELL

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FOOTWEAR importer Translogic (Pty) Ltd, was provisionally liquidated in the Rand Supreme Court yesterday with liabilities of R4 728 000

The company, a wholly owned subsidiary of Footwear International (Pty) Ltd, brought the application for its own winding up.

Company director Stanley Rabinowitz said in court papers Translogic had assets of R2 170 000 and liabilities of R4 728 000

Rabinowitz blamed the company's financial position on "the total collapse of the imported fashion footwear market"

In addition, "local interests" had procured a 30-60% increase in the duty on imported footwear which had an irreparable and adverse effect on the company

Rabinowitz said customers had halved their order books because of current economic conditions.

23/2/83

# Footwear workers strike

CT 24/2/93 (189) (18)

DURBAN — About 400 workers at Budget Footwear at Jacobs went on strike yesterday

# Seeing if shoe can fit bigger foot

BDAY 26/2/93.

LINDA ENSOR

SALT ROCK — The Footwear Manufacturers' Federation was involved in a project to determine whether the industry had the capacity to be competitive internationally and to formulate a strategy for its survival

Speaking at the clothing conference, federation executive director Dennis Linde said footwear industrialists needed to know how good their chances of surviving the decade were

"At this stage it is far too early to draw any conclusions," Linde said, adding that other players in the industry would be consulted in the next few months on their views.

(187)

Footwear production has dropped 29% to 44-million pairs in 1992 from 62-million pairs in 1988 and employment by 18,5% to 22 000 (27 000)

Imports remained one of the major areas of concern. The local footwear industry experienced substantial cost disadvantages against foreign manufacurers, particularly with regard to synthetic footwear and shoes with textile fabric uppers

In 1991, imports reached 17-million pairs, compared with 12-million in 1990. Despite a new duty structure introduced in August 1991, imports in 1992 were "abnormally high" at 16-million pairs

Linde said 54% of all footwear imported in SA originated in China and Hong Kong

"It is obvious that the local industry has suffered enormous damage from the Chinese onslaught," he said, pointing to the closure of factories and loss of jobs A total of 4 000 workers had been retrenched in the past two years.

# Conshu increases share of a declining market

Star 1/3/93

(187)

By Derek Tommey

Shoe manufacturer Conshu Holdings increased its share of the declining retail footwear market in the six months ended December.

But low demand in the industrial and mining footwer markets offset this progress and attributable income fell 24,6 percent from R14,0 million equal to 30,1c a share to R10,6 million equal to 22,7c a share.

The interim dividend has been reduced by 30 percent from 11,5c to 8,0c a share. Operating income was R25,5 million ( R31,7 million) from a turnover or R334,7 million (R329,7 million).

Chief executive Robert Feinblum said the tighter margins reflected the extremely competitive pressures in the footwear sector and in the branded footwear export business

However, careful attention to asset management had enabled Conshu to reduce its interest bill for the six months ended December to R6,4 million from R6,9 million and its total interest-bearing debt fromR68,2 million to R67,6 million

He said the footwear industry world-wide was under pressure In Korea over 300 footwear companies had closed leaving more than 200 000 people jobless.

Leading manufacturers in Britain and the United States had also reported major losses in the past year.

He expects the company's performance for the next six months to be in line with its first half performance.

# Shoe market share up — profit down

ARGT 1/3/93 (187)

**MARC HASENFUSS**
Business staff

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He said the footwear industry world-wide was under pressure In Korea more than 300 footwear companies had closed, leaving more than 200 000 people jobless

In Australia production across all footwear categories had fallen by an average of 27,8 percent in the year ended June, 1992

Leading manufacturers in Britain and the United States had also reported major losses in the past year

He expected the company's performance for the next six months to be in line with its first half performance

● **Hudaco's** acquisition of Valard has reduced the group's dependence on agriculture and mining and enhanced its exposure to the manufacturing and automotive sectors, according to Hudaco CE Stephen Connelly

Mining accounted for 30 percent of sales and agriculture for 11 percent, but automotive's share was now 13 percent and manufacturing's 25 percent

Mr Connelly said in the annual report for the year to November that Valard's integration into Hudaco proceeded smoothly and was now complete

Because of the Valard acquisition, group turnover increased by 53 percent to R563 million, but the volumes on a like for like basis fell by 7 percent

Earnings a share fell by 5 percent to 106,8c Cash generation amounted to R44 million or cash flow a share of 130c

Mr Connelly said price-cutting in Hudaco's areas of operations resulted in many smaller competitors not being able to survive

The number of employees in the group was reduced by 12 percent and group operating expenses were held at the same level as in 1991

The quantum and quality of debtors was considered satisfactory, but inventory levels in some divisions had not yet been brought into line with the lower levels of activity being experienced

The biggest sales slump was recorded by the belting and chain division, in which sales fell by R15,6 million to R98 million The division, however, maintained market share in a falling market

Profitability came under pressure, particularly in Bosworth, which is largely dependent on major capital projects Its turnover fell significantly, which led to a restructuring towards the end of the year

Diesel engines increased sales from R104,6 million to R113,9 million, even though the market for new engines fell Divisional sales were bolstered by maintained spares and service activity Net operating assets were reduced from R28,6 million to R22,3 million

The division took over Deutz Fahr the distributor of agricultural equipment and parts for Klockner-Humboldt-Deutz

There was a hanndsome improvement in the profitability of brake and clutch supplier Mintex Don, which improved its internal efficiency and market position, but sales of Makita power tools were affected by the severe downturn

Hudaco had budgeted for zero growth in the markets it served in 1993 But as a result of cost-cutting measures implemented during the year an improvement in earnings a share was targeted

● **Tiger Wheels Limited (Tiwheel)** — the tyre and wheel operating subsidiary of listed pyramid holdings company **Tiger Wheels Holdings** (Tihold) — will be listed separately on the Johannesburg Stock Exchange from today

The listing is the result of a group restructure effective July 1 1992

In terms of the restructure, Tihold now holds 80 percent of Tiwheel The other 20 percent went to shareholders as a dividend in specie to facilitate the JSE listing of Tiwheel

Tiwheel has reported a 35 percent increase in attributable profit from R1,4 million to R1,9 million in the six months to December 31, 1992 This equals earnings a share of 6c, from 4,7c previously, on an increased number of shares in issue

Tihold's first-half earnings were R1,5 million or 4,8c a share This compares with 3,8c a share in the six months to December 31 — a figure adjusted downwards from actual earnings a share of 4,7c to take into account the dividend in specie

There were no half-year dividends, in line with the group's policy of considering dividend payments annually at year end

Joint chairman and chief executive Eddie Keizan on Sunday said he was satisfied with Tiwheel's half-year performance in the light of tough economic conditions and a tight resultant squeeze on margins

The pressure on margins was reflected in an increase of 10 percent in pre-interest income on the back of a 26 percent rise in turnover from R39 million to just under R49 million

Mr Keizan said Tiwheel's wholesale division performed excellently, as did its Tiger Wheel and Tyre retail store network, which was to be expanded to the tune of R3 million on a property adjoining the existing Babalegi wheel factory

New alloy wheel markets had been opened to compensate for tight trading in some European markets and overall export turnover had increased, he said

Mr Keizan said the restructure had created a springboard for future growth and given the group the means to meet institutional demand for its shares without loss of control

FM 5/3/93

CONSHU/WAYNE

# Missing the turn

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**Pin-pointing** when the economy is going to turn and expanding capacity to coincide with this, is one of the most difficult decisions management is faced with Nobody knows better than footwear manufacturer Conshu how easy it is to get it wrong

In anticipation of increased demand, 89%-held Wayne Manufacturing expanded its production facilities through acquisitions in 1991 However, increased volumes failed to materialise as the demand in the footwear, agricultural, mining and automotive industries shrunk, constricting orders for PVC and rubber products

Wayne chairman Robert Feinblum says latest results were badly impaired by the increase in fixed overhead costs incurred through the expansion, for which there was no compensating volume increase Wayne reported a 3% decline in turnover to R59,7m in the six months to December, with margins slashed to 2,9 from 8,5 Operating income was down 67% to R1,7m EPS crumbled by three-quarters and the interim dividend was passed Feinblum is more optimistic for the second half, but says results will be significantly down on those of the previous year

Financial director Charles Rapp notes that if Wayne had not been included in Conshu's results, the contribution to the bottom line by fashion footwear would have been about equal to year-ago levels Conshu actually gained market share, though national volumes were down 20% Its products were initially positioned in the middle and upper market, but consumers have downgraded their choices so the group has adapted accordingly The decline in its volumes was stemmed to 8%

FM 5/3/93

## FEELING THE PINCH

| Six months to | Dec 31 '91 | Jun 30 '92 | Dec 31 '92 |
|---|---|---|---|
| Turnover (Rm) | 330 | 291 | 335 |
| O[illegible]g income (Rm) | 31,7 | 38,8 | 25,5 |
| [illegible]e (Rm) | 13,9 | 10,7 | 10,6 |
| [illegible]) | 30,1 | 23,0 | 22,7 |
| [illegible] (c) | 11,5 | 13,0 | 8,0 |

187

Conshu's off-shore operation Sterling & Hunt showed an improved performance, with turnover up 35% to R6,7m Margins came under pressure from a stronger rand against the pound Sales to the EC were up, but Rapp says this was not significant Niche markets have been entered in Japan and the group is looking at exporting to the US, using Sterling & Hunt as a springboard

Conshu has acquired the rights to be sole local distributor of Asics sport shoes, which has a large share of the active sports market Rapp says the possibility of exporting PVC and rubber products is being investigated Wayne, which enjoys leadership in its specialised markets, could be competitive on international markets — a useful safety net

Conshu's operating income dropped a fifth to R25,5m, reflecting tighter margins due to competitive pressures Capex was limited to replacements only, marginally reducing the interest bill to R6,4m (R6,9m), which improved gearing slightly to 40% (43%) The effective tax rate rose from 40% to 43% following the loss of tax benefits with lower capex Rapp sees the second half as one of consolidation EPS were 25% lower at 22,7c and the dividend fell 30% to 8c

The group has been streamlined, true benefits of which will only be visible once industrial activity and consumer spending pick up At 280c, Conshu's price is well down on its annual high of 580c With no growth expected in the current half, significant advances in the price are unlikely

*MaryLou Greig*

# Footwear manufacturers propose year's wage freeze

(187) CT 12/4/93

DURBAN — The country's Footwear Manufacturers' Federation has proposed a one-year wage freeze for 28 000 employees in the footwear industry during the first wage negotiation meeting with the SA Clothing and Textile Workers Union in Durban

The union is demanding a 15% pay hike across the board, a work security fund which would provide skills training for retrenched employees and adult education basic education for existing employees.

Union chief negotiator Mark Bennett said he found it unacceptable that employers had justified the wage freeze by citing the economic climate

The next round of talks is scheduled for May 3

Guide to gilts

## Pay talks begin (187)

WAGE negotiations involving 28 000 workers in the footwear industry started last week with the Footwear Manufacturers' Federation proposing a 12-month wage freeze BDay 13/4/93.

The SA Clothing and Textile Workers' Union (Sactwu), representing some 5 600 footwear workers, has proposed a 15% across-the-board increase

BUSINESS

# Amrel makes up for earlier losses

Star 7/5/93

By Stephen Cranston

Amrel has made up for losses in the first half and reported earnings per share of 43,8c for the year to March, but well down on the 170,3c earned in the previous year.

Both the interim and the final dividend have been passed.

Financial director Bruce Sinclair says the shoe and clothing operations, which include ABC, Cuthberts and Scotts were hard hit. A total of 64 stores have been closed in this division.

In contrast, the furniture businesses did well and, despite a five-month strike at Lubners, increased sales by 8,6 percent.

Turnover excluding Boymans, which was acquired at the beginning of the year, increased by 4,2 percent to R1,045 billion. Boymans added R206 million in sales. (187)

Trading profit fell from R83,7 million to R81,4 million, but net financing costs were reduced from R74,1 million to R71,3 million. Gearing, however, rose from 350 to 360 percent.

Emphasis continued to be placed on improving the quality of the debtors' book.

Tip Top Furnishers, which serves the bottom end of the market, was rationalised and restructured.

MD Stan Berger says little improvement is expected in the first half of the current year.

# Bolton's huge rise in earnings

MARCIA KLEIN (187)

BOLTON Industrial Holdings, whose results reflect its interests in Bolton Footwear and transport company Cargo Carriers, boosted its attributable earnings by 45,7% to R2,7m (R1,8m) in the year to end-February

But earnings available for distribution dropped significantly, and a final dividend of 5c (14c) was declared, with the full year dividend down by 53,5% to 10c a share.

Cargo Carriers, in which it has a 34,6% interest, reported an attributable profit of R2,3m from a prior year loss of R3,5m

Cargo's pre-tax profit was improved by R10m due to a decision to depreciate vehicles over their useful lives based on actual number of kilometres or time If not for the adjustment, the result for the year would have been a loss of nearly R7m No dividend was declared BDAY 11/5/93.

Nevertheless, directors said operating results showed a substantial improvement in the second half This was achieved largely through strict controls, reduced operating costs and a drive to increase market share

Cargo's results were expected to improve in the coming year.

Bolton Footwear, in which Bolton has a 74,2% holding, reported a 38% decline in earnings to R2,6m from R4,3m

A final dividend of 2c a share was declared, bringing the full year dividend down by half to 4c a share

Earnings were expected to improve on the back of modernisation of Bolton Footwear's manufacturing processes.

AMREL FM 14/5/93 (187)

## Quality hasn't paid

**That old** cry "quality not quantity" hasn't paid off for furniture and footwear retailer Amrel over the past few years Admittedly, that decision was made at the height of the last boom in the mid-Eighties, but its corol-

cont



**FOX** FM 14/5/93 · (187)

lary in the current recession has meant slower sales and earnings growth. In the year to March 1993, EPS plunged 74,3% to 43,8c (170,3c) Not surprisingly, the final dividend was passed

Turnover (excluding the Boymans acquisition which added a further R206m) improved marginally to R1,05bn And that was no small achievement given the difficult trading conditions, clearly reflected in the operating margin which slipped to 6,5% (8,3%) Reduced financing costs resulted in a 4,3% increase in pre-tax profit to R10,1m But a tax provision of R5,2m (compared with a net tax credit of R6,1m in 1992) knocked profit after tax 69,4% to R4,8m.

A net extraordinary item of R30,4m reflects the costs of the restructuring of Tip Top Furnishers and the termination of other minor operations MD Stan Berger says this was partly relieved by the favourable discount on the Boymans acquisition

### WORN SOLES

| Year to March 31 | 1992 | 1993 |
|---|---|---|
| Turnover (Rbn) | 1,00 | 1,05 |
| Operating income (Rm) | 83,7 | 81,4 |
| Attributable (Rm) | 15,7 | 4,0 |
| Earnings (c) | 170,3 | 43,8 |
| Dividends (c) | 57,0 | nil |

Cash generated by operating activities of R80,7m was easily absorbed by the investment of R12,8m in Boymans, together with continuing store refurbishment expenditure and high financing costs Consequently, borrowing increased 11% to R515,5m Amrel received a long-term loan of R80m at market rates from holding company SA Brews Financial director Bruce Sinclair says in the past these loans have been short-term. The astonishing gearing of 360% is partly the result of the decision to incorporate Amretfin, a joint financing company, in the results. Net debtors are R5,25m, says Sinclair

The results mask the improvement in the second half, in particular in furniture, the most important of three divisions and which contributes 55% to group turnover. Sales increased 8,6%, despite the five-month strike at Lubners That compares with an 8% growth in industry turnover and reflects an improvement in market share for Amrel

Footwear operations continue to do battle, losing market share Contribution to sales was 24% But Sinclair believes the remedial action taken in clearing out stocks and the closure of two minor factories will be reflected in an improved performance Amrel's increased exposure in Boymans from 36% to 76%, following the underwriting of a rights issue, raised its contribution to 16%

The company's short-term future is bleak, though it might be better in the long term, considering the measures taken Berger concedes the interims are not likely to reflect an improvement and this suggests that it will be difficult for earnings growth to match inflation.

*Marylou Greig*

FM 4/6/93 (187)

BOLTON FOOTWEAR FM 4/6/93

# Getting blisters

(187)

**Activities:** *Main activities are ~~the~~ manufacturing and merchandising of footwear*
**Control:** *Bolton Industrial Holdings Ltd 74,1%*
**Chairman:** *G H Stein; MD S R B Finlayson*
**Capital structure:** *20m ords Market capitalisation R12,2m*
**Share market:** *Price· 61c Yields 6,6% on dividend, 21,6% on earnings, p e ratio, 4,6, cover, 3,3 12-month high, 100c, low, 50c. Trading volume last quarter, 113 580 shares*

| **Year to Feb 28** | **'90** | **'91** | **'92** | **'93** |
|---|---|---|---|---|
| ST debt (Rm) | 21,4 | 21,0 | 24,5 | 21,6 |
| LT debt (Rm) | 0,9 | 0,9 | 1,7 | 1,6 |
| Debt equity ratio | 0,44 | 0,41 | 0,47 | 0,39 |
| Shareholders interest | 0,53 | 0,56 | 0,54 | 0,57 |
| Int & leasing cover | 4,7 | 3,9 | 3,3 | 2,2 |
| Return on cap (%) | 21,2 | 18,0 | 13,2 | 8,6 |
| Turnover (Rm) | 188,0 | 191,5 | 198,9 | 201,3 |
| Pre-int profit (Rm) | 20,0 | 17,3 | 13,6 | 9,0 |
| Pre-int margin (%) | 10,6 | 9,0 | 6,8 | 4,5 |
| Earnings (c) | 33 4 | 25,2 | 21,3 | 13 2 |
| Dividends (c) | 11,0 | 8,4 | 8,0 | 4,0 |
| Net worth (c) | 212,2 | 228,0 | 242,9 | 262,8 |

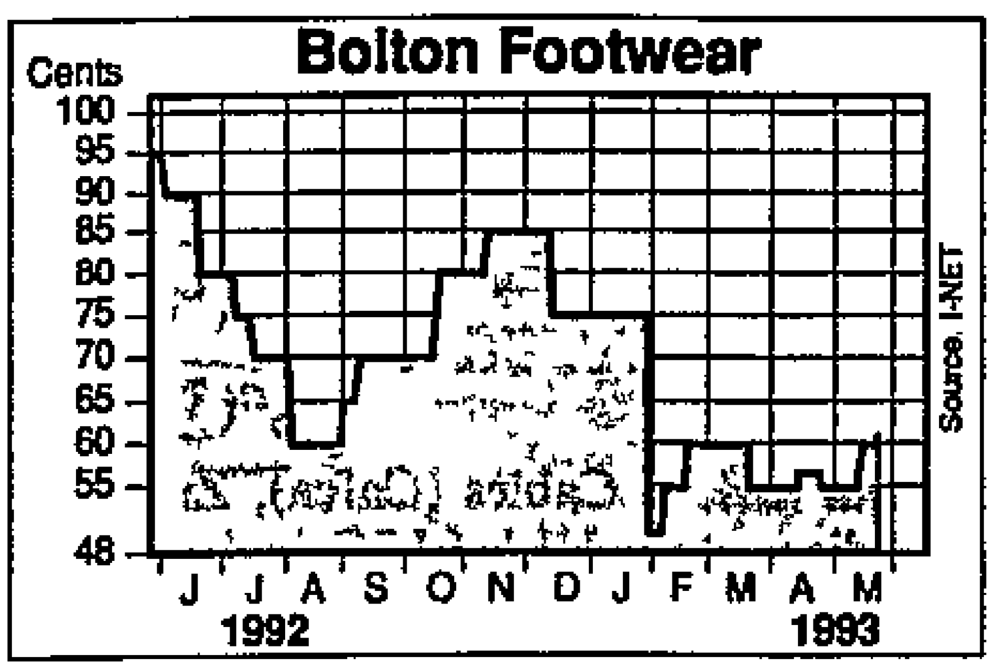
**Were these** boots made for walking? A lot of them are sitting on the shelves. Tighter disposable income — a trend that started in 1988 — made 1993 a difficult year

Bolton Footwear's factory volumes have fallen 20% over five years, and though sales recovered slightly last year, operating profits slumped by a third. operating margins fell to 4,5% — less than half 1990's. MD Sid Finlayson says they were deliberately pared to keep market share, which was achieved. No single figure exists for market share since this varies across the range of products.

The footwear manufacturing division is the largest, accounting for nearly three-quarters of group operating profit The weak performer here was Oudtshoorn Footwear, where reorganisation and restructuring have now been completed.

Footwear retail and wholesale division — about a fifth of operating profit — also felt the consumption squeeze AD Spitz is re-packaging its image: stocks have been cut and credit sales extended to more outlets

The building and construction division




made an operating loss; in 1992 it accounted for 5% of operating profit. This was largely due to losses at Searles Homes because of low barriers to entry in this timber construction/second home market.

The motor interests, Stanmar Motors and Coastal Toyota, contributed 10% of operating profit. The assets of Kango Motors (Mercedes-Benz dealer in Oudtshoorn) were acquired. This had no effect on gearing and involved no goodwill. Quite what a building operation and motor vehicle dealerships are doing in a company theoretically concentrated in footwear is puzzling

Some operating properties, considered strategically important, were revalued — R2,2m went into a revaluation reserve The consequent increase in shareholders' equity cut gearing from 47% to 39%, but this will be affected by Spitz's credit policy, which is expected to increase gearing by 5% this year Debt servicing has become a greater burden on operating profit, as profits have declined. interest cover fell to 2,2 from 3,3 in 1992

The share price pattern reflects increasingly lower volumes and tighter margins. On a p e of 4,6 and market value at a discount to NAV of 77%, the share is obviously poorly rated Low disposable income is one factor but the question remains whether Bolton's strategy, focused on the high quality range, works in recession. *Louise Randell*

# Amshoe results reflect pressure on margins

B/Day 11/6/93

DUMA GQUBULE

AMALGAMATED Shoes (Amshoe), suffering from extreme pressure on margins, reported a 28,6% slide in attributable earnings to R11,7m (R16,5m) on a 5,8% increase in turnover to R247,2m (R233,5m) for the year ended February.

This was equivalent to 19,9c (28,1c) a share. An unchanged dividend of 9c a share was declared

The company restated its previous year's fixed assets and earnings

(187)

Chairman Douglas de Jager said the year had been disappointing with losses at the Durban plant and reduced earnings at Ladysmith Earnings from the other divisions were in line with the previous year or had improved

Turnover rose to R247,2m (R233,4m), but operating income fell to R18,1m (R27,5m) Finance costs slipped to R5,7m (R6,2m) The tax bill absorbed F.612 000 (R4,8m) Attributable earnings were R11,7m (R16,5m)

De Jager said the group was building additional facilities and the board was confident of improved results in the future

AMREL/EDGARS FM 11/6/93

## Shifting the shoes

**The disposal** of wholly owned Shoecorp by Amrel to the Edgars Group follows several years of poor performance by the footwear and apparel division. In a R47,6m "in-house" transaction, Sales House, a subsidiary of Edgars, has acquired all the operations of Shoecorp, including the businesses of ABC and Cuthberts. (187)

Analysts see the move as positive for Amrel and Sales House. Amrel has been struggling for some years to make this division profitable Extensive rationalisation did not produce the required results and options available to Amrel — struggling under an increasing debt burden — were limited. Amrel continues to hold Select-a-Shoe and Scotts, though it's possible that buyers are being sought. Edgars, however, plainly believes its loss-making acquisitions have good potential, as Amrel has made money on the

FM 11/6/93 FOX

deal (187)

Sales House MD Arthur da Costa says the move "enables the company to reinforce its established leadership in footwear and speed up its strategic footwear expansion programme."

Major competitors to Sales House are Wooltru and Makro. It has four stand-alone speciality footwear stores and the latest acquisitions, which will retain their existing names, will provide inroads into a predominantly white market.

The price paid for the acquisitions is based on the NAV of Shoecorp at 31 May 1993 and will be settled by issue of 630 000 ordinary Edgars shares. Amrel will place the shares with SA Breweries at 7 550c each Amrel gets R47,6m cash.

Had the disposal occurred before Amrel's March year-end, EPS would have increased by 45,7c from 43,8c and NAV by 69c from 1 310c a share to 1 379c. Though the acquisition is not expected to affect Edgars' earnings materially, financial director Mark Bower says the 15% contribution to turnover by the footwear division would have been 18% had the deal occurred before year-end.

Sales House has shown that it can run its businesses successfully This presumably encouraged Edgars to make the purchase It will be interesting to see how long it will take management to achieve a turnaround in Shoecorp.

*Marylou Greig*

# Diversification sees Lenco through the hard times

B/Day 14/6/93

EDWARD WEST

LENCO Holdings' diverse interests helped it overcome difficult trading conditions and earnings a share climbed 24,8% to 59,8c in the year to end-February 1993 from 47,9c the previous year

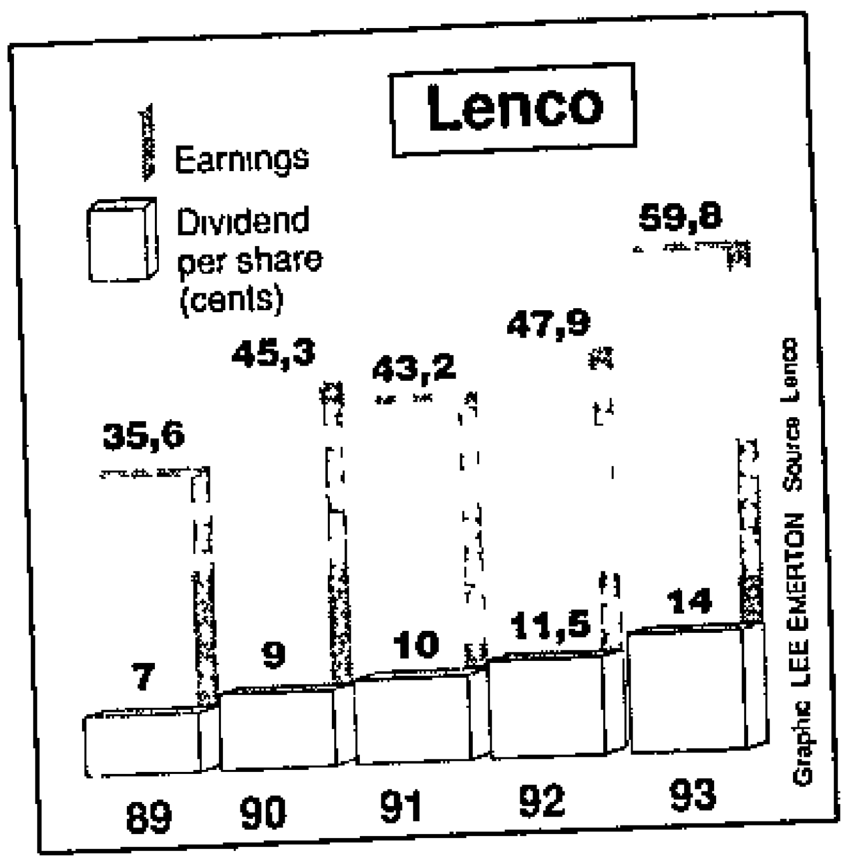
The dividend for the clothing, footwear and plastics packaging group was lifted to 14c (1992 11,5c) Directors forecast further real earnings growth in the 1994 financial year

The 1992 figures were restated to reflect changes in accounting policies relating to fixed asset depreciation and the method of dealing with registered designs This reduced earnings to 47,9c from 49,3c a share

Turnover climbed 30,5% to R594,06m Operating margins fell to 9,98% (12,57%) and operating profit improved marginally to R59,29m (R57,22m) Finance charges were virtually unchanged at R14,08m (R14,83m) but tax was reflected as income of R203 000 compared with the R5,55m paid out the year before

In earlier years, a subsidiary company invested in film schemes, resulting in tax savings Provision was made by adjusting the 1992 retained income to bring in the additional taxation payable in terms of the compromise offer announced by the Receiver of Revenue The effect on group reserves was R1,8m

Taxed profit climbed 26% to R45,41m Interest-bearing debt climbed to R66,2m (R36,84m) An extraordinary item of R3,56m related to investment write-downs




Directors said the group traded well although conditions in the clothing and footwear sectors were more difficult than in previous years

The performance of the group's listed footwear subsidiary was the most disappointing feature, largely because of operating losses and higher than normal stock write-downs and debtors' provisions. The other divisions performed up to expectations, the directors said (187)

The results of Hendler & Hart were expected to improve after having a negative impact on 1993 results

Likely increases from the clothing and footwear divisions and a continued strong performance from the packaging division should result in further real earnings growth despite the fact that the group would become liable for taxation in the 1994 year, the directors said

The earnings of Lenco Investment Holdings (Lenvest), which holds a 50% (1992 52,18%) stake in Lenco Holdings, climbed to 39,7c (34,7c) a share Its dividend rose to 8,85c (7,6c)

# Footwear industry looking down at heel

BDay 16/6/93

DUMA GQUBULE

THE footwear industry is experiencing its worst recession since 1917, with production dropping for the third consecutive year, the Footwear Manufacturers' Federation says.

Director Dennis Linde said in the federation's 1992 annual report that never before had the federation reported under such dire conditions.

(1891)

Recession and the effect of footwear imports had contributed to a loss of 6 500 jobs in the industry since the last quarter of 1989 Employment had averaged 27 500 in the fourth quarter of 1989

The situation had since deteriorated to 21 500, down 24%.

A positive sign was the consistent, but small, improvement in the trend of the past six months.

Linde said production had dropped 17% to 42,68-million pairs in 1992 (52,61-million) after a 3,1% decline in 1991

There was hardly any aspect of the economic climate that generated confidence It was more disconcerting because of the absence of any indications of an improvement.

Linde said the industry's revised tariff structure, introduced on August 2, had no effect on imports

China, by far the world's largest shoe exporter producing about 3-billion pairs a year, could manufacture at prices impossible to equal elsewhere.

Footwear exports, which had been showing consistent growth during the past five years, had increased to more than R40m last year.

More than half of the exports were to Europe and 32% to Africa, mainly to Malawi, Zambia and Angola, Linde said

# SA footwear industry in worst slump

(187)
CT 16/6/93

PORT ELIZABETH — The South African footwear industry was experiencing its worst slump since the beginning of the century and last year production declined for the third consecutive year, it was reported yesterday

The director of the Footwear Manufacturers' Federation, Dennis Lubbe, said 44m pairs of shoes were manufactured in SA last year — nine million fewer than in the previous year

More than 6 500 people had lost their jobs in the industry since 1989 — Sapa

FM 18/6/93 (187)

FM 18/6/93 (187) FOX

## LENCO HOLDINGS FM 18/6/93 (187)

# Working on turnarounds

**Lenco had** the taxman to thank for its 23% advance in after-tax profit for the year to end-February Had the tax charge not moved from R5,6m in 1992 to a positive R203 000, the result would have looked pedestrian — operating profit rose only 3,6% and the pre-tax figure was up 6,6%

The effective tax rate and the uninspiring trading performance were influenced by recent acquisitions which had continued to perform poorly MD Doug de Jager says, however, that turnarounds are being achieved His philosophy is to acquire loss-making companies provided there is an opportunity to add value But the recoveries need time to be brought to fruition

Hendler & Hart (H&H) is the most recent example Before De Jager bought H&H from Metkor, he sent a team into the ailing organisation to work under a management contract This gave him the opportunity to evaluate the business

With the backing of Rembrandt, which indirectly holds 13% of Lenco and 49,9% of Metkor, he made a realistic bid for the pot-and-pan maker, knowing that losses would continue for a while Lenco paid R51m and injected R10m for working capital Both transactions were financed by borrowings, hence the four-fifths increase in long-term debt at year-end

In the first quarter of fiscal 1993, De Jager says, H&H lost R5,5m before interest This was a major reason for Lenco's weak operating performance on a 23,4% rise in turnover But this year's performance is expected to be different The first quarter has shown a considerable improvement and management expects H&H to post an operating profit of at least R2m for the first quarter — a R7,5m swing Further improvement is forecast.

De Jager attributes the turnarnound to better management and efficiencies He also notes that the company came with a substantial tax loss which is benefiting Lenco

Another cause of the marginal increase in pre-tax profit was a loss of R11m in an Amalgamated Shoes (Amshoe) subsidiary, Budget Footwear (Lenco holds 53% of Amshoe) De Jager blames the loss on poor management, the problem has been addressed and Budget is now profitable He adds that between H&H and Amshoe, Lenco's operating profit will rise at least R16m in financial 1994

De Jager predicts that this year will be the best for Monatic, which is running at full capacity Its exports have grown to the extent that this year 35% of its merchandise will be sold overseas Operating profit is expected to rise 50%.

Plastics maker Compak, a big profit contributor, also appears to be doing well.

Management is forecasting that in the 1994 year Lenco's operating profit will advance by 30% and pre-tax profit by 40%. Assuming the effective rate rises to about 18%, attributable earnings and EPS could still grow 20%.

That would place the prospective p·e at 8,3, which makes the share look attractive.

*Gerald Hirshon*

### TAX BOOST

| Year to Febuary 28 | 1992 | 1993 |
|---|---|---|
| Turnover (Rm) | 455 | 594 |
| Operating income (Rm) | 57,2 | 59,3 |
| Attributable (Rm) | 29,3 | 40,3 |
| Earnings (c) | 47,9 | 59,8 |
| Dividends (c) | 11,5 | 14,0 |

## AMSHOE FM 18/6/93 (187)

# Bleeding at the factory

**Amshoe's toes** were pinched last year Large trading losses at its Durban plant hampered group results for the year to March With margins squeezed, EPS fell 29% to 19,9c

CE Roy Eckstein says the year began with a thin order book at the Durban plant and more than 350 workers had to be laid off Then the factory's problems snowballed. the remaining workforce was dissatisfied, productivity deteriorated, quality suffered and losses accumulated.

He says the problems have been addressed from the top Of the nine senior managers, eight have been replaced Plant layout has been revamped and selling prices have improved If the Durban plant had achieved breakeven, he adds, group results would have been better than those for financial 1992. He expects better results this year

Debtors shot up last year To accommodate two big groups that account for 60% of sales, management had to push debtors' days to 90-120 A benefit is the full 1993/1994 order book But management would prefer better margins

Growth in the footwear market is taking place largely in the lower-medium price ranges where competition from China is putting increasing pressure on the local industry There is a 60% protective tariff on non-leather goods Yet Amshoe, SA's second-largest shoemaker, is struggling to compete Eckstein wants import quotas Consumers would no doubt disagree

The board took a conservative approach to dividends in the past and was able to peg the latest payout at 9c a share But shareholders have seen the share lose nearly half its value in the past year Investors should wait for evidence of a turnaround when the 1994 interim results are published before considering buying

*Kate Rushton*

### SOLE SEARCHING

| Year to February 28 | 1992 | 1993 |
|---|---|---|
| Turnover (Rm) | 233 | 247 |
| Operating income (Rm) | 27,5 | 18,1 |
| Attributable (Rm) | 16,5 | 11,7 |
| Earnings (c) | 28,1 | 19,9 |
| Dividends (c) | 9 | 9 |

# Amrel 'does not expect real growth this year'

BDAY 29/6/93

MARCIA KLEIN

FURNITURE, footwear, apparel and services group Amrel, whose earnings declined significantly in financial 1993, did not expect a meaningful resumption of growth in the coming year, the annual report said

The SA Breweries subsidiary reported a 74,3% drop in earnings to 43,8c a share in the year to end-March afer a substantial improvement in second-half trading Turnover, excluding the effect of the Boymans acquisition, rose by 4,2% to R1,05bn

MD Stan Berger said in the report that management could ensure that the group was equipped "to play the game", but SA's people and leaders would determine "the size and type of playing field"

Chairman Meyer Kahn said little improvement was expected in the first half Beyond that, the obstacles to peaceful resolution had to be overcome "before a meaningful resumption in growth of sales and earnings can be contemplated"

Berger said the furniture division had turned in a creditable performance "during a period in which consumer confidence has been treated to a roller-coaster ride"

There had been little scope to significantly expand operations "with management's efforts clearly focused on achieving an acceptable return from existing assets and giving full cognisance to the group's already strained financial structure"

Furniture City experienced a turnaround, with sales up 30% But the overhead structure still prevented it from contributing significantly to Amrel's earnings

Cape-based operation Crown Furnishers started the year well, but could not sustain its performance Geen & Richards, McNamee and Lubners perfomed "admirably" despite a five-month strike at Lubners

Berger said management was cautiously optimistic about the coming year The division expected a real increase in sales volumes, but might be hard pressed to improve significantly on its contribution to group earnings

The footwear and apparel division reported comparative sales growth of 4%, falling short of the nominal sector growth of 10% and representing a further decline in market share

The acquisition of a controlling interest in Boymans at the beginning of the year "has provided Amrel with the only glimmer of hope in this troubled market".

ABC and Cuthberts, which were sold to Sales House for R45,7m cash after the year-end, were affected by the competitive advantage gained by some of the major departmental stores (187)

Scotts experienced a harsh trading environment and greater emphasis had been placed on maintaining a narrower range of high volume, standard product lines Although this strategy had met with some success, it was not enough to return the company "to a profitable footing"

The service division had a successful year Although there was a real decline in sales income, attributable earnings rose by 63%, largely due to the performance of Early Bird

# Footwear workers down tools over pay

(187) ARG 9/7/93

SHARON SOROUR
Labour Reporter

THOUSANDS of footwear workers in the Western Cape have downed tools following the breakdown of annual wage negotiations, according to the SA Clothing and Textile Workers' Union (Sactwu).

Union organiser Mr Ronald Bernickow said about 3 000 workers went on strike yesterday because they were unhappy about the wage offer from manufacturers.

Footwear Manufacturers Federation director Mr Dennis Linde confirmed the talks had deadlocked with management offering a seven percent increase.

Mr Linde said of the 23 000 workers in the industry nationwide, about 5 000 were in the Western Cape.

He said while unions had rejected management's wage offer, they had not indicated any wage demands.

Mr Linde said the national council of the National Union of Leatherworkers, which represented the majority of workers in the sector, would meet at the weekend to reconsider management's offer.

Mr Bernickow said the wage offer was tied to a "whole range of conditions, including that wages have to be paid into a bank account and split annual leave".

By yesterday most of the major factories were on strike, Mr Bernickow said.

# LABOUR NEWS IN BRIEF

Compiled by **SHARON SOROUR**

## Short-term action for economy

THE National Economic Forum (NEF) this week approved recommendations for short-term economic action — including protecting collective bargaining and job creation through public works programmes

At its first plenary session since its establishment last October, the NEF, comprising organised business, government and labour, also voiced its intention to secure a partnership role with the government of the day in setting economic policy

Finance Minister Mr Derek Keys emphasised the need to create an economy that answered more closely to the needs of the community

Centralised bargaining was acknowledged as "one of the tiers" of the collective bargaining system

## Miners reject CoM pay offer

THE National Union of Mineworkers (Num) has rejected a final pay offer by the Chamber of Mines, and unions affiliated to the Council of Mining Trade Unions have declared a dispute and applied for a conciliation board hearing

Num said gold mines had offered pay increases ranging from six to eight percent

The offer was rejected because the higher gold price provided the mining industry with additional profit of R200 million a month, and workers had made big sacrifices in recent years by accepting increases far below the inflation rate, resulting in low living standards

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Footwear Manufacturers Federation director Mr Dennis Linde confirmed the deadlock

## Toy firm locks out workforce

EDUCATIONAL toy manufacturers, Playthings, has locked out members of its workforce in Epping after they refused to accept a final wage offer and negotiations ended in deadlock

Company director Mr Steve Knight said Playthings offered a final wage offer of R18 a week increase, but when the talks deadlocked the union was demanding R47 across-the-board

## Public servants slam 'decrease'

THE Public Service League this week slammed the five percent salary increase for public servants as a salary decrease in relation to the consumer price index

League general manager Mr Bernard Wentzel said 70 percent of members fell into the lower income group and a five percent increase meant "a disgusting R35,70 a month"

## Wildcat strike at Sun City

ABOUT 3 500 Sun City workers — 70 percent of the staff complement — staged a wildcat strike this week but returned to work after management agreed to address grievances tabled by a workers' committee at a meeting this week

CONSHU/SAB FM 16/7/93 (187)

# Voting with their feet

**These shoes** have grown bunions for Sankorp Conshu, SA's largest footwear manufacturer, is the latest in a line of disposals from the Sanlam/Sankorp stable resulting from the restructuring of the insurance giant's investment holdings

A joint announcement brings to an end an association begun in 1987, when SA Breweries (SAB) and Sankorp merged their footwear manufacturing interests, SA Footwear and Conshu, using Conshu as the vehicle SAB acquired 26% of the issued shares (since increased to 33%) and Sankorp 29% (34%) They agreed to exercise joint control

In terms of pre-emptive arrangements, Sankorp was obliged to offer its stake to SAB Laurie van der Watt, chairman of SAB's Selected Manufacturing Interests, says the deal involved about 15,7m Conshu shares bought at market related prices This suggests the additional 34% interest in Conshu cost SAB roughly R37,7m SAB's balance sheet shows cash of R692,3m and gearing of 51% at its March year-end, though the possibility that SAB may issue shares to finance the deal should not be dismissed

Conshu is one of a number of companies loosely within the SAB group whose earnings have been knocked by recession In the six months to December 1992, operating income dropped by a fifth to R25,5m, reflecting tighter margins as a result of competitive pressures, and attributable income declined



FM 16/7/93 (187)

24% to R10,6m Though the annual accounts are to be released soon, management was expecting no growth at the interim

Malcolm Wyman, SAB's group planning and development director, says SAB's purchase was driven by Conshu's earnings potential and its good positioning in the footwear manufacturing industry, which will allow it to benefit from an upturn in the economy Wyman believes the increase in SAB's shareholding will be positive for earnings

SAB's purchase of Conshu shares at a low point in the economic cycle — and while the shares may be undervalued — could be a fortuitous move The share's disappointing rating is partly attributed to thin trade

To put a positive gloss on the deal from Conshu's standpoint, the change to a single holding company may result in an improved focus for the shoe maker, which could benefit it in the long term *Marylou Greig*

# Amshoe 'on growth path'

BiDay

MZIWAKHE HLANGANI

FOOTWEAR manufacturer Amalgamated Shoe (Amshoe) would sustain market share growth in the year ahead, despite high wage demands, low productivity and competition from the world's biggest footwear producer in China, CE Roy Eckstein said in the annual review.

(187)

Production levels in the SA footwear industry had declined 20% in the 1991/92 financial year because of recesion, mass action, violence and high unemployment. Import quotas might be the best means of protecting the local industry, he said.

9/8/93

Amshoe would improve production efficiencies and costs to compete internationally.

Eckstein predicted a new government would see increased employment opportunities, which would preserve the local footwear industry.

Earnings a share fell to 19,9c (28,1c). The final dividend was 9c.

# Lenco hopes to beat sharp rise in tax rate

LINDA ENSOR

CAPE TOWN — Lenco Holdings expected to achieve earnings growth of more than 15% in the six months to end August despite a sharp rise in the tax rate, executive chairman Douglas de Jager said at the group's annual meeting yesterday BIDay 6/8/93

He said opportunities were being explored to enable subsidiary Combined Packaging (Compak) to compete internationally, either through a joint venture or an acquisition Compak's technological ability to handle certain resins was internationally competitive

Export growth had proved crucial for the group's improved performance. It is involved in clothing, shoe and houseware manufacture through subsidiaries House of Monatic, Amalgamated Shoes and Hendler & Hart

De Jager expected the operating margin to double in the first six months of the year to end February 1994 from just under 10% but to still lag behind the targeted 15% The exhaustion of R41,4m in assessed tax losses would mean the tax rate could rise to as high as 20% off a nil base (187)

House of Monatic's exports had accelerated. Hendler & Hart's houseware exports had ensured the company was well on track to improve on its budgets But this export drive had incurred losses — an R800 000 loss had to be borne to create a market in the UK and considerable losses were suffered in the US before orders were won.

He called on institutions to invest their funds in job-creating manufacturing projects and to stop investing in retail complexes.

COMPANIES

# Conshu wants Wayne delisted

MARCIA KLEIN

FOOTWEAR maker Conshu, which holds about 89% of Wayne Manufacturing's issued ordinary share capital, has proposed that it acquire minority shares in Wayne for 71c a share for cash and that Wayne be delisted from the JSE

Wayne manufactures rubber products for footwear and industrial use Its share closed yesterday at a ruling price of 50c Today's announcement said the 71c consideration price represented a 42% premium on Wayne's closing price, but a discount of 37,7% to Wayne's net asset value for the year to end-June 1992 Conshu said the consideration included an amount of 1c in respect of Wayne's dividend for the year to end-June

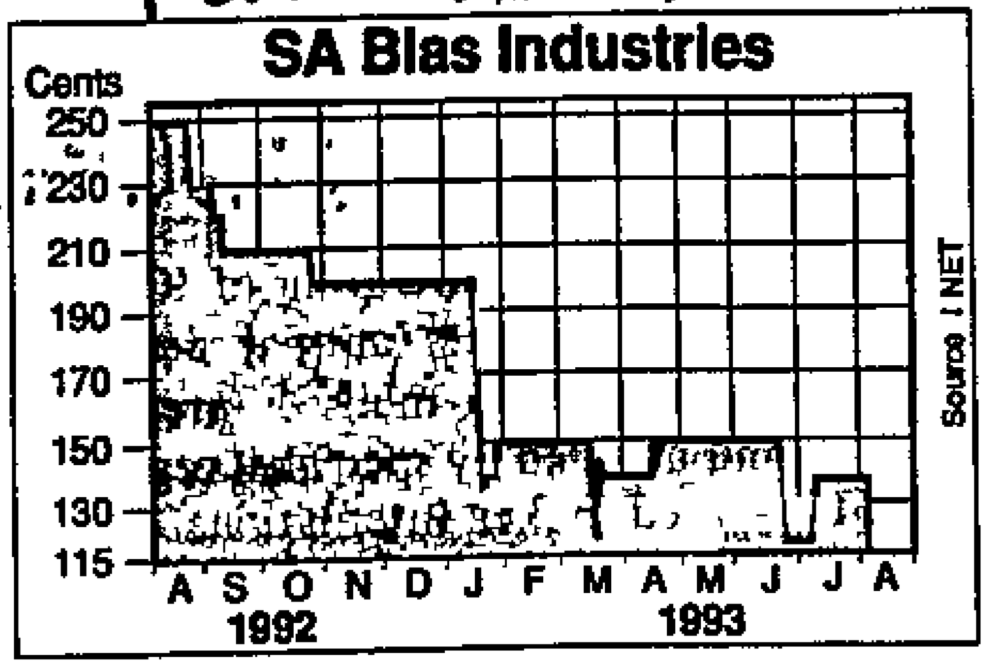
B/Day 10/8/93

The scheme of arrangement would see Wayne become a wholly owned Conshu subsidiary The scheme was subject to approval by 75% of the shareholders present at the scheme meeting, excluding Conshu If the scheme were implemented, Wayne's listing would be terminated on October 22

Wayne has not yet reported full year results to end-June, but in the six months to end-December, earnings dropped to 1,2c a share from 4,9c Conshu's earnings dropped 24,6% to 22,7c a share over the interim period to end-December

(187)

FM 13/8/93




**Activities:** *Makes and distributes accessories to clothing, footwear and allied industries*
**Control:** *SA Bias Holdings 87%*
**Chairman:** *C S Seabrooke, MD. P Coutts-Trotter.*
**Capital structure:** *28,6m ords Market capitalisation. R40m.*
**Share market:** *Price 140c. Yields 7,5% on dividend; 20,7% on earnings, p e ratio, 4,8, cover, 2,8 12-month high, 250c, low, 135c Trading volume last quarter, 53 300 shares.*

| Year to December 31 | '89 | '90 | '91 | '92 |
|---|---|---|---|---|
| ST debt (Rm) | — | 9,7 | 6,3 | 4,0 |
| LT debt (Rm) | 4,5 | 10,4 | 9,4 | 7,6 |
| Debt equity ratio | 0,04 | 0,40 | 0,28 | 0,18 |
| Shareholders' interest | 0,65 | 0,48 | 0,52 | 0,59 |
| Int & leasing cover | 18,8 | 10,1 | 5,6 | 6,9 |
| Return on cap (%) | 29,4 | 20,5 | 21,7 | 11,5 |
| Turnover index* | 164,9 | 249,1 | 280,3 | 256,5 |
| Pre-int profit (Rm) | 18,1 | 19,2 | 21,9 | 10,9 |
| Earnings (c) | 46,5 | 47,3 | 47,3 | 27,3 |
| Dividends (c) | 18 | 18 | 18 | 10 |
| Tangible NAV (c) | 141 | 157 | 185 | 196 |

* Base = 1987

(187)

FM 13/8/93

SA BIAS INDUSTRIES

## Broadening the focus

(187)

**Increasing pressure** from recession and structural difficulties in the industry have forced SA's dominant supplier of trimmings and accessories to the clothing and footwear sector to broaden its focus through synergistic ventures with other industries This is after two years of flat EPS, followed by a 42% decline in the year to December 1992

Sabind found it increasingly difficult to maintain margins, which were squeezed by large imports of secondhand clothing and plastic accessories, as well as intensified price cutting by local manufacturers The situation, says chairman Christopher Seabrooke, was worsened by uncertainty about tariffs and duties

Volumes declined in almost all the operations and 1992 group turnover was down 9% (figure not disclosed) on year-ago levels Effects on the bottom line were minimised by the interest bill, which more than halved to R1,6m, helped by lower rates and reduced borrowings The tax charge was reduced 45% in line with profit

Sabind has found it difficult to meet financial objectives. Return on assets of 11,5% is well below the long-term target of 25%, as is the 13,9% return on equity Though results are disappointing, domestic operations have undergone major cost reduction and efficiency improvement programmes

The balance sheet has strengthened Borrowings are down by a quarter to R11,6m, cash has almost doubled to R1,2m and gearing is a healthy 18% With borrowings declining, there should be some interest relief this year, which will help underpin profit

The trimmings, thread and printing & labels divisions performed satisfactorily The last was particularly affected by the swing

COMPANIES

FM 13/8/93

from printed to woven labels and the demise of a fashion trend towards using printed labels as fashion trimmings (187)

Kirton and the metals & plastics operations did badly Restructuring of Kirton's operations is to continue; internal merchandising and distribution methods are to be changed and handled by specialist organisations UK-based maker International Trimmings Plc produced strong results, with increased market share and profitability

In the annual report Seabrooke is somewhat pessimistic about the potential for economic recovery But he believes cost reduction programmes and the broader strategic focus will boost profitability The release last week of Sabind's interim figures show benefits of measures taken In the six months to June, earnings recovered well, up 17,7% to 11,3c a share and dividends by 14,3% to 4c Management is forecasting EPS and DPS of 33c and 11c respectively for 1993

The share price has halved since our review last year and, like others in the clothing sector, it lost ground against the industrial market The 7,5% dividend yield and 4,8 p e suggest it may be underrated, particularly given the signs of revival in earnings growth

*Marylou Greig*



Cont →

# Imports hit footwear production

JOHN DLUDLU

FOOTWEAR production fell by 3,10% during the first half of this year, according to information released by the Footwear Manufacturers' Federation of SA.

The federation's journal FMF Digest said 19,5m pairs of shoes were produced in the six months compared with 20,2m in the same period last year.

Factory sales slumped 5,3% to R159,9m in March this year from R169,8m last year in the same month.

However, retail sales during the period under review picked up by 51,1% to R266,7m from last year's R176,5m.

A total of 6,04% of jobs in the industry had been lost by June compared with last year's figure, with total employment declining to 22 775 from 24 239.

Yesterday AHI economist Nick Barnardt said the figures were a reflection of recessionary conditions which had put consumer spending power under enormous pressure. B/DAY

Another reason was the continued penetration of international imports through the general clothing market. 2/8/93

However, he said the weaker commercial rand augured well for the industry's export potential. He expected it to benefit later from the retreating recession. But a real turnaround might become evident only next year, he added.

The industry enjoys import tariffs as high as 60% in some categories. So the enduring slump has been seen by some sources as a sign of the inadequacy of current measures to ward off foreign imports. (187)

AMSHOE FM 27/8/93

# Profitability pinched

(187)

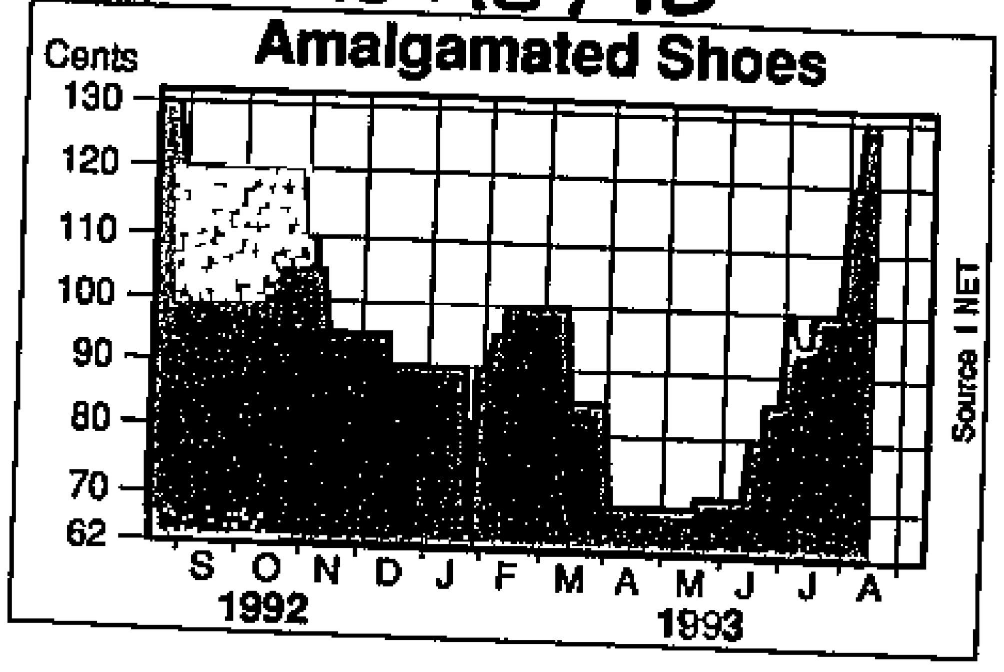
**Activities:** *Makes footwear*
**Control:** *Lenco Holdings 56,7%*
**Chairman:** *G D de Jager, CEO R S Eckstein*
**Capital structure:** *59m ords Market capitalisation R76,7m*
**Share market:** *Price 130c Yields 6,9% on dividend, 15,3% on earnings, p e ratio, 6,5, cover, 2,2 12-month high, 130c, low, 60c Trading volume last quarter, 38 000 shares*

| Year to February 28 | '90 | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 1,6 | 13,3 | 7,5 | 29,7 |
| LT debt (Rm) | 7,5 | 6,5 | 6,3 | 8,6 |
| Debt equity ratio | 0,21 | 0,31 | 0,22 | 0,43 |
| Shareholders interest | 0,52 | 0,51 | 0,57 | 0,48 |
| Int & leasing cover | 6,8 | 5,1 | 4,4 | 3,2 |
| Return on cap (%) | 38,8 | 25,8 | 25,6 | 12,7 |
| Turnover (Rm) | 208 | 219 | 233 | 247 |
| Pre-int profit (Rm) | 31,8 | 27,3 | 27,5 | 18,1 |
| Pre-int margin (%) | 15,3 | 12,5 | 11,8 | 7,3 |
| Earnings (c) | 33,5 | 27,4 | 28,1 | 19,9 |
| Dividends (c) | 9 | 9 | 9 | 9 |
| Tangible NAV (c) | 74 | 92 | 105 | 115 |

**Amshoe felt** the pinch last year Demands for higher wages, coupled with low productivity and competition from Far East manufacturers, made trading difficult Turnover grew 6% but operating income fell 34%

Problems centred round the Budget Footwear factory in Durban, which lost more than R8m before interest CE Roy Eckstein says the year began with a thin order book and 350 workers were laid off The remaining workforce was disgruntled and demanded higher wages, productivity deteriorated Management at the plant has since been

FM 27/8/93




replaced, plant layout revamped and price policies improved Had the Durban factory broken even, Amshoe's profit would have increased

(187)

Management pushed debtors' days to 90-120 days to accommodate two big groups accounting for 60% of sales, debtors increased 41% Stock grew 8% to R49m With the working capital funding requirement rising by R14,5m (1992 R3,9m), there was a R16,2m net outflow of funds Gearing doubled to 44%

Eckstein says working capital control has been tightened, which should result in reduced borrowings "We simply must become more productive if we are to compete internationally," he says "Import quotas might be the best means of protecting the local industry "

He is confident that an improved performance from the Budget Footwear plant, with concentration on efficient low cost production and a slightly different product mix, will lead to improved results this year

The footwear industry, however, expects that 1994 will be another difficult year Production declined by a fifth in calendar 1992 over 1991

The dividend was pegged at 9c for the fourth consecutive year After slumping to 60c mid-year, the share recovered to 130c Investors should wait for evidence of a turnaround when this month's interim results are published before considering buying

*Kate Rushton*

# Conshu boosted by better second half

MARCIA KLEIN

MAJOR footwear manufacturer Conshu, whose earnings were 24% down at the interim stage, has reported a 9% drop in attributable earnings to R22,5m (R24,7m) in the year to end-June after a better second half

CE Robert Feinblum said results were achieved in a "disturbingly difficult" year, in which footwear production fell 17%

Full-year performance was aided by an improvement in the second half Conshu had gained market share and exports had been good B/Day 30/8/93

The company reported a marginal rise in turnover to R630,8m from R620,8m But continuing pressure on margins saw trading profit drop 12% to R48,1m

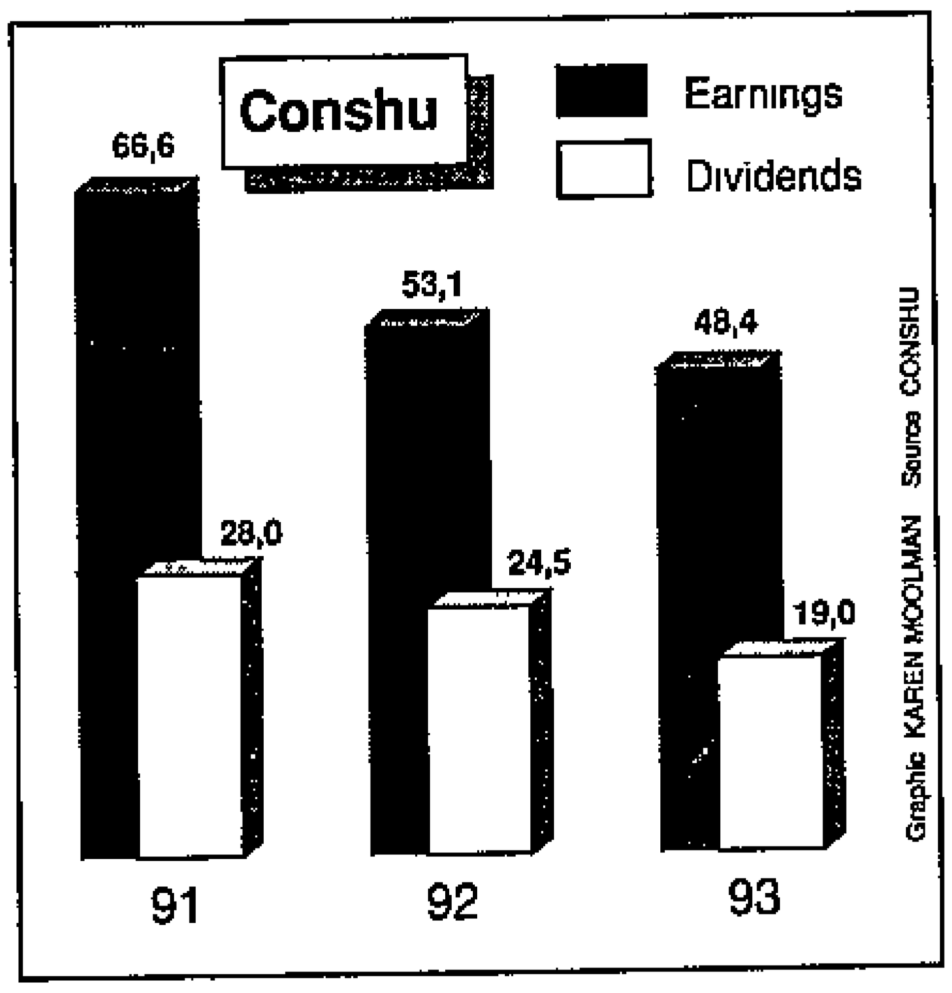
Net financing costs were reduced, and the improvement in gearing to 25% from 40% reflected a stronger balance sheet.

Earnings were 9% lower at 48,4c a share A final dividend of 11c brought the full-year dividend to 19c (24,5c) (187)

Feinblum said financial 1993 was the third consecutive year of negative growth for the industry, the first time this had happened since 1917 Against this background, the footwear interests had performed well Lower priced synthetic footwear "came under increasing competition from local suppliers and imports"

Feinblum said "The authorities can no longer ignore the destructive effects of low-cost imports on the local footwear industry. More than 6 500 jobs have been lost since 1989, largely as a result of low-cost competition from the East"

The countries which exported footwear to SA discouraged imports, and their imports were a fraction of their exports.




More than 70% of current imports came from China, which imported no footwear

In 1992 44-million pairs were produced locally while imports totalled 18,2-million pairs In the first four months of 1993, 6-million pairs were imported compared with 4-million in the same period last year

Wayne Manufacturing, the only non-footwear interest, reported a reduction in earnings to 3,9c (10,2c) a share Conshu has made an offer to Wayne minorities which will result in Wayne being delisted

Feinblum said it was affected by low demand and increased competition

Despite a two-week strike, Conshu was expected to report comparable earnings in the coming year on the back of "positive developments on the export front and gains in domestic market share"

Conshu would change its year-end to March in line with that of SA Breweries, which acquired control of Conshu on April 1. The next report would cover the nine months to end-March

# Conshu notches better second half

(187)

CT 30/8/93

From MARCIA KLEIN

JOHANNESBURG. — Major footwear manufacturer Conshu, whose earnings were 24% down at the interim stage, has reported a 9% drop in attributable earnings to R22,5m (R24,7m) in the year to end-June after a better second half

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Full-year performance was aided by an improvement in the second half

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## Exports lead way to growth

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CONSHU FM 10/9/93

## Gaining market share

**At first** glance, investors in SA's largest shoemaker may be disappointed with Conshu's latest results In the year to June, attributable earnings declined 9% to R22,5m But the figures are deceptive Conshu continues to gain market share in a shrinking shoe industry

(187)

**DOWN AT HEEL**

| Year to June 30 | 1992 | 1993 |
|---|---|---|
| Turnover (Rm) | 621 | 631 |
| Operating income (Rm) | 54,8 | 48,1 |
| Attributable (Rm) | 24,7 | 22,5 |
| Earnings (c) | 53,1 | 48,4 |
| Dividends (c) | 24,5 | 19,0 |



Cont →

FM 10/9/93

Last year, local footwear production fell 17% — the third consecutive year of contraction Trading conditions such as these were last felt in 1917, says CE Robert Feinblum

Of particular significance is the improvement during the second half In the period to December 1992, EPS declined 24% Management attributed the earnings deterioration to increased fixed overhead costs incurred through capacity expansion at Wayne in expectation of increased demand which failed to materialise Attention to asset management in the following six months, helped by improved productivity and a better climate for exports, saw earnings recover 12% on a year ago

Full-year turnover increased marginally to R630,8m but pressure on margins saw operating income down 12% at R48,1m A lower interest bill of R11,5m (1992 R14,4m) helped But the majority stakeholding in Wayne continues to weigh heavily on Conshu's performance — undoubtedly one reason for management's decision to delist the operation and focus attention on improving profitability

Wayne's earnings slumped 62% to R2,3m If this nonperformer is excluded, the contribution to the bottom line by fashion footwear improved on year-ago levels

Though imports have impaired volumes of locally produced footwear, these have mainly affected shoes in the lower end of the market Conshu's products are positioned in the middle and upper sectors The balance sheet looks strong Tight control of working capital resulted in positive cash flow of R20m Gearing has been reduced to 25% (42%)

Feinblum is optimistic that earnings this year will be comparable with those of 1993, supported by positive developments on the export front and gains in domestic market share

At 260c, the share is well down on its annual high of 320c (187)

Earnings will show the full benefits of rationalisation and market gains only when industrial activity and consumer spending pick up Significant advances in the price are unlikely until there are clear signs of this happening

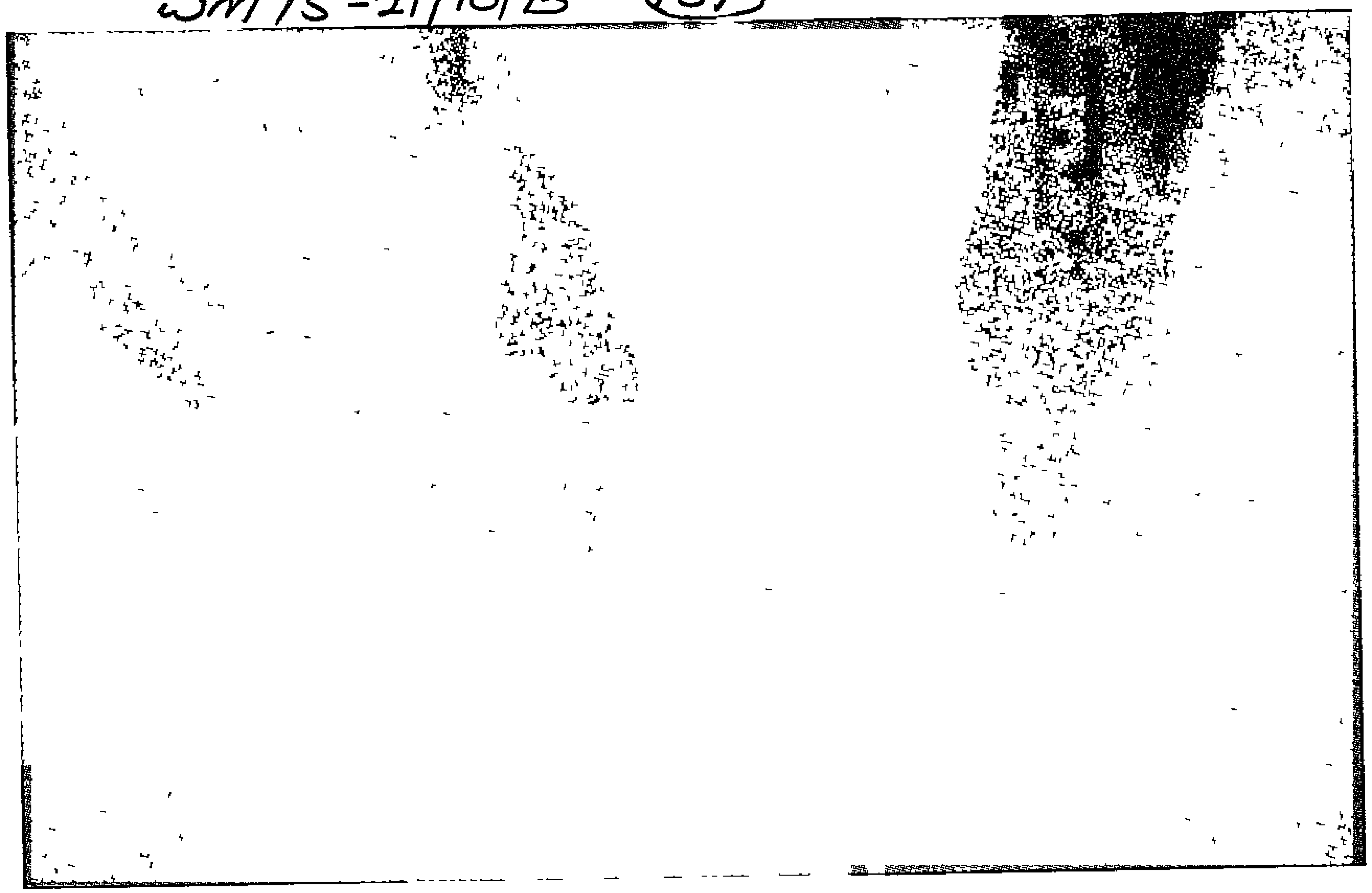
*Marylou Greig*

**Conshu's Feinblum** *positive developments in export market*

# Footwear unions out of step

WM 15-21/10/93 (187)

Threats of strikes, differences among unions and court actions are all part of the footwear industry dispute, reports **Ferial Haffajee**



These shoes were made for striking . . The footwear industry is under threat of union action

(187) WM 15-21/10/93

EMPLOYERS in the footwear industry this week took the National Union of Leather Workers (NULW) to court in a last-ditch attempt to stave off strike action in the sector

And another union in the industry, the Southern African Clothing and Textile Workers' Union (Sactwu), believes a national strike could further dent the embattled footwear industrial council and is out of kilter with NULW's practice of concluding plant-level agreements

In the past year, a number of shoe manufacturers have reverted to plant-level negotiations and this week held an indaba to determine their future in the industrial council.

Employers, who this week sought an industrial court interdict against the strike, charged that the NULW has already concluded plant-level wage agreements, that the union's balloting was unprocedural and that it had balloted companies which are not party to the industrial council

NULW general secretary Kessie Moodley said "The agreements at plants were concluded at the initiation of employers and they did not resolve the national dispute"

The union's constitution dictated that all members covered by the industrial council be balloted, that balloting had been "fair and secret all the way through" and that the union had "kept employers informed", said Moodley

The NULW has already concluded wage agreements for an average increase of 8,5 percent with major shoe manufacturers in the industry like Richleigh, Dick Whittington, Jaguar, MG Shoes and Austin shoes

Moodley denied that these plant-level agreements were further eroding the power of the industrial council, as Sactwu has suggested He said the council set only minimum standards "Setting minimum standards is important, but those employers who can pay better, should pay better"

He added "Historically we have concluded agreements at plant level which are in excess of industrial council minimum rates"

The average increase of 8,5 percent that footwear workers at bigger companies have secured is higher than the 7,5 percent employers are offering at the industrial council level

The NULW went into dispute with employers when members rejected the wage offer as well as the conditions attached to the offer These were that salaries would be paid electronically (straight into members' accounts) and that incentive schemes be set in place at plant level A strike ballot was the only option open to the union, said Moodley

But members of the union who have already secured increases (about 80 percent of the workforce) were this week said to be confused about the need to strike

Sactwu, which is a minority union in the sector, has preferred to stay out of the dispute Instead, it is directing its efforts at securing a national accord to preserve the industrial council

A representative this week said: "Sactwu's thrust is the protection of the industrial council" The union says it has already secured agreements with some employers who have committed themselves to the council and to paying council wage rates, where these are higher than the plant's

Neither the Industrial Council for the Footwear Industry nor the employer organisation in the industry — the Footwear Manufacturers Federation — would comment

FM 8/10/93.

CONSHU

# Exporting for growth

**Activities:** *Manufactures and distributes general footwear and rubber and plastic products*
**Control:** *SA Breweries 67%*
**Chairman:** *L van der Watt, CE R M Feinblum*
**Capital structure:** *46m ords Market capitalisation R110m.*
**Share market:** *Price 240c Yields 7,9% on dividend; 20,2% on earnings, p e ratio, 5,0, cover, 2,6 12-month high, 320c, low, 210c Trading volume last quarter, 102 000 shares*

| Year to June 30 | '90 | '91 | '92 | '93 |
|---|---|---|---|---|
| ST debt (Rm) | 10,5 | 3,7 | 60,6 | 3,5 |
| LT debt (Rm) | 21,5 | 35,9 | 12,9 | 39,1 |
| Debt equity ratio | 0,27 | 0,28 | 0,42 | 0,25 |
| Shareholders interest | 0,47 | 0,46 | 0,46 | 0,51 |
| Int & leasing cover | 5,6 | 5,2 | 3,8 | 4,1 |
| Return on cap (%) | 23,9 | 23,6 | 16,5 | 14,7 |
| Turnover (Rm) | 532 | 622 | 621 | 631 |
| Pre-int profit (Rm) | 60,7 | 71,1 | 54,8 | 48,1 |
| Pre-int margin (%) | 11,4 | 11,4 | 8,8 | 7,6 |
| Earnings (c) | 58,6 | 66,6 | 53,1 | 48,4 |
| Dividends (c) | 24,5 | 28,0 | 24,5 | 19,0 |
| Tangible NAV (c) | 232 | 273 | 305 | 336 |

(187)

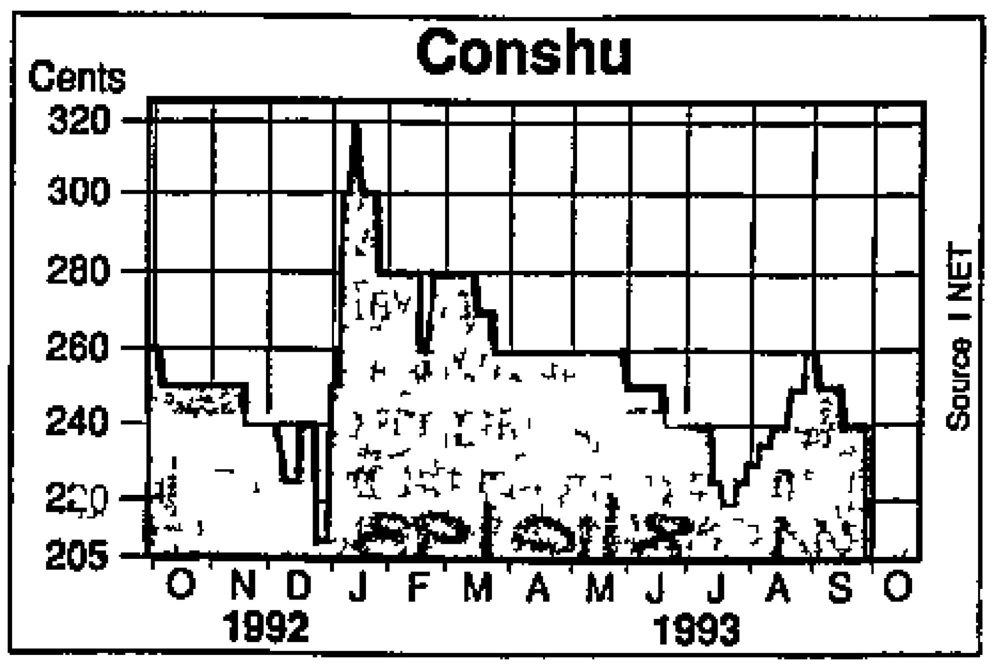
**For Conshu,** SA's largest shoe manufacturer, financial 1993 was a year of continuous attention to asset management, product ranges and tight control over working capital The rewards, in an industry in which local footwear production fell 17% — the third consecutive year of real negative growth — were that Conshu continued to gain market share

At first glance however, the results look contradictory earnings declined 9% to R22,5m on turnover marginally up at R630,8m. But these numbers are deceptive and conceal the significant improvement, particularly in sales of branded footwear, during the second six months of the financial year

Over the first half-year, EPS declined no less than 24% Behind that deterioration was an increase in fixed overheads incurred through capacity expansion at Wayne, the company's rubber and plastic raw materials converter Unfortunately, the expectation of increased demand failed to materialise

But the broader measures taken, helped by improved productivity and a better climate for exports, saw earnings recover 12% in the second six months on year ago levels To some extent this recovery was muted by continuous pressure on margins — the result of both political unrest and tough trading conditions

A recent change in depreciation policy,




FM

says CE Robert Feinblum, is to enable the group to undertake the technological innovation necessary to maintain and increase Conshu's competitive edge in the industry Intensified efforts to reduce debt lowered interest charges by 20%, more than offsetting a slight increase in the effective tax rate The swing to longer-term financing is due to the granting of an IDC loan for capex on export development 8/10/93

Currently, 55% of all exports go to the UK and Europe and 32% into Africa Though exports make a relatively small contribution to total turnover — roughly 15% — new opportunities are opening up elsewhere, particularly in Germany and Australia — this suggests exports could become an important contributor to future earnings

Conshu's performance continues to be impacted heavily by the company's large exposure to Wayne Manufacturing Though enjoying leadership in specialised markets, Wayne saw earnings slump 62% That was partly the reason for management's decision to delist the operation so as to focus attention on improving profitability (187)

Imports continue to pose a major threat to the local footwear industry Feinblum says they rose to 18,2m pairs in 1992 — equivalent to almost 40% of local production — and 70% of which came from China However, imports were aimed mainly at the lower end of the market, an area in which Conshu claims to be less sensitive

The balance sheet looks strong Tight control of working capital resulted in positive cash flow of R20m Gearing has been reduced to 25% (42%) Last year, Conshu's general footwear operations contributed 79% of turnover and rubber and plastics products the other 21% Following SA Breweries increased stake in the group, Conshu's year-end has changed to March Next figures will be for the nine months to March 1994

Feinblum is optimistic earnings this year will be comparable with those of 1993, supported by positive developments on the export front and gains in domestic market share

The share, at 240c and on an earings yield of 20,2%, reflects the poor rating of the sector The counter is relatively cheap, though the constant threat of foreign competition adds to the risk *Marylou Greig*

# Bolton's takings triple on improved returns

BDay 14/10/93

CHARLOTTE MATHEWS

BOLTON Industrial Holdings, which derives its profit from Cargo Carriers and Bolton Footwear, nearly tripled attributable earnings in the six months to August to R2m from R733 000 in the same period in 1992 on better results from both its investments, according to figures released yesterday

Although its earnings lifted to to 39,0c a share from 14,2c, distributable earnings were only 4,7c (5,1c).

The interim dividend was maintained at 5,0c a share.

Cargo Carriers, in which Bolton Industrial has a 34,6% interest, lifted attributable profit in the six months to August to R3,2m from R480 000 in the previous interim period.

Although turnover fell slightly to R90,8m from R91,3m, operating profit was 21% higher.

A profit of R2,5m was made on the sale of assets, against R294 000 in 1992, and the interest bill was almost halved to R1,6m from R3,0m.

Cargo Carriers' earnings lifted to 16,0c a share from 2,4c but no interim dividend was declared because of the need to retain cash for future expansion, and in view of the continuing recession, its directors said.

Bolton Footwear, which is 74,1% held by Bolton Industrial, reported attributable profit of R1,3m in the six months to August from R832 000 in the same period in 1992. (832) (187)

Operating profit lifted by 34% and turnover was about 20% higher at R109,1m from R90,6m.

The interest charge eased to R1,5m from R1,99m.

The interim dividend was maintained at 2,0c a share on earnings of 6,5c (4,2c) a share.

Bolton Footwear's directors said the company's profit would have been higher if it were not for losses incurred on Searles Homes, since disposed of.

Aggressive marketing and effective cost controls helped to improve the performance of the footwear manufacturing divisions.

The management of both Cargo Carriers and Bolton Footwear expressed confidence that the stronger trend would be sustained in the second half of the year.

# Taiwan companies angered by pay rules

S/Times (Buss) 17/10/93

**By CIARAN RYAN**

SEVEN Taiwanese companies employing 5 000 workers are threatening to quit South Africa because of alleged harassment by industrial councils.

Four of the footwear companies are at Botshabelo in the Free State and three at Newcastle, Natal. The National Industrial Council of the Leather Industry of SA is suing them for alleged underpayment of wages and benefits.

C C Kan, chairman of the Association of Chinese Industrialists of Southern Africa, says: If this court action succeeds and the companies are forced to pay, many will be forced to go.

"Taiwanese companies not in the footwear industry are watching this action.

"Industrial councils want rural plants to pay the same wages as in towns. This is not commercially feasible and is unfair. When we came to SA, we were not told of the industrial council system."

Three hundred Taiwanese companies in SA, employing more than 40 000, have joined the Confederation of Employers of Southern Africa (Cofesa). It campaigns for freedom of association and for limits on industrial council powers. (455)

Another company considering disinvestment because of alleged harassment is East London's Annie's Creations, winner of the 1992 Entrepreneur of the Year Award.

Director Maleta Cawood has been to New Zealand to investigate the possibility of moving the factory there.

Managing director Tom Cawood says that if he is forced to comply with industrial council regulations, his wages will double and the factory will close. (455)

"Many of our workers were unemployed for 17 years before we arrived," says Mr Cawood. "Had it not been for the industrial councils, I would have employed 600 workers by now. Instead, I have 100."

Cofesa director Hein van der Walt says the powers of industrial councils exceed those of the police.

"They claim the right to enter your premises and inspect the wage book and other financial records.

"They do not need an appointment or a warrant. It is no wonder they have been accused of operating like the mafia."

Industrial councils are empowered to regulate conditions of employment, minimum wages and other employee benefits while providing mechanisms for resolving disputes. They are private organisations made up of employer and trade-union representatives. Membership is voluntary, but agreements are binding on non-members.

The councils have been blamed for strangling job creation and small business because their agreements apply to signatories and non-signatories regardless of their ability to meet the cost of compliance.

The number of industrial councils fell from 104 in 1981 to 91 in 1990. The number of employees covered by agreements dropped from 1,27-million in 1981 to 800 000 in 1990.

Cofesa represents 500 000 employers and nearly 5-million workers.

Mr van der Walt says opposition to the system has reached the point of rebellion. He accuses the councils of trying to "colonise" entire industries at a time of rising costs and declining sales.

More than a million workers have lost their jobs since the recession began in 1989. There are 400 000 entrants to the job market each year.

Mr van der Walt says: "In a country where 46% of the workforce is unemployed, I don't think we should have to worry about minimum wages and industrial councils.

"If a worker is willing to work for R80 a week and someone is willing to pay him that, there is a job which was not there before. Industrial councils are killing job creation with minimum wages."

Mr van der Walt has appealed to Finance Minister Derek Keys and Manpower Minister Leon Wessels to review the system and to sign the 1948 International Labour Organisation (ILO) convention on freedom of association. (18+) (455)

More than a dozen companies were forced into liquidation in the Western Cape in the past two years because they were unable to pay industrial council levies.

The seven Taiwanese companies were unaffected by industrial councils when they set up plants in the 1980s. Their troubles started after changes in the regional development scheme and expansion of the Leather Industrial Council.

Mr van der Walt says organised labour comprises only 1,5-million workers, but it dictates conditions to the entire workforce of 8-million as well as the 6-million unemployed.

"We have asked the International Employers Organisation in Geneva to place pressure on the ILO which in turn, we hope, will bring pressure on SA to allow freedom of association."

SA supported the 1948 ILO convention on freedom of association, but has yet to sign it. Mr van der Walt says freedom of association must be enshrined in SA's new constitution so that industrial councils can be challenged.

Taiwan is the largest foreign investor in regional development in SA. It invested R678-million of R1,24-billion in two regional development programmes between 1982 and 1993.

Mr Kan says Taiwanese companies were attracted to SA by generous incentives under the regional industrial development programme and the large domestic market. He knows of no other country with an industrial council system as restrictive as SA's.

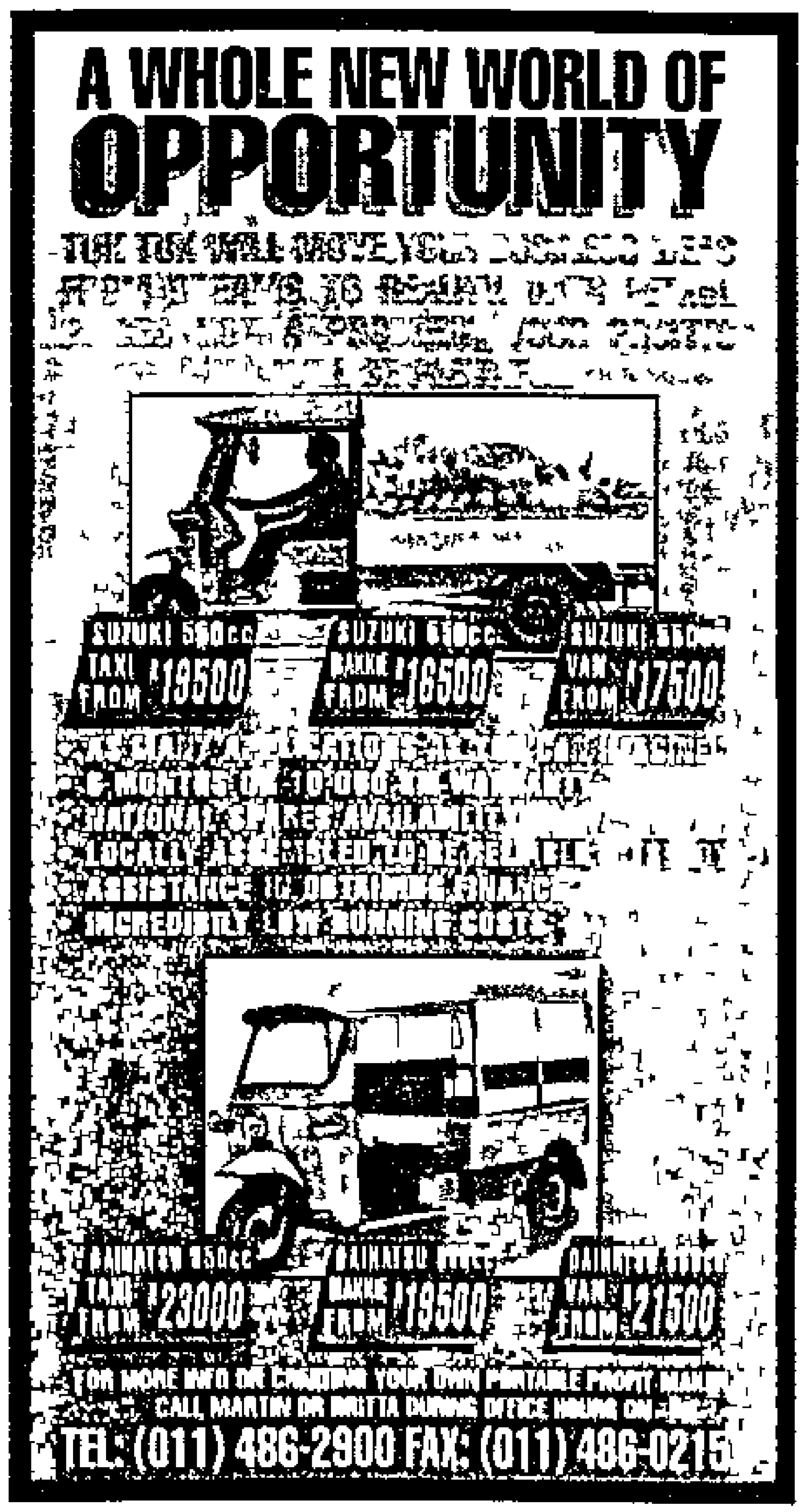
"In some countries you have labour problems, but not industrial councils.

"Other countries want you to manufacture for export, but here the domestic market is wide open. Wages are high, four times those in China and twice those of Indonesia.

"Since the regional industrial development programme took away wage subsidies, many companies are finding business uncompetitive."

New Zealand abolished national labour agreements as part of a package of measures aimed at reforming its economy. Productivity soared and wages held steady in spite of claims that living standards would fall.

MORE PAY, LESS WORK: job training under eastern eyes, Botshabelo-style




# SA in the queue at Africa's bank

S/Times (Buss) 17/10/93

**By ZILLA EFRAT**

SOUTH African suppliers, consultants and contractors may soon win lucrative tenders for African Development Bank (AfDB) projects, say development specialists.

Several SA consultants are awaiting a decision on their applications for registration with the AfDB's unit in charge of the Federation of African Consultants.

The lifting of Organisation for African Unity (OAU) sanctions is seen as a milestone in opening the doors to AfDB financing, which is expected to match World Bank levels for South Africa.

Another significant step was enactment of legislation for the Transitional Executive Council. Development specialists, however are uncertain whether this is enough to meet the requirements for AfDB membership.

The AfDB has said that SA will be allowed to join after a transitional government is installed.

Procurement for AfDB projects is generally done from member countries, but tenders are open to non-members nations.

Several SA companies have bid for these in the past. But Department of Finance senior financial adviser Johan van Tonder says they were usually excluded because of sanctions.

He says the key factor now is whether the restrictions of individual countries will block the way for SA companies.

SA's ties with the AfDB have been strengthening in the past two years. The AfDB's first reconnaissance mission is expected to prepare an economic report on SA soon.

Numerous SA groups have been preparing for possible negotiations.

The aspects examined include a look at whether the assistance SA may receive outweighs the costs of membership.

Mr van Tonder says SA would be classified with the AfDB as a category C country because its annual gross national product exceeds $990 a head.

However, the AfDB gives priority to category A and B countries — those with GNP lower than $990 a head.

In the past, most category C countries have renounced their rights to benefit directly from AfDB loans, but have received technical assistance loans.

They have also not benefited from low-interest African Development Fund financing, except in cross-border projects which involved at least one category A or B country.

AfDB president Babacar Ndiaye has indicated the possibility of special arrangements being made for SA once it has joined the organisation.

These could include a concessional fund over a fixed period to make up for the time lag before SA enjoys normal AfDB benefits.

A final decision about SA's joining could be made by the TEC. But some say AfDB membership is not high on TEC priorities.

The go-ahead could well come after a government of national unity is installed.

The AfDB directors must tell the board of governors when SA has met conditions for membership. In terms of a 1963 resolution, this would be when the SA Government "has terminated its apartheid policies".

The AfDB board will, however, not meet again until next year and no exceptional decisions on SA are expected in the meantime.

Star 28/10/93

# Lenco lifts earnings 20%

Lenco Holdings increased earnings by 20 percent in the six months to August to 30,03c (24,99c).

This followed a 21 percent increase in turnover to R341 million (R281,3 million). Operating profit was 15 percent higher at R35,5 million (R30,8 million).

After a lower interest bill of R7 million (R7,5 million), net pre-tax profit improved 22 percent to R28,5 million (R23,2 million) (187)

Attributable earnings totalled R20,5 million (R16,6 million) after tax of R3,9 million (R3,2 million) and the payment of R3 million (R3,5 million) to outside shareholders.

House of Monatic, Cravateur Clothing and Amalgamated Shoe divisions showed improved results. — Business Staff.

LENCO FM 5/11/93

# Attractive pattern

**Good results** for the six months to end-August indicate Lenco is well placed to return impressive earnings growth for financial 1994. This performance also helps to explain the rise in the share price to 700c, from 325c a year ago (187)

Based on 12-month EPS of 64,8c, the p e is 10,8, well below the average of 17,5 for the

FM 5/11/93

Industrial Holdings sector (where the share is listed) but above the 6,7 average of the clothing sector, which includes shoemakers Clothing and shoemaking are important contributors to Lenco's earnings.

Interim operating profit rose by 15,1% and EPS by 20%. Turnover increased by 21%, as unlisted House of Monatic's sales were helped by its accelerated penetration of export markets. Exports now account for 35% of Monatic's production (187)

Listed footwear subsidiary Amalgamated Shoe increased operating profit by 12% off the low base of financial 1993 Chairman Douglas de Jager says losses in the Durban footwear plant, one of five manufacturing units in the division, were practically eliminated. A significant improvement in Amshoe's second half can, therefore, be expected; its interim EPS rose 18%, to 15,7c

Real growth was achieved in the plastic packaging division, as Combined Packaging met expectations even though one of its major customers reduced purchases by 60%

Recently acquired Hendler & Hart, the housewares division, returned an operating margin of only 3,1%. This impaired the overall margin, but is better than the negative margin of 6% in financial 1993. De Jager says an order from a major cash-and-carry group in the US will widen the margin in the second half. A growing export contribution from this division will further boost Lenco's foreign earnings.

The quality of earnings has continued to improve While this trend continues, the market will inevitably increase the share's rating; further appreciation is probable In financial 1994, EPS could grow by about 22%, to 73c, implying a prospective p:e of 9,6. That seems inexpensive for a group capable of generating Lenco's earnings growth in such difficult circumstances

*Gerald Hirshon*

# Footwear strike to go ahead

B/Day 8/11/93

ERICA JANKOWITZ

ABOUT 19 000 workers in the footwear sector would embark on industrial action this week following an Industrial Court ruling on Friday, National Union of Leather Workers spokesman Kessie Moodley said.

The move follows intensive court deliberations on a Footwear Manufacturers' Federation attempt to have the union's strike ballot declared invalid.

Moodley said a preliminary judgment finding irregularities in the union's behaviour had been overturned on Friday and the federation had been ordered to pay legal costs.

The dispute that sparked the ballot stemmed from a breakdown in wage negotiations Employers offered 7,5% increases and the union demanded a 10% adjustment. (187)

The federation challenged the union on its methods of balloting as well as the fact that it had signed plant-level wage agreements at several factories

However, Moodley said the court had found these agreements in no way affected the dispute at industrial council level.

Weekend meetings were planned for shop stewards to communicate the decision to workers and to decide on what form of industrial action would ensue Moodley said plants which had granted 10% increases would probably not be targeted.

# Four-fold jump in Amrel losses

BDay 8/11/93

MARCIA KLEIN

FURNITURE, footwear and clothing retailer Amrel's losses ballooned nearly four-fold to about R8m (R2,1m) in the six months to end-September as declining trading profits were eroded by financing costs.

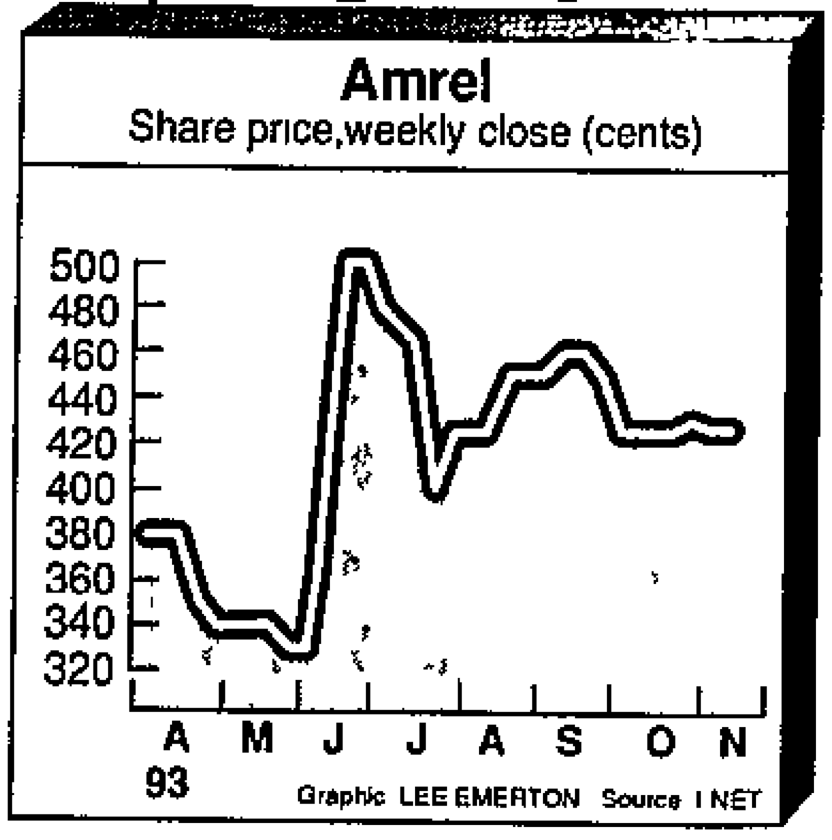
MD Stan Berger said the trading environment had been difficult, and had particularly affected the cash businesses The VAT increase, disruptions after Chris Hani's death and the inaccessibility of certain areas had "seriously inhibited consumer demand". (187)

The SA Breweries subsidiary sold Shoecorp Shoe Stores — including ABC and Cuthberts — to Edgars for R46,7m cash. Berger said that excluding the disposal, the number of stores fell by 18 compared to the end of the previous year because of closures in the group's footwear and apparel division

Turnover, excluding Shoecorp, was up 5,7% to R536,6m. The furniture division, which includes Geen & Richards, Lubners, Furniture City and Tip Top, increased sales 6,2% (with no additional stores) to contribute 58% of group turnover.

Although turnover increased, trading profit slumped by a third to R20,1m from R30,2m on the back of pressures on gross margins and inflationary increases in expenses.

Net financing costs were 2% lower at R33,6m because of lower average borrowings as a result of the proceeds of the Shoecorp sale. Pre-tax losses were R13,5m, against R3,9m losses the previous year




The bottom line loss of 86,5c (22,9c) a share was softened slightly by deferred tax credits on losses. No interim dividend was declared.

Berger said the Shoecorp disposal enabled Amrel to fund capex and reduce interest-bearing debt by R35,8m, reducing gearing to 350% from 380%.

April and May were poor months for the group, and the recovery since then had been extremely slow. Sales in October were fairly good, and Berger hoped sales over the Christmas period would match those of the previous year.

The outlook for the second half was "far from certain" as the volatile and depressed trading environment was likely to continue. In this light, the group would be hard pressed to break even for the full year

# Footwear workers all set for national strike

187 ARG 9/11/93

SHARON SOROUR
Labour Reporter

THOUSANDS of footwear workers nationwide are set to go ahead with a strike after an Industrial Court ruling dismissing an interim order granted to employers interdicting workers from taking action

The interim interdict granted to the Footwear Manufacturers' Federation in October was dismissed with costs in the Industrial Court last Friday

"This means that the National Union of Leather Workers can now embark on a legal strike nationally, with the confidence that it has complied with all the provisions of the Labour Relations Act and that the majority of its members in the footwear sector have voted freely, fairly and secretly," said union education officer Kessie Moodley

Mr Moodley said the union would convene meetings with its 19 210 members to continue "strategic planning" of the stalled strike

"Strike action will vary from full-scale action to go-slows and overtime bans Such action will affect about 27 000 workers in the footwear sector."

Areas likely to be hardest hit are Cape Town, Port Elizabeth, South Western Districts, Maritzburg, Durban and Pinetown, where the union has its largest concentration of members

Of the industry's 23 000 workers, about 5 000 are in the Western Cape

Annual wage negotiations at national industrial council level deadlocked in July Management was offering a conditional 7 percent increase, and the union was demanding a 10 percent increase from July 1

In seeking the court order, employers charged that the union had already concluded plant-level wage agreements, and that its balloting was unprocedural and it had balloted companies which were not party to the industrial council

In the past year, a number of shoe factories reverted to plant-level negotiations

Mr Moodley said the "obvious" solution to the dispute was for the federation to agree to a 10 percent increase, and that it be embodied in the industrial council agreement

He said it was "well known" that the vast majority of employers were already paying increases ranging from 7,5 percent to 10 percent, but the union wanted to secure a national minimum wage so that the industry was governed by one "wage regulating measure" and the preservation of a central bargaining forum.

However, the court judgment had placed the union in a stronger position because the court held that the wage agreements concluded at the various factories had no bearing on the national industrial council dispute

● The federation could not be reached for comment

# Footwear union bans overtime

BiDay 15/11/93

ERICA JANKOWITZ

ABOUT 400 National Union of Leather Workers shop stewards decided on Friday on an immediate overtime ban in the footwear sector in a run-up to comprehensive industrial action starting today, union spokesman Kessie Moodley said.

A letter demanding that individual employers agree to a 10% wage increase retrospective to July 1 was sent to employers on Friday. The union demanded the letter be signed and sent to the Footwear Manufacturers' Federation. A copy should also be sent to the union by 10am today.

If the union did not receive a letter of agreement to this effect from the federation, a national strike would start today with factory occupations, Moodley said.

More than 19 000 union members would be involved in about 200 factories affecting about 27 000 workers, he said. Areas likely to be hardest hit would be Natal, Cape Town and Port Elizabeth.

He said a letter from the federation requesting a meeting had been "rejected out of hand" by shop stewards.

The decision to embark on a strike followed the breakdown of industrial council wage negotiations this year and two strike ballots. These were unsuccessfully challenged by the federation. (187)

Moodley said the plant-level wage agreements signed by the union and some major employers did not mean the strike would be called off.

# Footwear workers start overtime ban

CT 15/11/93 (187)

**Own Correspondent**

JOHANNESBURG — About 400 National Union of Leather Workers (NULW) shop stewards have decided to begin an immediate ban on overtime in the footwear sector in a run-up to comprehensive industrial action starting today, NULW spokesman Mr Kessie Moodley said

A letter demanding that individual employers agree to a 10% wage increase retrospective to July 1 was sent out on Friday The union has demanded that the Footwear Manufacturers' Federation forward a reply to the union by 10am today

If the NULW did not receive a letter of agreement to their demands from the federation, a national strike would begin today with factory occupations, Mr Moodley said

More than 19 000 union members nationally would be involved in about 200 factories affecting about 27 000 workers, he said Areas likely to be hardest hit would be Natal, Cape Town and Port Elizabeth

He said a letter from the federation requesting a meeting had been "rejected out of hand" by shop stewards

## Breakdown

The decision to strike followed the breakdown of industrial council wage negotiations earlier this year and two strike ballots, which were unsuccessfully challenged by the federation

"The NULW wants to secure a national minimum wage so that the industry is governed by one wage regulating measure and the institution of a central bargaining forum is preserved," Mr Moodley said

# SITE refunds 'may top R700m'

B/Day 16/11/93

BEATRIX PAYNE

SITE tax repayments could exceed R700m, Cosatu said at a news conference yesterday.

Cosatu's negotiations co-ordinator Jayendra Naidoo said an independent audit conducted by Cosatu found that an average of R350 in refunds was owed to each worker — regardless of union affiliations — in the manufacturing, heavy industrial, textiles and catering sectors.

According to the audit, one in every four workers had paid too much SITE tax, Naidoo said.

Commissioner of Inland Revenue spokesman Sydney Pope could not confirm the R700m figure and reiterated previous statements that the department could not quantify figures until applications had been received.

Sources said the department could pay out hundreds of millions of rands in refunds. Many non-Cosatu members, such as teachers and office workers, earned less than R50 000 and may have overpaid.

Research showed workers with children and female breadwinners had made the most overpayments, said Cosatu information officer Sarah Cliffe.

Under SITE tax new IRP2 forms had to be submitted every time an employee's personal circumstances changed.

Naidoo said overpayments had occurred where many employers had not bothered to ascertain the personal circumstances of their employees and had classified their workforce for the highest rate of deductions.

Claims that Cosatu had encouraged workers not to fill in IRP2 forms were incorrect. He said, however, the unilateral nature of the introduction of SITE had meant it had not received the co-operation of workers at the time.

Cosatu vice-president Connie September said the refunding process should be speeded up so that employees could receive repayments as soon as possible. She said refunds should be granted before April 27 to ensure they came from current government's coffers.

Pope could not say when refunds would be paid, but the department would process applications as swiftly as possible. This would depend on how quickly employees and employers were able to collect IRP5 forms and ID documents, he said.

Cliffe said the tax was unwieldy and not understood by employers or employees.

Cosatu would begin a campaign from November 20 to inform and educate its membership to assist fellow employees and non-union workers to make applications for refunds, said September. She said unemployed and retrenched workers would also be urged to make applications if they had paid too much SITE.

# Leather workers' strike called off

BDay

Own Correspondent

CAPE TOWN — A national strike planned for today by the National Union of Leather Workers' was called off yesterday after the union and the Footwear Manufacturers' Federation agreed to meet this morning and discuss wage issues. 16/11/93

Union spokesman Kessie Moodley said yesterday that although members at 80% of SA's footwear factories had "downed tools" as part of a one-day protest when the federation failed to respond to a 10am deadline yesterday, the union later called off the action after the federation agreed to talks in Johannesburg this morning. (187)

Moodley said the "vast majority" of footwear manufacturers had agreed to a 10% salary increase and urged the federation to sign an Industrial Council agreement granting a 10% increase to all footwear workers retrospectively from July 1.

"The Footwear Manufacturers' Federation has agreed to hold a meeting with the union this morning and also agreed to discuss the 10% wage increase and the signing of an Industrial council agreement. What is left is to agree to a 10% wage increase retrospective to July 1," Moodley said.

The union would go ahead with a nationwide strike if the talks failed.

Moodley said the largest footwear group, Conshu, had signed a written undertaking to grant a 10% wage increase. However, the union's demand that the increase be made retrospective to July 1 had not been met.

# Leather workers' strike off

Staff Reporter

A NATIONAL strike planned for today by the National Union of Leather Workers (NUWL) was called off yesterday after the union and the Footwear Manufacturers' Federation (FMF) agreed to meet this morning and discuss wage-related issues

NUWL spokesman Mr Kessie Moodley said yesterday that NUWL members at 80% of South Africa's footwear factories had "downed tools" as part of a one-day protest when the FMF failed to respond to a 10am deadline yesterday

However, the union later called off the action when the FMF agreed to hold talks with the union in Johannesburg this morning

Mr Moodley said the "vast majority" of footwear manufacturers had agreed to a 10% salary increase and urged the FMF to sign an Industrial Council agreement granting a 10% increase to all footwear workers retrospectively from July 1

Mr Moodley added that the union would go ahead with a nationwide strike if the talks failed

(187) CT 16/11/93

# Agreement on wage rates

B/Day 17/11/93 ERICA JANKOWITZ

THE National Union of Leather Workers and Footwear Manufacturers' Federation yesterday reached agreement on industrial council wage rates affecting about 27 000 footwear workers, thus averting full-scale strike action, union spokesman Kessie Moodley said.

A two-tier wage increase granting 8,5% backdated to July 1 and an additional 1,5% from December 1 was agreed. This would remain in effect until June 30 next year, Moodley said In addition, a plant-level agreement signed after November 12 would be honoured and Conshu would grant a 10% increase from November 10

Moodley said various forms of industrial action, ranging from overtime bans and work stoppages to full-day strikes, had hit the industry since Monday However, workers were expected to report as normal from today

He said the Industrial Council, feared to be under threat as a result of the plant-level agreements, would remain in force (187)

# Lenco to lift stake in Amshoe

MARCIA KLEIN

DIVERSIFIED industrial holding company Lenco Holdings was to buy a further stake in footwear subsidiary Amshoe for R30m and eventually delist it from the JSE, it said yesterday. B/Day 2/12/93

Lenco, whose other interests include clothing, household wares and packaging, holds 56,7% of the Natal-based Amshoe

It had agreed with Flash Sports to buy 20,69-million Amshoe shares in exchange for Lenco shares, it said The R30m purchase consideration would be settled by the placement of 4,1-million Lenco shares on the basis of one Lenco share for every five Amshoe shares held (187)

The deal, effective from September 1, would bring Lenco's stake in Amshoe to 91,8% Following the transaction, Lenco would make an offer to the remaining shareholders in Amshoe, and delist it from the JSE.

Had the acquisition been effective on March 1, Lenco's earnings would have risen 9% to 32,74c a share, while its net asset value would have increased 9,1% to 306c

Amshoe reported an 18% earnings rise to 15,7c a share in the six months to August. The trading improvement was expected to continue in the second half

Lenco advised Amshoe shareholders to exercise caution until a further announcement could be made

MANUFACTURING – FOOTWEAR

1994 – 1995

# Nike resets its SA pace with local deal

(187) CT 13/1/94

By ARI JACOBSON

THE price of Nike products is set to drop by between 20% and 30% in South Africa, with the announcement yesterday that the group will resume its SA presence following a local licencing and manufacturing agreement

Nike, in a joint press conference in South Africa and US, said the sportswear and footwear products would be distributed under licence locally, via Odyssey Sports and added that a manufacturing division will follow shortly

Odyssey Sports will be controlled by a consortium consisting of chairman Sam Noinyane and joint MDs David Hirschowitz and Solomon Sithole Other directors are Yusuf Surtee, Ndaba-Ntsele and Michael Hirschowitz

Nike left the country in 1987 and president Richard Donahue said in the US yesterday that "the group is pleased to re-enter the country and participate in its advancement"

Joint MD David Hirschowitz said that Nike South Africa would not only benefit local sportsmen but also the community at large "with a percentage of profits being ploughed into socially responsible projects"

Hirschowitz explained that the prices on Nike goods had previously been "inflated" because of the inability to deal directly with the international conglomerate

He said that as a result of the new direct linkage, with Nike, retail prices would come down sharply and a wider range of the latest products would become available "in the next sixty days"

In addition he said that sportswear manufacturing division would be started up in the country and this would create much needed jobs

Local manufacturer, Adidas MD Tony O' Hagan said that "the three major brands Adidas, Reebok and Nike have always competed in world markets and this introduction will be good for the local industry"

He added that local prices of Nike products "should come down"

He also mentioned that with the increased buying power of the masses "sports goods could be a major market in the future, although at present it is relatively small"

Cape based sports retailer The Athlete's Foot manager Aubrey Isaacs said that demand for Nike products may now "drop off" while people wait for the cheaper products to come into the shops

"We may in turn be forced to cut prices, to sell current stocks," he said

"Even though the goods are pricey there is always demand for Nike footwear and clothing — with cheaper prices this demand will accelerate," he said

# Nike back in SA

THE price of internationally renowned Nike products is to drop 20% to 30% in South Africa, with the announcement yesterday that the group is to stride back into the country in the next 60 days.

(187)

Nike said its sportswear and footwear products would be distributed under licence via Odyssey Sports.

CT 3/11/94

Odyssey Sports will be controlled by a consortium consisting of chairman Sam Noinyane and joint managing directors David Hirschowitz and Solomon Sithole.

● Report — Page 9

# New law bans sale of cigarettes to children

CAPE TOWN — The sale of cigarettes to children under 16 became illegal this week under SA's first tobacco-control law. B/Day

Local authorities have also been given wide powers to control smoking in public places. (187)

Regulations on health warnings in advertising and on packaging are likely to be published next month.

The Tobacco Products Control Act, passed by Parliament last year, also requires that cigarette vending machines be controlled.

Medical Research Council senior executive Dr Derek Yach said local authorities faced a major challenge in enforcing the ban on sales to children.

The section that placed authority for smoking controls in the hands of local authorities was a testing ground for the devolution of health care and the introduction of effective primary health care measures

Local authorities' first target should be health and education facilities, because of the direct impact smoking there had on children and sick people

After that, they should aim at targets of strategic value and improvement of comfort — Sapa 3/2/94

P

# Nike giant heads for SA

Sowetan 3/2/94

INTERNATIONAL sportswear giant Nike has sold exclusive manufacturing and distribution rights to a black dominated consortium in South Africa

Odyssey Sports, a consortium which consists of Mr Sam Nomyane (chairman) and joint managing directors Mr David Hirschowitz and Mr Solomon Sithole, will serve as Nike's sole representatives (187)

Other directors of the company are Mr Yusuf Surtee, Mr Ndaba Ntsele and Mr Michael Hirschowitz The deal was facilitated by a South African-based African-American businessman Mr Leyland Hazlewood Hazlewood is chairman of Dimpex, a management and technical assistance company

Odyssey Sports was selected out of numerous other consortiums which sought to represent the United States-based company in South Africa

# Amshoe holders 'soled' out

S Times 6/2/94

MINORITIES in Amalgamated Shoe (Amshoe) have been offered less attractive buy-out terms than for 35% shareholder Roy Eckstein

Mr Eckstein is chairman of Amshoe and a director of Lenco. On December 2 last, Lenco announced it had lifted its Amshoe holding from 56,7% to 91,8% by buying Mr Eckstein's direct and indirect holdings in the footwear group he founded.

Lenco paid by issuing Mr Eckstein with one its shares for every five Amshoe. The effective date was September 1 1993. The December announcement said Amshoe shareholders would be made an offer and the company delisted.

On Wednesday this week Lenco announced the terms

Amshoe shares will become redeemable prefs and redeemed at 160c Holders of 600-share multiples of Amshoe may apply the proceeds to 100 Lenco — terms 20% worse than those enjoyed by Mr Eckstein

The same offer need not be made to minorities because there has been no change of control

A JSE dealer complains that Lenco is buying Amshoe for nothing. At the current 170c, it trades at 7,6 times historic earnings on a dividend yield of 5,3%.

Amshoe and Lenco director Stanley Stubbs says the JSE forced Lenco to change the terms of the offer to take into account the rapid rise in Lenco's share price since December 2

He says that Amshoe members get Lenco shares for 960c, a discount to the current R10 Lenco is bid at R9, offered at R10 and before the press announcement Amshoe was trading at a 10c premium to the 160c redemption offer

(187)

**Julie Walker**

COMPANIES

# Bias Industries bounces back

MARCIA KLEIN

SA BIAS Industries (Sabind), which had dropped its earnings for the first time in 14 years in financial 1992, lifted its earnings 21% to 33c (27,3c) a share in the year ending December. B/DAY

Sabind, the largest manufacturer and supplier of trimmings to the clothing and footwear industries, reported a 5% rise in turnover to R146m (R139,6m) 24/2/94

Income before tax, interest and finance charges was 13% higher at R12,3m (R10,9m), and income after tax was 11% up at R7,8m (R7m). Attributable income increased 21% to R9,4m (R7,8m). A final dividend of 7c a share brought the full year dividend up 10% to 11c (10c) a share

MD Philip Coutts-Trotter said demand in Sabind's traditional markets remained weak, but cost reduction and expansion into new industries raised profitability.

Penetration of markets other than the clothing and footwear industries now accounted for over 40% of total SA turnover.

The metals and plastics division and the Kirton division improved their performance despite lower turnovers

Chairman Christopher Seabrooke said the UK operations were producing excellent results with strong turnover and profit growth. (187)

The company expected higher tax charges in the coming year, but earnings and dividends were expected to show an improvement over the previous year.

# Footwear production climbs nearly 4%

B Day

MUNGO SOGGOT

SHOE production in SA rose 3,8% in 1993 to 45,4-million pairs, from 43,7-million pairs the previous year, according to figures released by the Footwear Manufacturers' Federation of SA. 29/3/94

After production in the first and second quarters of 1993 slipped 5,8% and 0,6% respectively from the same period the previous year, production in the third and fourth quarters climbed 8,8% and 10,8% over the corresponding periods in 1992.

The federation journal FMF Digest said the value of retail sales of footwear jumped 22% to R312m Manufacturing sales rose 6,1% to R197m

(187)

Federation executive director Dennis Linde said imports in 1993 could have totalled 30-million pairs, but final figures for the year had not been compiled About 70% of imports came from China and Hong Kong.

## COMPANIES

# New-look Safshoe cuts losses

MARCIA KLEIN

W&A subsidiary Safshoe was still showing small losses, but it had turned around from major losses three years ago to an expected operating break-even in the current year to end-December, according to chairman Hilton Nowitz

B/Day

Reacting to an article in Business Day on W&A's results, Nowitz said Safshoe was not in need of attention as it was a well-managed business. It represented only 1% of W&A's asset base and 2% of its turnover.

Three years ago, just before the installation of new management, Safshoe — then known as Edworks — had a cash deficit of about R5m a month. It was now running with a neutral cashflow.

Bad debt on credit sales was 25% of turnover. Nowitz said the new management had converted the 210 stores into a cash chain, brought down the number of product lines, and installed new systems and new merchandising. New technology enabled it to generate a financial result five days after month end

30/3/94

Staff numbers had been reduced to 560 from 1 400 Management had closed 78 unprofitable stores and opened 63 new ones. For the past two years there had been a net loss of stores, but this year there would be a gain of 30

187

Nowitz said sophisticated systems enabled Safshoe to embark on rapid growth without putting a strain on head office finances. The average cost for each store had been in decline for three years, while turnover had increased The company expected good results in future A programme started in 1991 to downsize, clean up and install good systems and controls was bearing fruit

BDay 21/4/94

# Turnaround at Bolton

AMANDA VERMEULEN

BOLTON Industrial Holdings continued its turnaround by more than doubling distributable earnings a share to 24,2c (9,9c)

This came off the back of good performances by its subsidiaries Cargo Carriers and Bolton Footwear in the year to February

Profit after tax more than doubled to R10,9m (R5,3m) Attributable profit of R4,7m, while almost doubling, reflected an extraordinary item of R119 000. Earnings a share almost doubled to 93,7c (51,9c)

Cargo Carriers — Bolton Holdings has a 34,6% stake — almost tripled earnings a share to 31,6c (11,7c).

Operating profit was adversely affected in the second half due to the costs of closing two unprofitable operations.

Bolton Footwear, of which Bolton Holdings is the major shareholder with a 74,1% stake, increased its earnings to 18,1c (13,1c)

Bolton Properties fared less well with earnings dropping to 2,4c (5,4c) Declared dividends were also down, to 2,0c (3,0c).

(2) 187

# Export growth boosts Conshu

BDay 2/5/94

MARCIA KLEIN

SA's largest footwear manufacturer, Conshu Holdings, lifted earnings almost a third to 63,4c (48,4c) a share in the year to March, despite a sluggish local market (187)

Results reflect a change in the year-end from June to March in line with SA Breweries, which acquired control in April 1993 Conshu has reported actual results for the nine months to March, and pro forma earnings for the year to March to allow comparison

CE Robert Feinblum said although pro forma turnover grew a modest 6% to R668,4m from R630,8m, trading profit reflected a 25,2% improvement to R60,2m (R48,1m) through cost control

He said the major contributors to the improved performance were a near doubling of exports to about 5% of turnover, a significant improvement in the operating margin to 9% (7,6%), and stringent cost controls which resulted in a 14% drop in finance charges to R9,9m (R11,5m)

After taxation and outside shareholders, attributable earnings were 31,1% up at R29,5m (R22,5m)

In line with Conshu's policy of covering dividends 2,5 times, a final dividend of 16c (11c) was declared

Feinblum said the balance sheet was "extremely sound", and planned capex of R20m in the current financial year "can easily be accommodated due to the improved gearing at 28% (previously 46%)"

Wholly owned Wayne Manufacturing, which makes rubber products for mining and industry, had improved its performance locally and gained export business

Conshu's continued success in export markets, particularly the UK and Europe, had prompted the company to open a representative office in the US which should lift export sales in the current year

This, together with an improvement in economic conditions, should lead to an increase in earnings in financial 1995.

CONSHU FM 6/5/94

# Better heeled

**Preliminary results** from the largest shoe manufacturer show a 6% increase in turnover and 25,5% improvement in trading profit What they don't reveal are recent developments in now-delisted rubber and PVC product maker Wayne where earnings fell 63% in financial 1993, causing Conshu's 9% decline in earnings

Chairman Laurie van der Watt simply says rationalisation measures have been carried out — more details will be disclosed in the annual statements — and " Wayne's profits have improved " This is evident in group results Attributable annual pro forma earnings improved by 31% The year-end changed to March following SA Breweries' increased stake The *FM* certainly hopes Van der Watt's reticence isn't carried through to the annual report

(187)

**Tight controls**

A worry last year was imports, of mostly cheaper goods, which pose a major threat to the industry Fortunately, Conshu products are concentrated on the middle and higher markets Van der Watt says exports, which almost doubled to about 5% of turnover, should improve this year A representative office has been opened in the US

The balance sheet is sound, thanks to tight asset management controls Planned capital expenditure of R20m this year can easily be accommodated by improved gearing of a modest 28% The share price reflects the good results and investor confidence in the restructuring At 450c, the share is on a high for the year

*Kate Rushton*

THE athletics shoe market is in for a shake-up with the return of the world's two largest players, Nike and Reebok, writes ZILLA EFRAT S Times

Both are running advertising campaigns to coincide with the Comrades Marathon [BUSS]

They aim for a share of the R300-million-a-year "athleisure" footwear market and spin-off sales of branded clothing and accessories 29/5/94

Nike and Reebok together have more than half of the world "athleisure" footwear market Both are US-owned and quit SA in the late 1980s. Their products were still available from parallel or grey importers

German-owned Adidas remained in SA during sanctions era Adidas SA managing director Tony O'Hagan is not worried about the Americans' return.

Reebok has set up a subsidiary in which SA partners have a 45% stake

Nike launched its return at a Sandton function this week and plans to use a distributor called Odyssey.

Nike and Reebok will import footwear from the Far East, but both expect to get their branded clothing from South Africa (187)

Reebok SA managing director Mike Clark says his company is considering making shoes here in the next two years because it pays 75% duty on imported leatherwear

# 11,5% pay rise for footwear workers

Star 2/6/94

Durban — The South African Clothing and Textile Workers' Union (SACTWU) said yesterday it had concluded wage negotiations with footwear manufacturers and secured an 11,5 percent increase for workers in the industry.

SACTWU spokesman Rakesh Jock said the union would negotiate later this month with employers on other demands, including medical funds and maternal leave for its members

Employers had initially offered an increase of six percent, Jock said — Reuter.

187

CONSHU fm 10/6/94

# Off the floor

**Activities:** *Manufactures and distributes general footwear and rubber and plastic products*
**Control:** *S A Breweries 67%* (189)
**Chairman:** *L van der Watt, CE R M Feinblum*
**Capital structure:** *46m ords Market capitalisation R276m*
**Share market:** *Price 600c Yields 3,6% on dividend, 9,5% on earnings, p e ratio, 10,6, cover, 2,6 12-month high, 650c, low, 220c Trading volume last quarter, 167 830 shares*

| Year to June 30 | '91 | '92 | '93 | †'94 |
|---|---|---|---|---|
| ST debt (Rm) | 3,7 | 50,6 | 3,5 | 28,2 |
| LT debt (Rm) | 35,9 | 12,9 | 39,1 | 22,5 |
| Debt equity ratio | 0,28 | 0,42 | 0,25 | 0,28 |
| Shareholders interest | 0,46 | 0,46 | 0,50 | 0,50 |
| Int & leasing cover | 5,2 | 3,8 | 4,1 | 5,6 |
| Return on cap (%) | 23,6 | 16,5 | 14,7 | *15,9 |
| Turnover (Rm) | 622 | 621 | 631 | 515 |
| Pre-int profit (Rm) | 71,1 | 54,8 | 48,1 | 41,8 |
| Pre-int margin (%) | 11,4 | 8,8 | 7,6 | 8,1 |
| Earnings (c) | 66,6 | 53,1 | 48,4 | *63,4 |
| Dividends (c) | 28,0 | 24,5 | 19,0 | *27,0 |
| Tangible NAV (c) | 273 | 305 | 336 | 370 |

† Nine months to March 31
* Annualised

**The more than** doubling of the share price over the past 12 months reflects investors' changed perceptions of SA's largest shoe maker

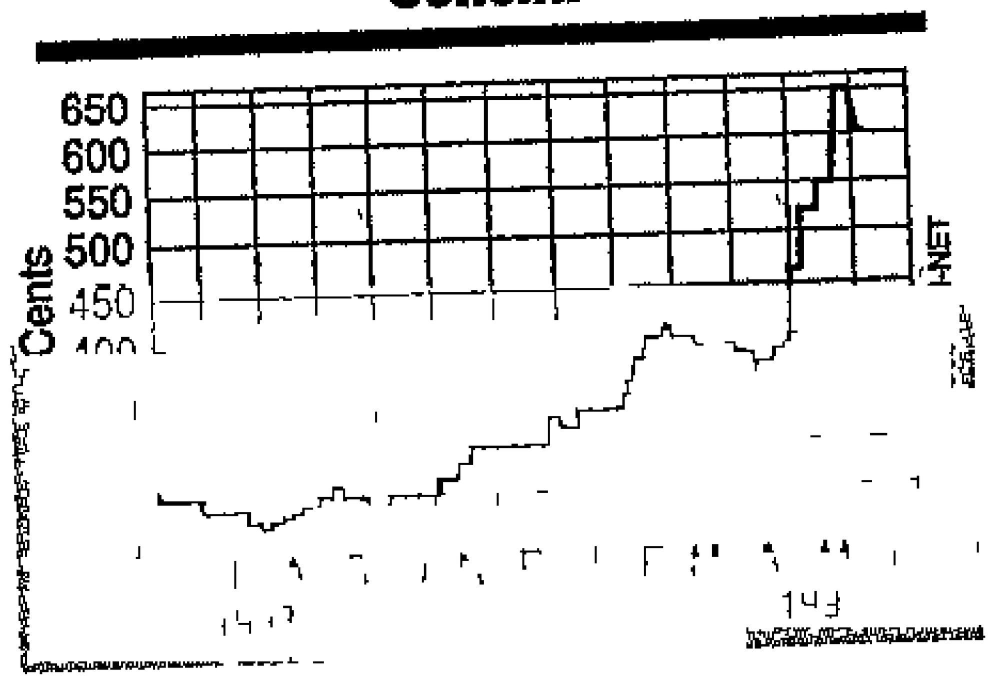
Heavily influenced by private consumption spending, continuing violence and industrial action, the industry had its fourth consecutive year of negative growth Conshu did well to lift earnings 31%

Results for the year to March 31 are pro forma figures for comparison Conshu became a subsidiary of SA Breweries in 1993 and its financial year-end changed from June 30

Effective asset management and stringent cost controls contributed to the 25% increase in trading profit on turnover up just 6% to an annualised R668m Strong cash flow cut financing 14%, which helped drop gearing from 46% to 28%

Conshu's general footwear operations contributed 75% (79%) of turnover last year and rubber & plastics products the rest (21%)

**Conshu**




With imports of low-priced footwear from the Far East still growing, the wisdom of the decision to move away from this market towards the medium and upper ranges of branded footwear has become apparent CE Robert Feinblum says Conshu is probably less affected by the 65% surge in imports during calendar 1993 than other industry members fm 10/6/94

The company's aggressive export growth continues to bear fruit Exports almost doubled but still account for only 5% of sales Feinblum says successful efforts in the UK and Europe will soon be complemented by a new representative office in the US

Restructuring of delisted Wayne Manufacturing returned the company to profitability Certain assets were written off at a cost of R10,8m and operations were rationalised This included the closure of the Western Cape plant Costs incurred by these actions in the first quarter were largely offset by a pleasing improvement in trading in the fourth quarter Feinblum believes the company will operate profitably this year

Conshu raised its stake in Olympic Footwear from 50% to 67% at a cost of R12m This has since been followed by rationalisation and synthetic footwear previously produced is being imported to supplement leather ranges (187)

Feinblum is optimistic about earnings growth this year Heartening signs of a recovery in SA industry filtered through in the final quarter with the receipt of the first significant orders of industrial footwear for some time, he says

At 600c and on an earnings yield of 9,5%, the share shows its improved rating and is at a 62% premium to NAV Further gains will be linked to economic recovery *Marylou Greig*

BOLTON FOOTWEAR

FM 10/6/94

# More comfortable

**The strategic** plan implemented by management two years ago has finally borne fruit for footwear maker and retailer Bolton Footwear (Bolwear) Efforts to strengthen current areas of business by internal rationalisation and attention to international links and exports saw EPS in the year to February jump 38% to 18,1c This ended a three-year trend of earnings decline (187)

Turnover rose 13,5% to R229m — an achievement considering the core business is

FM

**Activities:** *Manufacturing and merchandising of footwear.*

**Control:** *Bolton Industrial Holdings 74%*

**Chairman:** *G H Stein, MD. S R B Finlayson*

**Capital structure:** *20m ords Market capitalisation R27m*

**Share market:** *Price 135c Yields 4,0% on dividend, 12,1% on earnings, p e ratio, 8,3, cover, 3,0 12-month high, 150c, low, 55c Trading volume last quarter, 223 410 shares*

| Year to Feb 28 | '91 | '92 | '93 | '94 |
|---|---|---|---|---|
| ST debt (Rm) | 21,0 | 24,5 | 21,6 | 27,2 |
| LT debt (Rm) | 0,9 | 1,7 | 1,6 | 0,6 |
| Debt equity ratio | 0,41 | 0,47 | 0,39 | 0,44 |
| Shareholders' interest | 0,56 | 0,54 | 0,57 | 0,53 |
| Int & leasing cover | 3,9 | 3,3 | 2,2 | 3,4 |
| Return on cap (%) | 18,0 | 13,2 | 8,6 | 9,2 |
| Turnover (Rm) | 191,5 | 198,9 | 201,4 | 228,5 |
| Pre-int profit (Rm) | 17,3 | 13,6 | 9,0 | 11,1 |
| Pre-int margin (%) | 9,0 | 6,8 | 4,5 | 4,9 |
| Earnings (c) | 25,2 | 21,3 | 13,2 | 18,1 |
| Dividends (c) | 8,4 | 8,0 | 4,0 | 6,0 |
| Tangible NAV (c) | 228,0 | 242,9 | 262,8 | 277,5 |

exposed to the top end of the fashion market Almost half of turnover is sourced from the manufacturing operations, retail and wholesale contributes 31%

MD Sid Finlayson says the exceptionally low levels of the industry's production is highlighted by comparison with 1988 output increased marginally from 44m pairs between January and December 1992 to 45m pairs in 1993 — this is almost 30% down on 1988, when more than 62m pairs were produced locally.

To maintain market share and a visible distribution of brands, product continues to be sold at reduced margins The increase in gearing from 39% to 44% is influenced partly by the extension of six-month credit facilities at A&D Spitz outlets.

In line with plans to focus on its core businesses, upgrading and expansion of A&D Spitz — the premium footwear retailing chain — continued in 1993 The credit policy helped to improve turnover These steps, says Finlayson, led to a significant increase in Bolwear's working capital The new concept of factory shops trading under the name Shoe Stop, enjoyed continued success, so the operation is being extended.

In an effort to contain costs, the wholesale operations of Patrick Sportswear were transferred to manufacturer Bagshaw Footwear and rationalised Exports of the manufacturer have been affected by poor economic conditions in Europe and though targets for 1994 were not reached, an improvement is expected this year Restructuring at Oudtshoorn Footwear has been successfully concluded and operating losses have been reversed Watson Shoes continues to improve its production methods and techniques

For a group theoretically concentrated in footwear, its interests in motor vehicle dealerships seems incongruous During the year, the motor division was rationalised, Coastal Toyota and its associated land and buildings were sold However, premises were bought in Knysna and Oudtshoorn, to ensure a strategic spread of Honda and Mercedes-Benz dealerships (87)

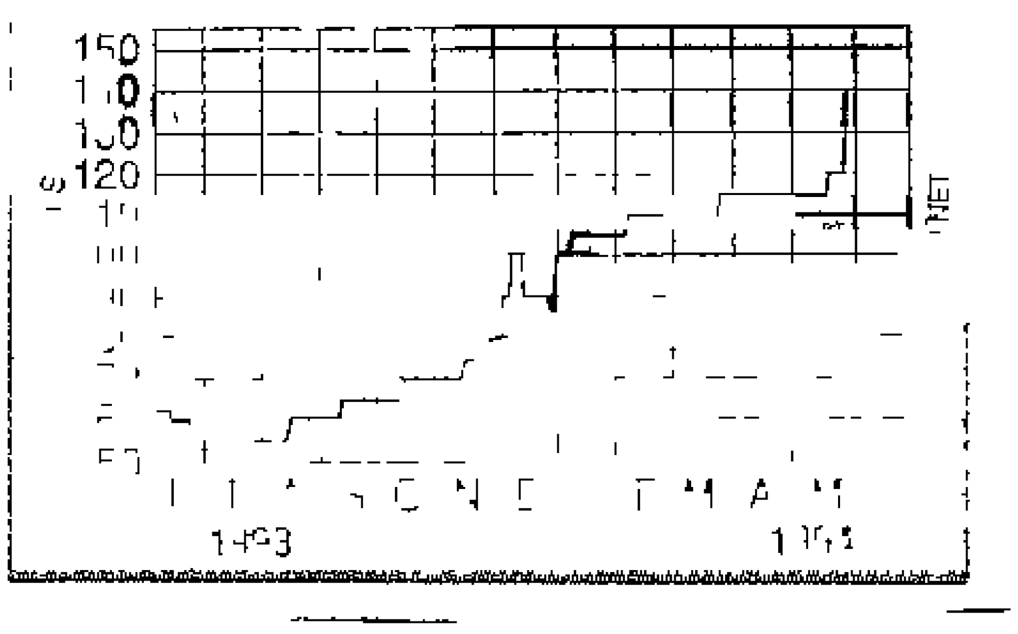
Also falling under the hammer was loss-making Searle Homes, the construction division The intention is to dispose of all surplus non-strategic property, but Finlayson concedes it will be a slow process while property prices remain depressed

The share price pattern reflects renewed investor interest At 150c, a two-and-a-half-fold increase this year, the price remains well below NAV Having weathered the recession, Bolwear is well placed to take advantage of higher disposable incomes

*Marylou Greig*

10/6/94

Bolton **Footwear**



# Reebok aiming to top league

Star

**BY JOHN SPIRA**

Reebok SA is determined to take top slot in the sports and footwear field — a market believed to be worth R3 billion a year. 17/6/94

MD Mike Clarke says: "Reebok is committed to becoming the number one sportswear brand in SA within the first year of operation and the largest within the next three years." (82) (187)

Reebok SA is 55 percent-owned by Reebok International (1993 sales, R7,5 billion) and 45 percent-owned by local group First Africa Marketing Investment.

Reebok SA will be committing 8 percent of its pre-tax profit over the next 10 years to community development projects.

"The support will allow local communities to develop and equip themselves with commercial and social skills."

South Africans should score by being one of the first countries in the world to receive the most advanced line in Reebok products, some 70 models of which will be available locally.

"We also aim to be tops in customer service. Initial retailer response to the Reebok drive has been fantastic, with demand far outstripping supply — particularly in the fields of running and aerobics."

Heading Reebok SA's running programme will be Elana Meyer and Hezekiel Sepeng.

# Concern over high footwear imports

BIDay

MARCIA KLEIN

THE significant increase in imports from the Far East was of concern to the local footwear industry, which was finding it increasingly difficult to compete, Footwear Manufacturers' Federation of SA (FMF) directors said in the 1993/94 review 20/6/94

Director Dennis Linde said footwear production grew last year — for the first time since 1988 In 1993 45,4-million pairs of footwear were produced, 3,8% more than the previous year (187) (744)

At the same time, footwear imports had shown "exceptional growth", with imports for 1993 reaching a record 33-million pairs Market share of imports stood at a record 42,1%, compared with the previous record of 33% in 1987 China and Hong Kong not only accounted for the largest portion of imported footwear (67%), but also for the greatest increase in imports over the past year Currently, SA's footwear export volumes were relatively small

Linde said it was becoming increasingly difficult for the West to compete with the Far East The massive volumes produced by countries like China were of great concern

Although footwear production grew in 1993, employment in the industry has declined steadily to slightly more than 21 500 — down 22% from 1989 Further retrenchments were taking place, short-time was being worked, and rumours of factory closures were doing the rounds

Linde said all of these factors pointed to "a further contraction of the industry" which was already producing 29% less than the record levels of 1988 and 1989

FMF president Robert Feinblum said the primary cause for the industry's poor performance was "the unabated increase in low-cost imported footwear from the Far East, which rose to 16,1-million pairs in 1992 and 33-million pairs in 1993"

The Board on Tariffs and Trade said in 1991 that the local industry experienced substantial costs disadvantages compared to manufacturers abroad, especially with regard to footwear of synthetic materials and textile fabric uppers in the lower price ranges. The industry was more competitive in terms of footwear with leather uppers

LENCO Fm 12|8|94

# Investing abroad

**Activities:** *Holding company with investments in footwear, clothing, shoe components, metal cookware and rigid plastic packaging*
**Control:** *Lenco Investment Holdings 50,3%*
**Chairman:** *G D de Jager*
**Capital structure:** *72,5m ords Market capitalisation R906m*
**Share market:** *Price 1 250c Yields 1,3% on dividend, 5,7% on earnings, p e ratio, 17,7, cover, 4,4 12-month high, 1 250c, low, 625c Trading volume last quarter, 596 000 shares*

| **Year to February 28** | '91 | '92 | '93 | '94 |
|---|---|---|---|---|
| ST debt (Rm) | 37,6 | 18,7 | 51,2 | 45,0 |
| LT debt (Rm) | 34,4 | 27,5 | 45,4 | 57,3 |
| Debt equity ratio | 0,48 | 0,25 | 0,35 | 0,32 |
| Shareholders' interest | 0,48 | 0,56 | 0,50 | 0,54 |
| Int & leasing cover | 3,3 | 3,8 | 4,2 | 5,4 |
| Return on cap (%) | 21,2 | 22,4 | 15,3 | 16,9 |
| Turnover (Rm) | 441 | 455 | 594 | 672 |
| Pre-int profit (Rm) | 54,2 | 58,4 | 59,3 | 73,2 |
| Pre-int margin (%) | 12,3 | 12,8 | 10,0 | 10,9 |
| Earnings (c) | 43,2 | 49,3 | 59,8 | 70,7 |
| Dividends (c) | 10,0 | 11,5 | 14,0 | 16,0 |
| Tangible NAV (c) | 155 | 184 | 235 | 313 |

([redacted]) (187)

Executive chairman Doug de Jager spends most of his time planning how to invest his diverse group's large positive cash flow (R26,6m for fiscal 1994 after paying R11,9m dividends)

It's instructive to see how these funds were allocated Expansion of capacity absorbed R22,4m, upgrading existing capacity, R14,4m; acquiring new divisions, R12,2m, and sale of fixed assets, R12,7m Cash was used in other investment activities But at year-end there was a net outflow of R7,1m Net loans raised of R5,1m helped to fund this balance Cash resources of R28,2m (R29,9m) remained

Hendler & Hart Industries (Housewares Division) was restructured. This included selling its plastic housewares operation for R3,3m The Krost cookware business was bought from Prestige Ltd for R10m and the Boksburg Hendler & Hart building for R6,8m A R20m development in Durban was started to house the Hendler & Hart Industrial Plastics and Xactics' Natal activities This is expected to result in a 30% increase in capacity and improved production efficiencies The Hendler & Hart factory in Umbilo was sold to Old Mutual for R5,1m

Lenco's core activity remains in De Jager's first investment area — the packaging industry It includes the national Xactics activity and Cape-based Elvinco Plastics Though this division accounted for only 26% of group turnover — it declined marginally because of the social disruptions — packaging produced 44% of group operating profit

In a step towards internationalising its packaging expertise, Lenco has bought Peteron Plastics, an Australian rigid-plastics packaging company in Melbourne, for R14m In 1993, this company produced operating profit of R2,2m on turnover of R17m De Jager estimates its operating profit will exceed R8m on turnover of R80m within five years (This is a highly conservative forecast)

Fm 12|8|94

Lenco's second largest contribution came from footwear It produced 33% of group operating profit from 41% of the group turnover The holding in Amshoe was increased from 57% to 92% during the year. In March, the balance of Amshoe's issued share capital was converted into redeemable preference shares, which were redeemed to give Lenco 100% of Amshoe's issued shares Amshoe's listing was then terminated ([redacted]) (187)

De Jager says the clothing interests performed well, despite slack demand from the retail sector. Exports helped to buoy performance and the division produced an operating profit of R13,6m (18% of the group's) on R100m turnover (15%).

The housewares division, still being rationalised, posted turnover of R128m and operating profit of R5,3m

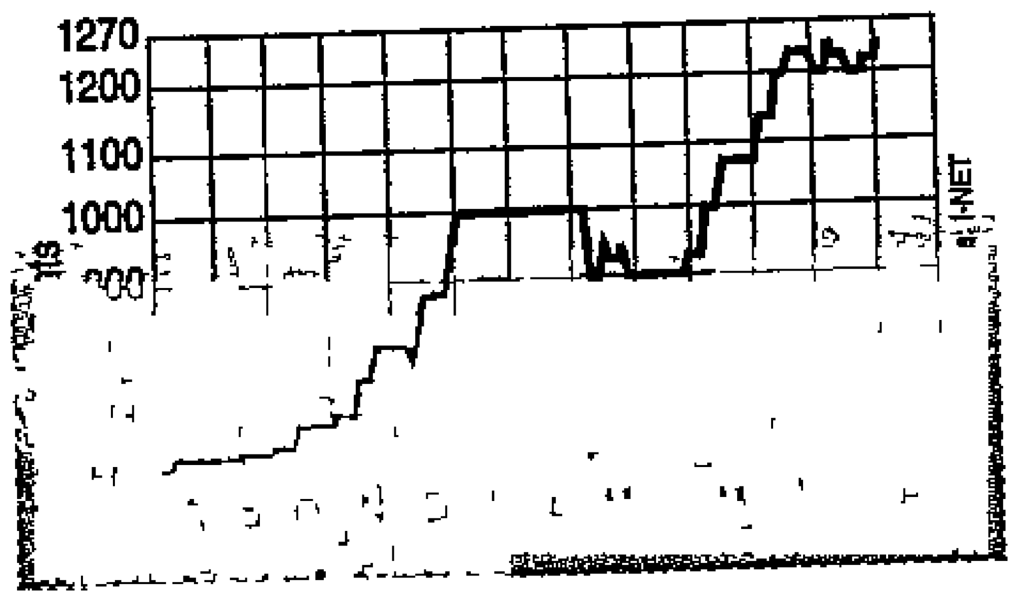
Since 1988, throughout the depression, Lenco's remarkable track record was attained by acquisition and generic growth Turnover growth has been a compound 33%, attributable income 35% and EPS 22%

De Jager has long talked of Lenco's need for a rand-hedge investment The Australian acquisition is a start. His ability to buy under-used assets reasonably and turn them into substantial profit producers is proven The recently acquired housewares division should show improved results in the current year And the other existing operations will benefit from recovery in the economy

The share price has all but doubled since a year ago when investors recognised management's expertise and the group's potential (Sanlam recently bought 4,5m new Lenco ords for R50m) The current price and high rating indicates the market expects sustained earnings growth While that is probably justifiable, the share looks fully priced

*Gerald Hirshon*

**Lenco**




## DATES TO REMEMBER

**Last day to register for dividends**
**Friday Aug 19:** A Alpha 55c; [illegible] Bloch 1,8c; Cafca 6,[illegible]55c, Capital [illegible] ▲14,43c; Cenprop ▲12,25[illegible] [illegible] 16c; Hiveld 23c, SBIC 73c
**Meetings:**
**Monday Aug 15:** 1MI
**Wednesday Aug 17:** [illegible] Intrust; Southern [illegible]
**Thursday Aug 18:** [illegible] (Sandton); Rand[illegible]
**Friday Aug 19:** Benoni Gold [illegible] Chubb; Cons Mining [illegible] Ozz; Southgo; Venter [illegible] Wits.

All meetings are in Johannesburg unless otherwise [illegible]ted
S = Special meeting
▲ = Per unit.

# Conshu earnings benefit from rocketing exports

BDay 3/10/94

YURI THUMBRAN

SA BREWERIES-controlled shoe manufacturer Conshu Holdings lifted earnings 8,5% to R16,6m for the half year to September on the back of increased exports.

Exports soared 53%, notching up R19,9m in sales for the company. Overall, turnover rose more than 16% to R337,4m as demand improved considerably in the second quarter of the six-month period.

The tax bill, at R9,8m, was slightly down from the previous six-month period.

Earnings a share rose 8,2% to 35,5c for a dividend of 12c (11c). Profit growth had been inhibited by "excessive" leather price increases, the company said in its comments on the results.

The company also sold its 60% interest in Olympic Footwear for R14,4m which generated a surplus of R2,5m from the sale of operating assets. (187)

It noted that debt was reduced to only 29% of shareholders' funds. There was a fall of more than 17% in financing costs.

Chairman Laurie van der Walt said the six months under review had been characterised by two quarters of significantly different trading profiles.

The first quarter — the run-up to the election and the election itself — had been "severely" affected by hesitant retailer and consumer demand.

Van der Walt also mentioned the abnormal number of holidays.

However, buoyant trading conditions in the second quarter resulted in improved earnings.

Van der Walt predicted that consumer demand would not show a significant improvement during the remainder of the financial year.

He said, however, that trading conditions were expected to support a satisfactory increase in earnings for the year as a whole.

Business Report

# Lost production time over elections hits Lenco profits

(187) CT 25/10/94

By MAGGIE ROWLEY
Deputy Business Editor

INTERRUPTED production and unsettled conditions over the April elections dented profit of diversified industrial group, Lenco in the six months to end August.

The Cape based group saw attributable profit drop 2,9% to R19,9m from R20,5m for the corresponding period the previous year.

Earnings at the share level were down 10,5% at 26,85c due to the larger number of shares in issue.

While the group's turnover rose 5% to R366m boosted by the acquisition of a 60% stake in footwear manufacturer Olympic Flair, operating profit dropped 13,5% to R30,7m.

Thanks to the injection of proceeds from the R40m issue of shares to Sanlam the interest bill was down significantly at R5,4m (R7m) but taxation was up nearly R1m at R4,8m.

Executive chairman Douglas de Jager said the drop in operating profit resulted from retailers reducing stock levels ahead of the election and lost production over the election and post election period.

This had resulted in first quarter operating profit being 13% below that of the previous year. However operating profit had picked up substantially in the second quarter.

While all divisions had been affected by the elections some of the group's factories lost as many as 14 days of production which completely eroded profits.

Some of these divisions — particularly the footwear division, which was particularly hard hit and where orders had come in late affecting the division's ability to acquire materials timeously — were still struggling to catch up the production backlog, he said.

He said the cost of the closure of the footwear plant in Durban in May were estimated at R7m and this had been treated as an extraordinary item and excluded from net profit attributable to ordinary shareholders.

The two acquisitions during the period under review which had been financed through the issue of additional shares to Sanlam, had been performing well.

They are Peterson Plastics, a rigid plastics in Melbourne which was acquired on August 24 and Olympic Flair in which a 60% interest was acquired on June 1 and which contributed to R700 000 to interim group profits.

De Jager said that although the year had got off to an unsettled start trading conditions had now normalised and the seasonal improvement in the second half was expected to be even more marked this year.

Barring unforeseen circumstances indications were that operating profit should surge in the second half of the year and could show an improvement of at least 25% on the previous year.

"We had a very good trading month in September and an even better October."

Margins, he said were also improving slightly as the group reaped the benefits of higher volume and the economies of scale these brought.

● Lenco Investment Holdings Ltd, which has a 49,4% interest in Lenco Holdings reported attributable earnings of 17,89c (20,02c) a share for the six months to end August.

# Conshu nets 8,5% earnings growth

From YURI THUMBRAN (187)

JOHANNESBURG — SA Breweries-controlled shoe manufacturer Conshu Holdings lifted earnings 8,5% to R16,6m for the half year to September on the back of increased exports

Exports soared 53%, notching up R19,9m in sales for the company Overall, turnover rose more than 16% to R337,4m as demand improved considerably in the second quarter of the six-month period

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Van der Walt predicted that consumer demand would not show a significant improvement during the remainder of the financial year

He said, however, that trading conditions were expected to support a satisfactory increase in earnings for the year as a whole

Continued from Page 116

been hard hit by duty increases "They were doubled soon after we came here When we planned to enter the market we budgeted on the original tariffs" Reebok disinvested in the Eighties But unlike Nike, which returned through a distribution agreement with Odyssey, it invested directly and took a long lease on a Carlton Centre store

Both argue that the heavy duties are on "technical performance" shoes, not manufactured locally, and do not displace people from jobs by being imported "SA has one of the highest footwear tariffs in the world The high costs hinder aspiring sportsmen, especially from underprivileged communities, from competing nationally and internationally," says O'Hagan

What infuriates importers even more is that there are a number of inconsistencies in the application of tariffs — spiked shoes have lower duties, which means that marathon runners or tennis or squash players pay more for their shoes than track and field sportsmen (187)

Kraamwinkel says an application for a reduction in duties has been received but the matter is not finalised. Worried that their application will be lost, importers have approached Minister of Sport Steve Tshwete and Trade & Industry Minister Trevor Manuel with their case

They say that they could provide customs with a certificate from the manufacturer which would verify the composition of the shoes' upper ■

SPORT SHOES

# Running up costs

FM 11/11/94

**With the** return of top sport shoe manufacturers like Nike and Reebok to SA earlier this year, many hoped the price of branded sport shoes would drop Instead they have increased dramatically in the past seven months

If you feel inclined to pamper your feet with a pair of lightweight shock-absorbing, ankle-supporting trainers or a trendy laceless power-inflatable sports shoe, be prepared to fork out anything between R250 and R700

While the decline in the rand is partly to blame for the price spiral, the main villain is import duties of up to 70% on most athletics trainers

"The tariffs doubled out of the blue at the end of March," says Adidas MD Tony O'Hagan, who also chairs the SA Sports Goods Agents and Manufacturers' Committee, a body representing the leading international sport brands

On March 31 tariffs jumped from 30% to 60% — plus a 15% surcharge — for footwear with uppers made from a combination of textiles and leather (Shoes with more than 51% leather were previously subject to a 30% duty and 15% surcharge The duty on imported shoes with full-leather uppers, such as court shoes, is still fixed at 30% with a 15% surcharge )

As a result of this new ruling, any shoe with textiles on the upper (not the tongue) — even if it is in the lining or, as in the case of Adidas, just three fabric stripes sewn on the side of the shoe as a trade mark — is subject to the higher duties

Board on Tariffs & Trade chief director Alwyn Kraamwinkel says the duties on this type of footwear were increased in response to an urgent application submitted by the Commissioner of Customs and Excise

It seems officials were unable to judge the composition of the uppers so the same "high" duty was placed on shoes made from a mixture of leather and textiles

In line with Gatt, the maximum 60% single duty has now dropped to 55% It will be reduced by 5% a year to a base rate of 30% by 1999 (187)

But importers are calling for an immediate reduction in the duties to the original base rate of 30% and for a phasing out of the 15% surcharge They say in the US the duty on shoes with uppers with less than 51% leather is only 10%, while that on shoes with uppers with a greater than 51% leather content is 8%

"We cannot keep costs down In addition to the basic import duty (55% or 30%), one must add the 15% surcharge, 14% Vat and around 6% for freight charges and insurance," says joint MD of Nike distributor Odyssey Sports, David Hirshowitz

Reebok MD Mike Clarke says they have

Continued on Page 121

# Shortages set to spur new furniture prices

(187)

CT 17/11/94

By MAGGIE ROWLEY
Deputy Business Editor

SERIOUS shortages of timber and leather are set to push up furniture prices sharply, executive director of the Federation of Furniture Manufacturers, Winston Smith, warned this week.

Smith said the shortages had been created through increased exports of both timber logs and hides, the supply of which had also been affected by the drought and restocking of herds He warned that unless these shortages were urgently addressed hundreds of jobs could be at stake

"The import duties on timber and leather are 20%, the same as on imported furniture. If the market is forced to resort to furniture imports there is no doubt jobs will be lost"

Smith said they had taken their concerns to government at "the top level"

"On the timber side, as the government is the main shareholder in Safcol we have had limited success but are hopeful that tariff recommendations to be issued shortly by the Department of Trade and Industries will address the current shortage of leather which is affecting not only our industry but also the footwear and motor industries"

Furniture price increases, he said, had been kept well below inflation this year at around 3%

"This is no doubt due in part to consumers' disposable income rmaining under pressure particularly in view of the very high food price inflation we have seen As a result price increases have been kept to a minimum in a very competitive climate

However, if the industry is forced to import either materials or furiture, prices will rise significantly and furniture will no longer have a deflationary effect on the Consumer Price Index as it has done so far this year"

Meanwhile figures released by the Retailer Liaison Committee show that third quarter sale of furniture, appliances, audio and television equipment were a mixed bag

Total growth at current prices was 12,9% in July, 11,6% in Aguust and 14,2% in September of the same months last month

However, Furniture Traders Association executive director Frans Jordaan said while third quarter growth was down on excellent May and June results, sales were hoped to be spurred by the festive season

# Spotlight on Nail, J D Group

CT 22/11/94 (187)

From AMANDA VERMEULEN

JOHANNESBURG — Corporate Africa and subsidiary New Africa Investments (Nail) were negotiating with JD Group to facilitate a relationship between the furniture group's penetration into the black market and Corpaf's assurer, Metlife, sources said yesterday

Both groups published cautionary announcements today that they were in negotiations Market sources said the two had recognised the potential for a mutually beneficial relationship

JD Group has said it hoped to take advantage of a boom in the household furniture sector off the back of the reconstruction and development programme's housing plan The electrification project was also expected to increase demand for white goods, and this was expected to stimulate JD Group sales in the black market

It was understood that in terms of the deal, Metlife would access JD's account holder database to sell life insurance

Although neither Corpaf nor JD Group could be reached for comment, it is believed the deal would occur through Nail

Analysts said Nail appeared to lack focus as it had media interests, life assurance holdings and had mentioned a possible move into pharmaceuticals manufacturing. One dealer said the group was likely to get the politically correct investor as opposed to the serious investor

In August JD Group announced good results for the 18 months to June, with attributable earnings surging a massive 187% to R105m thanks to restructuring and the acquisition of the troubled Rusfurn group, which experienced a turnaround under JD management

JD Group MD David Sussman declined to comment on the cautionary at an Investment Analysts Society presentation last night, but said it would benefit the group

# Textile index lags companies' growth

B/Day 22/11/94

YURI THUMBRAN

THE JSE clothing, footwear and textiles index, hampered by uncertainty over government's tariff restructuring for the industry, is still not reflecting the strong earnings growth from its mainstay companies, analysts said yesterday

Frame, Da Gama and Romatex all reported upbeat performances, while PE-based Unispin was also in a recovery stage.

The index was at its high of 1 299,50 points on August 17 — the day Trade and Industry Minister Trevor Manuel pulled the plug on the Swart Panel report, which called on government to spend R4,5bn on supply-side measures to make the industry internationally competitive

The index, which hit a low of 486,40 in November last year, ended at 1 228,0 yesterday.

Before Manuel's announcement, Frame reported a profit of R11,8m for the year to June compared with a previous loss of R8,5m ([illegible]) ([illegible]) (187)

SA Breweries-controlled Da Gama lifted earnings by 56,2% for the six months to September, despite clothing manufacturers importing more fabric

Romatex's profit rose by 37% to R47,5m, thanks to improved margins and favourable trading conditions.

Unispin Holdings continued its turnaround in the year to September, reporting an attributable loss of R452 000 against a loss of R3,8m the previous year.

Textile Federation executive director Brian Brink said the improved results reflected better economic conditions for the industry.

The companies were always among the hardest hit in tough economic times, he said.

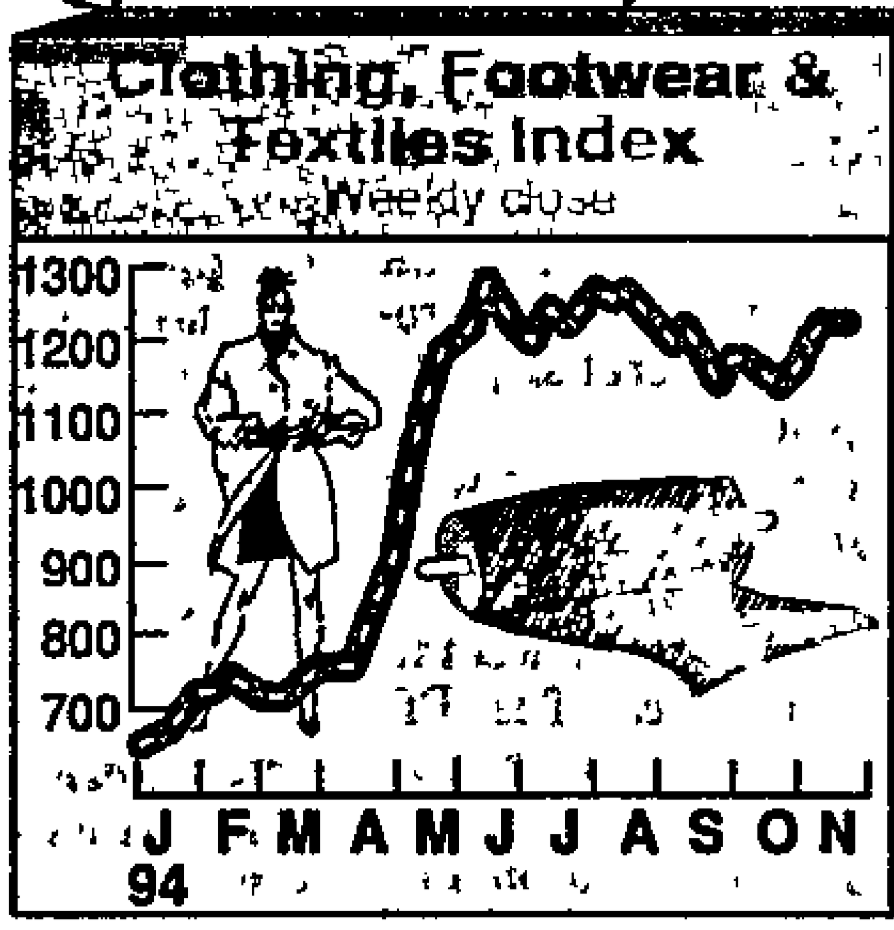
"The current profits cannot be used as an argument against tariff protection. Look at the majority of textile manufacturers' losses three years or more ago."

Brink said a clear policy on tariffs by government would eliminate the uncertainty which the industry now faced.

Companies had to put long-term planning on hold because the tariff issue had not yet been finalised.

An analyst said the index had consolidated, but uncertainty over government policy had negatively affected on the industry.

He said the textile industry could be destroyed without tariff protection.



# Call for quota on shoe imports

BD 8/12/94

YURI THUMBRAN

A QUOTA system on shoe imports, similar to that operating in the US and Europe, should be implemented in SA to protect the footwear industry from dumped imported products, Conshu CE Robert Feinblum said yesterday.

Local production had been hard hit by lower volumes this year due to high levels of imports, some of which had been dumped, he said.

The SA Breweries-controlled shoe manufacturer lifted earnings 8,5% to R16,6m for the half year to September on the back of increased exports, which amounted to R19,9m during that period.

Feinblum said the current tariff structure was open to abuse which led to cheap imports flooding the local market.

A quota system would complement the tariff structure to protect local manufacturers and create employment. (187)

Another problem which hindered growth was the high leather price. He noted that it was a world commodity and producers had to pay international prices for it.

Despite the depressed local market, Sterling & Hunt, the company's UK wholesaler, was ahead of budget levels.

Richleigh shoes, exported to Britain and Europe, still formed the backbone of Conshu's export programme, Feinblum said.

But its entry into the US with the John Drake shoe range had been difficult and the programme had not taken off successfully.

He said that despite the uptick in retail sales, manufacturers had not yet received the full benefit of increased shoe sales.

He noted that growth in consumer spending would be impeded by the transitional levy, the recent interest rate hike and higher bond repayments.

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# Footwear industry urged to export more

(187) Star 6/1/95

■ BUSINESS STAFF

All efforts should be made to find new export markets for SA's footwear industry as competition from overseas companies in the local market is strengthening, says Credit Guarantee senior economist Luke Doig

In an article in the latest issue of Credit Notes, Doig says the footwear industry's production has contracted since the late Eighties because of the recession of 1989/93

It is now facing the threat of cheap imports as SA orientates itself towards a policy of trade liberalisation.

In the second quarter of 1994 footwear production dropped 10,7 percent to 9,26-million pairs, compared with the first quarter.

The performance was linked to the many public holidays in the period.

But in the first seven months of 1994 retail sales of footwear grew 14,2 percent to R2,1 billion

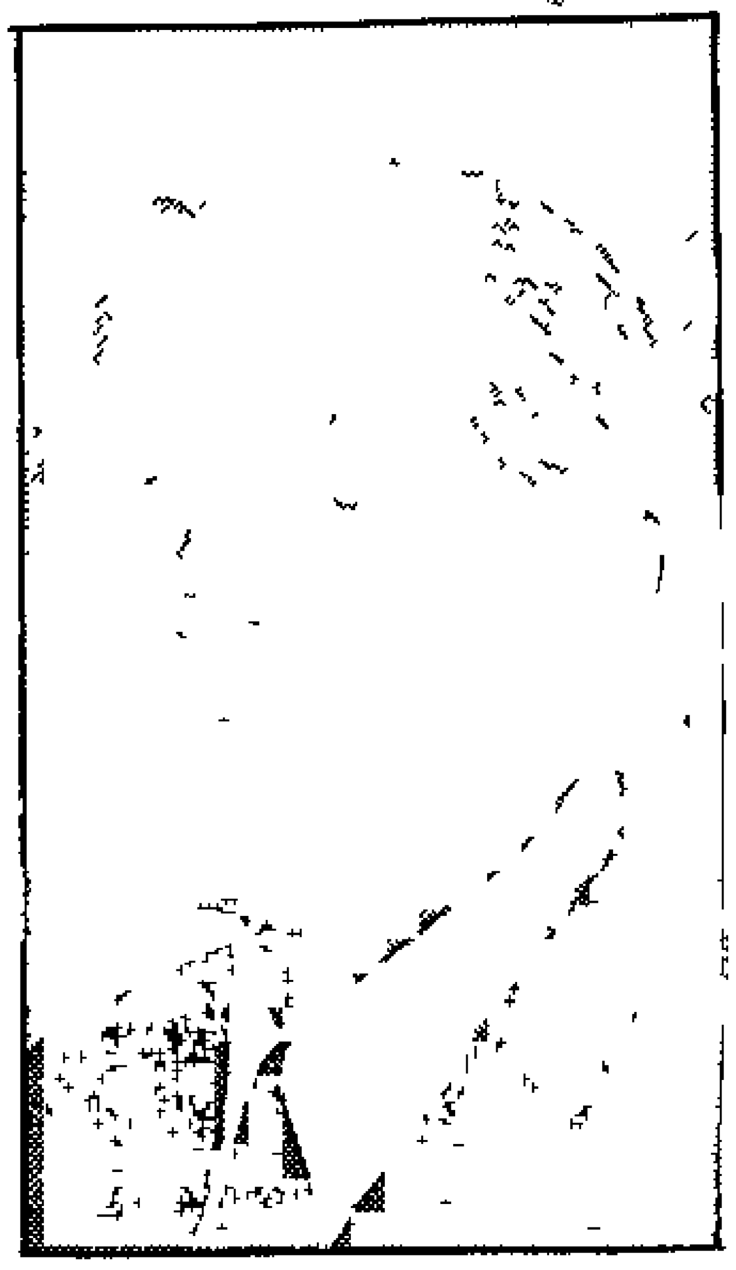
In 1993 the footwear industry produced 45,3 million pairs, down from 54,3 million in 1990

In the same period imports surged to 33 million pairs from 12,3 million, including a trebling of imports from Hong Kong and China to 18,1 million pairs from 6,2 million

The 33 million pairs imported in 1993 implied that 42 percent of shoes in the local market were imported — a new high from the previous high of 33 percent in 1987

Most recent figures for 1994 show imports in the first half of the year were over 20 percent more than in 1993

The Footwear Manufacturers' Federation is seeking anti-dumping duties against the flood of cheaper shoes from China and Hong Kong



Luke Doig .. production has contracted.

If the industry does deserve protection in any form, Doig says, one solution might be import quotas, considering the smallness of the domestic market

Another solution for the industry is the export market.

In the first half of 1994 footwear exports from SA were 58,5 percent higher at over 700 000 pairs worth R24,3 million against 1993 figures, although Doig says this growth was off a very low base This new business has created about 200 employment opportunities

Conshu Holdings accounts for 80 percent of all exports

There may be some support for the industry from growth in private consumption expenditure, but new export markets should be found, Doig says.

(187)

# Down-at-heel footwear industry 'close to collapse'

CT(BE) 7/3/95

**By Shirley Jones**

Staff Writer

The South African shoe industry is in "sunset mode" Radical changes in technology and training are needed to offer some hope of warding off collapse

This alarm was sounded in Durban last night by Dave Berry, president of the Footwear Institute of South Africa at the opening of the Shoe Machinery Accessories and Components Exhibition (Shoemac) This is the largest trade fair of its kind in Africa

Addressing representatives from South Africa's major footwear and leathergoods manufacturers and exhibitors from as far afield as Italy, Berry said up to 20 companies in the sector had closed down over the past year and seasonal cutbacks and retrenchments were more severe than usual

He blamed both the government and retailers for this, saying buyers from major chains were heading to the Far East in droves

"From January to October 1994, imports increased by 11,6 percent from 24,1 million pairs to 29 million pairs In value terms, this represents an increase of 20 percent from R310,6 million to R372,5 million At least 13,5 million pairs of shoes came for China, which represents an increase of 28 percent from that country

"Hong Kong and China together account for 66 percent of total imports into South Africa,'" he said

Berry said a petition has been lodged with the Board of Trade and Tariffs, drawing attention to the industry's problems following the scrapping of import duties in terms of Gatt

He was also concerned that the shoe industry's lack of competitiveness in both local and export markets was the underlying problem

# Down-at-heel footwear industry 'close to collapse'

(187) Star 10/3/95

■ BY SHIRLEY JONES

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## NEWS IN BRIEF

### Taxi task force

ABOUT 250 representatives of taxi organisations throughout the country reached agreement at a meeting with government in Johannesburg to form a joint task group to investigate problems confronting the industry. Issues to be examined include road safety and driver discipline. Transport Minister Mac Maharaj addressed the meeting. BD 20/3/95

### Pay talks deadlock

NEGOTIATIONS on wage increases for the year by the Southern African Clothing and Textile Workers' Union (Sactwu) and Pep Stores deadlocked on Friday.

Sactwu said a Conciliation Board hearing would be held this week to try to find a solution.

If the Conciliation Board was unable to resolve the dispute, the union would conduct a ballot on whether to strike. BD 20/3/95

### SA eyes arms market

DEFENCE Minister Joe Modise is confident SA can sell locally designed military ware successfully on the international market. Speaking before leaving for the Abu Dhabi Defence Exhibition in the United Arab Emirates, he said SA would display its G-5 and G-6 weapons, laser range-finder, mine detection equipment and an array of naval vessels.

Modise said several countries had approached SA saying they wanted to buy weapons, but he refused to identify them.

Modise was accompanied by Defence Force chief of staff Gen Wessel Kritzinger, Defence Secretary Pierre Steyn and Armscor chairman Johan Moolman.

### Reporter wins award

BUSINESS Day reporter Nomavenda Mathiane last week won a merit award in the essay/fiction category of the Mondi Paper Magazine Writing competition. Mathiane won the award for her short story titled Labour Pains, which appeared in last April's issue of Femina. Her story dealt with the birth of a new society.

REPORTS: Business Day Reporter

# French visit leads to trade deals

BD 20/3/95

EDWARD WEST

CAPE TOWN — The R600m of foreign aid pledged to SA by France, including contributions to European Union (EU) aid, put the country among the front-runners of donor countries to SA, French Industry, Telecommunications and Foreign Trade Secretary Jose Rossi said on Friday.

Rossi was speaking at a briefing shortly before his return to France following a four day visit to SA during which he met several national and provincial government and business leaders.

Agreements reached included the creation of a Franco/SA trade and industry commission, a R70m loan from the French Development Bank to the Development Bank of Southern Africa, renewal of the 1992 industrial co-operation agreement with the Industrial Development Corporation and the establishment of a Franco/SA engineering company, Ingerop-Bergman.

During the visit French company Gemplus created a technical development and commercial subsidiary in Johannesburg and signed an agreement of association with a service company in the banking sector.

Rossi also presented SA trade and industry officials with a project to establish a institute of training for electronics, automation and telecommunications, with the support of the French government and businesses and in liaison with the Pretoria Technikon, for underprivileged students.

Rossi said France had doubled its investment in SA in the past two years, while the number of French companies to have established operations in SA had grown to more than a 100 from only 12 in 1990.

In addition, a R110m financial aid package approved by the French government last week would complement loans from the French Development Agency, donations from the French foreign affairs ministry and from the French fund for the global environment announced by the French president in July last year.

Asked if France, during its chairmanship of the EU, would support SA's aim of joining Lomé now that other develoment countries no longer objected to it, Rossi said: "France is not trying to block anything. France aims to facilitate the emergence of a sympathetic position."

He said SA's position with the EU would be determined by the 15 member states at the ministers' council in mid-April on the basis of proposals by the EU Commission.

# Probe 'contravenes GATT'

BD 20/3/95

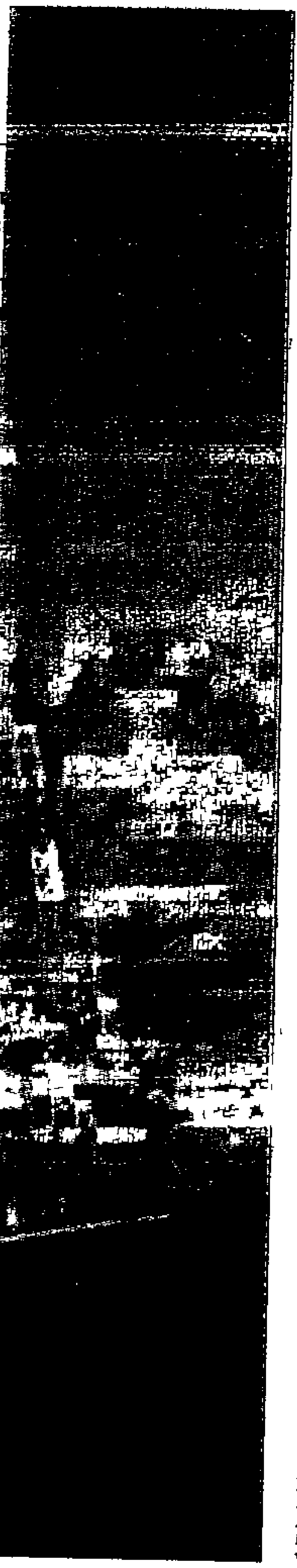
JOHN DLUDLU

AN INVESTIGATION by the Board on Tariffs and Trade into allegations of dumping of cheap footwear imports by Chinese firms could constitute a contravention of GATT provisions, a lawyer acting for the Chinese companies said at the weekend.

In a Government Gazette notice, the board said an investigation was being conducted into complaints lodged by the Footwear Manufacturers' Federation — representing SA manufacturers — that certain footwear classes originating from Hong Kong and China were being dumped on the SA market.

Webber Wentzel international trade partner Leora Blumberg, who is representing the Chinese firms, said there were four definitions of dumping in the Board on Tariffs and Trade Act. The board had invoked the fourth, which was contrary to GATT principles and would soon be repealed. "A draft Bill, which amends the definition of dumping to comply with GATT, has been introduced. In particular, the Bill removes the fourth definition of the Act."

A spokesman for the board said on Friday the investigation had not yet been completed.



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# Conshu earnings up by 22%

(187) CT (BR) 2/5/95

By Charlotte Mathews

Investment Editor

Improved trading conditions and gains in local and export markets contributed to a 22 percent climb in attributable earnings from the SAB-controlled footwear manufacturer Conshu Holdings, to R36 million, in the year to March compared with the same period in 1994

Total turnover was R709,3 million (R668,4 million) and, excluding Olympic Footwear which was sold in April 1994, was 20,5 percent higher year on year Conshu's chief executive, Robert Feinblum, said the company had been able to increase its market share even though imports were flooding in.

Export sales had risen by 63 percent and trading profit was 15,1 percent better at R69,3 million, which included a 34 percent surge in trading profit in the second six months

Net financing costs dropped slightly, reflecting a fall in the ratio of interest-bearing debt to shareholders' funds to 0,26 from 0,28 previously

The cash flow statement showed a R29,1 million increase in net working capital, against R500 000 in the same period in 1994, necessitated by more buoyant market conditions

The group has also continued to modernise its production, spending R23 million on new technology and the upgrading of production facilities Feinblum said another R28 million would be spent on plant modernisation this financial year

Earnings a share grew to 76,9c from 63,4c and shareholders are being offered capitalisation shares or a final dividend of 17c a share, which brings the cash dividend for the full year to 29c (27c)

# Good Conshu annual results

(187) Sowetan 2/5/95

THE shareholders of footwear manufacturer Conshu Holdings are smiling all the way to the bank after the company announced a 21 per cent increase in attributable earnings for the year to March.

A final dividend of 17 cents a share was declared. Shareholders will have the choice of receiving either new fully paid ordinary shares in Conshu or cash. The terms of the offer will be made known early in May, Conshu says.

Attributable earnings rose by 22 percent to R36 million (last year R29,5 million). Turnover, excluding the impact of the sale of Olympic Footwear in April last year, rose by 20,5 per cent to R709 million (R588 million the previous year).

Trading profit grew 34 per cent in the second six months to R69,3 million for the full year, up 15 percent on the previous period.

Chief executive Robert Feinblum says the level of growth established over the last six months is not expected to continue.

However, the expected growth in private consumption expenditure should strengthen the demand for footwear and lead to growth in earnings in the next financial year. — *Sapa*.

# Afcol's turnover reaches the R1bn mark

By Charlotte Mathews
Investment Editor

(187) CT (BR) 9/5/95

Associated Furniture Companies (Afcol), which is 66 percent-held by SA Breweries, grew attributable earnings by 34 percent to R53,5 million in the year to March 1995 compared with the same period in 1994, as its managed operations and associated companies compensated for order cancellations in the core business

Turnover lifted by 19 percent to R1,0 billion while trading profit was 12 percent higher at R63,3 million.

Afcol chairman Laurie van der Watt said sales surged in the second quarter of the year as retailers built up inventories, expecting buoyant sales in October to December But as consumer demand was overestimated, Afcol suffered from high order cancellations and returns of furniture which not only hit sales but also costs in the second half of the year

Financing costs came near to doubling to R11,4 million from R6,3 million as long and medium-term debt on the balance sheet grew to R34,2 million from R23,4 million. However, gearing overall was only up to 8 percent from 7 percent.

The bottom line was boosted by a lower tax rate and higher equity-accounted retained earnings at R12,9 million from R6,4 million

Van der Watt said the managed operations, which included Kallenbach-Hendler, achieved turnover of over R1 billion and a 20 percent increase in attributable earnings

Capitalisation shares, or a final cash dividend of 59,75c, are being offered, which brings the total dividend to 105,75c (80,25c) The group expects to spend R70 million on capital investment during the current year but this will be financed by the cash flow from operations

Van der Watt said a satisfactory improvement in earnings is expected for the year ahead. The expected growth in private consumption expenditure, a key determinant for furniture sales, should result in higher demand for furniture in the coming year, he said

# Amrel's bottom-line profit up sixfold

CT(BR) 5/5/95

BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

(187)

Furniture and clothing group Amrel, a 69 percent-held subsidiary of SA Breweries, improved bottom-line profit in the year to March sixfold in comparison with the same period in 1993, aided by better trading conditions, attention to margins and the proceeds of last year's rights offer.

Turnover grew by 12,3 percent to R1,3 billion, on which trading profit of R85,6 million was achieved. Operating margins lifted 6,5 percent against 1994's 5,3 percent. Financial director Bruce Sinclair said the group aimed for margins of 8,5 percent.

Net financing costs dropped by R5 million to R51,7 million after the injection of R155 million from a rights issue held last August, which saw interest-bearing debt on the balance sheet fall to R410,8 million (R512,4 million).

Gearing is now 129 percent from 352 percent a year previously, now just within the group's target of 130 percent and at a level it feels more comfortable with, Sinclair said.

After an easier tax charge, attributable earnings soared to R20,2 million from R3,3 million, but because of the higher number of shares in issue after the rights offer, earnings a share were up by a lesser 180 percent to 101c.

CONSHU (187) FM 5/5/95

# Scuffed heels next year

**Increased post-election** consumer spending and retailer stock replenishment — helped by a surge in exports — pushed up shoe maker Conshu Holdings' EPS an inflation-beating 21% last year

But financial director Charles Rapp is the first to admit that these earnings, which coincided with a general pick-up in the clothing and textile industry, will probably not be sustained into 1996

Last year's increase, significant because it represents a dramatic 35% jump in second-half EPS after a weaker start to the year, should be followed by a rise in private consumer expenditure That could strengthen demand for footwear and lead to growth in earnings in the next financial year

"Despite imports flooding the country, Conshu has increased its market share," says CE Robert Feinblum "Encouraging inroads have also been made into the export market with sales rising a further 63% after nearly doubling last year"

Rapp says further expansion of Conshu's market share in the European formal men's shoes niche will require too much effort in a weak market He doubts industrial footwear exports will grow more than 20% in volume next year The rand equivalent, he predicts, will merely keep up with inflation

Last year, Conshu completed its four-year drive to focus on men's formal and industrial shoes by selling Olympic Footwear, which made high-fashion ladies shoes and whose market share was being eroded by Eastern imports

Rapp is confident Conshu's subsidiaries have a competitive edge in a sector increasingly threatened by lower tariffs and more imports

He says asset management and a capitalisation offer of new ords instead of the 29c (27c) dividend should stabilise the debt equity ratio This is despite the proposed R28m to be spent on new technology and upgrading production facilities Debt equity decreased last year from 0,28 to 0,26, though R23m was invested in the modernisation programme

Analysts say the share is cheap at 570c But, until there is evidence of the group's success in competing with imports in a market from which protection is being withdrawn, it remains a speculative buy

*Michelle Joubert*

## STEPPING OUT SMARTLY

| Year to | Jun 30 1993 | †Mar 30 1994 | Mar 31 1995 |
|---|---|---|---|
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# Conshu seeks compensation for GEIS loss

(187)

**Yuri Thumbran**

BD 7/6/95

SHOE exports would be "severely disadvantaged" if government did not compensate for the planned removal of GEIS allowances, Conshu Holdings CE Robert Feinblum said in the annual review

Feinblum said the group's success on the export front continued during the year to March The group manufactures shoes under the Bishop, Doc Martens, Johnston & Murphy and Jarman labels

He said the group's UK division again reported a significant increase in sales, while overall, group exports grew by 63% after more than doubling in the previous period

However, Feinblum said that as SA emerged from years of economic isolation, "we are beginning to feel the full effects of aggressive international competition"

Commenting on imports, he said that government's lack of direction or urgency in dealing with this "growing problem" was of major concern to the industry

He said efforts to improve quality and heighten international competitiveness were bedevilled by a "massive" rise in the cost of raw materials during the past year Hide prices increased 225% in the past 36 months

The group reported a 22% rise in attributable earnings to R35,9m after turnover grew 6% to R709,3m

Chairman Laurie van der Walt said the same level of growth over the past six months of the review period was not expected to continue

# Scrutiny of Conshu takeover bid

CT(BR) 9/6/95 (187)

By Roy Cokayne
PRETORIA BUSINESS EDITOR

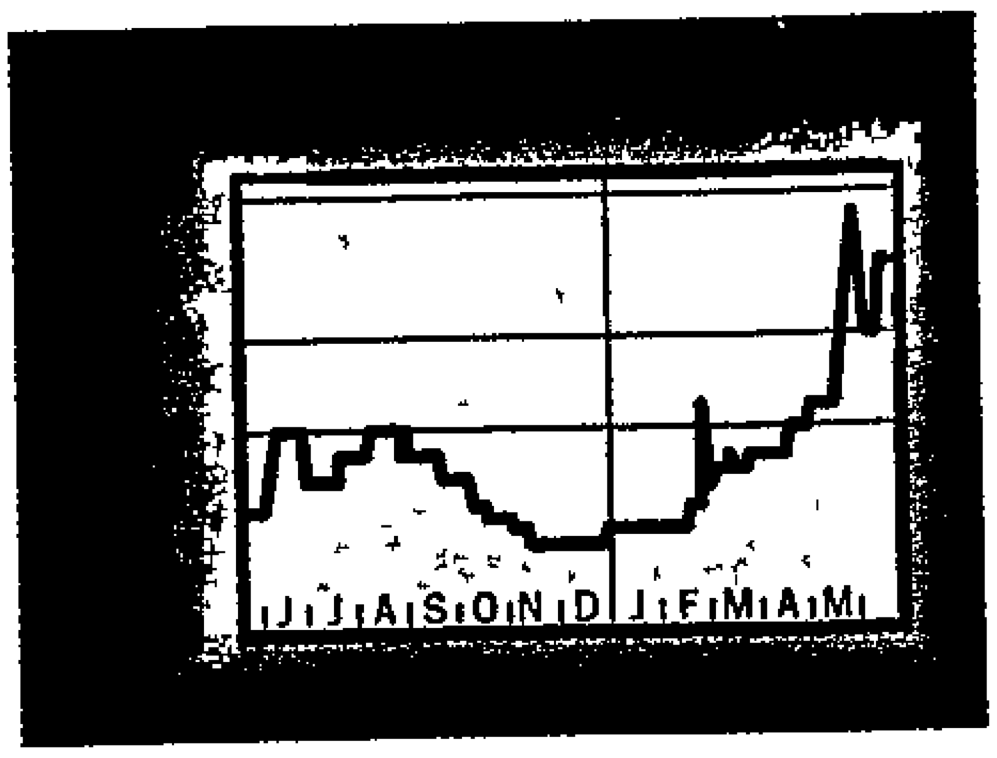
The Competition Board is to investigate the proposed takeover of the footwear interests of Bolton Footwear (Bolwear) by the South African Breweries-controlled footwear manufacturer, Conshu Holdings

Competition Board chairman Pierre Brooks confirmed that a notice would appear in the Government Gazette today giving notice that the board was undertaking an investigation to determine whether the proposed transaction involving Conshu and Bolton Footwear constituted an acquisition as defined in the act

Brooks said the board had launched the investigation because other parties involved in the footwear industry, who might be affected by the transaction, had phoned him to express their displeasure about the proposed deal

A joint cautionary announcement was published by Bolwear and Conshu yesterday advising shareholders they were currently involved in negotiations which, if successful, could affect their share prices — and advising them to exercise caution in dealing in their shares

Conshu's chief executive, Robert Feinblum, said he could not comment on the proposed transaction because it was under investigation and was therefore sub judice




## BOLTONS FOOTWEAR (187)

# Debt slashed

FM 23/6/95

**Activities:** *Manufactures and merchandises footwear*
**Control:** *Bolton Industrial Holdings 74%*
**Chairman:** *G H Stein MD S R B Finlayson*
**Capital structure:** *20m ords Market capitalisation R50m*
**Share market:** *Price 250c Yields 3% on dividend, 9,8% on earnings, p e ratio, 10,2, cover, 3,3 12-month high, 275c, low, 135c Trading volume last quarter, 54 733 shares*

| **Year to February 28** | **'92** | **'93** | **'94** | **'95** |
|---|---|---|---|---|
| ST debt (Rm) | 24,5 | 21,6 | 27,2 | 12,7 |
| LT debt (Rm) | 1,7 | 1,6 | 0,6 | 0,5 |
| Debt.equity ratio | 0,53 | 0,44 | 0,5 | 0,18 |
| Shareholders' interest | 0,51 | 0,56 | 0,5 | 0,67 |
| Int & leasing cover | 2,3 | 1,25 | 2,4 | 3,7 |
| Return on cap (%) | 9,8 | 5,1 | 6,9 | 14 1 |
| Turnover (Rm) | 198,9 | 201,4 | 228,5 | 277,1 |
| Pre-int profit (Rm) | 13,9 | 6,9 | 10,9 | 15,6 |
| Pre-int margin (%) | 4,8 | 2,5 | 3,4 | 5,6 |
| Earnings (c) | 21,3 | 13,1 | 18,1 | 24,5 |
| Dividends (c) | 8,0 | 4,0 | 6,0 | 7,5 |
| Tangible NAV (c) | 243 | 264 | 278 | 373 |

**A potential** takeover of Bolton Footwear (Bolwear) by Conshu Holdings has driven up the former's share price from 170c to a high of 275c in the three months since the market first got wind of the deal

MD Sid Finlayson says the transaction may go ahead subject to a formal inquiry by the Competition Board The board undertook to determine whether the deal would constitute an acquisition as defined in the Monopoly Act after members of the footwear industry expressed displeasure about the proposed sale The deal could be delayed for three months

Bolwear is determined it will be business as usual while the hearing determines its fate

Meanwhile, there was a marked strengthening in both the trading performance and the balance sheet in the 1995 year — but it remains unclear how long the improvement can be sustained

Pre-interest profit rose 46% to R15,6m on a turnover increase of 21% to R277,1m Prestige Shore Investments, holding company of A&D Spitz Footwear Ltd, was sold last year for R25m, producing a R15,7m capital profit

The proceeds from the sale were used to retire debt, which at year-end was slashed to about R13m from the year-ago R28m Gearing is a conservative 0,18 (1994 0,50) Benefits are yet to be reflected in the income statement, as interest paid increased from R3,3m to R4,2m

However, chairman Gerald Stein says the sale of Prestige Shoe Investments places a heavy responsibility on Bolwear's manufacturing activities to replace earnings previously generated by A&D Spitz.

The footwear industry is bracing itself for changes caused by shifts in import tariff structures Finlayson says overseas manufacturers exporting goods to SA threaten primarily the low-priced footwear industry He contends that local industry will be at a disadvantage until there are lower import duties on components and materials Importers have now begun to target the middle and upper sectors of the market

Bolwear's strategic response has been double-pronged Firstly, it cultivates niche markets and mechanises factories accordingly "With a market share of only 4,6% it would not be wise to try to take on the big guys," Finlayson says

Secondly, it wants to increase exports Bolwear exports industrial wear and shoes made from exotic leather to Europe

EPS last year grew 35% to 24,5c (1994 18c). At 250c, the price stands at a 32% discount to NAV, but based on the yield pattern it seems expensive when compared with higher quality counters in its sector, such as Conshu and Da Gama. That suggests the market is looking for further good earnings growth, and there may be some premium on takeover prospects It still looks a speculative buy *Michelle Joubert*

CONSHU (187) FM 23/6/95

# The focused alternative

**The key** aspect which Conshu CE Robert Feinblum brings to this company's business is an unsentimental appreciation of its problems and structure.

Essentially, Feinblum divides the shoe business into two components. First is the cheap variety in which competition, especially from the Far East, is overwhelming. The second is that area which produces and services niche markets requiring a high-quality product.

It is always going to be difficult to take on and compete successfully with manufacturers able to gain access to large, intelligent workforces forced by economic circumstances to provide cheap labour. Feinblum has chosen the highly focused and well targeted alternative.

Within that, he has telescoped in on an





**Activities:** *Manufactures and distributes general footwear and rubber and plastic products*
**Control:** *SA Breweries 66,6%*
**Chairman:** *L van der Watt MD R M Feinblum*
**Capital structure:** *46,8m ords Market capitalisation R278m*
**Share market:** *Price 595c Yields 4,9% on dividend, 12,9% on earnings, p e ratio, 7,7, cover, 2,7 12-month high, 725c, low, 530c Trading volume last quarter, 867 000 shares*

| Year to March 31 | *'92 | *'93 | †'94 | '95 |
|---|---|---|---|---|
| ST debt (Rm) | 50,6 | 3,5 | 28,2 | 40,3 |
| LT debt (Rm) | 12,9 | 39,1 | 22,5 | 12,6 |
| Debt equity ratio | 0,42 | 0,25 | 0,28 | 0,26 |
| Shareholders' interest | 0,46 | 0,50 | 0,50 | 0,52 |
| Int & leasing cover | 3,8 | 4,1 | 6,1 | 7,0 |
| Return on cap (%) | 16,5 | 14,7 | **15,9 | 18 |
| Turnover (Rm) | 621 | 631 | 668 | 709 |
| Pre-int profit (Rm) | 54,8 | 48,1 | 60,2 | 69,3 |
| Pre-int margin (%) | 8,8 | 7,6 | 9,0 | 9,7 |
| Earnings (c) | 53,1 | 48,4 | **63,4 | 76,8 |
| Dividends (c) | 24,5 | 19,0 | **27,0 | 29,0 |
| Tangible NAV (c) | 305 | 336 | 370 | 432 |

* Year to June † Nine months to March ** Annualised

even more narrowly defined market. At the start of this financial year (April 1994), Conshu sold its 60% interest in Olympic Footwear, which concentrates on ladies' shoes and which may, therefore, be considered highly vulnerable to imports.

Conshu now concentrates on men's wear, with some famous brands: Crockett & Jones, Barker, Christian Dior. It is also involved in safety footwear and the production of sports shoes (Asics).

On total turnover in 1995 of R709m, footwear accounted for 73% (R514m). This throws other activities (such as rubber and plastics) into sharp relief.

A matter of interest is the impending takeover by Conshu of Bolton Footwear (*Companies* this issue). This is awaiting resolution by the Competition Board but it highlights Feinblum's long-run strategy.

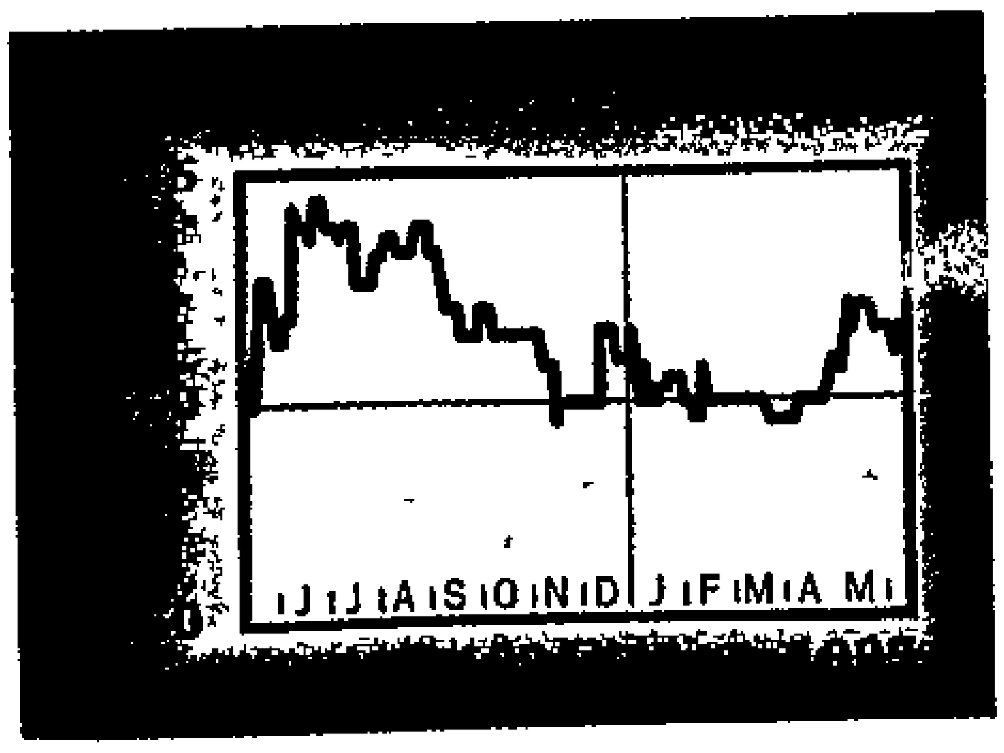
Conshu has limited its exposure to the import threat by concentrating on areas where it is seen to have the upper hand. Tight management imposes strict controls on costs, knowing well that any faltering will invite swift competition. The only risks the company has are the price of leather, against which there is no local hedging mechanism, and labour costs and behaviour. Feinblum acknowledges this when he concedes the last year has been tough for any company involved in grass-roots operations.

Though external competition is the big negative, it must be said that SA shoe production is declining. Chairman Laurie van der Watt notes that since August last year, footwear imports "have been running at higher levels than domestic production." This suggests opportunities for those companies with vision and the financial muscle to stay the course.

Nor is Conshu alone in the threats it faces. Many US companies have the same problems. Cheap imports from the Far East are attacking and shrinking the fundamental base of the US shoe industry.

The way to protect it is not through tariff barriers but through intelligent positioning. There will always be a place for manufacturers of high-quality footwear. Investment guru Warren Buffet thinks so. Last year, he bought a privately owned US select shoe maker to add to his already large portfolio of holdings in the sector.

At 595c, the counter is not far off its 12-month low and offers a p e of less than 8. Many brokers believe that, at this level, the share offers growth opportunities. *David Gleason*



# Shoe firms want leather duties lifted

BD 28/6/95

Yuri Thumbran

(187)

THE Footwear Manufacturers' Federation has criticised the Board on Tariffs and Trade for not reducing duties on bovine leather, which had to be imported due to shortages.

In the federation's latest annual report, President Robert Feinblum said there was support for a reduction in duties from major users such as footwear, furniture and vehicle manufacturers.

The board's view was that the local shortage was temporary and local leather prices would be undercut by imported products.

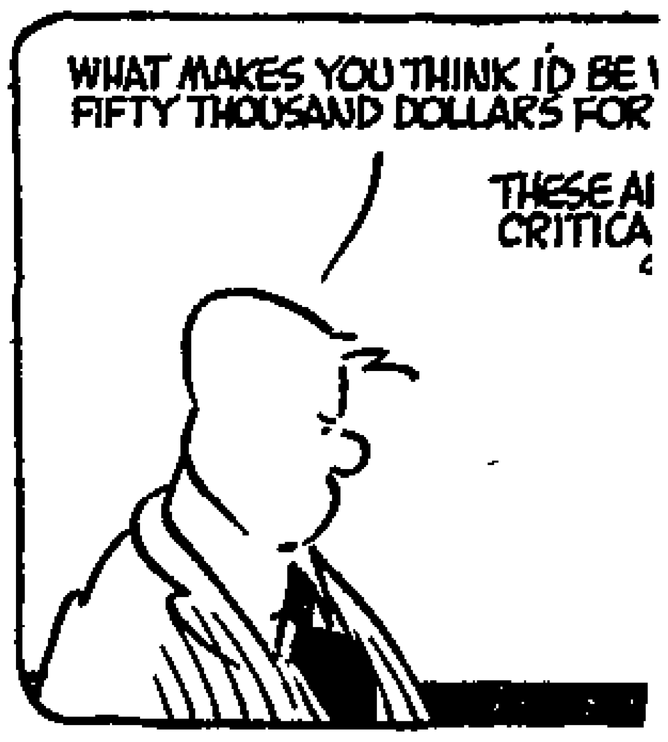
Feinblum said industries reliant on raw materials unavailable in sufficient quantities from local sources were being exploited by suppliers

Hide producers had increased prices 225% over 36 months, an average increase of 6,25% a month. Feinblum said the federation believed price manipulation was happening. Unless government restricted excessive increases, SA would not become competitive overseas

A disconcerting aspect of the trends was that since September monthly imports had overtaken locally produced footwear, he said. Imports represented 45,3%.

Footwear exports have, however, grown remarkably. Last year 3-million pairs were exported compared with 2,05-million the previous year Last year's exports were valued at R90,2m, Feinblum said.

EXECUTIVE SUIT



# Footwear exports grow 50%

ET(BR) 3/7/95 (187)

By Françoise Botha

Staff Writer

Footwear exports had increased by almost 50 percent over the last year and the trend was set to continue, said the Footwear Manufacturers' Federation (FMF)

"Exports have shown quite remarkable growth over the last year, both in value and volume terms," said FMF executive director Dennis Linde

Last year 3 million pairs of shoes were exported, compared with 2,05 million pairs in 1993

Exports of predominantly leather shoes totalled R90,22 million last year, a 45 percent increase in value terms over such exports in 1993

Average unit prices were, however, lower last year at R30,10, compared with R30,30 in 1993, owing to producer pricing to keep market share in the highly competitive UK market, which imports more than 1 million pairs of shoes a year

"There are also negative affects in terms of the Geis tax situation," said Linde "We would like to be put in the same position as clothing exporters and be offered the same credits that they get on exports"

Robert Feinblum, chief executive of Conshu Holdings and FMF president, added "This would further encourage exports and assist in our pricing"

# Merger 'needs comment'

Yuri Thumbran (187)

BD 3/8/95

THE Competition Board was expected to finalise its report on the proposed merger of footwear manufacturing firms Conshu and Bolton Footwear soon, board chairman Pierre Brooks said yesterday.

Brookes said most of the underlying work had been done, but the board was waiting for comment from trade unions

The two firms would soon meet union delegations to discuss the merger and its affects on the labour force Conshu CE Robert Feinblum confirmed that talks had to be held with unions

One analyst said although Bolton Footwear had a price tag of R60m, it was likely Conshu was interested only the three factories, substantially lowering the purchase price The properties, hardware retail division and the motor distributorship could be listed within Bolton Industrial or Cargo Carriers.

The acquisition, if approved, would consolidate Conshu as the country's leading footwear manufacturer, he said

# Standards recommended

Edward West

CAPE TOWN - Low cost and possibly unsuitable decoders and receivers may be dumped on SA markets with the arrival of satellite broadcasting technology in SA through today's launch of the PAS-4 satellite, Tek Electronics MD Richard Ferrer said.

He said the Starwalker committee formed by PAS-4 customers, to educate customers, had recommended minimum specifications to which receiving systems should conform

LENCO

# Shoes impeding profit advances

(187) FM 1/9/94

**Activities:** *Makes footwear, clothing and packaging materials*
**Control:** *Lenco Investment Holdings 49,4%*
**Chairman:** *G D de Jager*
**Capital structure:** *79,1m ords Market capitalisation R633m*
**Share market:** *Price 800c Yields 2,3% on dividend, 7,7% on earnings, p e ratio, 13,1, cover, 3,4 12-month high, 350c, low, 800c Trading volume last quarter, 222 000 shares*

| Year to March 31 | '92 | '93 | '94 | †'95 |
|---|---|---|---|---|
| ST debt (Rm) | 18,7 | 51,2 | 45,0 | 43,0 |
| LT debt (Rm) | 27,5 | 45,4 | 57,3 | 62,9 |
| Debt equity ratio | 0,25 | 0,35 | 0,32 | 0,20 |
| Shareholders' interest | 0,56 | 0,50 | 0,54 | 0,58 |
| Int & leasing cover | 3,8 | 4,2 | 5,4 | 6,4 |
| Return on cap (%) | 22,4 | 15,3 | 16,9 | 12,7 |
| Turnover (Rm) | 455 | 594 | 672 | *762 |
| Pre-int profit (Rm) | 58,4 | 59,3 | 73,2 | *74 2 |
| Pre-int margin (%) | 12,8 | 10,0 | 10,9 | *9,7 |
| Earnings (c) | 49,3 | 59,8 | 70,7 | *61,2 |
| Dividends (c) | 11,5 | 14,0 | 16,0 | 18,0 |
| Tangible NAV (c) | 184 | 235 | 313 | 422 |

† 13 months * Annualised

**As much** as the 13 months to March 31 were momentous for SA, they were frustrating and frenetic for Lenco chairman Douglas de Jager He struck numerous deals for the group but labour and management problems at subsidiary Amalgamated Shoes (Amshoe) ultimately depressed Lenco's results and some of his ebullience

The depth of Amshoe's problems is not easy to ascertain Industrial disputes led to the closure of the Durban footwear factory and extensive relocation of production lines to other factories The rift between Lenco's board and Amshoe former MD Roy Eckstein led to his departure and the rupture of his contract

Eckstein apparently accepted a restraint of trade agreement when selling his shares to Lenco Legal action has susequently

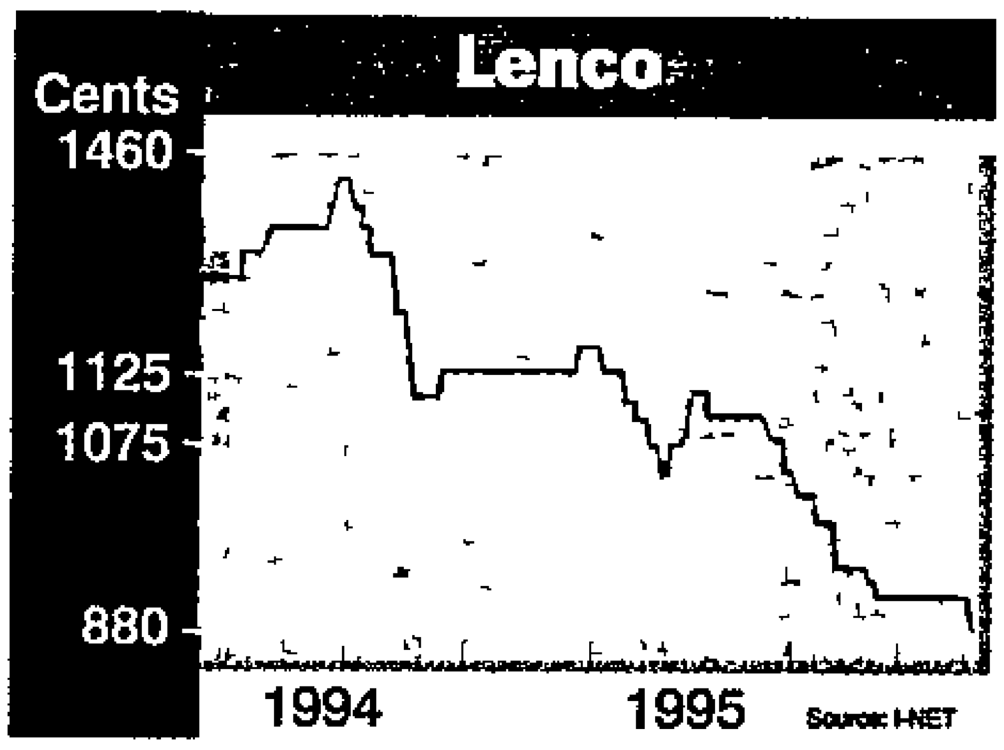
**Lenco's De Jager** *measured expansion of international interests*

arisen Lenco alleges he is competing with Amshoe in co-operation with the company's largest customer Whatever the case, Lenco's results have been hit hard The expression "operating profit" became "net profit from continuing operations"

Though not immediately apparent from the income statement, net operating profit from operations — excluding Amshoe — was R76,1m That is R1,9m higher than the net operating profit from continuing operations reflected in the accounts The significance of this is twofold First, the contribution from all other Lenco activities leapt 65,5% from R46m in 1994 to R76,1m Second, Amshoe incurred an operating loss in financial 1995. Had Amshoe's profitability been anything like normal, Lenco's operating profit would have been unusually high

At the time of going to press, De Jager was unable to comment on the legal wrangle between Lenco and Eckstein

The troubles at Amshoe did not, however, curtail De Jager's enthusiasm for the shoe




industry's longer-term prospects Investments include 60% of Olympic Footwear for R7,2m, 100% of men's and ladies' underwear maker Arwa Consortium for R8m, properties for R17m and 100% of Peteron Plastics, a rigid plastic packaging maker, in Melbourne, Australia, for R15,2m

Hendler & Hart's unprofitable operations were closed in December, resulting in a halving of its work force It ran profitably in the last two months of the financial year and is expected to make a profit this year.

The clothing division appears well placed to continue to post good results and prospects for the packaging division appear buoyant "Growth is likely in SA this year along with a gradual, measured expansion of international interests," says De Jager

The problem area remains Amshoe It seems the relationship with its largest customer (it bought more than half of Amshoe's production) needs to be restored if the subsidiary is to regain respectable profitability in the short term Lenco's profit prospects for 1996 remain clouded because of this uncertainty

Until there is more clarity about Amshoe's future, the share is difficult to value On an historical (annualised) basis, the share, at R8 and down from a 12-month high of R13,50, offers a p e of 13 That may be high if the Amshoe problems are not resolved but a favourable outcome could offer a buying opportunity *Gerald Hirshon*

# Old Mutual investigates further African expansion

BD 9/10/95

**Amanda Vermeulen**

CAPE TOWN — Old Mutual was planning further expansion offshore and in Africa as part of its growth strategy, chief operating officer Gerhard van Niekerk said at the weekend.

He said in an interview that the group already had a large exposure in the local black market, having taken a strategic decision to move into this segment in 1975.

The group, which has operations in some African countries including Kenya, Malawi, Namibia and Zimbabwe, was investigating expansion into other countries on the continent for its life business

The AIDS epidemic in several African countries and the low investment infrastructure limited investment opportunities.

Van Niekerk said the group's international business was growing fast and it had established branches in Guernsey, Boston and Hong Kong this year. The Far East represented massive growth potential and the incorporation of Hong Kong into China in 1997 would open doors to the Chinese market of 1,3-billion people.

Despite an upbeat attitude towards the future, he said several factors could still have a negative effect on group business Of major concern was government's management of the economy.

Continued fiscal discipline was essential to decrease the deficit before borrowing faster than the current pace to ensure SA could compete in line with international norms for foreign capital, he said

The growing crime rate in SA was affecting Old Mutual In KwaZulu-Natal alone, more than 100 people working for crime syndicates had been arrested for fraudulent claims. The syndicates consisted of doctors, funeral companies and some police employees.

The group's property portfolio was performing well, assisted by a large take-up of office space in the Johannesburg CBD by the Gauteng legislature and US companies setting up operations in SA.

He said Old Mutual, which will shortly report its results for financial 1995, would show strong growth for the year to June on the back of a substantial increase in new business and stringent cost-saving at the operating level

# Anglo associate to open new nickel mine in Botswana

**Michael Urquhart**

ANGLO American associate Tati Nickel Mining would open the new Phoenix nickel mine near Francistown in Botswana, the first base metals mine to be developed in Botswana since 1989, it announced over the weekend.

The mine had a planned production of 1,2-million tons, with an expected life of 15 years Over this period it was expected to earn 700-million Pula Almost 55-million Pula had been spent so far on exploration and establishing the plant and mine.

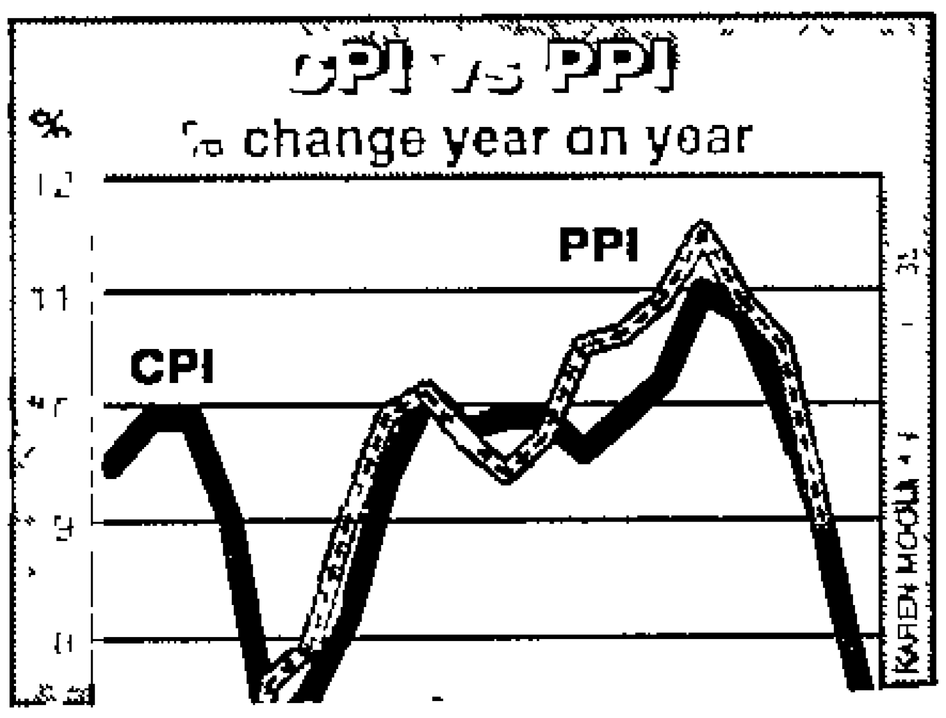
The financing of the project came mostly from the cash flow of Tati's Selkirk mine, with the balance being made up from local bank loans Tati is controlled by Anglo, with De Beers and Anglo together holding a 43,35% stake.

# ...s expected to vindicate optimism

## ...IE WEEK ...HEAD

**Mungo Soggot**

...ain reasons for the large ...he number would be kept ...g off a high base from last ...redicted 7,8% — a figure ...w some reaction from the




The past few months food price increases had been either very small or there had been actual month on month decreases.

Another economist said that as these low price increases had followed a period in which food prices had propelled both inflation rates well into double digits, analysts would be watching for another sudden turnaround.

Twine said the food index in the August PPI could give a clue on the direction of food prices in September con-

# Shoe firms await OK for merger

BD 9/10/95 (187)

**Yuri Thumbran**

THE Competition Board is expected to give a ruling on the proposed merger of footwear companies Conshu and Bolton Footwear today.

Conshu CE Robert Feinblum said talks were held with the Competition Board last week to remove difficulties holding up the deal.

Feinblum said that if given approval, Conshu would purchase the footwear manufacturing division of Bolton, which operated as Watson Shoes, Bagshaw Footwear and Oudtshoorn Footwear. Bolton's other divisions — Stanmar Motors and its footwear retailing business — were not part of the deal.

Bolton Footwear reported a 35,4% increase in earnings to 24,5c for the year to February, while turnover was up 21,3% to R277,1m

Conshu, an SA Breweries subsidiary, posted a 21,3% hike in earnings to 63,4c on turnover up 20,5% to R709,3m for the year to March.

An industry source said the merger would consolidate Conshu's position and Bolton would be free to concentrate on its other interests.

Both companies are listed in the JSE's clothing, footwear and textile sector. Conshu's ruling price on the JSE on Friday was 630c, just off its August 25 high of 650c, compared with Bolton's 220c, off an August 24 high of 275c.

# Footwear imports cost SA 6 000 jobs in 6 years

CT(BE) 19/10/95 (187)

By Charlotte Mathews

Investment Editor

The Footwear Manufacturers' Federation has taken to published advertisements begging the government to take action against illegal imports, dumping and disruptive trade practices

The Federation said about 6 000 jobs had been lost in the industry since 1989, as a result of footwear imports from China

Employment levels are now their lowest since 1971

"In the first half of this year, 18,5 million pairs of shoes worth R241 million were imported into the country, of which 81 percent came from China Latest industry statistics show that last year the total footwear market in South Africa was 96,4 million pairs

Since labour was a far smaller proportion of the cost of shoes made in China, no South African manufacturer could compete, the federation said

It urged the Board of Tariffs and Trade to give immediate attention to the possible introduction of quotas on footwear imports, especially from China, as well as to origin marking of imported footwear and the reinstatement of specific duties removed earlier this year

# Conshu gains ground in face of stiff competition

(187) BD 30/10/95

Yuri Thumbran

SHOE manufacturer Conshu lifted attributable earnings 17% to R19,4m in the six months to September, buoyed by increased turnover, tight control of overhead expenditure and continued benefits from its investment in technology

The SA Breweries-owned company, which manufactures shoes under the Doc Martens, Johnston & Murphy, Jarman, Crockett & Jones and Florsheim brand names, increased earnings a share 15% to 41c (35,5c). A dividend of 14c, up 17% from the previous interim period's 12c, was declared.

Turnover advanced 20% to R406,1m in the face of stiff competition and a price-sensitive market. Trading profit climbed 25% to R37,6m

Financing costs rose to R5,7m (R3,8m), while gearing increased to 37% (29%). The tax bill was slightly higher at R12,5m from R9,8m.

Short-term interest-bearing debt rose 40,3% to R70,1m (R20,9m), while medium-term debt amounted to R11,8m (R33,7m).

The directors said R17,2m had been spent on capital expenditure to refurbish and upgrade plant and equipment, and they expected a further R13,7m to be spent in the second half

They said customer response to Conshu's winter ranges had been favourable and current demand was expected to hold up for the rest of the year. As a result, a "satisfactory" increase in earnings for the full year was forecast

The proposed acquisition of Bolton Footwear was still under negotiation and shareholders were advised to continue exercising caution in their share dealings.

The company's shares closed untraded on the JSE on Friday at a yearly high at 650c, first touched on October 20.

# Conshu plans more capex

Business Editor ARG 30/10/95

CONSHU Holdings expects to step up profits for the year as a whole after a 17 percent increase to R19,4 million in the six months ended September

Directors said winter ranges had been well received by customers and demand should be maintained.

(187)

Capital expenditure of R13,7 million was planned in the second half-year, bringing the year's total to R30,9 million.

But shareholders should tread warily in dealings in the share while the planned acquisition of Bolton Footwear was still being negotiated, they said

An interim dividend of 14c has been declared (12c last year)

# Conshu fares well in highly competitive market

CT (BR) 30/10/95 (187)

By Charlotte Mathews

Johannesburg — Shoe manufacturer Conshu Holdings, which is 67 percent owned by SA Breweries, grew attributable profit by 17 percent in the six months to September in spite of a price-sensitive and highly competitive market, the directors said over the weekend

Group turnover rose by 20 percent to R406,1 million on which trading profit was 25 percent better at R37,6 million, showing operating margins rising to 9,3 percent from 8,9 percent previously

### Technology

The directors said overhead expenditure had been tightly controlled and there had been continuing investment in technology

Net financing costs rose by nearly R2 million, off a R20 million increase in short-term debt on the balance sheet over the past six months with an increase in working capital requirements and capital invested The group invested R17,2 million on refurbishing and upgrading plant and equipment and expects to spend a further R13,7 million in the second half

Earnings a share rose 15 percent to 41,0c on which a dividend of 14,0c (12,0c) was declared

The directors said Conshu's winter ranges had been favourably accepted by customers and demand was expected to continue at current levels.

A satisfactory increase in earnings is forecast for the full year.

Conshu released a cautionary notice several months ago warning that negotiations were under way to acquire Bolton Footwear

This still applies as the deal is waiting on a ruling from the Competition Board.

CONSHU (187) FM 3/11/95

## Feeling the squeeze

**Entering the** global market — while facing reduced tariff protection, limited export subsidies (Geis) and a flood of mostly bottom of the market imports — is proving difficult for the local footwear manufacturing industry Conshu's success in lifting its trading margins in these conditions during the six months to end-September probably implies it will weather this storm

Pre-interest profit rose 25% on a 20% sales increase EPS rose only 16%, higher finance charges and an increased effective tax rate eroded profit

Interest-bearing debt, mostly short-term, increased 50% in the last six months Part of the finance raised was used to upgrade technology Finance charges on debt now absorb 15% of pre-tax profit

Gearing has risen to 37% (1994 29%) CE Robert Feinblum hopes it will fall below 30% by the 1996 March 31 year-end

Feinblum says Conshu's higher debt reflects current pressures on the industry The group is having to pay material suppliers faster, wait longer for debtors and accept letters of credit from international suppliers of Conshu imports And recent limitations on export subsidies are forcing Conshu to subsidise the export division, which brings in R40m-R50m a year

A niche focus on the upper end of the market has minimised the threat of competition from imports Ranges include Barker, Christian Dior and Crockett & Jones But Feinblum says recent middle and top of the range imports from Italy, India, Brazil and South Korea may affect the company if consumers like the new products

Management hopes the Competition Board will allow Conshu to acquire the shoe divisions of Bolton Footwear A cautionary notice appeared in June

At 650c, the share is at its annual high and 218c above the 1995 year-end NAV Feinblum says Conshu's assets are substantially undervalued and believes that, based on replacement NAV, the share has upward potential But on the stated NAV and the 8,5 p e — the sector average is 6,8 — the share seems fully priced for now *Michelle Joubert*

# Training for the footwear industry

(187)

Renee Grawitzky

THE Footwear Manufacturers' Federation of SA has launched an education and training strategy aimed at developing a trained and skilled workforce to help the industry survive in the highly competitive environment

The federation said the initiative was launched in conjunction with the Footwear Industry Training Board (FITB) and the Rhodes University Leather Industries Research Institute

FITB chairman Tony Carnecky said this was as a result of "efforts by employers and labour over the past 12 months to bring about improved training and education development for the industry"

The federation has developed courses ranging from basic literacy and numeracy, operative education and training, and technician and supervisor studies, to a university diploma in technology and management.

The programmes are being backed by the National Qualifications Framework, making the qualifications be transferable and nationally recognised They start in January

BD 20/11/95

# Competition Board rejects merger of shoe companies

BD 20/11/95

Yuri Thumbran (187)

THE Competition Board has rejected the proposed merger of the shoe manufacturing interests of Conshu Holdings and Bolton Footwear (Bolwear), in line with Trade and Industry Minister Trevor Manuel's desire to clamp down on anti-competitive practices.

A board spokesman confirmed on Friday that a proposal had been sent to Manuel last week outlining why SA Breweries subsidiary Conshu should not acquire Bolwear's shoe interests.

A merger would give the new combined group 70% of the local shoe manufacturing market.

The companies announced in June they were in negotiations on a possible merger. The matter was later put on hold pending the board's decision

Board chairman Pierre Brooks was unavailable for comment, but the spokesman said the decision was final and only Manuel could rescind it

All parties concerned were informed of the board's decision last week

Conshu CE Robert Feinblum, whose group submitted the merger application to the board, said he had not yet received the board's notice as he was in KwaZulu-Natal last week.

Bolwear MD Sid Finlayson said he had been told of the board's decision, but declined to comment further until Manuel had made a ruling.

Conshu shares, with a market capitalisation of R313m, closed unchanged on Friday at 650c while those for Bolwear, which has a R40m market capitalisation, were unchanged at 200c. An analyst said the high volumes traded in both shares last Wednesday suggested investors had got word of the board's decision.

Meanwhile, Hunt Leuchars & Hepburn CE Neil Morris said talks with the Competition Board regarding the sale of its timber interests to Mondi and Sappi were continuing. He denied a newspaper report yesterday that the deal had been rejected.

# Project to boost shoe production

(187) Sowetan 23/11/95

**By Isaac Moledi**

THE local footwear industry received a boost last week when the Leather Industry Research Institute (LIRI) launched a training programme which will improve the standard and productivity of local shoe manufacturers

The "Shoe Train," as the programme is known, was launched on Wednesday in Durban by the Rhodes University's LIRI

The objective of the programme is also to assist local manufacturers resist mounting competition from cheap imports which are flooding into the country, particularly from Asia

"No fewer than 18 million pairs of shoes were imported into South Africa in the first six months of this year," says the LIRI, adding that most shoes came from China These imports cost the country more than R240 million

> **'If there is one thing we do well in Africa it's raising livestock'**

"With this programme, the industry will be far better positioned to provide home-made shoes for our more than 40 million citizens," says Rhodes University pro-vice-chancellor Dr Michael Smout

## Support for project

The South African footwear industry, the trade unions and other stakeholders have pledged their support for the project which is intended to create thousands of jobs

"If there is one thing we do well in Africa it is raising livestock Yet, with 20 percent of the world's cattle, we produce less than one percent of finished leather and an even smaller fraction of the world's footwear This needs to change," argues Smout

He says the course will make use of the university's academic expertise in other areas as well

"Rather than waiting in the queue for long-term protectionist handouts, the footwear industry has decided to restructure itself and invest in the development of human resources," he says

The footwear industry will provide financial backing for the course while the university will provide the expertise, facilities and teaching staff

For more information phone LIRI at (0461) 31-8548 or Mary Burnett at (0461) 31-8517

# Losses at Amshoe push Lenco group into the red

BD 28/11/95 (187)

**Edward West**

CAPE TOWN — Losses at Lenco Holdings' Amalgamated Shoe operations (Amshoe) saw the group move into the red with an attributable loss of R7,26m in the six months to end-September this year.

However, results published today showed that Lenco's clothing and packaging divisions performed well, as did the housewares division.

The income statement reflected changed accounting standards, with exceptional items shown above the line. As a result an attributable loss of R7,26m was reported against a R13m profit at the interim stage last year

Earnings a share for Lenco's continuing operations were 17,75c as against 24,47c at the interim stage last year, while the net attributable loss was equivalent to 9,17c a share against a 17,42c-a-share profit last year The interim dividend was passsed

Lenco chairman Douglas de Jager said that Amshoe's total losses, including the exceptional items, exceeded R26m in the interim period

In October Amshoe's Lesotho and QwaQwa operations were sold This followed the closure five months earlier of the Ladysmith operation which also supplied low-priced footwear De Jager said brand differentiation did not exist in the low-priced segment of the footwear market, which had made it susceptible to cheap imports

The Maritzburg footwear plant and the Puma brand had been retained along with the profitable components business in Durban

Lenco, which changed its year-end to March earlier this year, reported turnover in the interim period of R382,8m About R342,5m was derived from continuing operations and R40,3m from discontinued operations

Operating profit from continuing operations was R25,8m Discontinued operations lost R4,3m After R5,9m taxation and R5,5m finance charges, continuing operations showed a net profit of R14,4m against a loss of R7,3m from discontinued operations Attributable profit from continuing operations was R14m, as against a loss of R21,3m from discontinued operations.

Lenco Investment Holdings, with a 49,4% stake in Lenco, reported a net attributable loss of 6,11c a share for the six months. Earnings from continuing operations were 11,83c a share The interim dividend was passed

BUSINESS

ARG 28/11/95

(187)

# Amshoe puts Lenco R7-m into the red

Business Staff

CAPE-based clothing, packaging and housewares group Lenco Holdings reported a R7,26 million attributable loss for the six months ended September because of losses at its Amshoe footwear division

The loss compares with a R12,9 million attributable profit for the same period last year

However, the group's clothing and packaging were performing well and had met their business plans, while the restructured housewares division was now profitable, the Lenco board said

The group expects the third quarter to "exceed all expectations"

Amshoe's total losses, including exceptional items which are now included above the line, exceeded R26 million during the period Last month, however, the group disposed of Amshoe's Lesotho and Qwa Qwa operations, following the closure of its Ladysmith operation five months earlier.

These Amshoe operations served the low-priced non-branded sector of the market which was susceptible to cheap imports as tariff protection declined

The footwear manufacturing plant in Maritzburg and the Puma brand have been retained, along with the profitable component business in Durban

The Maritzburg plant has been upgraded and is to concentrate on producing branded goods which will align it with Olympic-Flair, the group's branded footwear business and the group's clothing division.

Turnover for the period was R382,77 million, including R40,3 million from discontinued operations, compared to R366 million for the same period last year

Earnings a share from continuing operations was 17,75c, but the net attributable loss was 9,17c a share compared with earnings of 17,42c last year No interim dividend will be paid

All operations other than Amshoe were looking to meet or exceed business plans for the second six months, the Lenco board said The major portion of Amshoe's losses were included in the first six months and losses would continue at a considerably lower level

■ Acer Computer International (ACI), an arm of Taiwan's Acer Group, has taken control of a South African joint venture after buying out its local partner's shares

Singapore-based ACI now has 87,5 percent of Acer Africa, up from 43,75 percent, following its purchase of shares from Persetel Investments

The remaining 12,5 percent is set aside for Acer Africa employees

ACI paid R9,5 million ($2,6 million) for Persetel's stake in Acer Africa, the leading information-technology firm in South Africa with a 17,8 percent market share

The African subsidiary assembles and sells Acer personal computers, peripherals, and telecommunications and electronics products

The Acer Group is the seventh largest computer concern worldwide, with a turnover of $3,22 billion in 1994.

■ Anglo American's international resources group, Minorco, has reached agreement with BTR to purchase its United Kingdom construction materials business, Tilcon Holdings Limited, for about R1,87 billion (£330 million)

Tilcon is the United Kingdom's seventh largest producer of aggregates, operating in the West Midlands, the north of England, and Scotland.

A statement said the combination of the businesses would provide good opportunities for synergies and incremental profitability

Minorco is a European-based international natural resources group with key businesses in gold, base metals, industrial minerals, paper and packaging, and agribusiness.

# Furnisher debuts well on JSE

BD 30/11/95 (187)

Yuri Thumbran

FURNITURE manufacturer Pat Cornick enjoyed a successful debut on the JSE's furniture and allied sector yesterday, picking up 120% or 150c in busy dealings to close at 1400c from its 1250c issue price, market sources said.

Malcolm Dods of sponsoring broker Fergusson Brothers, Hall, Stewart said the group was a competitive player in the furniture manufacturing industry and offered good potential.

It planned to improve its efficiency and competitiveness with the R40m raised through the listing, he said.

One dealer said the company's debut, which took place against the background of tough conditions in the furniture market where demand was slowing in line with tightening disposable income, indicated that it was poised to benefit from its niche case goods market.

He said investors had scurried for the tightly held stock, but only 16 500 shares changed hands.

Another dealer said the share had traded at 10 to12 times its earnings potential, signalling a pent-up demand.

Another factor which had sparked interest in the counter was that it was a furniture manufacturer listing instead of a retailer.

CC

# Cheap imports killing off local footwear industry

CT(BR) 7/12/95 (187)

By Stuart Rutherford

Durban — The decision to sell (or close) Amshoe and the Sutherlands Tannery by Lenco and Imperial Cold Storage respectively is expected to mark the beginning of a period of huge closure and retrenchments in the shoe industry

The industry, which has already cut 6 000 jobs since early 1990, cannot compete with foreign importers who currently have a 40 percent share of the national market

If Sutherlands is forced to close on December 15 it will retrench 313 employees and force KwaZulu Natal manufacturers like Conshu to import as much as half of its leather The industry presently employs about 21 000 people

The situation is expected to get worse in January when duties on fabrics and synthetics will drop 5 percent, to bring South Africa in line with its Gatt commitments.

The Footwear Manufacturers' Federation of South Africa blames China for much of the problem China, which pays its workers as little as 14c for a finished pair of shoes, exported 14,9 million pairs to South Africa in the first half of this year

## Casualty

The main casualty was manufacturers of low-cost, non-branded shoes, although imports have had an appreciable effect throughout the market

The federation said about 22,6 million pairs of shoes were legally imported into the country between January and July this year, totalling R280,8 million — a 75,9 percent increase on last year

These imports make up 40 percent of the total sales on the South African market, and as Tony Carnecky, the managing director of the Futura Group, said "The market is only so large, whatever comes in takes away from domestic manufacturing"

The federation does not have any figures on the level of illegal imports, but the number of low-price shoes on sale in the informal sector bears witness to its size

The underlying problem is the high cost of production in this labour intensive industry, exacerbated recently by wage increases that exceeded inflation

# Lenco offers Amshoe workers buyout option to save jobs

(187) CT (BR) 7/12/95

BY AUDREY D'ANGELO

Cape Town — The 700 staff at Amalgamated Shoe's (Amshoe's) Budget Footwear factory in Maritzburg are facing the loss of their jobs before the end of the year unless they buy the business themselves

Parent company Lenco's executive chairman, Doug de Jager, said yesterday that Amshoe's losses in the first six months of this year had exceeded R26 million and it was impossible to continue

He had explained the situation to the shop stewards and offered the workforce the opportunity to buy Budget Footwear if they thought that could save their jobs

De Jager said unfair competition from "dumped" goods and illegal imports was making it impossible to manufacture low-priced footwear in South Africa

However, branded goods aimed at the top end of the market were still profitable to make in this country Exports of high quality clothing and rising demand for packaging meant the group's Cape Town operations were doing well Lenco companies manufacture such brands as Dior, St Laurent, Viyella and Carducci under licence

**FOOTING THE BILL** *Lenco's executive chairman, Douglas de Jager*

Exports of pots and pans to the United States meant that Lenco's Hart and Hendler housewares division, which employed 500 people in its Johannesburg factory, had survived in the face of competition from cheap imports in this country

But competing footwear factories in Zimbabwe, which employed workers at one-third of South African wages and exported to South Africa under favourable terms, could supply retailers at below his cost price Imports from China were even cheaper

De Jager was one of the first business people in South Africa to warn, at his company's annual general meeting earlier this year, that manufacturers of goods for the lower end of the market would have to move their factories to low-wage countries if they were to stay in business

Since then others, including Pepkor chairman Christo Wiese, have announced their intention of doing so Nigel Morgan, Old Mutual Asset Management's economic strategist in Britain, forecast this week that South Africa would lose more of its manufacturing industries to neighbouring countries with lower wages

De Jager said yesterday that the problem was made worse by the fact that South African manufacturers paid above world prices for most of their raw materials and that retailers were leaving their orders until as late as possible

He said the losses incurred by Lenco's Amshoe division had made it impossible to carry on the business "There is no way we can continue to fund these losses It will have to close by year end unless someone else will buy it That will mean the loss of 700 jobs from the managing director down"

De Jager said the group would retain its higher-priced "Puma" brand shoes although he could not disclose at this stage where they would be manufactured

Amshoe's operations in Lesotho and Qwa Qwa were sold in October following the closure of the Ladysmith operation five months earlier

All Lenco's operations apart from Amshoe would meet or exceed their business plans for the current six months

De Jager said the Reserve Bank's policy of protecting the value of the rand instead of lifting all exchange controls and allowing it to find its own level, combined with high wages and red tape which hindered exporters, was limiting exports and endangering jobs

"Some South African companies are already moving to places like Malawi, where they understand the value of retaining jobs and exporters are helped, not hindered," he said

# Unionists furious over layoffs at shoe factories

ET (BR) 12/12/95 (187)

By Stuart Rutherford

Durban — Unions have risen up against shoe manufacturers for failing to provide severance packages for hundreds of workers who will lose their jobs with the closure of a number of plants this week

The Southern African Clothing and Textile Workers' Union (Sactwu) lashed out at employers, accusing them of feathering their own nests while failing to make factories more efficient to preserve up to 1 500 jobs

The Budget Footwear factory is due to close on Friday, leaving 700 people unemployed, as is the Sutherlands Tannery — which employs 313 people — unless new buyers are found, which is unlikely

Kevin Perumal, Sactwu's national leather co-ordinator, said "Employers have benefited from the previous system of protection and have done very little to become innovative with new designs and a change in the priorities with regard to cutting through the bureaucracy"

Perumal said shop stewards at the Budget Footwear factory had advised the union that workers would receive their weekly wages and their holiday pay He said he had demanded notice pay, holiday bonuses and severance pay

Reacting to these allegations, Lenco's executive chairman Douglas de Jager said the failure of Lenco's shoe division, Amshoe, was due to cheap imports and low productivity

Reacting to complaints about severance packages, De Jager said Lenco would conform to statutory requirements He said he had been frustrated by the often divided unions "Maybe it is wrong in this country for anyone to be in a labour-intensive industry," he said

# Imported shoes walk all over the local competition

187

ET (BR) 13/12/95

By Cato Pedder

Johannesburg — Representatives of the South African shoe industry say it is in dire straits, with employment falling by 6 000 jobs since early 1990 and the number of shoe factories plummeting by almost 10 percent last year — with further retrenchments and closures possible

They say that if you go into any shoe shop and look at the cheaper shoes you will see why With "Made in China" emblazoned across the soles, these shoes are walking all over the South African market

But, despite these dark prophecies, there are signs of a rebirth in the industry with new technology and training courses being implemented

According to the Footwear Manufacturers' Federation (FMF), imports amounted to 18,5 million pairs, worth R241 million, in the first six months of this year

China was the source of 81 percent of these imports which tended to be aimed at the lower end of the market

The cost of a completely imported shoe from China is often less than the price of the raw materials for the same shoe in South Africa

Dennis Linde, the executive director of the FMF, said the Chinese did not have a market economy and could pay their workers low wages

The country was not a member of Gatt and was not bound by its trade laws.

All of this led to large quantities of shoes being made for very little and exported all over the world, he said

And if the shoe industry was hard hit, then so were other connected industries

The leather and tanning industries in particular had been affected, but had worked hard to adapt to a difficult situation

Tony Mossop, a director of Silveroak Industries, said the tanning industry had been affected by the drop in shoe production

The company had coped with this by converting factories from specialising in shoe leather to the production of leather for the automotive upholstery industry

"Twenty years ago there were eight tanneries making shoe leather and by next year there will only be two," he said

This conversion required a large amount of capital expenditure on new specialised equipment, which could be too much for smaller companies One tannery that had been working for nearly 130 years in Pietermaritzburg would be closing soon

The FMF had applied to the Board of Trade and Tariffs for specific controls to be placed on footwear imports from China, such as anti-dumping procedures

The FMF's demands were not unique In Italy, for example, manufacturers had asked the European Union to impose quotas on shoe imports from China and other Far Eastern countries

The FMF went as far as placing advertisements in leading newspapers which, while admitting to certain shortcomings in delivery, quality of products and pricing structure, called for time to restructure the industry and implement corrective action

*The tanning industry has moved to producing leather for the car industry*

The view from the industry abroad is that South African shoemakers have been too complacent for too long and have taken no notice of suggestions that they get their house in order

Kevin Perumal, the national leather co-ordinator of the South African Clothing and Textile Workers' Union said "Employers have benefited from the previous system of protection and have done very little to become innovative with new designs"

Industry sources said South African shoemakers would not use any breathing space to full advantage but would ask for more controls in a couple of years time

There were suggestions that the industry would be forced to choose between a rapid and energetic restructuring or inertia

Conshu, which had a lion's share of the market, had invested R17,2 million on refurbishing and upgrading plants and equipment in the first six months of this year and expected to spend a further R13,7 million in the second half

*Chinese shoes may be of bad quality, like SA shoes, but at least they are produced fast*

The unions also seemed to be getting worried Two weeks ago they launched, in conjunction with the industry and Rhodes University, a Shoe Train programme

In the South African shoe industry there is neither speed nor quality in the labour force

Chinese shoes may be of bad quality but at least they are produced fast

Michael Smout, the pro-vice-chancellor of Rhodes University, says the new Shoe Train programme could rectify this double failure in the labour force

The best way forward for the industry may well be the way that Conshu has been going to focus specifically on higher grade shoes.

South Africa has the leather resources to produce higher grade leather and if, as seems apparent, it cannot compete against cheaper imports, then experts suggest that technology and human resources should be developed in that direction

# Competition Board turns down planned takeover

## □ Companies to seek interview with minister

ARG 14/12/95 (187)

**Business Editor**

THE Competition Board has given a thumbs-down to the planned takeover of Bolton Footwear (Bolwear) by Conshu Holdings

In notices issued today, the Bolwear and SA Breweries-owned Conshu said negotiations between them had been discontinued

The board had recommended to the Minister of Trade and Industry that he declare the transaction unlawful in terms of the Maintenance and Promotion of Competition Act

But Bolwear would seek an interview with the minister, the company said

"Bolwear, for a number of reasons, finds itself in respectful disagreement with the conclusion reached by the Board," it said

Competition Board chairman Pierre Brooks launched an investigation into the proposed takeover in June, saying that other footwear companies had complained to him

■ Huge interest payments because of high gearing in Premier Foods bit into the **Premier Group's** profits in the six months ended October

Trading profit rose 26 percent to R381,5 million, but interest at R92,2 million was up 57 percent on year-ago figures

Attributable earnings came in at R100,4 million, compared with last year's — restated — figure of R100,1 million

Premier said borrowings should be reduced this year

■ **Kilroe, Whitehead & Co** will terminate its corporate membership of the Johannesburg Stock Exchange at the close of business on December 30, the JSE said

Other developments on the JSE include the admission of TA Securities South Africa as a corporate entity member with effect from January 2, the conversion of Ivor Jones, Roy and Company's status to a corporate entity with immediate effect, and the changing of Anderson, Wilson and Partners' name to Anderson Wilson (Pty) with effect from December 18

■ **FNB Holdings** has restructured ahead of the retirement of key figures in its management

The group said it would split into three basic operational areas, each headed up by a senior general manager reporting in to MD Barry Swart Retail, headed up by Peter Thompson, Corporate and Institutional, under Johan Meiring who has been promoted to the position of senior general manager, and Finance, Risk and Group Communications under Viv Bartlett

Soon to be retiring were Norman Axten, senior general manager, Kosie Meiring, GM, Don Hogan, regional general manager of Kwazulu-Natal, and Stan Powell regional general manager in the Western Cape

SHOE MAKERS (187)

## Sizing down

FM 15/12/95

**Since the** Competition Board has thrown out Conshu's application to merge with Bolton Footwear, a golden opportunity to create a world-class shoe manufacturer in SA has been lost That's according to Conshu finance director Charles Rapp, who says. "We would have produced more exports and coped with competition better, being spread over a larger base"

The merger was denied on the grounds that the board believed benefits arising from the transaction were not sufficient to outweigh the restraint of competition Rapp concedes that Bolwear and Conshu dominate some segments of the shoe manufacturing industry, such as high-quality safety footwear, but contends that much of that output is exported as there's no market in SA He also estimates that foreign imports now have 40% of the market

Rapp estimates market size now at 100m pairs (imported and local) Of these, he says Conshu makes 10m and Bolton 3m — 13% between two of the three largest manufacturers in SA "Our biggest competition is imports," he observes, "and we need a market leader giving direction to the industry"

The market is heavily segmented by price and category (such as safety, fashion and sports) and it is in the low-priced, unbranded footwear segment that local companies are struggling To compete with cheap imports is not possible, given SA's comparatively low productivity and high wage structure Though much of the imported stock is manufactured from synthetics, it still takes market share from leather shoes

Imports of low-priced footwear from Asia are still growing — for the six months to end-June, total shoe imports rose 72% on the year-ago period to 18,5m pairs, worth R241m Of these, says the Footwear Manufacturers' Federation of SA, 14,9m came from China

The Chinese, who are not Gatt signatories, are seen as a threat, though imports from Zimbabwe are also cheap Recently, plans were published for a Chinese-owned shoe factory in Midrand, bringing the fight to home turf

Western Tanning MD Rob Newson says 50% of shoe leather is produced locally "Domestic tanners compete worldwide with imports from India and South America," says Newson, "but the problem is that their raw materials markets are closed to us If imports continue unrestricted, they could wipe out the local shoe industry Only factories with new technology and higher productivity will survive"

The latest casualty in a shrinking and highly competitive industry is the Amshoe division of Lenco (both listed companies) Losses of R26m in the first half of the year and no buyers are forcing it to close its Budget Footwear factory in Maritzburg

Lenco executive chairman Doug de Jager attributes Amshoe's failure to cheap imports and low productivity The company now faces union action over redundancies and demands for compensation

Closures hit communities as hard as companies because factories are geographically concentrated — 50% of SA shoes are manufactured in KwaZulu-Natal and the rest in the Eastern and Western Cape

However, in the middle to upper end of the market — dominated by Bolton and Conshu — there are still profits to be made Shoes are by far the most important Conshu division, contributing about 73% of earnings in 1995 and continued profitability is essential

Rapp expects profitability to be forthcoming He points out that the group had good interim results and profitable Christmas sales are probable

The company's Barker brand competes with the best and exports are into the high end of the UK and European markets Rapp adds "We run a tight ship and have strong management"

Conshu scores over other manufacturers in its specialist focus Its operational managers tend to be "shoe people" rather than general investment managers

Bolton is attemping to move out of the shoe business It has already sold its interest in A&D Spitz and Bally the merger with Conshu would have seen its footwear division divested entirely

The shoe industry faces sombre times, some of which it has brought on itself The Footwear Manufacturers' Federation admits "certain shortcomings" exist in "areas of delivery, quality of products and pricing structure," which it is attempting to resolve For some market segments — and for some companies — it may be too late as analysts predict an industry shakeout Market leaders such as Conshu seem well positioned to defend their turf

*Margaret Anne Halse*

MANUFACTURING FOOTWEAR

1996 ~~1997~~

# Lenco holdings to shed 'burden' of Amshoe footwear

BD 19/11/96 (187)

Samantha Sharpe

DIVERSIFIED investment holding company Lenco was negotiating the sale of part of its troubled footwear empire, chairman Doug de Jager said yesterday

The group has already sold off footwear subsidiary Amshoe's Lesotho and QwaQwa assets — to former Amshoe MD Roy Eckstein, who left Amshoe after entering into a large restraint of payment agreement

The group issued a cautionary earlier this week saying it was involved in discussions that could affect the trading prices of Lenco and Lenvest

An announcement would probably follow within the week detailing the outcome of the talks

Analysts said Amshoe had not been making money for the group, and that the disposal of the group's footwear operations, which had proved more of a burden than an asset, could be to the former Amshoe MD

Lenco's operating profit fell 30% in the six months to October after the closure of its low-priced footwear manufacturing plant in Ladysmith in May, with higher finance charges helping to reduce pretax profits by 49%

Exceptional items — mainly Amshoe-related — showed a R7,3m loss at the interim stage

# More footwear factories could close - warning

(187)

## 13 500 jobs lost in seven years

AALG 8/2/96

MAUREEN MARUD
**Business Reporter**

FOOTWEAR manufacturers are beginning to doubt that the government is serious about stemming floods of imports that are threatening thousands of jobs in the southern African customs union, says Dennis Linde, executive director of the Footwear Manufacturers' Federation of South Africa (FMF)

In seven years, nearly 13 500 jobs had vanished from footwear factories in South Africa, Botswana, Swaziland, Lesotho and Namibia, largely as a result of imports from China, Mr Linde said in an interview from Port Elizabeth

Between 1989 and 1995, 143 factories in the customs union were forced to close There were now about 150 factories left, which together produced only as many shoes as were imported monthly since 1994

China and Hong Kong accounted for 63,6 percent of all footwear imports

In its 1994 annual report, the FMF had warned that footwear imports into South Africa were out of control but nothing had changed, he said

"Notwithstanding meetings we have had with Minister of Trade and Industry Trevor Manuel, and with government at all levels, nothing has been done

"We don't even know if they are serious about doing anything If something isn't done very quickly, specifically about imports from China, we can see more factory closures "

He said the FMF was encouraged by recent proposals to limit imports from China The Department of Trade and Industry was having discussions with Chinese officials who had offered to voluntarily limit exports under a Voluntary Export Restraint (VER) agreement

But the FMF, along with the clothing and textile federations, had reservations about the ability of South African customs to police a VER agreement

A delegation from the DTI was currently in China holding talks with officials there When they returned, they would discuss possibilities with the footwear, clothing and textile industries, Mr Linde said

When it came to footwear, no country in the world could compete with China, which did not have a freemarket economy

"Most of the stuff that comes in from China is dumped, which means it is sold here for lower than their production cost, or it is heavily subsidised

"Even if that weren't the case, China's wage rates are a fraction of what they are in South Africa "

# Sactwu forecasts further job losses

(187) CT (BR) 27/2/96

By Shirley Jones

Durban — Job losses in the clothing, textile and footwear industries rose to 17 700 between September last year and February this year, and a further 3 800 jobs are at risk, according to the South African Clothing and Textile Workers' Union (Sactwu)

In its response to the government's reprimand last week for taking to the streets to protest against job losses, Sactwu said the updated statistics did not even hint at wider social repercussions. "Further jobs are lost in auxiliary industries On the breadwinner-to-dependant ratio applicable to the industry, about 188 000 South Africans who are direct dependants have lost access to their livelihoods," said the Sactwu spokesman, Ebrahim Patel.

Sactwu may have agreed to the government's demand that the dispute between the two be conducted away from the press, but it does intend setting the record straight when it comes to what the government has declared is a highly exaggerated estimate of 12 000 job losses.

Sactwu has increased this figure to more than 17 000. However, Patel is adamant these figures are accurate as they derive from 265 factories at which Sactwu negotiated retrenchments or closures, as well as from industry information on smaller factories

Patel said the sectoral breakdown for job losses was 10 862 in the clothing industry, 2 130 in for the textile sector and 4 702 for leather.

The effect of these job losses on women — the majority of whom were sole breadwinners — had been dramatic, Patel said. Applying industry averages, Patel estimated that 12 570 women (71 percent) were now unemployed and 5 130 men (29 percent) were jobless.

"A further 3 800 jobs are at risk where companies have proposed retrenchment or closure of operations, and negotiations with the trade union are in progress," Patel said. Job loss figures under-represented the loss of employment, he said, as they did not include natural attrition and only applied to unionised operations.

# Ensign Clothing moves to liquidate its surplus assets

(187) BD 13/3/96

Samantha Sharpe

CAPE TOWN — Clothing, footwear and textile company Ensign Clothing posted a R3,32m loss for the year to December (R1,96m) on increased turnover of R33,09m.

Group chairman Ronald Roy said sustained losses had forced the group to stop clothing manufacture in 1995, except for limited cut, make and trim, with a programme to liquidate surplus fixed assets and stock under implementation. The group had also negotiated the sale of its plastic products division with effect from March 1 and the disposal of its property in Woodstock in February.

Roy said Ensign would now try to negotiate the sale of its shares within the next few months, following which it would be transferred from the JSE's industrial clothing sector to its cash companies sector.

Ensign posted an operating profit of R301 000 in the review period against a previous R1,53m loss, which brought the group's loss on discontinued operations to R2,14m.

Losses before interest and tax stood at R1,84m (R1,53m). The interest payment soared to R1,5m (R427 000), with the tax charge rising to R6 000 (R4 000).

The results were reflected in a loss of 507c a share from a 300c a share loss.

# Flood of cheap imports

The relaxation of import duties and smuggling of cheap textiles, footwear and tyres is costing South Africa millions of rands in revenue and jobs. **Alan Morris** explains why...

187

SOUTH AFRICAN CAR, TYRE, textile, clothing and footwear industries are reeling from an inflow of cheap imports, with thousands of workers losing their jobs.

This inflow is partially due to the lifting of protective tariffs in terms of an agreement the Government reached with the World Trade Organisation and the determination of Trevor Manuel, the former minister of trade and industry, to cut the tariffs protecting South African industry

Illegal imports are flooding into the country due to inadequate control by the hopelessly understaffed and inefficient Department of Customs and Excise

Ben van Rensburg, chief economist of the South African Chamber of Business, estimates that the Government is losing about R12,6 billion a year in import duties due to smuggling.

The Department of Customs and Excise has responded to growing pressure and 600 additional staff will be hired over the next few months

### Hardest hit

The textile industry has been one of the hardest hit, with millions of rands worth of textiles entering the country from neighbouring countries without duty being paid.

Michael Hankinson, president of the Textile Federation, estimates that between 30 and 40 percent of all textile imports are entering the country illegally

Basil Hersov, chairman of the giant company Anglovaal, contends that this flood of textiles is threatening to destroy the industry "I understand it will take three to five years before effective customs control is restored By which time we may well be out of business," he said

According to Dave Berry, president of the Footwear Institute of South Africa, the number of people employed in the industry has shrunk from 56 000 in 1989 to 28 000 last year Local producers now have 47,9 percent of the market compared to 87,36 percent in 1989

### Cheap imports

At the end of March, the National Union of Leather Workers and the South African Clothing and Textile Workers' Union took to the streets to protest against cheap imports, alleged custom fraud and the resultant job losses

Paul Theron, chief economist of the Clothing Federation, estimated that about 50 million garments worth more than R360 million were smuggled into the country in 1995 This represented about half of all clothing imports

The motor vehicle and tyre industries have also been affected by the relaxation of import duties

**Trevor Manuel ... as Minister of Trade and Industry he was determined to cut the tariffs protecting South African industry.**

Sowetan 12/4/96

**"It will take three to five years to restore customs control. By which time we may well be out of business"**

Mike Smithyman, managing director of Dunlop and the chairman of the South African Tyre Manufacturers Conference consisting of South Africa's tyre makers Dunlop, Firestone, Continental and Goodyear, said that about R336,8 million worth of tyres had been smuggled into the country last year

He claimed that many of these tyres were unsafe and had contributed towards the high accident rate This was particularly so in the case of the minibus taxi industry, where some of the imported tyres being marketed "are not designed to take heavy loads"

Stephen Gelb, an economist at the University of Durban-Westville, argues that "while tariffs need to be lowered as one mechanism to encourage higher productivity and improve the competitiveness of South African industry, to effect this move too rapidly and without adequate support for affected firms and workers, simply leads to the destruction of productive capacity"

### Imperative

He feels that it is imperative that the Government develop retraining schemes for workers and support for firms in the areas of technology, investment finance and export promotion

"It is a simple administrative task to cut tariffs, but far more complex to establish the necessary structures to assist affected firms and workers," he said

### Profound effect

Clearly, the spate of cheap imports has had a profound effect on workers in the industries concerned. Few of the thousands of retrenched workers have been retrained for new jobs Many have found it impossible to find work

Robert Tshandu, a former textile worker, was retrenched last August He was the sole breadwinner and has five children

"We are suffering terribly I worked in the industry for 15 years and now there are no jobs. I don't know what I am going to do"

For Tshandu and thousands of other workers, the relaxation of import duties and the near collapse of Customs and Excise has brought acute misery

The endeavour to resuscitate the Department of Customs and Excise is a hopeful sign, but it appears the Government is doing little else to offer renewed hope for Tshandu and his counterparts – *Africa Information Afrique*

# Conshu steps up sales in spite of rising shoe imports

(187) BD 6/5/96

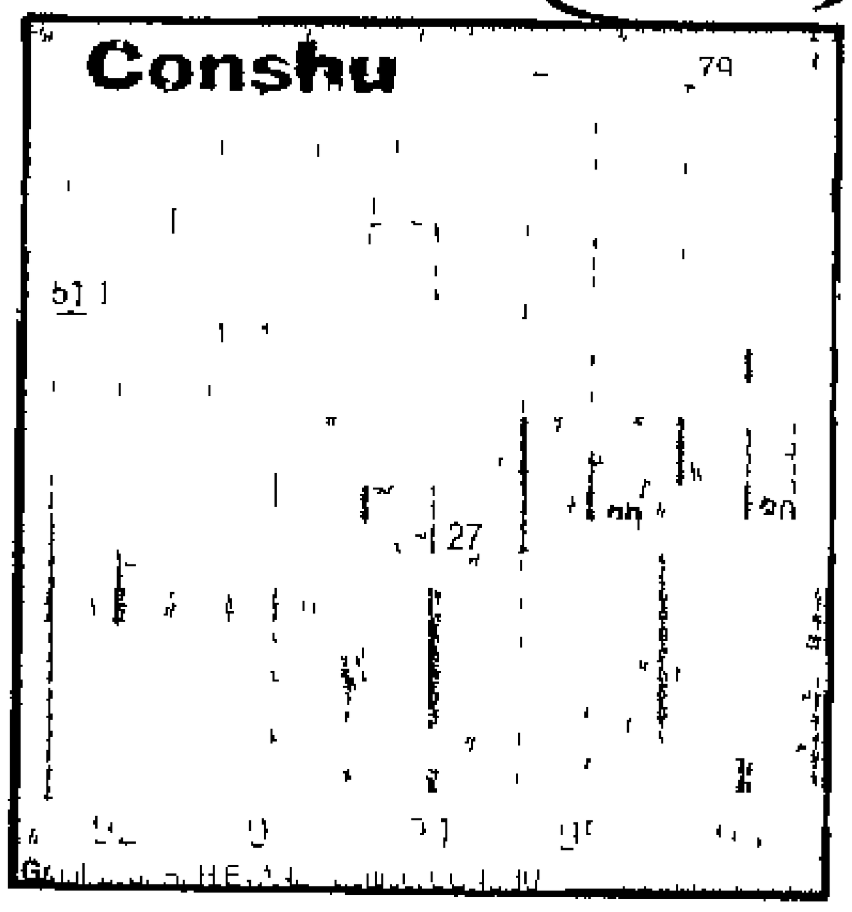
Edward West

FOOTWEAR and rubber products group Conshu lifted attributable profit 5% to R37,8m in the year to March, in spite of tough competition from imports which have resulted in the shutdown of a number of shoe factories

The SA Breweries subsidiary's share earnings climbed 3% to 79c on an attributable basis, while on a cash equivalent basis, share earnings increased 15% to 118,2c A final dividend of 16c (17c) brought the payout for the year to 30c (29c)

CEO Robert Feinblum said the results were "outstanding" considering the state of the local shoe manufacturing industry About 5 000 jobs out of an industry total of 28 000 at the end of last year had been lost in the first three months of this year because of rising imports

Rival shoe manufacturer Amshoe had closed a factory, Badger planned to close a factory and Futura had closed three factories




Conshu's sales climbed 10% to R781,7m in the review period, but trading profit was only 2% higher at R71m Finance costs increased to R12,1m from R9,8m, while taxation was slightly lower at R21,1m from R23,5m

Control of working capital enabled gearing to be reduced to 14% (26%) at year-end, despite a R25m capital investment programme

Strong growth in the first half could not be sustained in the second Aggravating the situation was the increase in imports, assisted by the October removal of the 15% duty surcharge

Legal shoe imports increased to 63,3-million pairs last year compared with 35,8-million pairs in 1994 Shoes on the local market, including local production, amounted to about 121-million pairs last year, but Conshu estimated the market was big enough for about 100-million pairs These figures exclude illegal imports

This overhang of supply was one reason for the softness of the market, Feinblum said Importers stocked up for a strong Christmas season, which did not materialise

Feinblum said the company, which exported R43m of shoes last year, would benefit from the depreciated rand, although over the longer term this benefit could be whittled away be rising inflationary costs Exports totalling R60m-R70m were expected this year

CT (BR) 16/5/96

# Conshu's earnings rise 5%

(187)

By Staff writer

Johannesburg — Conshu Holdings, a leading footwear manufacturer and SAB subsidiary, reported a 5 percent increase in attributable earnings to R37,8 million for the year to March 31 over the same period in last year

Results were affected by the falling consumer demand in the second six months, aggravated by soaring imports and the removal of the 15 percent import surcharge on imported footwear

Attributable earnings a share rose to 79c (76,8c) and on a cash equivalent basis to 118,2c, up 15 percent from 102,8c in the previous financial year A final dividend of 16c (17c) a share was declared, bringing the full dividend for the year to 30c a share.

The company's turnover rose 10 percent, to R781,7 million and trading profit by 3 percent to R71 million Tight control over working capital enabled a reduction in interest-bearing debt by R19,5 million to R33,4 million and nearly halve the debt-equity ratio to 14 percent This was achieved despite a R25 million capital investment to upgrade technology and operating efficiency

Group exports grew 16 percent as a result of success on the industrial footwear front and in the export of rubber products

# Footwear sector 'needs more capital'

(187)

By Shirley Jones

KWAZULU NATAL EDITOR

CT (BR) 29/5/96

Durban — The South African footwear industry needs to invest at least R950 million by 2000 if it is to survive, David Berry, the president of the Footwear Institute of South Africa, said yesterday

Berry described the recent mass closures of large footwear manufacturers as painful but necessary. He said the shoe sector had been regarded as labour rather than capital intensive. A complete reversal of this view would force even the smallest of companies to plough in millions of rands to maintain their local market share, he said

Berry is at the forefront of negotiations aimed at putting together a joint body representing the footwear, clothing and textile federations Discussions began in January at the prompting of Woolworths and it was hoped that a proposal for a joint body would be formulated by next month

Berry said the three industries shared key problems and because of this there had been a strong pull for them to pool resources for some time

He believed the escalation in imports was because of the shortcomings of the footwear industry and the effects of the depreciating rand, rather than the cause of the industry's problems

Berry said most South African manufacturers lacked foresight, especially when it came to training and investment in plant and technology

"Retailers only buy goods overseas when they cannot source locally at the same price or quality," he said

He said that unlike retailers, footwear companies had not responded quickly enough to changed consumer demand

Retailers had put pressure on manufacturers to rethink their ranges, product focus and marketing strategies, he said

# Competition Board to look into shoe deal

(187) ([redacted])

By Stuart Rutherford

CT(BR) 31/5/96

Durban — Conshu Holdings, South Africa's largest shoe manufacturer, is again under scrutiny from the Competition Board for a deal involving Badger, the recently closed Port Elizabeth footwear manufacturer

"We are in the process of assessing the situation and will take a decision on whether to investigate in the near future," Pierre Brooks, the chairman of the Competition Board, said yesterday

Brooks said he did not know at this stage whether the transaction between Conshu and Badger constituted an acquisition as defined by the Competition Act

No comment could be obtained from Conshu — whose principal shareholder is South African Breweries — yesterday But Stan Rosen, the divisional director for the Forward Corporation, which owned Badger, said the deal only involved the sale of trademarks to Conshu

Rosen said the sale would not have a significant effect on the market since the factory only produced 600 000 pairs of shoes a year, of which just two-thirds were under the trademarks.

Brooks said he had received several complaints about Conshu from manufacturers

"People in the market are concerned about these developments, a lot of firms are going out of business and Conshu seems to be the principal beneficiary of such exits," he said

"The fact that it is Conshu alerts the board, if it had been a smaller entity there would be no cause for concern"

Last year the Competition Board rejected Conshu's application to merge with Bolton Footwear on the grounds that the benefits from the transaction did not outweigh the restraints of competition

The Badger factory was officially closed down yesterday.

# Shoe imports see loss of 4 000 jobs

BD 5/6/96 (187)

Jacqueline Zaina

SURGING imports forced local shoe manufacturers to eliminate more than 4 000 jobs — nearly 20% of the workforce — in the first three months of this year

Industry sources said yesterday that although total sales last year had jumped 18,4% to more than R5bn, the growth was all taken by cut price imports, which had risen 83%. Local players have had to close 25 factories, and the Footwear Manufacturers Federation of SA said local production was expected to remain depressed for the first half of this year

Federation figures showed total employment in the sector stood at 22 806 at the end of last year The figure fell to 20 833 in January and 20 208 in February

Federation executive director Dennis Linde said the figure dropped to 18 700 in March

Local production had fallen 31% to 42,6-million pairs from 61,7-million in 1990 In the same period, employment has fallen 32% from about 27 500 workers and a total of 143 factories closed

Manufacturers said the local industry was expected to begin stabilising because production capacity had been so deeply cut

But the federation warned that retailers were overstocked by about 20-million pairs — nearly half last year's local production — which would depress demand until the excess had been depleted

Linde said any improvement hinged on government helping reverse the damage inflicted by Chinese footwear imports which were "killing the local industry", he said The trade and industry department said last week it was considering launching a probe into Chinese imports, using new anti-dumping legislation

But SA Breweries-owned Conshu Holdings CE Robert Feinblum said he feared government intervention might be too late

Feinblum could not say whether the company planned to retrench staff but said "business is very flat at the moment and it is an option one has to consider"

Bolton Footwear MD Sid Finlayson said the surge in imports at the end of last year and the fall off in retail sales had depressed local demand. This caused the sharp rise in retrenchments this year

The company had been forced to implement a "short-time" strategy because there was not enough work to occupy its entire workforce He said the trade and industry department would need to tighten up the loopholes in customs. Unless some sort of quantitative restrictions were included in its efforts to limit imports from China, these would be ineffective

# Futura cutting back to key footwear brands

(187)

By Stuart Rutherford

CT (BR) 6/6/96

Durban — Futura Footwear has embarked on a restructuring programme that will result in the company cutting back on production and focusing on its branded shoes

The company manufactures the North Star, Power and Toughees brands

Tony Carnecky, the managing director, said the decision to operate with a lean structure had been taken after the surge in imports and its drop in market share.

"Futura has decided that the company should concentrate on key product areas, which represent the core of Futura's strength, notably school shoes, industrial footwear, and selected canvas and athletics and leisure footwear.

"Sales efforts will concentrate on these product ranges as well as the internationally recognised branded footwear, including Power branded sports footwear."

Carnecky said Futura had closed its manufacturing unit in Keates Drift, KwaZulu-Natal, in the middle of last month, retrenching 550 people

"We were very aware of the human consequences of this action, but have not found any way of preserving this operation," he said

# Clothing companies fight back

(187) ST (BT) 9/6/96

By MARCIA KLEIN

VARIOUS listed clothing, footwear and textiles companies have reacted strongly to an article suggesting they will not survive the challenges of reduced import tariffs, cheap imports, high interest rates and the phasing out of export incentives

The textile industry is certainly faced with huge competition from cheap imports and has to cope with the reduction of import tariffs over seven years, much faster than the 12 prescribed by the World Trade Organisation It will also have to face the effect of higher interest rates on spending

But some companies have reacted strongly to a Reuter story, published last week in *Business Times*, which says that the number of listed companies in the clothing, footwear and textile sector could be halved in view of these challenges They say the report has affected their relationships with suppliers, customers and staff adversely

The report, quoting Frankel Pollak analyst John Moses, names several companies who are "most threatened"

Dennis Drysdale, the managing director of Ninian & Lester, says his company is a major supplier of socks, underwear and knitted fabrics "and a market leader in the fields in which it operates" It had made a pre-tax profit of R18-million in each of the past two financial years, its financial ratios are healthy and gearing was only 18,5% at end-December

He says the company acknowledges it will be under pressure to compete internationally as duties reduce, "but we believe we shall prove to be one of the companies best able to face the challenge"

Sid Finlayson, Bolton Footwear managing director, says Bolton's taxed profits grew by 15,1% to R5,63-million and attributable earnings did not decline by 73%

He says Mr Moses' implied statement that only those companies operating in niche markets would survive "is an opinion shared by our management and had in fact led us to target specific niches in previously identified markets for several years".

He says the statement that the company might wind down unless it is merged with Conshu is made "without foundation", and that the statement on relative skills is also incorrect

The difference lies mainly in hours worked and the pay rates

Steven Chaitel, the financial director of Adonis Knitwear, says all manufacturers are affected by low-priced imports and high interest rates, but the impression was given that this would lead to the demise of some companies

Adonis, he says, manufactures high quality exclusive men's and ladies knitwear to the top end market, and its Pierre Cardin and Lyle & Scott labels "enjoy particularly good niche markets" while its in-house labels have "excellent market penetration"

BOLTON FOOTWEAR (187)

## FOOTSTEPS IN THE SAND

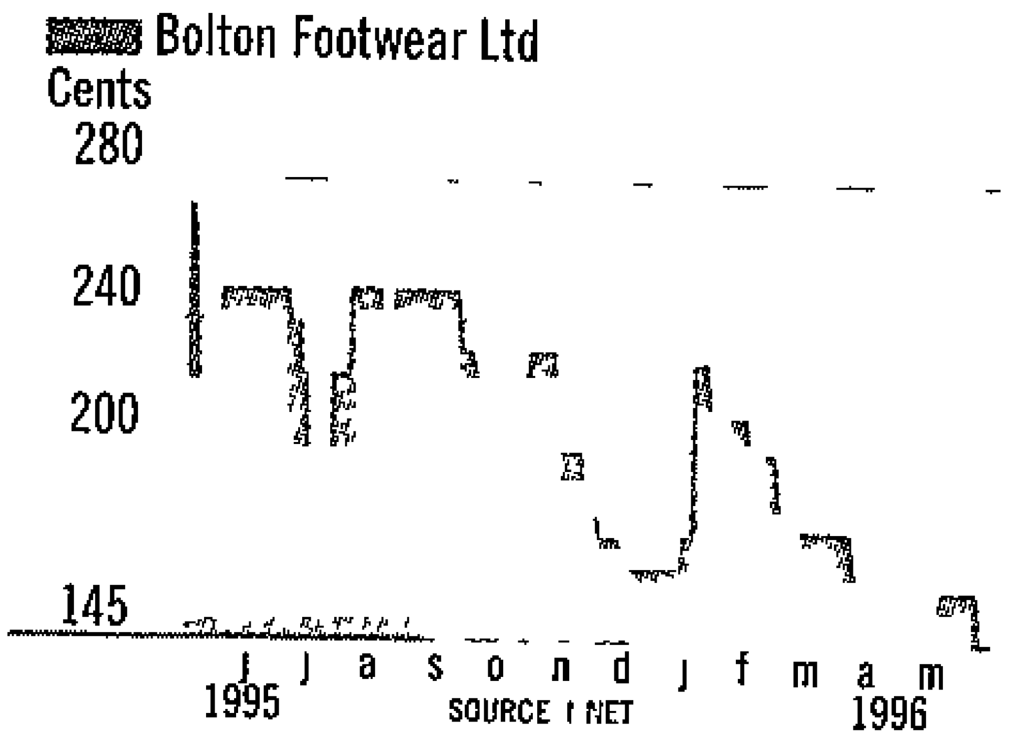
FM 14/6/96

**Considering** the footwear industry's declining import tariffs and rising competition, it is to management's credit that Bolton Footwear both lifted EPS and strengthened the balance sheet in financial 1996 However, that doesn't necessarily make it a good investment

On the face of it, turnover fell and the operating margin narrowed in the year to February But if A&D Spitz is removed from the calculations — it was disposed of during 1995 for about R25m, so this allows a more accurate comparison — sales rose by 22% Margins dwindled from 5,6% to 4,6%, MD Sid Finlayson ascribes this mainly to the absence of the retail division and an increase in lower-margin safety footwear

With the aid of funds from the disposal, interest-bearing debt and gearing halved Interest is now a healthy five times covered But with lower cash generation from operating subsidiaries, this may be difficult to maintain

Though illegal imports are estimated at between 10m-15m pairs a year, Finlayson claims they don't threaten Bolton's niche markets "Illegal imports are still bottom of the market products We target the upper end," he says




The share price almost halved to 150c during the past 12 months Clearly the market is hesitant about the textile and footwear industry But the high followed news of negotiations with SABrews-controlled Conshu

"I believe it was the involvement of SABrews, together with Conshu's perceived large market share, that prompted the Competition Board's refusal of the deal," says Finlayson "I am unaware of other interested buyers But another offer would probably be passed by the board "

Even with less protection, Finlayson reckons there is still a place for the industry "As the number of people with disposable incomes increase, it will pick up again " But with conditions as they now stand, even taking Bolton's low p e ratio of 5,3 into account (Conshu is 5,6), there isn't much attraction in the counter *Michelle Joubert*

**ACTIVITIES·** *Manufactures and merchandises footwear*

**CONTROL.** *Bolton Industrial Holdings 74%*

**CHAIRMAN** *G H Stein MD S R B Finlayson*

**CAPITAL STRUCTURE** *20m ords Market capitalisation R20m*

**SHARE MARKET** *Price 100c Yields 5,5% on dividend, 28,2% on earnings, p e ratio, 5,3, cover, 5,1 12-month high, 275c, low, 100c Trading volume last quarter, 111 000 shares*

| Year to February 28 | '93 | '94 | '95 | †'96 |
|---|---|---|---|---|
| ST debt (Rm) | 21,6 | 27,2 | 12,7 | 6,6 |
| LT debt (Rm) | 1,6 | 0,6 | 0,5 | 0,4 |
| Debt equity ratio | 0,44 | 0,5 | 0,18 | 0,09 |
| Shareholders' interest | 0,56 | 0,5 | 0,67 | 0,68 |
| Int & leasing cover | 1,25 | 2,4 | 3,7 | 5,1 |
| Return on cap (%) | 5,1 | 6,9 | 14,1 | 10,0 |
| Turnover (Rm) | 201,4 | 228,5 | 277,1 | 251,4 |
| Pre-int profit (Rm) | 6,9 | 10,9 | 15,6 | 11,5 |
| Pre-int margin (%) | 2,5 | 3,4 | 5,6 | 4,6 |
| Earnings (c) | 13,1 | 18,1 | 24,5 | 28,2 |
| Dividends (c) | 4,0 | 6,0 | 7,5 | 5,5 |
| Tangible NAV (c) | 264 | 278 | 373 | 393 |

† February 29

CONSHU (187)

## LEARNING TO SURVIVE

FM 14/6/96

**The financial** highlights in this annual report tells two stories The obvious one is about Conshu's performance — turnover up 10% and attributable income up 5% on 1995, EPS and dividend up 3%

On the face of it, disappointing Con-

- **ACTIVITIES** *Manufactures and distributes footwear, rubber and plastic products*
- **CONTROL** *SA Breweries 67%*
- **CHAIRMAN** *L van der Walt CE R Feinblum*
- **CAPITAL STRUCTURE.** *48,3m ords Market capitalisation R214,9m*
- **SHARE MARKET.** *Price 445c Yields 6,7% on dividend, 17,8% on earnings, p e ratio, 5,6, cover, 2,6 12-month high, 650c, low, 445c Trading volume last quarter, 1,2 shares*

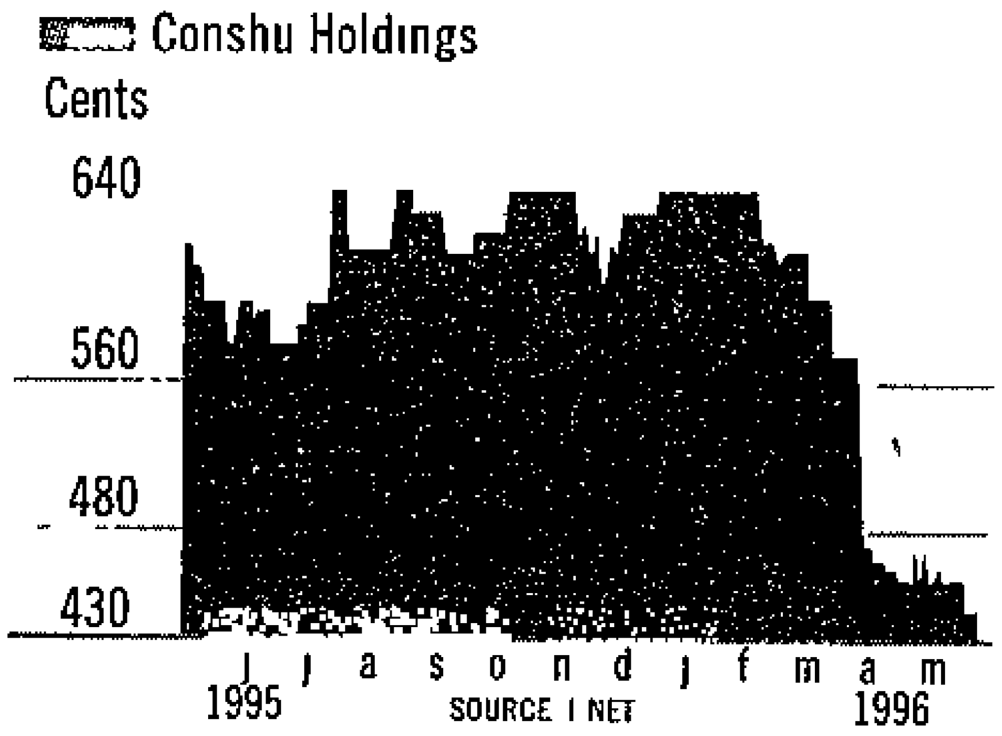
| Year to March 31 | '93 | '94 | '95 | '96 |
|---|---|---|---|---|
| ST debt (Rm) | 12,7 | 28,2 | 40,3 | 11,4 |
| LT debt (Rm) | 39,1 | 22,5 | 12,6 | 22,0 |
| Debt equity ratio | 0,31 | 0,29 | 0,26 | 0,15 |
| Shareholders' interest | 0,51 | 0,51 | 0,53 | 0,57 |
| Int & leasing cover | 4,1 | 5,6 | 7,0 | 5,9 |
| Return on cap (%) | 14,6 | 16,1 | 18,2 | 17,8 |
| Turnover (Rm) | 631 | 687 | 709 | 782 |
| Pre-int profit (Rm) | 47,9 | 55,4 | 69,3 | 71,1 |
| Pre-int margin (%) | 7,6 | 8,1 | 10,0 | 10,0 |
| Earnings (c) | 44 | 53 | 77 | 79 |
| Dividends (c) | 19 | 27 | 29 | 30 |
| Tangible NAV (c) | 336 | 370 | 432 | 472 |

sidering its strengths, Conshu should perform extremely well And, in fact, it has in the circumstances

The underlying story reveals an industry in crisis Many other footwear manufacturers have been forced to close — the latest being Badger But CE Robert Feinblum says "Conshu is a well-structured and well-funded business with excellent asset management and we're not about to go out of business Management is doing its best to cope with this new situation, and I think we'll win "

The fate of the SA shoe industry is in the balance "We don't really know if we're looking at a submerging or emerging industry," says Feinblum

A study due next month, sponsored by




the Japanese Grant Fund and the Footwear Manufacturers' Association and conducted through the World Bank, may throw more light on the matter

But Feinblum believes that there will always be some form of shoe industry in SA driven by "country-specific elements, such as price, fashion and fit," plus a fast response from manufacturer to market

Conshu may eventually have to restructure, but has no intentions of leaving the shoe business Though the past two months have been difficult, Feinblum says orders are coming in again The fad for imported footwear, which blossomed when the import surcharge was removed, is fading as the new rand exchange rate bites and disillusion sets in with some overseas suppliers "Retailers are coming back to earth," says Feinblum "We're local, offer credit and they can return bad quality goods easily "

Operating in the middle to upper end of the domestic footwear market, Conshu is less vulnerable to competition from the flood of imported footwear Its attempts to expand as other companies vacate the market were blocked by the Competition Board Feinblum is disgusted by the treatment meted out to Conshu, which, he says, manufactures about 9m (9%) of the 100m pairs of shoes sold in SA

Exposure to footwear is lessened by the group's involvement in rubber goods (primarily footwear and industrial products for the mining and automotive industries) Each of Conshu's three divisions — Natal and Cape regions and industrial — contributed about a third of group turnover

The recent construction of eight new factories shows management's faith in the long-term future of the business Management expects no improvement in profit for first-half 1997, though "prospects for the year as a whole are modestly better "

The share price reflects the exigencies of the market since March But fundamentals are sound and Conshu has a vigilant majority shareholder in SA Breweries On its record as a survivor in a tough market, the share offers value

*Margaret-Anne Halse*

# Shoe imports cripple local market

Jacqueline Zaina (187)

IMPORTED shoes accounted for more than half the local market following the surge in imports last year, the Footwear Manufacturers' Federation of SA said yesterday.

Industry sources said recently that although total sales last year had increased 18,4% to more than R5bn, the growth was primarily in the market for cut-price imports, whose sales had surged 83%. BD 19/6/96

The federation said in its 1995/96 annual report footwear from China and Hong Kong alone had 42,9% share of the SA market.

Director Dennis Linde said that at the beginning of this year the number of orders received by members had dropped 47% from the level for the same period last year. This resulted in a further 14,5% decline in production in the first two months of the year.

The situation had forced manufacturers to cut 4 000 jobs within the first three months of the year.

Production had fallen 31% to 42,6-million pairs from 61-million in 1990, its lowest level since 1975, and employment in the industry was at its lowest since 1963. At about 19 210 workers, this represented a 32% decline over the past six years. A total 143 factories had closed during the period, 25 of which were shut down last year.

The federation's many proposals to government pleading for measures to halt the collapse of the industry had had little effect. The state had proposed the introduction of a voluntary export restraint agreement with China, but this had not materialised.

Although the federation had been able to prove dumping, matters of a "highly technical" nature had prevented the Board on Tariffs and Trade from proceeding in terms of the body's petition for antidumping duties on footwear from China and Hong Kong.

# Footwear industry planning framework for survival

(187) BD 24/6/96

Hilary Joffe

A STRATEGIC blueprint for the SA footwear industry, due to be completed next month, is expected to indicate how the industry can restructure to become globally competitive In an industry where over the past five years employment has fallen by a third, 143 factories have been closed, and production has fallen to its lowest level in 20 years, the manufacturers and trade unions backing "Footplan", as the study is dubbed, will be looking to it as a framework not merely for change, but for survival.

The local industry has been battling for some time to compete with cheap imported shoes But the damage has escalated over the past year

Imports rose by 77% in 1995, according to the Footwear Manufacturers' Federation For the first time, there were more foreign than locally made shoes on the SA market: 63m pairs were imported, against SA Customs Union production of 58m pairs (down from 88m in 1989) Imports' 52% market share last year compares with 1990, when only one eighth of SA's shoes were imported

Most of last year's increase came from China and Hong Kong, whose exports more than doubled, bringing their share of the SA market to 43%

The figures reflect only legal imports – local manufacturers believe huge volumes are also being smuggled in.

The import surge, combined with slowing consumer spending, has had dramatic effects By the end of last year retailers were estimated to be holding excess stocks of about 17,7m pairs (the market is around 100m pairs) and the federation found local manufacturers' order books in January were 47% down on a year before As a result, production in the first quarter was 15% below its 1995 level And about 2 700 further jobs were lost, cutting employment to 19 210, its lowest level since 1963 according to federation figures

Most of the industry, which is concentrated in KwaZulu/Natal, with some factories based in the Cape, is working short time, says Robert Feinblum, executive chairman of Conshu and ex-president of the federation

Recent results from JSE listed companies reflect the trends. Industrial group Lenco, which reported annual results last week, said it had closed or disposed of all but one of subsidiary Amalgamated Shoe's factories Forward Corporation footwear subsidiary Badger has also closed down

And recent March year-end results from SA Breweries-held Conshu, SA's largest footwear manufacturer with annual output of about 9m pairs, showed the group's business took a turn for the worse in its second half, despite its focus on the middle to upper end of the market The 20% turnover growth and widening margins shown at interim stage were not sustained and attributable earnings were up only 3%, on turnover which grew by 10%, for the year Conshu's compound annual earnings growth has averaged only 5,7% since 1990 Smaller niche manufacturer Bolton, whose proposed merger with Conshu was stopped by the Competition Board last year, managed to raise turnover by 22% and trading profit by 15% in its year to February But this brought Bolton's earnings per share to 28,2c, just higher than its 1991 figure of 25,2c

Government's decision to phase down protective tariffs to bring SA in line with GATT has worsened the industry's woes But it did not cause them

Behind the import figures is the huge growth of the labour intensive footwear industry in the People's Republic of China, which now accounts for 66% of world production — against 38% five years ago Europe and the US have import quotas for Chinese shoes which are strictly enforced This leaves markets such as SA's as soft targets.

This is particularly so given growing demand for cheap shoes· imports from China and Hong Kong were landed last year at an average f o b price of R7,88 a pair (the average for all imports was R9) SA manufacturers cannot meet demand from retailers for shoes selling at under R40 and the poor need shoes, says Feinblum. He notes that in 1990 (the latest date for which comparisons are available) Chinese wages averaged US20c an hour, with each employee producing 3 750 pairs a year against this the SA figures were US$2,27 and 1 708 pairs per person a year

Tariff cuts contributed further to the import deluge Chief of these was the abolition last January of the R3 and R5 specific duties, which the FMF argues were effective in controlling imports at the bottom end of the market

Ad valorem duties on non-leather footwear were reduced by 5% from January this year and are being phased down from 50% to 30% over four years· duties on leather footwear are already at the 30% GATT level

A federation proposal for an import quota on Chinese footwear, along European Union lines, was rejected by government on the grounds that customs and excise would not be able to police this. The department of trade and industry has proposed introducing a voluntary export restraint agreement with the People's Republic of China (an agreement would provide a negotiated quota, controlled via export certificates issued by Beijing) But nothing has materialised, federation director Dennis Linde said last week

The federation also applied last year for anti-dumping duties on footwear imported from China and Hong Kong, and was able to prove dumping. However, Linde said, "highly technical" matters prevented the department from proceeding with its investigation Linde last week urged government to expedite implementation of measures such as the restraint agreement and to reinstate specific duties and quotas

Feinblum called for more up-to-date import statistics, to enable better planning by manufacturers — the most recent figures are six months old And he urges enforcement of the "country of origin" stamp on all imports which is required in terms of the GATT agreement but is not being enforced by SA

On the positive side of SA's re-entry to the global footwear market, the industry's exports rose from zero in 1991 to 3,9m pairs in 1995 Conshu in its latest year recorded a 16% increase in exports, which now make up 7%-8% of turnover. Industrial footwear exports were particularly successful, rising by 66%

Feinblum believes the SA footwear industry will survive, in smaller, stronger form, although there may be further rationalisation, with "heartbreaking" costs in terms of jobs The bottom end of the market, where price is all important, will go to imports The market which will remain for SA manufacturers will be more fashion-orientated and stylish

He describes prospects for this year as "moderate". Orders have started coming in as excess stocks move out of the system As some of the retailers go back to dealing with local suppliers who can offer better fit and faster response times, the market may stabilise, albeit at lower levels

# Shoe industry begs for lifeline

(187)

## *Foreign footwear 'stomping on local production'*

ARG 27/6/96

Business Reporter

FOREIGN footwear is stomping on locally produced shoes to the point where manufacturers are begging for a "lifeline" from the government

"Unless urgent steps are taken to halt the flood of imported footwear from countries like China and Hong Kong, further factory closures and job losses are imminent," says the Footwear Manufacturers' Federation of South Africa

Footwear imports increased by 76,6 percent in 1995 compared to the previous year, overtaking local production for the first time, according to a report from the FMF

Foreign footwear now accounts for 52,1 percent of the local market Footwear from China and Hong Kong alone enjoys a 42,9 percent share of the South African market

FMF director Dennis Linde said there was a drop of 47 percent at the beginning of 1996 in the order position of the organisation's members compared with 1995 As a result, for the first two months of 1996 production fell by a further 14,5 percent compared with the same period last year

In 1995 production dropped to its lowest level since 1975

This had led to the closure of a further 25 factories, bringing total closures since 1989 to 143, with employment at its lowest since 1963, standing at 19 210, compared with 27 500 in 1989

Mr Linde said the FMF's many deputations and proposals to the government pleading for measures to halt the collapse of the industry had had little effect

"The state itself acknowledged that the problems facing the footwear sector deserve serious consideration and put forward its own proposals, which included the introduction of a voluntary export restraint agreement with China," he said

"Yet to date none of their proposals has materialised "

He urged the government to implement measures such as the voluntary export restraint agreement and to reinstate specific duties and quotas

Mr Linde said trade unions could contribute to the upliftment of the industry by encouraging members to become more productive through participation in new education and training programmes and by ensuring that in labour matters manufacturers were allowed to operate under conditions which permitted greater flexibility

(1827)

## DOWN AT HEEL

FM 28/6/96

**High wages,** low productivity the catch-all phrase which best describes the predicament of SA's manufacturing industry The point was rammed home this week when the Footwear Manufacturers' Federation released its annual report

Footwear imports up 77% over the previous year resulted in a drop of 47% in orders for local manufacturers Lowest production levels since 1985 led to the closure of a further 25 factories, bringing total shutdowns since 1989 to 143

The litany goes on Employment levels at their lowest point since 1963 — 19 210, compared with 27 500 in 1989

The association is blaming Far Eastern manufacturers — China and Hong Kong — who, it claims, now account for a 42,9% share of the local market

The situation is compounded by a flood of smuggled goods

What has gone wrong? The answer is simple Apart from the lowering of tariffs and smuggling, the industry has been hit by the SA maxim more pay for less work

Using figures for 1990 the association says Chinese wages averaged US20c an hour with each employee producing 3 750 pairs of shoes a year SA figures were US$2,27 an hour and 1 708 pairs per employee per year

Last year, Far Eastern imports were landed at an average fob price of R7,88 a pair — the average for all imports was R9 a pair The average price for a pair of locally manufactured shoes in the same range was about R20

But sanity appears to have returned to the industry Its final round of wage negotiations this week saw the union settle for a 7,75% increase across the board, from an original demand of 20%

Association director Dennis Linde says though the union "took its time" in reaching agreement, the gravity of the situation was not lost on members The employers, Linde says, are "reasonably comfortable" with the settlement

Seen against the background of government's latest suggestion of wage restraints, the association's figures take on a grim reality that cannot be disputed

Cosatu must take cognisance of the situation in just about all manufacturing sectors and throw its support behind government's attempt to save labour from itself It should bite the bullet, not the hand ■

# Footwear sector study wants import duties reconsidered

(187) LT 23/7/96

By Jon Beverley

Durban— Import duty will feature prominently in a study that has been conducted on the footwear industry The study will be made public in September, after being submitted to Nedlac for approval

Peter Buglass, a management consultant for the National Productivity Institute, told a meeting of the Footwear Institute yesterday that the study would be submitted to Nedlac soon

The study was conducted under the aegis of the trade and industry department.

Buglass said the footwear industry was in decline, with 140 factories having closed in the past five years. The number of jobs has sunk from 35 000 to 28 000 and output has dropped from 88 million pairs to 58 million

Buglass said imports of shoes had climbed from 12 million to about 63 million in the past five years. Another 10 million smuggled pairs were in the market

Retailers estimated market consumption to be about 100 million pairs a year But there were 18 million pairs overhanging the market, which consumers would have to buy to restore the balance

He said that the rapid reduction of protective import tariffs had affected the industry and that South Africa appeared to have cut tariffs faster than required

The study examined strategies that the government, industry and labour could adopt for the sector.

The government would have to examine export support, import control and tariffs on imported footwear and other materials the industry needed, he said Macroeconomic issues such as export processing zones, cheaper investment capital and the need to "buy South African" also had to be dealt with.

The footwear industry would have to consider rationalising industry bodies from tanneries to retailers, maintaining an export data base and improving relations in the industry and with retailers

# 'Government tardiness hurts industry'

CT (BR) 6/8/96 (187)

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Decision-makers in the government are paralysed by the obligation to make decisions in the open and are soft-pedalling on issues confronting industry, Doug de Jager, the chairman of Lenco Holdings, said at the annual meeting yesterday

He said the government should act quickly when a business was in trouble "You don't correct it by a lengthy process of appointing committees, holding inquiries and meetings"

He said the developments that had led to last year's sale and liquidation of parts of Amshoe, Lenco's shoe manufacturing operation, were a prime example of the damage caused by delays

He said the shoe industry had long pleaded for the reintroduction of a minimum duty in the face of a flood of cheap imports

"The plea fell on deaf ears and thousands of jobs were lost Now the minimum duty is being reintroduced For whom? The low-priced sector of the industry is no more"

He said Lenco, which has sizeable clothing manufacturing interests, had lost production in the recent clothing industry strike and union members effectively lost 2 percent of their wages

"That was the difference between the 8 percent offered by the employers and the 10 percent demanded by the union," he said

# Satour pins its hopes on White Paper

CT (PR) 6/8/96

By Audrey d'Angelo

Cape Town — The South African Tourism Organisation (Satour) urgently needed its R488 million in government funding to be increased by at least 18 percent to counteract the effect of the weaker rand, Mavuso Msimang, its executive director, said yesterday

He and his staff were pinning their hopes on a White Paper on tourism, which identified "inadequate resources and funding" as a major constraint on Satour's marketing of South Africa as a tourist destination

The White Paper recommended "an urgent review of the government's contribution"

A spokesman said yesterday "We hope this will be approved very early on in the next session of Parliament

"Even an 18 percent increase would only return our budget to the real level of the one we had in April, that would still be far less than that available to our overseas competitors The Australians spend about four times as much as we do"

Msimang said that although tourism was regarded as a vital industry "the number of foreign tourists arriving in South Africa by air has shown an increase of only 0,2 percent during the first five months of this year".

The number arriving from Europe rose 5,1 percent and from North America 6 percent. But there had been a fall of 9,8 percent in arrivals from Asia and the Middle East, 6,2 percent fewer arrivals from other African countries and 26,3 percent fewer from Central and South America

PROTEA FURNISHERS (187)

## READY FOR EXPANSION

FM 9/8/96

**This** is Profurn's first half-year results since trading as a cash retail store It departed from the furniture sector's traditional credit business when it sold its debtors' book in SA to Firstpref at the start of 1996

This makes comparisons with 1995's interim period difficult, though management reckons the new structure is working well and that its forecast 35% increase in headline EPS for the year is within reach

The new method of doing business did result in some transitional problems in the branches Walker says these have now been resolved Credit staff now answer to Firstpref, which pays Profurn the cash price of sales each month

This also means Firstpref profits from the finance charges on credit purchase deals, another complication in comparing 1995 and 1996s interim periods Theoretically, Profurn's deferred tax provision on credit sales becomes a liability from this year But financial director

**MORE PROFIT FROM TRADING**

| Six months to | Jun 30 1995 | Dec 31 1995 | Jun 30 1996 |
|---|---|---|---|
| Turnover (Rm) | [illegible] | [illegible] | [illegible] |
| Operating [illegible] (Rm) | [illegible] | 48,2 | 17,2 |
| Attributable (Rm) | 8,1 | 14,0 | 11,4 |
| Earnings† (c) | 1,9 | 5,1 | 2,4 |

† Diluted headline earnings

Gavin Walker says alternative timing differences will lead to equivalent benefits

Also, changes in neighbouring State tax policies — in which Profurn's Supreme chain operates — led to a reduction of Profurn's effective tax rate last year relative to the first half of 1996 Walker reckons the disparity won't be as material for the full trading year Another gain is the reduced interest bill, Profurn has paid off borrowings and converted debentures

Walker says despite initial operational hiccups, the relationship with Firstpref is going well. "Soon Firstpref will introduce no-deposit business, in line with many competitors," he says "It has increased the repayment period of Profurn customers to the maximum of two years in some areas For VIP customers, it has reduced the percentage of monthly instalments required to pay off goods in relation to their incomes"

He adds that in tough retail conditions this is making it easier to conclude deals with customers

One of the main aims of the debtors' book disposal was to use the cash to fund expansion The group is committed to opening 50 stores this year, 21 had been opened by end-July Surplus funds of about R100m are invested in the money market

For the record, turnover increased by 20% to R174,6m compared with the same period last year Walker says the cash selling price of sales increased by 38% for the same period Half-year attributable earnings climbed by 42%, and diluted headline EPS rose by about 26% The second half is traditionally the stronger trading period

Trading at 105c on a p e ratio of 12,5 (sector average 11,6), Profurn isn't cheap If the directors are accurate in their EPS forecast of 9,45c for the year, the counter's forward p e is 11,1 On these figures, share price growth will probably be modest but the fundamentals appear sound *Michelle Joubert*

# Import duty 'is crippling the shoe industry'

(187)

By Stuart Rutherford

CT(BR) 16/8/96

Durban — Footwear manufacturers in South Africa face a loss of R100 million a year, because of the introduction two months ago of a 16 percent duty on imported leather.

The Footwear Institute of South Africa said the duty was being imposed on whole bovine skin leather of less than 2,15m², which was vital to the industry and had been duty free until now

Noel Amery, the institute's vice-president, said this duty was crippling imports of buffalo leather, which was used in between 60 and 65 percent of all local shoes

Amery said if they persisted with this, the industry would no longer be able to afford to use this material and up to 60 percent of the footwear industry would have to close overnight

The customs and excise department said this duty was only being charged on leather entering the country that had been deliberately trimmed to look like whole skins, to avoid paying duty

David Berry, the institute's president, said he was aware that there had been someone who had trimmed skins in this way, but the rest of the industry was acting with integrity

"The industry will not withstand this impact, if we could get the increases out of the retailers they would have to pass on an increase of R40 to R50 per pair of men's shoes to consumers, once mark-up had been taken," Berry said

He said many manufacturers could not recover the additional cost because their contracts had been negotiated six to 12 months in advance

B. ry said the institute had teamed up with the Footwear Manufacturers Federation of South Africa, the first joint venture of this kind between the two They discussed the problem with the customs and excise department in Durban and prepared a report stating their case.

He said they hoped to meet officials from customs and excise in Pretoria next week to get the duty removed immediately.

"During the course of the discussions with customs and excise it came out that they did not have the expertise to determine what we were talking about The institute has offered its services to the department of customs and excise to train inspectors for the industry," said Berry.

At this stage the duty was being imposed only on cargo entering the Durban harbour, and air freight into Johannesburg, a situation Cecil Gaze, the director of customs and excise, could not explain

CT (PTR) 16/8/96

# SA Bias earnings fall dramatically

(184) (187)

By John Soderlund

Johannesburg — SA Bias Industries, a clothing and footwear company, said yesterday that earnings a share in the six months to June 30 fell to 4,8c from 17,7c in the same period last year, in what it called "very poor" conditions in the clothing and footwear industries.

Turnover was static at R118 million and attributable earnings fell to R1,4 million from R5 million last year. The company said it expected its performance to improve in the second half of the year, but said full-year earnings a share before exceptional items would be below the 43,3c posted last year.

Sabhold, which owns 62 percent of SA Bias, said earnings a share after exceptional items in the six months to June 30 fell to 8,3c from 21,3c in the same period last year.

NE'

*Customs and excise reverses decision after pleas from shoe producers*

# Customs backs off skins duty

CT (BR) 27/8/96 ~~13~~ (~~...~~) (187)

By Stuart Rutherford

Durban — The customs and excise department has backed down and decided not to charge duty on whole bovine-skin leather of less than $2,15m^2$ provided importers have only trimmed off unusable areas, customs and excise commissioner Cecil Gaze confirmed yesterday

This decision follows appeals from the Footwear Manufacturer's Federation and the Footwear Institute of South Africa to remove the 16 percent duty on whole bovine leather of less than $2,15\ m^2$, which was introduced two months ago

The Footwear Institute said the duty was crippling imports of buffalo leather, which was used in between 60 and 65 percent of all local shoes, and would have cost footwear manufacturers R100 million a year

The imposition of the duty was the result of certain importers deliberately trimming leather to make it look like whole skins to avoid paying duty

David Berry, the president of the institute, said while there had been someone who had trimmed skins in this way, the rest of the industry was acting with integrity He appealed to manufacturers to make sure their sources were bona fide, and principled, to ensure that this type of thing did not happen again

Gaze said customs was prepared to accept as duty-free whole skins from which unusable areas had been trimmed

"This office appreciates that importers pay for leather on the basis of the square footage supplied and are loath to pay for leather which, for the purposes of producing footwear, is not usable"

He said in cases where duty or a deposit had been charged incorrectly on leather, it would be paid back, but the onus would be on the importer to satisfy controllers of customs and excise that goods declared were in fact whole

"In this regard, the testimony of impartial technical experts, such as may be found at tanneries, for example, would hopefully assist This, however, is a matter to be taken up and negotiated, in the first instance, with the controllers concerned," he said

**BOOTS BY HANDS** *Bruce Toerien and Rob Montgomery, partners of Cobblers, a Durban-based shoe manufacturer*

(187)

# At long last, shoes by last, and made to last

CT(BR) 25/9/96

By Stuart Rutherford

Durban — Two Durban entrepreneurs are showing just how to make it in the difficult South African shoe market They are producing leather footwear using production techniques, which date back to the Second World War

Rob Montgomery, a partner of Cobblers, said the labour-intensive method of production was so effective that he hoped to develop Cobblers into a franchise operation throughout the country

"We started in 1989 buying and selling shoes When we found the market needed something better than we were selling we started selling made-to-order sandals," said Montgomery

The staff does virtually all of the manufacturing by hand at their factory in La Lucia, north of Durban, and produce a range of sandals, boots and shoes, which are sold at the premises The only mechanical aids used are one cutter and several sewing machines

"People can come in and specify colours, size and the leather they want used Because it is hands-on and the quality of the raw material is better than most shoe factories', they are made to last"

The company produces about 430 pairs of shoes a month and supplies all the flea markets in Johannesburg and Durban, as well as co-operatives and the police

"Because we sell direct to the consumer we can work on 70 to 100 percent profit"

Montgomery said much of his product was for the outdoor market, but he was looking at supplying sandals and school shoes

# Imports dissolve Conshu's profit level by more than half

(187) BD 7/11/96

Edward West

CONSHU Holdings' attributable profit level slumped more than half to R8,2m in the six months to September after surging imports severely affected the footwear industry, resulting in nearly 6 000 job losses

Share earnings fell to 17c from 41c The interim dividend was lowered to 6c from 14c. CE Robert Feinblum said retailers were reporting lower trading activity and earnings for the full financial year were unlikely to exceed the previous year's R23,3m

Turnover was 2,4% lower at R396,5m with trading profit dropping 108% to R18,1m from R37,6m Finance charges fell to R4,9m from R5,7m. Tax dropped to R5m from R12,5m The balance sheet was relatively healthy with gearing at 34% from 37% at the same time last year.

Feinblum said there were signs the customs department was clamping down on customs fraud, but the continuing increase in legal and illegal imports had caused a 16% slump in local production this year

The industry was expected to produce about 35-million pairs of shoes this year, compared with as much as 65-million pairs a few years ago Nearly 65-million pairs were imported into SA last year, he said

Conshu's sales volumes fell 10% and there was an abnormal increase in the cost of raw materials owing to the weakening of the rand. The combined effect eroded margins

Imports and uncertainty about the award of state contracts, made earnings forecasts for the second half difficult

# Imports put hole in Conshu profit

CT(BR) 7/11/96 (187)

**Marc Hasenfuss**

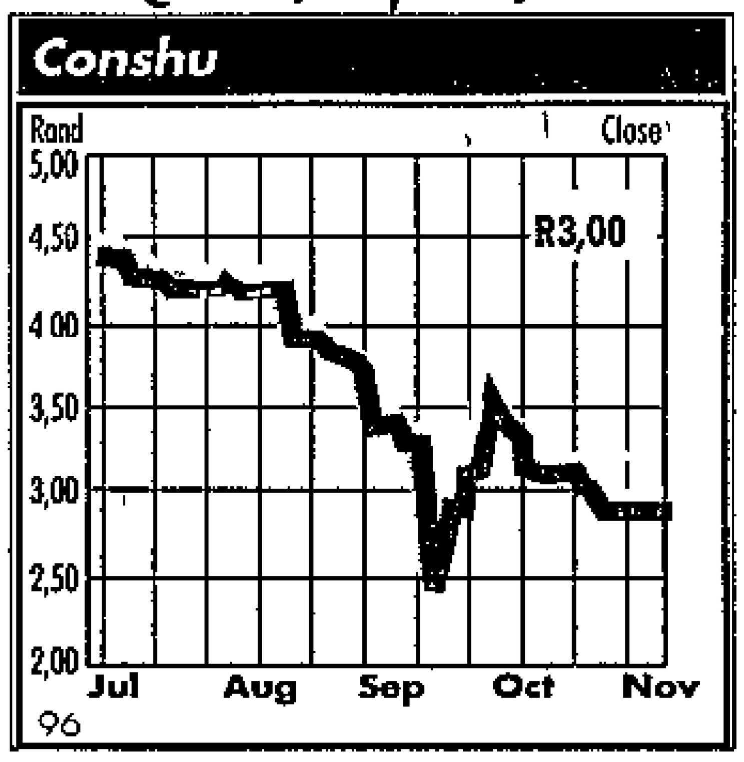
CAPE EDITOR

Cape Town — The march of footwear imports saw bottom-line profit for Conshu Holdings, the SA Breweries subsidiary, worn down by more than half to R8,2 million for the six months to September 30

A second half recovery seems unlikely, with indications from company directors that full-year earnings will fall well short of the previous year

Interim earnings a share came sharply lower at 17c (previously 41c) a share, with the dividend payout slashed by more than half to 6c

Laurie van der Watt, the chairman of Conshu, noted that the domestic footwear industry had been severely affected by the ongoing surge in imports, which caused local production to slump 16 percent this year




He said Conshu's sales volumes had decreased 10 percent in the period under review while an additional blow was an abnormal increase in the cost of raw materials, mainly owing to a weakening rand exchange rate

This was reflected in a slim 2 percent increase in turnover to R396,5 million and a marked drop in operating margins from 9,26 percent to 4,56 percent, which resulted in trading profit slumping from R37,6 million to R18,1 million

Looking ahead, Van der Watt warned that current trading conditions made it difficult to forecast earnings for the full year

He said the level of imports approximated 70 percent of the total market, with uncertainty regarding the award of state and parastatal contracts

"It is clear, however, that earnings for the full year will continue to fall well short of those for the previous year"

Van der Watt said that despite working capital needs absorbing R40 million, Conshu's balance remained strong

# Shoe-industry plan to focus on supply side

(187)

STUART RUTHERFORD

CT(BR) 14/11/96

Durban — The Footplan, the soon-to-be-released rescue strategy for the footwear industry, will probably recommend supply-side measures rather than tariff protection for the ailing industry, Dennis Linde, the director of the Footwear Manufacturers' Federation of South Africa, said this week

He said at a seminar organised by the Footwear Institute of South Africa that the plan would probably be released early next year, and the federation was hoping for some government action next year

The federation initiated the plan in 1992 against the background of lower tariffs and the need to restructure the industry to become globally competitive The plan became part of a cluster study sponsored by the Japanese Grant Fund since last year

# Workers stage sit-in over liquidation

(187) BD 18/12/96

Bonile Ngqiyaza

SCORES of Crosskeys Security employees held a sit-in at the company's headquarters in Johannesburg yesterday, protesting against the firm's liquidation and workers being retrenched

The company — formed through a joint venture between Transnet and Securicor — had been in operation for slightly more than a year, MD David Beaton said

He said the company would be liquidated on December 31 and details would be issued after consultation with shareholders Transnet and Securicor, and workers

Beaton said the 650 security guards employed by the company had been notified in August about the liquidation

Workers' representative Thulani Maphumulo said staff had been kept in the dark about the details of the liquidation and their severance packages

He cited previous incidents in which staff had not been paid on time

*Production falls 16% while imports rise 55%*

# Footwear output hits the floor

(187)

CT(BR) 20/12/96

**Stuart Rutherford**

Durban — Production in the beleaguered footwear industry fell to the levels of the 1970s this year, with 35 million pairs of shoes produced, down 16 percent from last year, Dennis Linde, the director of the Footwear Manufacturers' Federation of South Africa, said yesterday

Despite the depreciation of the rand, in the first eight months of the year imports rose 55 percent to 47 million pairs, helping push employment to a fresh low of 18 000, from 22 000 last year, Linde said

Noel Amery, the vice-president of the Footwear Institute of South Africa, said retail sales would have to be excellent over Christmas to clear overstocked chains and fill empty order books

"My opinion," he said, "is that we can expect a further shrinkage of between 5 and 7 percent (in production) and then those that survive through the winter (season) will probably be strong enough to survive into the future"

In KwaZulu Natal, which accounted for about 70 percent of the industry, he said, there were reports of Crispian Shoes and Suntime Footwear Manufacturers closing down, and Michelle Footwear and Elefante Shoes downscaling

Peter Broughton, the managing director of Crispian, said yesterday that his company produced about 700 pairs a day and the lack of support from the retailers had killed its business

"I would say that the most vulnerable is the large factory, dependent on the volume orders from the chain stores," Amery said "So the danger is not closures, it is downsizing."

Linde said he thought the industry had now hit bottom He did not expect any large retrenchments or closures around the Christmas shutdown period, which lasts about four weeks

"It is normal that people open up in the new year with slightly fewer people than when they closed, because that was the high period, preparing for summer"

Linde said he hoped the imposition in July of a specific duty of R5 a pair on shoes worth less than R10 would help stem the flow of cheap imports

"I feel a bit more bullish than one year ago, things have more or less settled and we have hit the bottom," he said "It is now a question of looking to the future and hoping things improve."

The footwear federation is running a programme called Footplan, which is a rescue strategy for the industry It is scheduled to present its findings to the National Economic Development and Labour Council in February

Linde said proposals for the industry would then be delivered to the trade and industry minister with the aim of getting some kind of government action during the course of the year

*Production falls 16% while imports rise 55%*

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(187)

Star 20/12/96

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MANUF. – FOOTWEAR

1997.

# Union warns Conshu on large-scale retrenchments

CT (BR) 3/2/97 187

STUART RUTHERFORD

Durban — The National Union of Leather Workers (NULW) has warned Conshu Holdings, the largest footwear manufacturer in South Africa, that its failure to consult labour about impending downsizing and retrenchments will thrust it negatively into the national spotlight

Colin Hartley, the co-ordinator of the Pietermaritzburg NULW branch, said that whenever there was a problem Conshu always decided to retrench without exploring other avenues with labour

"If management were to approach us in time, the workers would be in a situation to suggest how the problem could be addressed. They think workers are lazy and unproductive, but Conshu has a top-heavy management structure."

Hartley said the fact that Conshu only announced its intentions to dismiss in January meant that workers had entered the Christmas period with the expectation that there would be jobs waiting for them, and ran up huge debts Last week, the company announced it would be retrenching as many as a thousand workers, following production falls of 16 to 17 percent last year

Robert Feinblum, the chief executive of Conshu, said on Friday that if board approval was given to the plan this week, the retrenchments would begin as soon as possible

However, the union claims the retrenchments are already under way, with 175 people retrenched at Eddels, in KwaZulu Natal, and another 160 people laid off at Jordan, in the Cape, during January

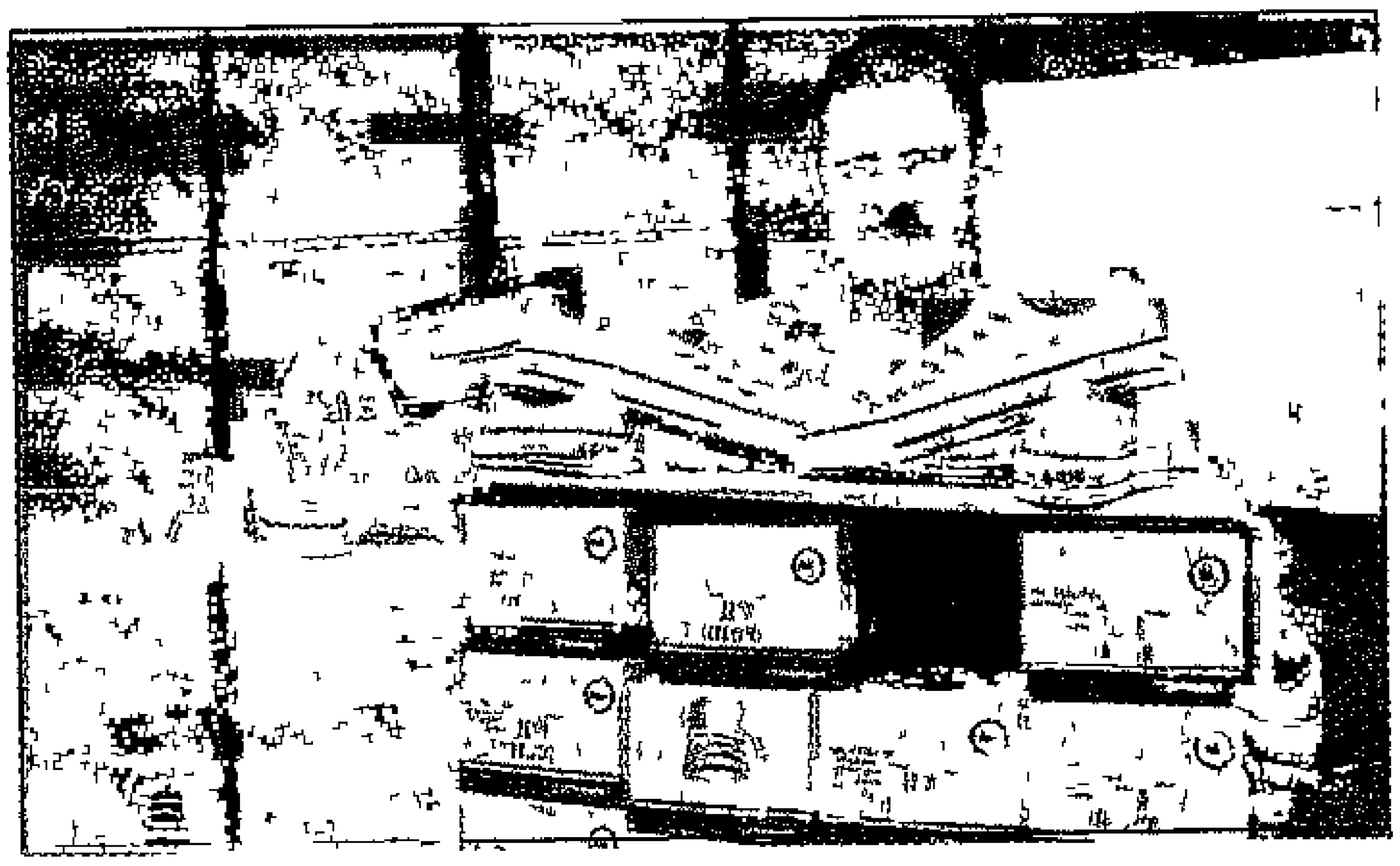
The union also claims that Conshu has informed it that it plans to close Dick Whittington, in Pietermaritzburg, which employs about 500 workers An industry source said Conshu planned to amalgamate Dick Whittington into Richleigh, another Pietermaritzburg factory

Feinblum confirmed the company was considering closing Dick Whittington

## Conshu to retrench 290 workers (187)

Conshu Holdings, South Africa's largest footwear manufacturer, is to retrench 290 workers at Dick Whittington in Pietermaritzburg, Robert Feinblum, the chief executive said yesterday. He said it had been agreed in conjunction with the unions to "rightsize" the operation — a measure which could be the precursor to rationalisations at other plants. Conshu, which is 67 percent-owned by South African Breweries, has a workforce of 7 500 and has eight factories. — Shirley Jones, Durban

CT(BR) 7/2/97



**SNEAKING SUSPICION** *Lappies Labuschagne, the investigating officer, with the confiscated shoes* PHOTO ROBERT D'AVICE

# Customs officials seize 20 000 pairs of shoes

CT (BR) 13/2/97 (187)

**Shirley Jones**
KWAZULU NATAL EDITOR

Durban — Customs officials in Durban yesterday nabbed two 40-foot containers filled with 20 103 pairs of Convertex running shoes, with a street value of R4 million.

Importers of well-known footwear brands such as Convertex, LA Gear, Reebok and Fila are losing hundreds of millions of rands each year to clandestine importers who infringe the Copyright Act

Investigators say Durban is the main port of entry for shoe consignments, which are either grossly undervalued so as to avoid customs duties or infringe the Copyright or the Merchandise Marks acts

In this instance the importer, Zamo Trading in Boksburg, turned out to be fictitious and had supplied a false address Customs said that Mohammed Jhabbar, the trader who had allegedly brought in the shoes and who runs a company known as Zamdock, trading as Sedgars, is not the official licence holder for the US brand in southern Africa

First-time offenders claiming ignorance get away with a R1 500 admission of guilt fine and can remove their goods for sale, provided all labels or markings are removed

However, this does not simply involve snipping off cardboard labels and taking the shoes out of their boxes An official said that often labels had to be stripped off the heels, ripped out of the insides, dug off the rubber soles or cut off the tongues of shoes, completely destroying their retail value

This had applied to a R500 000 consignment of Convertex shoes brought in by a different importer in December A further consignment stopped at the end of last year, worth about R3 million, remains unclaimed in a state warehouse

# Footwear imports to be controlled from next month

ARG 13/3/97 (187)

Import controls on footwear from countries outside the World Trade Organisation (WTO) are to be introduced from next month so as to give some breathing space to the domestic footwear industry

The Department of Trade and Industry said Minister Alec Erwin had decided to give the industry time to restructure and to prevent further job losses

Footwear imports from countries outside the WTO, such as China, Taiwan and Vietnam, will be restricted to 15 million pairs compared to about 40 million pairs in 1996, the department said

Cheap footwear imports had led to a drop in domestic production of 24 percent from 1994 to 1996, the Footwear Manufacturers' Association said - Business Staff

# Govt plans to restrict imports of footwear

BD 18/3/97

(187)

Patrick Wadula

GOVERNMENT was set to introduce a restriction on the importation of footwear from non-World Trade Organisation (WTO) member countries, Trade and Industry Minister Alec Erwin said

This would give the SA industry time to restructure on a competitive basis and prevent further job losses A notice in the Government Gazette introducing import control on footwear for an initial period of one year would be published soon, he said

Imports from non-WTO countries, including China, Taiwan and Vietnam, are expected to be restricted to 15-million pairs a year

Footwear Manufacturers Federation SA executive director Dennis Linde said the federation was delighted at the news More than half of all footwear imported last year had come from China This had affected local production, which fell to 48-million pairs last year from 63,5-million in 1994

He said the decline in local production had led to job losses of almost 15 000 since 1990, but import control could create 10 000 additional jobs

The measures came at a time when the completion of Footplan, an industry strategic plan, was imminent. Linde said the SA footwear industry would have to change its focus from domestic market production to one that concentrated on foreign consumers The potential existed to lift exports, currently about 4-million pairs a year, by at least 10 times

*Import quota system puts pressure on local industry to raise production*

# Battle to meet shoe quotas

CT(BR) 18/4/97 (187)

**SHIRLEY JONES**
KWAZULU NATAL EDITOR

Durban — The downtrodden South African footwear industry would have to raise substantial capital over the next three years if it was to produce the additional 20 million pairs of shoes required now that government had decided to introduce an import quota system

Dave Berry, the president of the Footwear Institute of South Africa, told the industry at a seminar in Durban yesterday that the quota system was a two-way street. He said at last the government was reaching out a helping hand to the footwear industry

But Alec Erwin, the trade and industry minister, had stipulated that the industry had to produce the shortfall once the quota system, which restricted imports from non-World Trade Organisation countries to 15 000 pairs a year, was applied

Erwin said the industry would have to increase production by 5 percent each year if it was to meet the government's national benchmark for manufacturing growth To meet Erwin's overall requirement, Berry said the sector would have to perform 100 percent above the national average, translating into a 10 percent increase in output yearly

The industry presently manufactures 64 million pairs of shoes a year and was told that last year imports outstripped local production, even though consumer demand had grown 17 percent They agreed that, in its present state, the industry was incapable both of reversing this trend and meeting Erwin's request

Berry said that massive investment was being requested from an industry from which "the fat had gone" In addition to cash flow problems experienced by many manufacturers, most producers had little collateral to fall back on

Berry said last year that the industry needed to be recapitalised to the tune of R1 billion if it was to reach required capacity and efficiency Yesterday, he said this figure would need to be revised in order to take into account the depreciation of the rand and the fact that six major producers had been forced to close down

Berry urged manufacturers to be positive and grasp the opportunities for which they had waited so long, despite the fact that representatives from the banking sector said the footwear industry was regarded as high risk and not a good candidate for investment

He said the industry would get a breather thanks to the introduction of the quota system the fight A points decision cost it round one when the Domestic Air Services Licensing Council, which has the prerogative to judge an issue on the papers presented to it, rejected its plea to nullify the agreement without a hearing Round two slipped away last week when the International Air Services Council, which is obliged to hear all applications, ruled against it

"We will decide in the next few weeks whether we will exercise our third option, which is to take the matter to the Appeal Court," says SAA spokesman Leon Els

But it looks as if the only winner in the dispute so far is the legal fraternity Lawyers will charge the parties an estimated R100 000 for their services — enough to pay for fuel to fly a Boeing 737-200 between Johannesburg and Cape Town 10 times

"We weren't surprised by the verdict," says Comair MD Piet van Hoven "We researched the matter thoroughly and took opinion from several senior advocates to ensure we were on safe ground before we consummated the agreement "

Van Hoven is hopeful that SAA will accept defeat gracefully and allow both airlines to get on with their business

"It isn't only the legal costs that have to be considered The cost of the time lost by the executives who were involved in the case also has to be taken into account," Van Hoven adds

BA's Vicky Sinclair was "confident this would be the result We only sold a product and a brand That had nothing to do with Comair's routes It was and still is an independent organisation that has been trading profitably for 50 years "

David Pincus

NONLISTED COMPANIES

## Testing business

**Entries are** invited for the Nonlisted Company Award, being made for the 12th time by the *FM's* sister newspaper, *Business Day*, and cosponsors Arthur Andersen and Wits Business School

Contestants are required to prepare an entry document on which judging by a panel of top business people is based Confidentiality is respected at all times

Last year's winner was the Kelly Personnel Group Previous winners include Macsteel, Africa Glass, Delta Motor Corporation and the AM Moolla Group

Twenty finalists will be named in September, with the winner to be announced in October

Details can be obtained from Linda Levendig at (011) 328-3096 or Mandy Maccallum (011) 328-3301 Entry information is published regularly in *Business Day* ■

***Alec Erwin*** *wants new plan in place by May 2*

FOOTWEAR INDUSTRY

(187) FM 25/4/97

# Far East imports — help at hand for the down-at-heel

Though free market purists may cringe, government hopes a new quota system will help save an embattled sector

In the short term more than 10 000 jobs can be created in the footwear industry with the introduction of controls on imports from non-World Trade Organisation (WTO) countries

The South African Clothing and Textile Workers' Union (Sactwu) hopes even this figure will be conservative, provided manufacturers restructure and become competitive The industry currently employs 20 000

Sactwu spokesman Mark Bennett stresses that a quota or tariff is just one element of any plan "Reinvestment and long-term stability are important features in being able to deal with disruptive competition from China," he adds

But manufacturers warn that the moratorium will have to be in place for longer than a year to make reinvestment worthwhile

The quota aims to cut the number of shoes entering SA from countries such as China, Taiwan and Vietnam from more than 40m to only 15m pairs a year, and is part of government's plan to revitalise the industry

Among those calling for an extension are Conshu, Bolton Footwear, the Footwear Manufacturers' Federation (FMF) and numerous smaller manufacturers

Conshu CE Robert Feinblum says "it's a bit much for management to gear up when the quota is reviewable on a six-monthly basis " He is calling for guaranteed protection for a minimum of three years Similarly, Bolton MD Sid Finlayson says if the company is to reinvest in the industry the Department of Trade & Industry (DTI) will need to extend the quota period beyond one year

The FMF says it will discuss the issue with the DTI later this month Federation economist Der-Anne Dods says the soon-to-be-released footwear cluster study "Footplan" is also likely to come out in favour of such a quota remaining in place for a longer period

Meanwhile, DTI deputy director of textiles, clothing & footwear Tim Taylor says government has no intention of extending the period of protection at the moment, but is being guided by the industry He says Trade & Industry Minister Alec Erwin is eager to have the quota in place by May 2

Provided Customs & Excise is moderately successful in enforcing the quota and retailers source most of the shortfall from local manufacturers, demand is likely to rocket Dods says the fact that imports from WTO countries have remained stable during the Nineties indicates SA can compete with these countries and win orders

Industry sources estimate that local companies will have to provide an additional 15m-20m pairs of shoes a year, a 50% increase in production

Stuart Rutherford

# Conshu's earnings plummet to R7,6m

BD 2/5/97 (187)

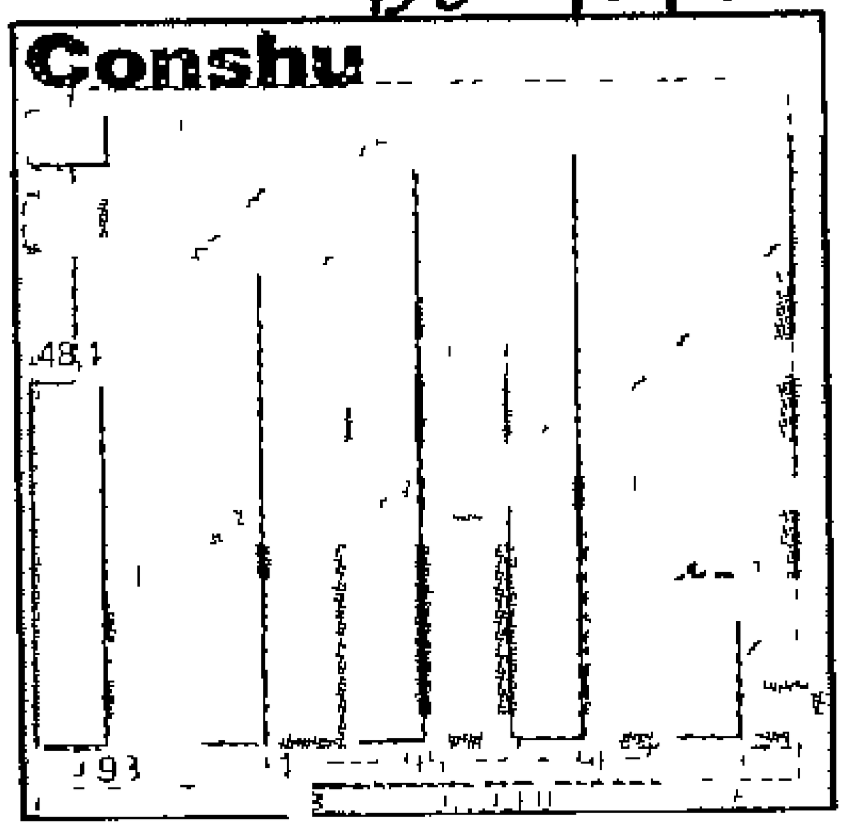
Belinda Beresford

FOOTWEAR manufacturer Conshu Holdings' attributable earnings fell to R7,6m from R37,8m in the year to March after more tough competition from imports

Share earnings fell to 15,7c a share from 79c the previous year. The final dividend was passed, with the total dividend for the year standing at 6c compared with 30c last year

CE Robert Feinblum said adverse trading conditions in an exceptionally soft domestic market forced the company to rationalise operations at a cost of R8m Staff retrenchments of R3m were included in this amount

"When combined with increasing legal and illegal imports, this had resulted in the company showing a "small loss" in the second half of the year Cash flow for the year was negative at R24,1m, down from a positive cash flow of R43,2m last year




This resulted in an increase in short-term borrowing to R53,9m from R11,4m, causing the group's debt to equity ratio to more than double to 29% from 14%

Feinblum said the pressure on industry markets could be seen by the fact that although turnover had shown a slight decline to R771,2m from R781,7m last year, trading profit had more than halved to R22,7m from R71m

He said the group anticipated a "substantial improvement" in earnings over the next year, following the rationalisation measures and the introduction of an import quota system

The government recently announced that all non-World Trade Organisation imports would be subject to a quota, similar to that operating in the US and Europe

Feinblum said protection should be implemented on a "more permanent level" than the six-month renewable periods planned by government

# Da Gama income drops 26% amid mills' fierce competition

Nicola Jenvey BD 6/5/97

DURBAN — Industrial textile, clothing and footwear group Da Gama Textiles saw attributable income crumble 26% to R21,7m in the year to March after the fierce competition among local mills placed pressure on margins.

Earnings a share on a cash equivalent basis fell to 76c (1996: 92,1c) and an 11,5c final dividend was declared, bringing the total to 18,5c (25c). Earnings a share on an attributable earnings basis dropped to 42,6c (57,9c).

Turnover fell 4% to R297,8m as importation of fabric and garments continued at significantly high levels during last year.

However, chairman Lawrence van der Walt said the growth in volume and value had shown signs of abating in the second half of the year.

Soft consumer demand had led to fierce price competition among the local mills. Although Da Gama had controlled overhead costs and benefited from the lower effective taxation rate, earnings had decreased.

Van der Walt said sound asset management in the year — particularly on inventory levels — was reflected in the increase in liquid resources to R77,5m (R66,6m) at year-end. This growth was after funding R17,7m in capital expenditure to update equipment and introduce new technology.

Da Gama planned a R23m capital expenditure programme for this year.

# Imports threaten SA shoe industry's survival

ARG 16/5/97

## DTI's restrictions 'must go further'

(187)

**LLEWELLYN JONES**
BUSINESS REPORTER

**The domestic footwear industry could disappear if it is not given more time to restructure, says Sid Finlayson, managing director of Bolton Footwear in Great Brak River.**

Bolton Footwear produces men's and ladies' branded shoes – Watson, Bally, Young Klinik, Patrick, Paolo Falcone, Lemaitre, Step-on-Air and Hang Ten – aimed mostly at the middle to upper end of the market

It also owns three Mercedes Benz dealerships in Knysna, George and Oudtshoorn

Last week the company, a subsidiary of Bolton Industrial Holdings which also controls Cargo Carriers, reported a 14 percent fall in net profits to R4,9 million for the year to February

The blame for the industry's woes has been placed squarely on imports from countries which are not members of the World Trade Organisation (WTO)

"From almost nothing six years ago, imports from these countries have grown to about 42 million pairs of shoes a year – almost all from China," Mr Finlayson said.

***'If those people (support industries) disappear, we will disappear with them'***

This compares to an annual domestic consumption of about 100 million pairs of shoes

Mr Finlayson said the Department of Trade and Industry's proposed restrictions on imports of footwear from non-WTO countries were laudable and would help stabilise the industry, but needed to go further

The restrictions, which have still to be applied, will limit imports of shoes from non-WTO countries to 15 million pairs a year – a figure which will be reviewed every year

Mr Finlayson said this would show immediate benefits at the lower-priced end of the market – the area targeted by present imports, and an area which Bolton Footwear has avoided

He said the company had seen competition coming and had focused on the middle to upper sectors of the market

"But you can't restructure the industry on a 12-month promise – it will take at least five years to restructure," Mr Finlayson said.

The restructuring included upgrading technology, work re-organisation, and training and retraining of workers.

He said about 15 000 jobs had been lost throughout the industry – in tanning, material suppliers and footwear manufacture

"Our company has shed about 120 jobs since the middle of last year"

Mr Finlayson said footwear production in South Africa had shrunk to the extent that it was only just capable of maintaining the structure of related support businesses, the tanning industry and material suppliers

"If those people disappear – we will disappear with them"

# Footwear imports controls imminent

## DTI minister to announce quota system soon, says official

ARG 22/5/97

(187)

ALIDE DASNOIS
Business Editor

**Import controls on footwear, delayed since April, are likely to be instituted within weeks in a Government bid to give the domestic footwear industry breathing space.**

Minister of Trade and Industry Alec Erwin was likely to make an announcement "soon", the department's Alwyn Kraanwinkel said yesterday

Mr Erwin said in March that import quotas would be reinstated for one year on footwear imported from countries outside the World Trade Organisation (WTO) in a bid to stem a flood of cheap imports Quotas would amount to a maximum of 15 million pairs of shoes a year from these countries

Imports from countries outside the WTO, particularly China, have leapt from 25 million pairs in 1994 to more than 40 million pairs in 1996

Mr Kraanwinkel said the introduction of quotas, due for April 1, had been delayed to allow retailers and importers to form associations and reach consensus with manufacturers, not only on import control, but also on the way forward for the domestic footwear industry

*'The move will give the domestic industry time to restructure, upgrade technology and train workers'*

Two associations, the SA Footwear Retail Association and the SA Footwear Importers' and Wholesalers' Association, had been formed Manufacturers were represented in the Footwear Manufacturers' Association, he said

The department estimated that competition from imports of footwear made in countries outside the WTO had cost South Africa 3 000 jobs between 1994 and 1996

So far this year, Mr Kraanwinkel said, eight footwear factories had closed, with the loss of 558 jobs

In addition, he said, about 1 300 jobs had been lost as a result of restructuring

Main imports targeted were synthetic footwear and footwear with textile uppers

Mr Erwin has warned that the introduction of quotas does not mean a return to protection on demand, but is necessary because of the "exceptional circumstances" of the footwear industry

He said the move was aimed at ensuring "sustainable employment in the face of unfair competition" and would give the domestic industry time to restructure, upgrade its technology and train workers so as to become more competitive on world markets

South African manufacturers, he said, found it hard to compete at the bottom of the market because of differences in labour costs between South Africa and some countries outside the WTO

BD.17/6/97

# SA to impose protection quotas on Chinese shoes

(187)

**Wyndham Hartley**

CAPE TOWN — Heavy protection quotas against importing shoes, particularly from China, are to be gazetted within days to give the beleaguered SA footwear industry a chance to recover from a 50% decline in production over the past seven years

News of the restrictions against China, and other non-World Trade Organisation (WTO) member countries, comes only days after the return from Beijing of Deputy Foreign Minister Aziz Pahad There he negotiated concessions for SA Airways and cemented the deal which will see full diplomatic ties with China this year

Trade and industry department chief director of industrial promotions, Alwyn Kraamwinkel, told Parliament's trade and industry committee last week that the SA shoe industry was not competitive and had been hammered by the huge influx of imports, notably from China.

He said import controls would be introduced soon on all footwear products from countries that did not belong to the WTO SA cannot protect domestic industry against imports from WTO members

China's application for WTO membership is expected to be ratified in a year or two Kraamwinkel said the measures were designed to give "some breathing space to the industry"

He said the high point of SA shoe production was 88-million pairs a year about seven years ago Since then production had fallen to about 40-million pairs The industry was still in decline.

Trade and industry sources said there was some confusion over the quotas because China had suggested that it would impose a voluntary restraint on its export of shoes to SA

A parliamentary source close to the trade and industry committee said there had been considerable lobbying from shoe importers and sports shoe distributors Chinese imports are almost exclusively synthetic products consisting of textile uppers SA is still relatively competitive in terms of leather shoe production.

# Analysts differ on quotas

BD 19/6/97 (187)

Nicola Jenvey

DURBAN — Plans to rebuild the SA shoe manufacturing industry by extending the import quota system against non-World Trade Organisation (WTO) members beyond one year received mixed reactions from analysts yesterday

One analyst said the clothing and textile industry's experience in Europe indicated that once an industry allowed imports to exceed 50% of consumption, there was nothing that could be done to salvage the threads

Currently more than 60% of the shoes sold by SA retailers had been imported

He said retailers had switched to WTO countries for sourcing already, as it was cheaper to source internationally than locally

"SA has a disastrous record with quota systems and industry protection, and the temporary respite offered to the footwear industry will not necessarily develop into competitive local manufacture," he said

The rate at which holding groups were disinvesting from footwear companies did not bode well for long-term confidence in this industry

However, another analyst said the 30-million pairs of shoes which had to be manufactured locally rather than imported because of the quota system meant 6 000 new jobs would be created within the industry

He said that, given the current demand patterns and the continued quota system, SA would be manufacturing 120-million pairs of shoes annually by 2005, which translated into 12-million cattle required for the leather

The Footwear Manufacturers' Federation executive director Dennis Linde said the 6 000 new jobs were sustainable for the duration of the quota, during which time the industry would work towards becoming more internationally competitive.

Last week the trade and industry department chief director of industrial promotions Alwyn Kraamwinkel announced that import controls against non-WTO members would be introduced from tomorrow, but SA could not protect the domestic industry against WTO members The programme would have a three-month phasing-in period

This would be followed by one year of quota protection, with possible extensions after that, Kraamwinkel said

(187)

**CONSHU HOLDINGS**

# Stumbling over imports

FM 20/6/97

Two steps forward may follow this step backwards

**After growing** earnings in the previous three years, Conshu — SA's largest footwear maker — has finally shown it is not immune to the ills besetting the rest of the industry. In the second half it lost R600 000, dragging profits for the year to March 1997 down 80%, to R7,6m.

At the heart of the trouble were margins, which dropped from 9,1% to 2,9%. Conshu CEO Robert Feinblum says the company could not recover increased costs because of softer demand and growing imports. These costs stemmed mainly from lower labour productivity and a 10%-30% increase in imported cost inputs after the rand's depreciation. The currency did not stem the flood of imports from non-WTO countries, principally China.

Conshu also suffered delays in debtors payments and an R8m write-off and retrenchment cost for a rationalisation, which shaved the work force by 800. Feinblum says this rationalisation has been shelved until management knows what impact government's actions to stop imports will have, but progress so far will save R20m-R30m this financial year.

The net cash outflow of R24,1m meant gearing — which had fallen to 14,4% — rose to 29%. This remains well below the company's own 50% limit, but it will be a hindrance should the company need to reinvest in capacity.

Feinblum says relative to the performance of the industry, last year's results are not that bad, but from the company's standpoint they are disappointing. He expects a return to 1996's 5,2% earnings growth. "We have had an unbelievable reaction to our range, and it looks like our order books will be full to the end of this year," he says.

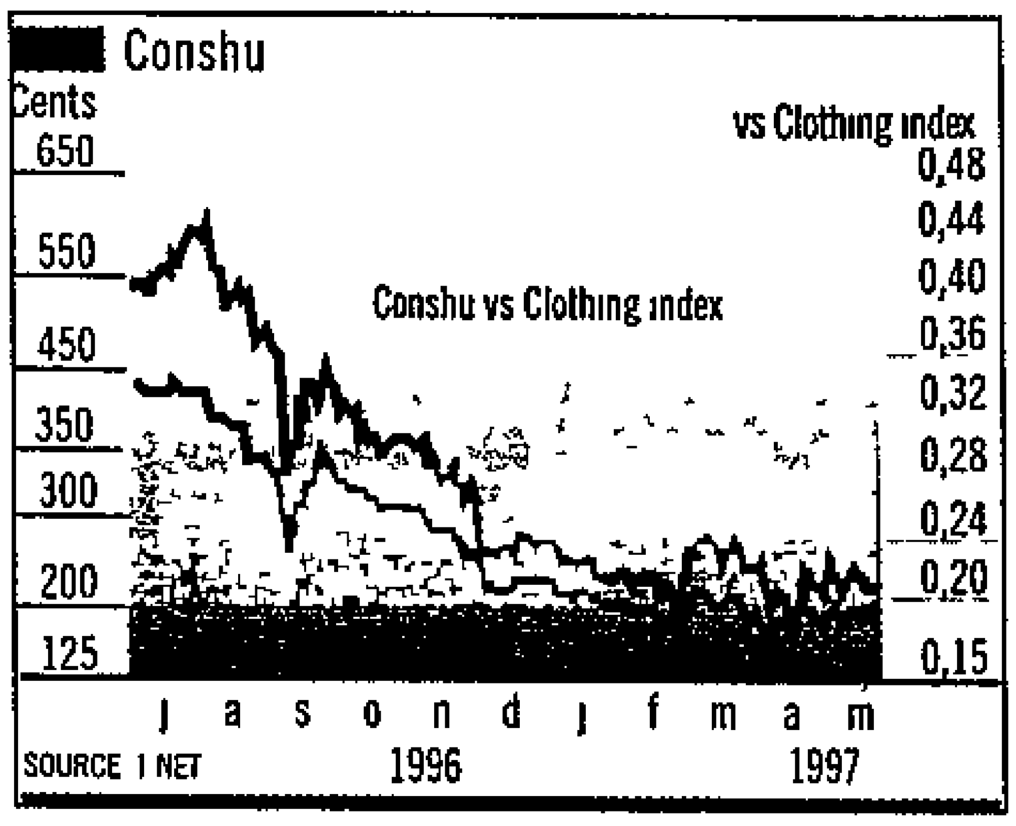
Exports could be another growth area. These sales grew by 10% in 1997 to R47m and are expected to contribute R60m to turnover this year.

Improvements could be substantial in the 1998 financial year. Provided turnover does not decline further, trading profit could be at least R40m — though some of this will be soaked up by the higher financing costs.

The company also hopes to benefit from government's introduction of a quota on imports from non-WTO countries. These directly affect 20%-30% of production. Conshu has already adopted many of the strategies contained in the recently released Footwear Cluster Study for developing competitive world positions. It has, for example, focused on the medium to higher priced market segments and specifically on men's leather footwear and niche markets.

- **ACTIVITIES:** *Manufactures and distributes footwear, rubber and plastic products.*
- **CONTROL:** *South African Breweries 66,6%.*
- **CHAIRMAN:** *L van der Watt. CE: R Feinblum.*
- **CAPITAL STRUCTURE:** *48m ords. Market capitalisation: R93m.*
- **SHARE MARKET:** *Price: 188c. Yields: 3,2% on dividend; 8,4% on earnings; p:e ratio, 12,0; cover, 2,6. 12-month high, 445c; low, 146c. Trading volume last quarter, 1,575m shares.*

| Year to March 31 | '94 | '95 | '96 | '97 |
|---|---|---|---|---|
| ST debt (Rm) | 28,2 | 40,3 | 11,4 | 53,9 |
| LT debt (Rm) | 22,5 | 12,6 | 22,0 | 14,6 |
| Debt:equity ratio | 0,28 | 0,26 | 0,14 | 0,29 |
| Shareholders' interest | 0,51 | 0,54 | 0,59 | 0,58 |
| Int & leasing cover | 3,7 | 4,2 | 3,7 | 1,5 |
| Return on cap (%) | 17,3 | 18,1 | 18,3 | 5,6 |
| Turnover (Rm) | 668 | 709 | 782 | 771 |
| Pre-int profit (Rm) | 60,2 | 68,7 | 71,1 | 22,7 |
| Pre-int margin (%) | 9,0 | 9,7 | 9,1 | 2,9 |
| Earnings (c) | 63,4 | 76,8 | 79,0 | 15,7 |
| Dividends (c) | 27 | 29 | 30 | 6 |
| Tangible NAV (c) | 379 | 439 | 478 | 488 |




such as safety footwear

In the long term, investors can expect a slow but steady recovery **Stuart Rutherford**

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**BOLTON FOOTWEAR** (887)

FM 20/6/97

# In downward cycles

This manufacturer moved into motor retailing but that's also struggling

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**Bolton Footwear** seems to be the butt of a cruel joke by the gods For years, its core manufacturing operations have grappled with imports from the East which have gouged out market share and margins

Now its only other key operation — motor dealerships — has to cope with the competition, knock-down pricing and bad debt that is crippling the car retail industry

For the first time in five years, EPS fell in the year to February 1997, to 24,3c

Of the two divisions, footwear manufacturing put in the strongest performance, contributing 94% (1996 86%) to operating profit on 68% of turnover, compared with 71% last year

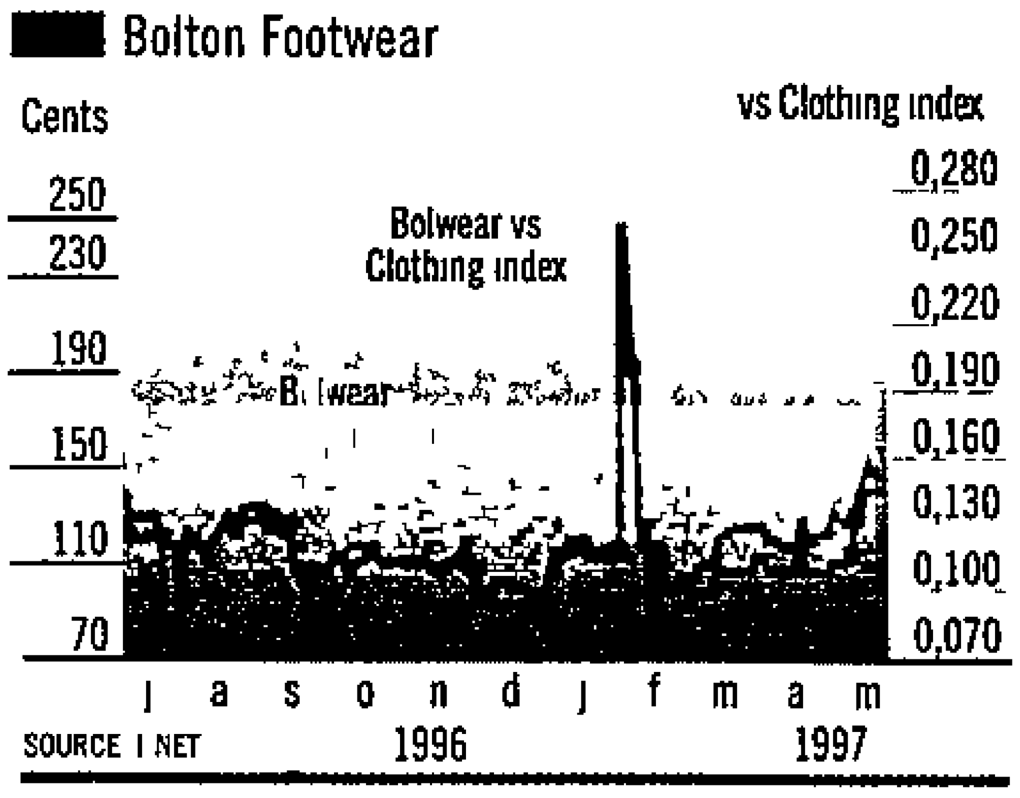
MD Sid Finlayson says the men's footwear performed well but the ladies' factory was affected by pricing pressure from imports, escalations in raw material costs (after the depreciation in the rand) and consumers' shrinking disposable income

He says pressure should be lifted soon if the company can achieve productivity targets and retailers can accept the annual price rise of up to 8% The market seems to be receiving the increase well

Finlayson, the current president of the Footwear Manufacturers' Federation, is cautiously optimistic about the impact of the import quota on footwear originating from countries that are not bound by world trade agreements but says much of the shortfall will still come from overseas producers

He says the footwear cluster study, due this month, will call for the introduction of supply-side measures for manufacturers and this will be a big help, given government support

On the motor dealership side, Finlayson says management is rationalising the three dealerships Their performance should improve as margins get better, control over prices is tightened and synergies are exploited The company focuses mainly on new car sales It has Mercedes-Benz,




■ **ACTIVITIES** *Primarily involved in footwear manufacture and motor dealerships*

■ **CONTROL** *Bolton Industrial Holdings 74,1%*

■ **CHAIRMAN** *G H Stein MD S R B Finlayson*

■ **CAPITAL STRUCTURE** *20m ords Market capitalisation R23m*

■ **SHARE MARKET** *Price 116c Yields 6,9% on dividend, 20,9% on earnings, p e ratio, 4,8, cover, 3,0 12-month high, 260c, low, 62c Trading volume last quarter, 81 000 shares*

| Year to February | '94 | '95 | '96 | '97 |
|---|---|---|---|---|
| ST debt (Rm) | 27,2 | 12,7 | 6,6 | — |
| LT debt (Rm) | 0,6 | 0,5 | 0,4 | 0,3 |
| Debt equity ratio | 0,44 | 0,18 | 0,09 | nil |
| Shareholders' interest | 0,53 | 0,67 | 0,68 | 0,75 |
| Int & leasing cover | 1,7 | 3,3 | 3,7 | 9,2 |
| Return on cap (%) | 9,6 | 28,2 | 10,0 | 7,0 |
| Turnover (Rm) | 229 | 277 | 251 | 239 |
| Pre-int profit (Rm) | 11,5 | 31,4 | 11,5 | 7,6 |
| Pre-int margin (%) | 5,0 | 11,3 | 4,6 | 3,1 |
| Earnings (c) | 18,1 | 24,5 | 28,2 | 24,3 |
| Dividends (c) | 6,0 | 7,5 | 8,5 | 8,0 |
| Tangible NAV (c) | 278 | 373 | 393 | 409 |

Honda and Colt dealerships in George, Knysna and Oudtshoorn

One encouraging aspect is Bolton's R9,2m cash resources Finlayson says the group is not considering using this money to change its strategic focus or to move into other, less mature markets

Bolton will focus on efficiencies in its existing areas and on strategic alliances with international players It is negotiating SA rights to a multinational brand, which could be a long-term profit generator

The problem with the share is that Bolton is firmly strapped into the cycles of the footwear and motor retailing sectors, both of which are pointed firmly downward

**Stuart Rutherford**

## RESULTS AND DIVIDENDS

| | | Pre-tax profit Rm 1996 | Pre-tax profit Rm 1997 | % change | Earned cents per share 1996 | Earned cents per share 1997 | Paid cents per share 1996 | Paid cents per share 1997 | Sector | Dividends Amount cents | Dividends Register by | Dividends Payable about |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Choice Hold | P | 6,8 | (89,7) | | ●92 | ●(338) | 23 | # | | | | |
| Driefontein | I | — | — | — | — | — | 145 | 150 | West Wits | 75,00 | 27 6 97 | [illegible] 8 97 |
| Falcon Invest | F | $3,2 | $(1,2) | | 59c | (29)c | 77,36 | 46,825 | Gold | | | |
| Foschini | P | 346 0 | 245,7 | | 107 | 78 | ♣ | ♣ | | ♣ | 27 6 97 | 4 7 97 |
| [illegible] | F | — | — | — | — | — | 60 | ▲60 | Coal | ▲60 00 | 27 6 97 | |
| Housewares | P | 58,3 | 38,1 | | ●▼28 | ●▼15 | 10 | # | | | | |
| Invicta | F | 21 2 | 28,8 | | ●32 | ●53 | 10 | 15 | Stores | ▲†9,00 | 27 6 97 | |
| Kloof | F | — | — | — | — | — | 100 | 70 | | | 27 6 97 | 8 8 97 |
| Lefic | P | §113,8 | §82 5 | [illegible] | 36 | 26 | ♣ | ♣ | Stores | ♣ | 27 6 97 | 4 7 97 |
| Nasionale Pers | F | — | — | | — | — | 12 | 20 | Media | †20 00 | 11 7 97 | 8 8 97 |
| Oceana Inv | I | £1 3 | £(0 5) | — | ●4p | (3)p | # | # | Stores | | | |
| SMG Hold | | (2 9) | ♣2,1 | | ●▼(27) | ●▼♣3 | — | ♣1 | | ♣‡1,00 | 20 8 97 | 4 9 97 |
| Times Media | | 82,3 | 169,4 | 106 | ●▼247 | ●▼586 | 113 | 130 | | 90,00 | 4 7 97 | 18 7 97 |
| Vlakfontein | I | 0,029 | 0,049 | | 0,5 | 0,8 | # | # | Chartered Op | | | |
| Yabeng | I | 6,5 | (5,2) | — | ●27 | ●36 | 27 | 27 | Invest Trusts | | | |

P = Preliminary. ● = Weighted earnings per share # = Dividend passed † = Final D = Dividend $ = US dollars c = US cents. ♣ = Scrip dividend * = Interim dividend ▼ = After exceptional items ▲ = Capitalisation award option. § = Net attributable profit. £ = Sterling p = Pence. ‡ = Annual ♣ = 13 months.

# SA's battered shoe industry needs 'global vision'

(187) CT(BR) 20/6/97

RAVIN MAHARAJ

Durban — The ailing South African footwear industry had to target niche markets, build South Africa's brand image internationally and create 100 000 additional jobs by 2005, industry and labour representatives said this week

They said if the industry was to become internationally competitive, it had to implement a "new focus" on becoming a world-class producer of leather footwear in the mid to upper price ranges, and achieve a 1 percent market share in world exports by 2005

But representatives told a Pietermaritzburg Spatial Development Initiative workshop — a project of the trade and industry department — that while a global vision for the industry was being painted, the critical issues of export incentives, contract labour, skills training, overtime and illegal imports had to be addressed before the industry "sank into an abyss"

They said research undertaken by the Industrial Restructuring Project had indicated that in the last eight years 138 footwear manufacturing factories had closed, production had declined from 87,7 million pairs of shoes to 58,3 million, imports had surged from 12,6 million pairs to 63,4 million and employment had dropped from 36 000 people to 28 000 They predicted a further drop in production of 40 percent.

The Industrial Development Corporation (IDC) echoed these sentiments, but said the industry had created "survival options"

Mike Atkinson, an economist at the IDC, said in his presentation on a cluster study of the South African footwear industry that local companies were better placed to develop a competitive position in men's leather footwear for the medium and higher-priced markets.

The report, he said, also indicated footwear manufacturers should "exploit competitive positions" in niche export markets One example was safety footwear such as the leather veldskoen

The cluster study's vision for the industry projected total exports increasing from 3 million pairs last year to 70 million in 2005

Total imports would show a 3 percent increase from 55 million pairs last year to 70 million in 2005 This meant that by 2005, the industry would have an annual output of about $1,3 billion, provide export revenue of about $700 million and directly employ about 100 000 people, Atkinson said.

Indirect employment for about 25 000 people would be created in the farming, tanning, chemical, component and general leather industries, he said.

But to realise these objectives, optimal leather production was needed in the Northern Province and the Northern Cape, Atkinson said

FOOTWEAR INDUSTRY (187)

# Down at heel

FM 20/6/97

**Shoe manufacturers** have to accept losing up to 70% of the domestic market to imports and concentrate on producing medium to upper priced footwear for export, says a footwear cluster study by the Industrial Development Corp

Imports — notably from China — represent about 55% of the local market with 55m pairs/year, and have been the primary cause of the decline in production to 1970 levels

The study says the wages in SA are between five and eight times that of low wage countries and increasing at a faster rate, making it impossible for the industry to compete in the price sensitive footwear segments over the medium to longterm

"SA footwear manufacturers have developed competitive positions in niche markets, such as safety footwear Similarly, opportunities exist to export uniquely SA type footwear"

The cluster also sets the industry a goal of growing production by 11%/year, from 48m pairs to 120m pairs by 2005, and exports by 42%/year to give SA a 1% share of the world market by 2005

If these targets are met by 2005, the industry will have an output of US$1,3bn, and create 100 000 new jobs directly and 25 000 indirectly Employment in the industry currently stands at 25 000

To help achieve these goals, the report suggests incentives for tanning, footwear and general leather goods manufacturing This would be in addition to the quota on imports entering SA from non-WTO countries

Stuart Rutherford

# Pietermaritzburg out on its feet

(187) CT(BA) 24/6/97

**RAVIN MAHARAJ**

Durban — The survival of Pietermaritzburg's troubled footwear industry is the subject of discussion between unions and the industry, labour officials said yesterday

In addition, the Industrial Development Corporation (IDC) was negotiating with potential investors at the weekend to finance a new tannery in the city, the state development company said.

However, representatives from the National Union of Leatherworkers and the South African Clothing and Textile Workers' Union said employment in Pietermaritzburg's footwear manufacturing sector had dropped from 7 700 to 4 800 Production had declined by 40 percent and 19 factories had shut down

The unions' representatives said this decline was leading to "economic gloom" in Pietermaritzburg, which "survived" on the profitability of the footwear and leather industries

They said they would meet industry representatives this week to gauge whether existing factories were being used to capacity and to discuss ways to "bridge the gap" between labour and the industry's management

Other problems cited by the unions were inadequate training facilities in the city and the average minimum wage, which is R870 a week in the footwear industry and R368 a week in the tanning industry

The IDC said it would look at the viability of opening a new tannery in Pietermaritzburg, but investors would have to be found

# State says footwear bodies must unite

(187) CT(BR)26/6/97

SHIRLEY JONES

Durban — The government was putting pressure on the footwear industry to finalise the formation of a single body which would negotiate with the trade and industry department on the implementation of measures to save the industry, Noel Amery, a spokesman for the Footwear Institute of South Africa, said yesterday.

Amery said the new body, which would closely examine the results of a recently released cluster study, was expected to be in place by the end of July. A transitional committee was already in place, he said.

Amery said although a number of names were at present being bandied about, the new body was likely to be known as the South African Footwear and Leather Institute. It had been modelled on the existing infrastructure of the Footwear Federation, he said.

Amery said the government had made it clear from the beginning that it did not intend negotiating with a plethora of bodies representing the highly fragmented industry.

He said the new body, which would represent manufacturers, suppliers and tanners, would help implement changes identified by the cluster study, including the introduction of an import quota system and exploitation of key export and niche markets.

Amery said there was some resistance to change within the industry. But he said there was a need for greater efficiency and drastic reduction of work-in-progress.

"At least 99 percent of our problems don't come from the shop floor. They start in boardrooms. Changes, too, will come from boardrooms and can often be implemented quickly with the minimum of disruption," he said.

# Controls could bring 5 000 jobs crisis

(187)

ARGT 12/7/97

## Footwear industry set to step out of current

ALIDE DASNOIS
Business Editor

**Restrictions on shoe imports last month could save up to 5 000 jobs in the footwear industry where employment is limping along at its lowest level since 1963, the Footwear Manufacturers' Association has calculated.**

Import controls on footwear were imposed in June following a decision by Minister of Trade and Industry Alec Erwin to give the domestic footwear industry a breathing space to tackle competition from cheap imports

The restrictions apply to footwear from countries outside the World Trade Organisation (WTO).

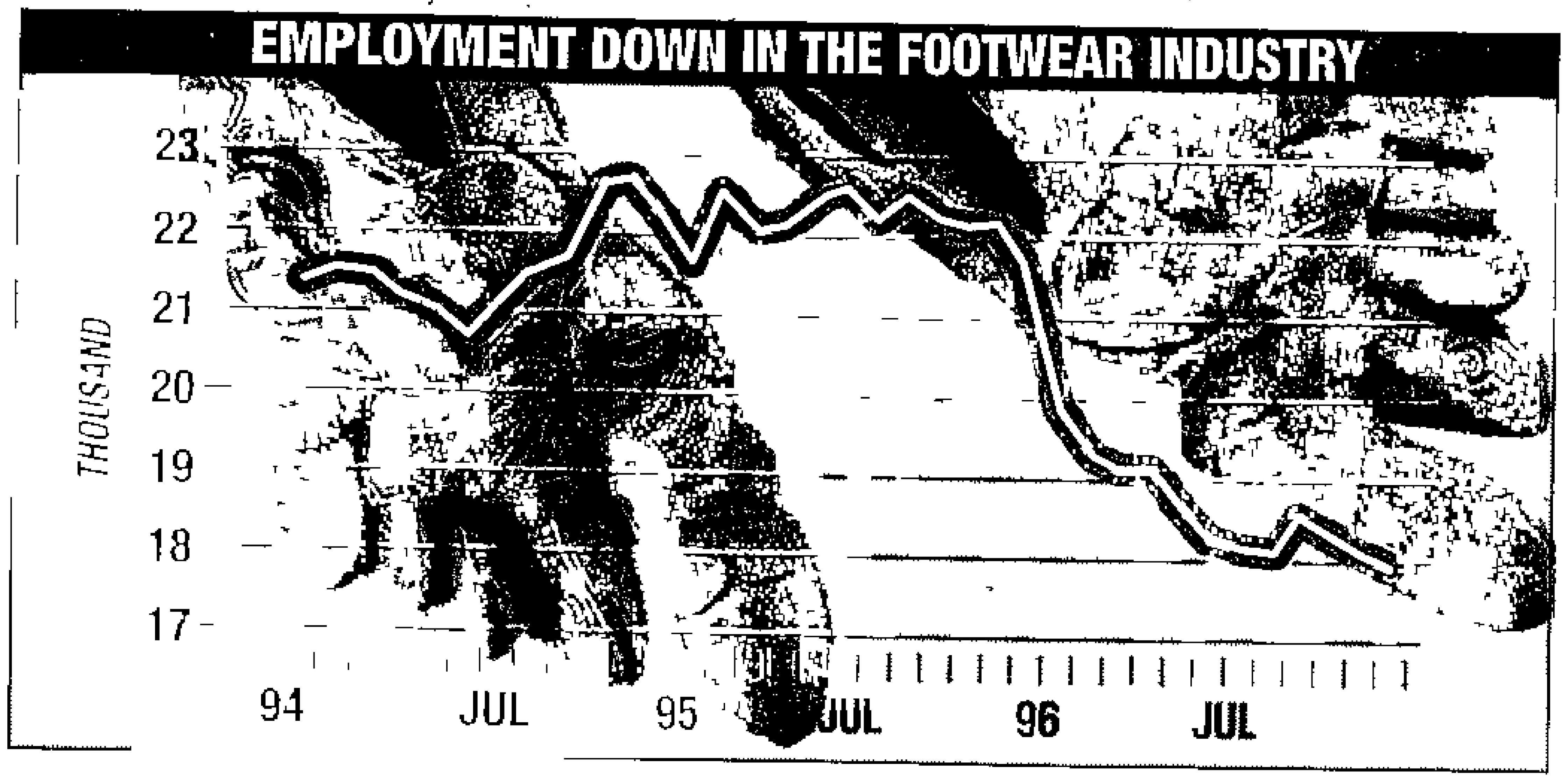
Alwyn Kraanwinkel, chief director of industrial promotion in the Department of Trade and Industry, said the restrictions would be applied "liberally" for the first three months to give importers time to adjust But by September a limit of 15 million pairs of shoes from countries outside the WTO would be applied strictly for a year.

Last year, 30 million pairs of shoes were imported from these countries

The Footwear Manufacturers' Association expects the import controls to have only a limited effect in the current year. But from next year, says the association's director Dennis Linde, the full effect should be seen

"The real effect of import control will only be felt in 1998 when local production could increase from an estimated 50 million pairs in 1997 to possibly 65 million pairs in 1998, creating at least 5 000 jobs," Mr Linde says

"There is a feeling that the 15 months period of import control is too short to allow footwear manufacturers time to adjust However, the industry has been given lifeline by the Government and it is required to accept the challenge and adjust to the huge demands of world trade," he says




The domestic footwear industry has been shrinking since 1995, with six million fewer pairs of shoes produced last year than the previous year – a drop of nearly 15% – and production levels at their lowest since 1971

The crisis has paralleled the explosion of cheap imports, with imports making up more than half of all footwear sales last year, the highest proportion since 1945.

Employment in the industry dropped to 18 255 people, the lowest level since 1963

Mr Linde says the introduction of the temporary quotas must be backed up by a commitment from retailers, material suppliers, manufacturers and labour to restructure the industry Footwear manufacturers have undertaken to invest in new plant and technology and in training and retraining, to gear themselves to be competitive in niche markets, to improve work organisation and productivity, and to make a place for small and medium businesses in their plans for the future

Progress in restructuring the industry will be reviewed in six months and import controls will be reviewed in a year

☐ FOOTWEAR CT (PM) 16/9/97

(187)

# 'Slow' government blamed for job losses

South Afr[illegible] footwear manufacturers faced a tough battle to chan[illegible] marketing focus to export[illegible] the upper and medium [illegible]ments after the [illegible] struction caused by cheap imports, Luke Doig a senior manager [illegible] rantee the [illegible]

[illegible] and a half years before [illegible]ing to consider a quota system for footwear im[illegible] from non World T[illegible] n countries He said this [illegible] d resulted in [illegible] '00 [illegible]

[illegible] llion [illegible] r, while [illegible] pairs in 1991 to 55 million pairs in 1996, with 12 million [illegible] a China He said the department of trade and industr[illegible] hing, to the extent that the local industry has been decimated — *Staff Reporter Johannesburg*

# Footwear, textiles 'must compete fairly'

BD 16/7/97 (187)

Paul Vecchiatto

CLOTHING, footwear and textile manufacturers in SA would not offer investment opportunities until they learned to compete in the open market unaided by tariff protection, analysts said yesterday

The sector is little considered on the Johannesburg Stock Exchange as it accounts for 0,12% of the all share market capitalisation of R1 133,8bn Its overall price to earnings ratio of 10,6% is the fourth lowest on the exchange

A recent Industrial Development Corporation (IDC) study found that SA footwear manufacturers would have to sharpen their focus on exports in the medium to upper market segments

They would also have to produce unique SA footwear as manufacturers tried to lift the stranglehold on cheap imports, the corporation found.

Luke Doig, an economist at insurance company Credit Guarantee, said this would be an "uphill battle" owing to the damage done by cheap imports.

"We are particularly concerned about import penetration in SA standing at a crippling 60%. The unacceptability of this situation becomes apparent when compared to other middle-income regions like Taiwan, South Korea and South America"

Doig said production had fallen from 72,6-million pairs of shoes produced in 1992 to 55-million pairs last year which resulted in 6 300 job losses

He said part of the problem was that it took government two years to impose tariffs on shoes imported from non-World Trade Organisation countries

Credit Guarantee senior manager John Thornton said clothing and textile industries had suffered from smuggling of clothes from the Far East which, although reduced, had left its mark

Furthermore, an increasing amount of clothes were being produced in small facilities in the townships, which Thornton called "African sweatshops"

He said that the larger manufacturers had maintained their ability to produce high quality-styled garments in small runs which placed them in good stead in the export market

JSE dealers were more sceptical about the sector's prospects One dealer said: "No one really looks at those companies If you had to take out Seardel, the rest would be rats and mice" — I-Net

[redacted]

# Government stomps on 'dumped' shoe imports

CT(BR) 22\7\97 (187)

CHRISTO VOLSCHENK

Cape Town — The government has slapped a ceiling on imports of cheap shoes from three non-members of the World Trade Organisation (WTO), effectively barring China from flooding the local market with cheap shoes

Imports of shoes from China, Taiwan and Vietnam will be limited to 15 million pairs between September 19 1997 and September 19 1998, following investigations by the department of trade and industry into complaints from the local footwear industry of alleged dumping of shoes, primarily from manufacturers in China

Efforts by local politicians to find a solution to the problem through diplomacy had failed to bear results, a spokesman for the Cape Chamber of Business said yesterday

The government announced last month that importers from both WTO and non-WTO countries would in future have to apply to the department of trade and industry for import permits for shoes A department spokesman said yesterday permits for shoe imports from WTO countries would be issued automatically, allowing unlimited imports, but imports from non-WTO countries would be limited to 15 million pairs in the 12 months from September 19

The government would review the quota next March and decide whether to retain it for another year from September 1998, the spokesman said

Companies which imported shoes from non-WTO countries last year will be given preferential treatment this year they will be allowed to import a total of 14,2 million of the 15 million pairs of shoes

Permits for the remaining 800 000 pairs will be allocated to new importers, who will have to split their imports to 400 000 pairs in the six months from September 19 and 400 000 pairs in the six months from next March 19

Shoe components may be imported freely from China, Taiwan and Vietnam, but they would be closely monitored, the department said

# Sactwu and Nulaw merger talks stalled

CT (BR) 24/9/97 (187)

RAVIN MAHARAJ

Durban — Cosatu said yesterday it would continue its attempts to persuade the leadership of the South African Clothing and Textile Workers' Union (Sactwu) and the National Leather and Allied Workers' Union (Nulaw) to amalgamate and create one voice in the troubled footwear, leather, clothing and textile industries

John Zikhali, Cosatu's KwaZulu Natal chairman, said the federation was "waiting patiently" for a single voice to lobby the government and save the industries, all of which were facing a surge in imports, factory closures and increasing unemployment.

Industry sources have said in Pietermaritzburg alone, employment in the footwear manufacturing sector had dropped from 7 700 to 4 800, production had declined by 40 percent and 19 factories had shut down.

Zikhali said the issue of amalgamation was a priority for Cosatu Sactwu, he said, had indicated the matter would be debated at its forthcoming annual congress

Zikhali was reacting to last month's moves by Sactwu — the tanning sector's majority voice and which has a 40 percent voice in the footwear sector — to join Nulaw to create a single power in the leather and footwear industry

But Andrew van Rooyen, the general secretary at Nulaw, said the union "would not entertain" any amalgamation talks — as it had indicated last month — unless its footwear membership was returned

He said Nulaw's status as an independent union — which was the majority voice in the general goods, handbags and footwear sectors — was under threat

Van Rooyen said the amalgamation of independent unions under a separate federation not affiliated to Cosatu was likely to create a "more balanced labour voice in South Africa"

DA GAMA (187) FM 25/7/97

# Competition on every side

A large cash buffer could reduce vulnerability to industry travails

**The local** textile industry is a difficult place to make money, even for company's that operate in niche markets, like Da Gama Manufacturers are being hammered by imports, as well as greater domestic competition

- **ACTIVITIES.** *Manufacture and make-up of cotton and man-made fibre fabrics*
- **CONTROL** *South African Breweries 60,7%*
- **CHAIRMAN** *L van der Watt CE T H Pearce*
- **CAPITAL STRUCTURE.** *51m ords Market capitalisation R110m*
- **SHARE MARKET.** *Price 216c Yields 8,6% on dividend, 19,7% on earnings, p e ratio, 5,1, cover, 2,3 12-month high, 280c, low, 170c Trading volume last quarter, 1,45m shares*

| Year to March 31 | '94 | '95 | '96 | '97 |
|---|---|---|---|---|
| ST debt (Rm) | 0,8 | 0,2 | — | — |
| LT debt (Rm) | 3,6 | 2,9 | — | — |
| Shareholders' interest | 0,81 | 0,79 | 0,79 | 0,82 |
| Return on cap (%) | 7,2 | 9,6 | 9,6 | 4,5 |
| Turnover (Rm) | 267 | 306 | 309 | 297 |
| Pre-int profit (Rm) | 20,9 | 30,5 | 32,2 | 15,4 |
| Pre-int margin (%) | 7,8 | 10,0 | 10,4 | 5,2 |
| Earnings (c) | 34,6 | 48,2 | 57,9 | 42,6 |
| Dividends (c) | 15,0 | 21,0 | 25,0 | 18,5 |
| Tangible NAV (c) | 463 | 490 | 518 | 542 |

Effects are evident in Da Gama's 1997 financials Pre-interest margins halved to 5,2% "We found ourselves in an environment of depressed selling prices on the one hand, and increased raw material costs caused by our currency devaluation on the other," says CE Harry Pearce

Sales also dropped marginally but higher interest income provided a R10,2m buffer

Cash resources stand at R77,5m, with the bulk invested in Sabfin, a fellow subsidiary of SA Breweries Da Gama financial director Tony Swift says the company continues to look at investment opportunities within the textile industry He says, however, that it is unlikely to make investments outside the industry

That means the company remains locked into the troubles facing the textile industry Pearce says capacity is under-used and Da Gama is well positioned for improved demand because of its strong balance sheet, sustained management focus and continuing investment in modern technology

But will better demand materialise? Pearce says import statistics suggest that fabric imports may have peaked in the second half of the 1996 calendar year and that Customs appears to have had some success in stemming illegal imports This, with a modest growth in the order book, suggests a modest improvement in sales volumes in the year ahead Earnings are expected to approximate the 1997 year, because of the withdrawal of decentralisation allowances and a higher effective tax rate of 20% plus

All this won't inspire investors to rush out and buy the share Until the industry shows definite signs of recovery, it would be wise to be cautious

**Stuart Rutherford**

*Sectors meet to 'save and strengthen'*

# Accord to save footwear and leather trade

(187) CT (BR) 12/8/97

RAVIN MAHARAJ

Durban — The troubled footwear and leather industry had drawn up a draft accord to "save and strengthen" the sectors in Pietermaritzburg and KwaZulu Natal, industry leaders said yesterday

They said concerned parties would discuss the accord, which aimed at strengthening the relationship between business, labour and the government, in Pietermaritzburg next week.

The parties to the accord are the employers in the leather industry, represented by the Footwear Manufacturers' Association, the National Leather and Allied Workers' Union, the South African Clothing and Textile Workers' Union, the Pietermaritzburg-based Msunduzi Transitional Local Council, the trade and industry department, and the KwaZulu Natal economic affairs and tourism department

Industry leaders said all parties realised a "partnership approach" had to be adopted if the industry was to become viable and globally competitive.

They said the draft accord sought to "add value" to develop an action-based industrial restructuring programme aimed at assisting firms on the ground

Parties to the accord said there was a need to analyse footwear and leather production and consumption pipelines, and develop a strategy to reorganise aspects of those pipelines for the long-term benefit of the industry

The draft accord also highlighted a pre-feasibility study concerning the re-establishment of a tannery in Pietermaritzburg and the need to develop a strategy to improve productivity

It recognised the industry had to give the government feedback on developments. It also emphasised the importance of stemming illegal imports and strengthening the informal sector's relationship with the formal sector.

Research has shown employment in Pietermaritzburg's footwear manufacturing sector has dropped from 7 700 to 4 800 Production has fallen by 40 percent and 19 factories have closed

The Port Elizabeth-based Footwear Manufacturers' Federation also said production had declined Between January and May this year production fell 2,6 percent to 13,7 million pairs from 13,9 million pairs

The Grahamstown-based Leather Industry Research Institute (Liri) said 2,5 million square metres of leather for the footwear industry was being produced each year, but the amount lost to the automotive industry was rising

Dave Sweetnam, the director of Liri, said nine tanneries had closed in the past five years Existing tanneries, he said, had to "make the switch" from producing leather for the automotive industry to making shoes

# Zambian deal lands in Nedlac's lap

BD 13/8/97

(184)

John Dludlu

THE dispute between government and the clothing and textile industries over the state's intention to grant trade concessions to Zambia has been taken to the National Economic, Development and Labour Council (Nedlac).

Labour and business constituencies at the statutory negotiating forum have expressed "serious concern" at the proliferation of bilateral trade arrangements in southern Africa, prompted by what some see as "political expedience" on the part of government

Business sources who attended last Friday's meeting at Nedlac say the matter will be raised with Trade and Industry Minister Alec Erwin at a meeting planned for next month.

SA and its customs union partners Botswana, Lesotho, Namibia and Swaziland have agreed to grant better access to their markets for Zambian products, but Pretoria is having problems selling the deal to industry federations Clofed and Texfed, as well as the SA Clothing and Textile Workers' Union (Sactwu)

A source close to the process said Nedlac had not been properly informed by government on its approach to bilateral trade deals in the region. Sactwu general secretary Jabu Ngcobo confirmed this yesterday, saying the union had "a problem with bilaterals".

At the heart of industry and union opposition to the mooted deal lies concern that bilaterals would complicate the move towards a multilateral liberalisation pact under the SA-led Southern African Development Community. The community wants to free all trade exchanges within the next eight years.

"It appears that very little thought went into the proposal (to the Zambians)," a source said yesterday after concerns from business that the deal would also harm local electrical cable manufacturers. SA trade negotiators, who are expecting Erwin to unveil draft proposals to the Zambians next week, have said this might have to be done regardless of industry opposition.

There was some confusion yesterday as to whether Sactwu had sought a meeting with Erwin, and whether he would meet them But at a recent meeting with government, the union walked out without considering the department's offer, which is understood to have contained import quotas.

# Unispin has tough time

(187)

Samantha Sharpe

CAPE TOWN — Footwear, clothing and textile group Unispin slipped further into the red in the six months to June with a net loss of R6,5m, compared with a R2,7m loss in the year to September last year.

This was reflected in a 2,1c loss a share compared with 0,9c last year

There was no dividend.

MD Chris Snijman said the results, while disappointing, reflected conditions in the market "Until benefits of the company's three-year strategic plan are felt, profitability is likely to remain uncertain"

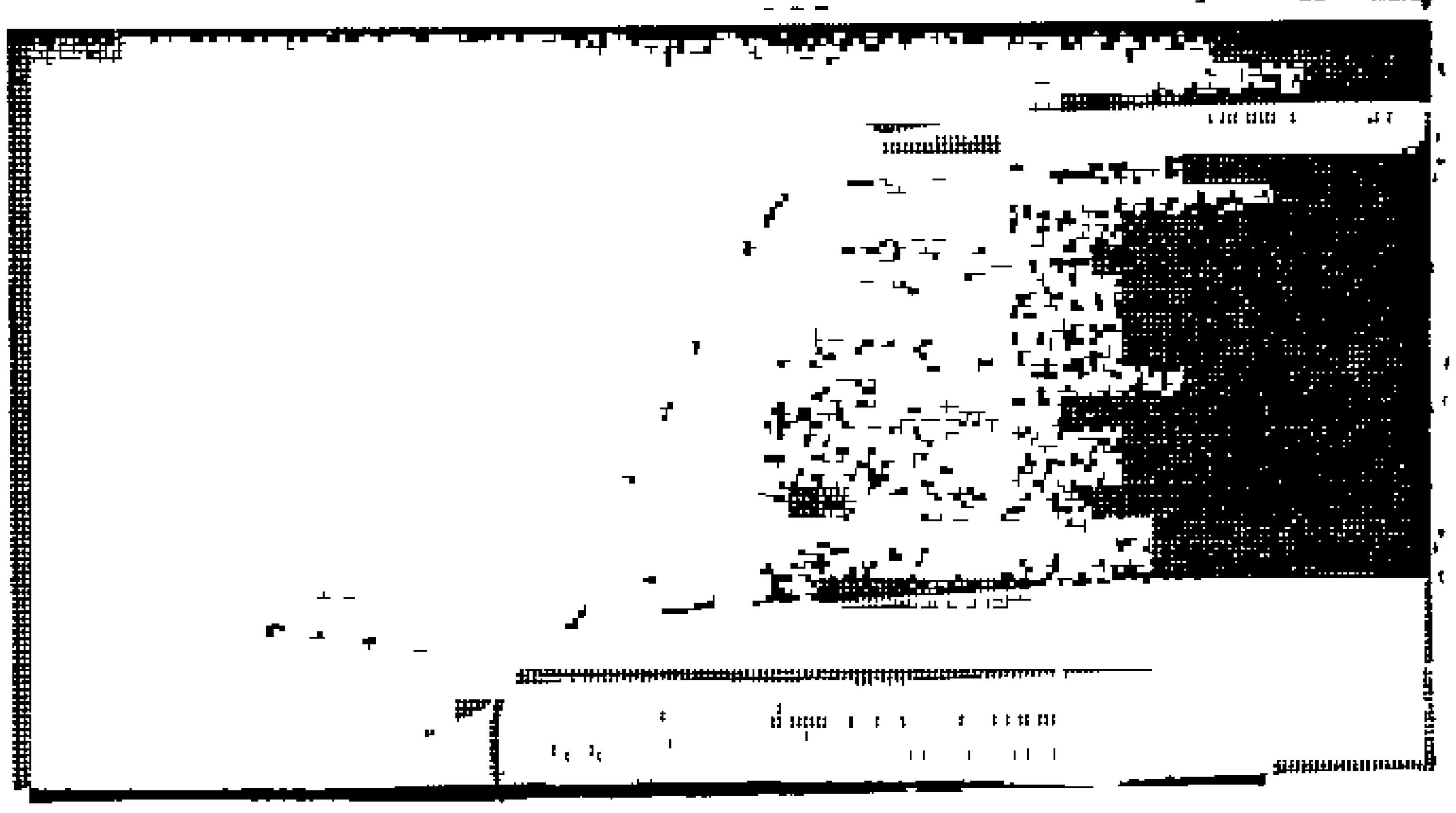
The plan includes plant upgrading and relocation, with the aim of improved efficiency and cost savings

Revenue fell to R144,8m from R237,7m Snijman said trading conditions continued to be depressed, with margins under continuous pressure and operating income the victim, falling to R430 000 from R3,6m previously.

A rise in finance costs following increased borrowings showed an operating loss after finance costs of R6,5m compared with R2,5m, with a zero tax bill reflected in the net loss.

Snijman said the establishing of an export market for the company's products was proceeding satisfactorily, with a reliable international customer base being developed. The benefits of the strategy would become increasingly apparent later on.

However, local market conditions were expected to continue to be difficult and no major improvement in the financial position of the company was expected this year.



# Sondor opens footwear plant

## *Factory will up production capacity by 50%*

(187)
ARG 10/9/97

**ALIDE DASNOIS**
BUSINESS EDITOR

**Johannesburg Stock Exchange-listed plastics group Sondor has stepped up its move into the footwear market with the opening of a new plant.**

In a vote of confidence for South Africa's footwear industry, Sondor has taken on new staff and opened a second factory in Ndabeni, specialising in high-density plastic and rubber components for sports shoes and sandals

Chief executive Barry Tilney said that the new plant in Ndabeni would raise Sondor's production capacity by 50%

"So far we have concentrated on low-density products which are used in the soft uppers of shoes Now we will be able to produce high-density products such as soles and wedges in greater quantities"

*'Sondor is confident that the domestic footwear industry will survive its current troubles'*

The workforce had been increased by about 5% with the recruitment of 10 more people, he said

The products from the Ndabeni factory would be used in sports shoes and in rubber footwear such as beach thongs

Mr Tilney said Sondor was confident that the domestic footwear industry would survive its current troubles

A flood of cheap imports, mainly from the Far East, has hit the bottom end of the domestic industry hard, with imports of footwear making up more than half of sales last year, the highest proportion since 1945

Six million fewer pairs of shoes were produced in South Africa last year, compared with the previous year, a drop of nearly 15%

Employment fell to to its lowest level since 1963

In a bid to rescue the industry, the Department of Trade and Industry gave footwear manufacturers a breathing space in June by imposing temporary quotas on imports of cheap footwear

"It's true the Asian Tigers have been giving us a bit of trouble," said Mr Tilney.

"But there will always be a market because people will always wear shoes"

He said Sondor was also planning an export drive into other African countries

"We have already opened a plant in Zimbabwe, and now we are looking at exports to countries such as Ghana and the Ivory Coast, Mr Tilney said

# Huge revamp ahead for footwear, leather sector

ET(BR) 14/10/97 (187)

RAVIN MAHARAJ

Durban — The ailing footwear and leather industry would undergo massive restructuring to ensure it created more jobs and became globally competitive, industry leaders said yesterday.

They said the Footwear and Leather Industry Accord, which was signed last week by industry partners, organised labour, the department of trade and industry, the KwaZulu Natal department of economic affairs and tourism and the Pietermaritzburg-Msunduzi transitional local council, was geared to "save and strengthen" the sectors in Pietermaritzburg and the rest of KwaZulu Natal.

The aim was to "secure the survival of enterprises, jobs of workers and the future of the industry".

The accord came from the findings of the Industrial Development Corporation's footwear cluster study, which envisaged the industry projected total exports increasing from 3 million pairs last year to 70 million in 2005. It suggested the industry targets niche markets, South Africa's brand image be built internationally and an additional 100 000 jobs be created by 2005.

In addition, the study said indirect employment for about 25 000 people would be created in the farming, tanning, chemical, component and general leather industries.

It said local companies were better placed to develop a competitive position in men's leather footwear for the medium and higher-priced markets.

Kevin Perumal, a leather co-ordinator for the South African Clothing and Textile Workers' Union, said a local footwear and leather steering committee had been established to "find the way forward" after the signing of the accord.

The committee would meet soon to focus on industry challenges — including labour and management restructuring, developing union leadership and improving industrial relations, he said.

Commenting on government support, Perumal said efforts to stop illegal imports of footwear and leather goods had to be given priority. In addition, efforts had to be made to raise the awareness of footwear manufacturers regarding supply-side measures.

Andrew van Rooyen, a spokesman for the National Leather and Allied Workers' Union, said "massive employment" had to be the aim, if the accord was to be meaningful. He said government incentives, contractual labour and productivity also had to be addressed.

# Conshu reins in costs to tie up profits (187)

MATT GETZ CT(BR) 5/11/97

Johannesburg — Rationalisation helped Conshu Holdings, the country's largest shoe manufacturer, reverse the recent trend of sliding earnings in the six months to September 30, the company said yesterday

Operating profit rose 52 percent to R27,5 million, although turnover was only 5 percent higher at R416,8 million

"The measures taken early in the year to right-size certain factories, together with the application of strict cost controls, resulted in the improvement in earnings," the company said

A reining in of interest payments left the rise at attributable level 65 percent stronger, with earnings reaching R13,6 million In the full year to March 31 the company only made R7,6 million as imports and soft demand, among other things, sent it into a second-half loss, reversing three years of earnings growth

But that woeful period seems to be over Operating margin was much stronger at 6,5 percent, and the company's cashflow turned positive from a negative R35 million at year-end.

Headline earnings a share rose 60 percent to 27,5c, allowing the company to raise its dividend by 66 percent to 10c

*Volatile sector 'will sink further into a crisis' if small businesses are not assisted*

# Footwear firms call for help

CT (BE) 13/11/97 (187)

RAVIN MAHARAJ

Durban — Small, medium and micro enterprises (SMMEs) in the volatile footwear industry would be "doomed" and the sector would sink further into a crisis unless the industry got its act together, Harry Naicker, the managing director of Coastal Components, the shoe component manufacturer, said yesterday

Naicker told a department of trade and industry's cluster study workshop there was "too much talk and very little action" in getting SMMEs involved in the footwear sector

He said local authorities had not responded to pleas by the government to help SMMEs to get off the ground and to assist them with access to finance

The cluster initiative aimed to bring industry partners together to identify areas to "co-operate to compete" more effectively in a global economy

Naicker said the smaller footwear manufacturers — there were over 100 in KwaZulu Natal — had come under increasing pressure since the government's introduction of quotas on footwear from non-World Trade Organisation (WTO) countries

He added that recent initiatives by the government to assist the industry with the implementation of short-term measures in the form of import control on footwear from non-WTO countries could also exacerbate the situation

Tariffs have been phased down from a high of 41,2 percent in 1995 and will be phased down even further to 28,9 percent by 1999 Even after the phase-down, tariffs for the footwear industry would still be relatively high compared to the rest of the manufacturing sector, Naicker said

From a peak output of 88 million pairs in 1989, last year's output declined to around 48 million pairs Over the same period, its contribution towards manufacturing employment declined to 1,8 percent from 2,3 percent.

In addition to the decrease in footwear production, there had been a marked increase in the number of pairs of shoes that were imported, while the average price a pair had fallen.

Naicker said an advantage for the South African footwear sector was its strong machinery sector, but he questioned why machinery for the footwear sector was not manufactured locally Regional specialisation could be implemented to save the sector

The government's Spatial Development Initiatives also had great opportunities for SMMEs in the sector, he said

"But SMMEs must advance smartly The cluster initiative is a viable process and holds great opportunities," he said

The footwear cluster study's vision for the industry said the sector had to target niche markets in addition to creating an additional 100 000 jobs and achieving a 1 percent market share in world exports by 2005.

South African companies were also placed to develop a competitive position in men's leather footwear for the medium and higher-priced markets.

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# West Coast development plans unveiled

CT (BE) 13/11/97

LYNDA LOXTON

Cape Town — Initial details of the planned West Coast Investment Initiative (WCII), which could attract investments worth more than R10 billion, were unveiled yesterday by the deputy trade and industry minister, Phumzile Mlambo-Ngcuka.

Part of the government's spatial development initiative (SDI), which has already attracted billion of rands of foreign and local investment, the WCII will be centred on the R6,8 billion Saldanha Steel plant, eco-tourism, agriculture, fishing and minerals

Mlambo-Ngcuka said that an investment conference would be held for the WCII between February 25 and 27 She said she hoped it would be as successful as the conference held last week for the Fish River SDI which focused on the port of Coega. The most successful SDI to date has been the Maputo Corridor linking South Africa and Mozambique

She estimated that, including the Saldanha Steel project, the West Coast region could attract, "very conservatively put, investments of about R10 billion".

The WCII appraisal document released yesterday said that the region stretched from Atlantis in the south to Vredendal in the north It included the industrial hub of Saldanha/Vredenberg, a range of fruit, wheat and rooibos tea-farming towns inland and fishing towns on the coast.

The Saldanha Steel project, due to go onstream next year, would be complemented by the R850 million joint venture between the Industrial Development Corporation and a Swiss company, Duferco, to establish a cold rolling facility, and PPC's new R150 million plant A host of downstream services and industries were expected to grow up around them.

There was a large number of minerals and basic commodities, such as green granite, marble, diamonds, gypsum, stone aggregate and brick clay in the area, which could support an industrially based growth strategy

Details of a proposed industrial development zone, which would provide special incentives for industrial development in the WCII, were being finalised.

Mlambo-Ngcuka stressed that local consultation and conservation would be a priority as the government did not want to damage ecologically sensitive assets such as fishing and the region's famous wild flower displays and unique biological systems, such as Verlorenvlei.

# Leather and footwear sector pressures state to 'get serious'

CT (PBR) 25/11/97 (187)

RAVIN MAHARAJ

Durban — Small, medium and micro enterprises (SMMEs) in Durban and Pietermaritzburg were putting pressure on the government and official leather and footwear structures to "get serious" about creating more opportunities for them

They also demanded the elimination of apartheid structures, which had been responsible for the "sickening downfall" of the sector, industry leaders said yesterday

According to Harry Naicker, the managing director of Coastal Components, a shoe component manufacturer, SMMEs had approached the newly formed South African Footwear and Leather Industries Association — formerly the Footwear Manufacturers Federation — and the Leather Bargaining Council (LBC), to "come back to the negotiating forum" and make it easier for SMMEs to start up

Naicker said SMMEs also wanted to clear up areas of contention for the smaller operations who were finding it difficult to survive under conditions "meted out" by administering bodies

About 100 SMMEs in the Durban metro region were in the process of constituting an organisation called the Association of Small and Medium Footwear and Component Manufacturers, which would provide a voice for SMMEs in the region, Naicker said

In addition, the Association of Small and Medium Footwear Manufacturers and Allied Products — representing 26 footwear manufacturers — had been formed for similar reasons in Pietermaritzburg

The new bodies would also challenge the bargaining council on training and skills development, technology and other areas of contention

"It's time for the playing fields to be levelled The government has said it is serious about SMME involvement in footwear But does this mean that we continue to live under the same dictatorial bureaucratic structures?"

Naicker said smaller operations did not have a voice, and were scared of being "swallowed" by the bigger operations, and the conditions under which they operated

Naicker said another problem facing SMMEs was the lack of access to finance and infrastructure

Also, registration fees, leave-pay guarantees and technology fund fees — which are required by the LBC— had robbed the small operator of cash flow Among others, these were areas that needed to be addressed, Naicker said

Contrary to the Industrial Development Corporation's footwear cluster study, Naicker believed the sector could create jobs in both synthetic and leather footwear

A university study was being done to investigate the possibility of creating labour-intensive "employment villages" in the province, he said

MANUFACTURING - FOOT WEAR

1998

BD 6/2/98

## IN BRIEF

# SA footwear industry aims for 1% of world exports (187)

THE SA footwear and leather industry was work- [illegible] 2005 [illegible] uction for [illegible] yesterday.

[illegible] manufacturers, will implement a programme to develop the [illegible] SA footwear sector.

[illegible] employment opportunities and [illegible] mer needs, it said.

[illegible] of the task of becoming [illegible] me time redefining [illegible] of the market [illegible]."

# Footwear initiatives 'could expand city's market share'

RAVIN MAHARAJ (187) CT(PR) 10/2/98

Durban — Footwear initiatives in Pietermaritzburg could increase the city's share of South African footwear production from 12 percent to about 20 percent if the national footwear strategy was successfully implemented by 2005, industry leaders said yesterday

Their comments follow the recent release of the Industrial Development Corporation's industrial appraisal of Pietermaritzburg, which outlines the concentration and competitiveness of all sectors in the city in relation to its contribution to national gross domestic product (GDP)

It says KwaZulu Natal accounts for about 15 percent of total GDP Manufacturing and agriculture accounts for 18 percent and trade, catering and accommodation account for 16 percent

According to the report, successful implementation of the national footwear strategy could result in 17 000 jobs in the sector, the achievement of about R1,2 billion in total production, and foreign exchange earnings of about R650 million

KwaZulu Natal accounts for 61 percent of domestic footwear production and employs about 3 900 people in that sector In 1995 more than 12 percent of total domestic footwear production occurred in Pietermaritzburg

But industry leaders said there were several challenges facing the industry — such as upgrading management, labour skills and technology and seeking joint ventures with global players — if it was to be domestically viable and internationally competitive

In addition, South Africa had to market its brand image internationally, target foreign investment and put more infrastructure into place, industry leaders said

The report says there are many disadvantages facing the Pietermaritzburg footwear initiative Local packaging is expensive and domestic customers are price sensitive and accustomed to cheap, low quality imports Machine costs are also subject to exchange rates and production inefficiencies

The proposed vision of the national footwear strategy is that "the South African footwear industry is to focus its energy on becoming a world-class producer of leather footwear for the mid-to-upper price point category, achieving approximately a 1 percent share of world footwear exports by 2005", the report says

During 1996, footwear consumption in the South African market was about 104 million pairs compared with about 70 million in 1980 Imports represented about 53 percent of domestic consumption compared with less than 20 percent in 1980

The report also says there are investment opportunities in the aluminium and wood and furniture sectors for downstream products in the aluminium sector, the iron and steel industry, food products, cement products, inks and grain milling products

There was also potential for expansion in the cooking fats, margarine and edible oil, confectionery, rubber products and plastic products industries

# Footwear industry forum proposes a recovery policy

CT (BR) 11/2/98 (187)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The leather and footwear industry needed to put its best foot forward in both domestic and international markets, Tanya Goldman, the South African Clothing and Textile Workers' Union (Sactwu) representative, said yesterday

Goldman, who chaired this week's policy workshop in Pinetown, said the entire footwear and leather pipeline had rallied behind the Footwear and Leather Industries Forum, the co-ordinating body created to restructure and make the sector more competitive

The co-ordinating body represents leading stakeholders in the footwear and leather cluster, including the Southern African Footwear and Leather Industries Association, Sactwu, the National Union of Leather and Allied Workers, the department of trade and industry, retailers, importers, and small and micro businesses in the sector

Goldman said all stakeholders had adopted the forum's vision This aimed to transform the industry into a world-class producer of predominantly leather footwear for the mid- to upper-price points and niche markets

At the same time, the sector said it should redefine production in the non-leather and lower end of the market where it could not compete on price Here, it needed to concentrate on design, quality and service innovation as competitive areas, she said

Goldman said the sector should actively target 1 percent of the world export market by 2005 One percent of the world market comprised 70 million pairs of shoes The sector exported 4 million pairs at present, she explained

She said although the industry ought to embrace an export drive, it could not ignore the local market and the need to retain its market share to maintain employment levels

Sactwu's research indicated that about 8 000 jobs had been lost in the sector in the 18 months to August last year

Crucial issues to emerge from the workshop included a need for the sector to work with retailers to develop adequate quality standards She said retailers with international links could help manufacturers fine-tune quality to world standards

The need for a code of conduct between component suppliers and manufacturers had also emerged

The industry had also recognised a need to broaden the footwear industry's training programme to encompass the entire industry pipeline

# Industry puts match to counterfeit goods

(187)

**SHIRLEY JONES**
KWAZULU NATAL EDITOR

Durban — Police and industry investigators put a match to R30 000 worth of counterfeit clothing, shoes and watches in Pietermaritzburg yesterday

The goods, carrying Nike, Fila, Adidas, Reebok, Citizen and Seiko labels, were confiscated from hawkers in October

However, the Anti-Counterfeit Coalition (ACC) said this haul consisted of only a small part of the R246,2 million worth of counterfeit goods that were seized throughout South Africa between April and November last year

The ACC represents 25 companies that sell major sporting and clothing brands Stanley Kotkin, the chairman, said warehouses were overflowing with counterfeit goods.

Counterfeiting, which went hand-in-hand with smuggling, was having a devastating effect on businesses, he said.

"We were naive and didn't realise what we were heading for," he said "This started about 18 months ago with goods coming in in waves There was no stopping it."

Kotkin said that 5 000 pairs of fake Fila shoes had been stopped in Johannesburg two weeks ago The fake shoes had been declared at $2,50 a pair whereas the genuine articles were imported at $28 a pair. The difference in duty was R1 a pair versus R42.

Kotkin said that the confiscated goods were just the tip of the iceberg

ct (MR) 26/2/98

# Footwear sector's fate lies in exports

(187) CT(BR) 26/2/98

RAVIN MAHARAJ

Durban — The salvation of South Africa's footwear industry lay in exports, David Berry, the president of the Footwear Institute of South Africa, said yesterday

The national footwear strategy said the industry should focus on becoming a world-class producer of leather footwear for the mid-to-upper price point category, and achieving a 1 percent share of world footwear exports by 2005

Der-Anne Dods, an economist at the Southern African Footwear and Leather Industries Association (Saflia), said the footwear manufacturing industry was "under siege"

Production volumes had dropped from 62,4 million pairs in 1988 to 36,4 million pairs last year As a result, employment fell from 25 459 employees in 1988 to 16 1992 last year

Berry said local manufacturers catered for a very seasonal marketplace and had a strong tendency to be summer-orientated

"If one takes this issue into the global village, and we locate South Africa's production in this context, we should be manufacturing summer products for export to the northern hemisphere," he said

He said if the situation was exploited to the full, the capital costs would be relatively low and the employment possibilities relatively high, because of the demand for and labour intensity of these products An export programme of this nature would meet the initial challenges particularly for, small, medium and micro enterprises (SMMEs) and established footwear factories

Other issues that needed to be addressed include training outsourcing, and acquiring and servicing a market place

# Footwear industry told to grow up

ET (BR) 6/3/98 (187)

**Ravin Maharaj**

Durban — World competitiveness in the leather and footwear industry would be possible if industry initiatives were carried out with a strategic vision and purpose, industry leaders said yesterday

Production volumes in South Africa's footwear manufacturing industry have dropped from 62,4 million pairs of shoes in 1988 to 36,4 million pairs last year, resulting in a drop in employment

Industry leaders said there was a strategic plan to counteract the negative trends, but it had to be implemented by all manufacturers, who would have to "stop whining and start working"

They said the industry had to ensure viable returns for investors and create maximum employment opportunities

But the efficient provision of infrastructure and a renewed focus on downstream products were also necessary

They said it was essential to contain packaging costs, which would result in considerable savings

An industry study revealed "transport is a significant cost as footwear is produced in definite geographical areas, which are often some distance from the ultimate market

"A complete logistical service is lacking where warehousing, transport and stock control is undertaken by one company"

Der-Anne Dods, an economist at the Southern African Footwear and Leather Industries Association (Saflia) said the tariff structure would end in 2000, when the duty on all imported footwear would be 30 percent ad valorem

Dods said the industry would not be able to rely on tariff protection, and it would have to restructure and become globally competitive to survive

The industry was cautiously optimistic that footwear production would start stabilising this year

# Footwear industry revamp vital for jobs, says Erwin

CT(BR) 16/3/98 (187)

RAVIN MAHARAJ

Durban — Aggregate growth and sustainable job creation in the footwear industry would only come about once restructuring had been completed, Alec Erwin, the trade and industry minister, said at the weekend

Speaking at the Shoe Machinery, Accessories and Components (Shoemac) trade show, Erwin said there were significant changes taking place within the ailing footwear industry, but industry had to accept that employment levels would never be the same again

Production volumes in South Africa's footwear manufacturing industry have dropped from 62,4 million pairs in 1988 to 36,4 million pairs in 1997 This has resulted in a drop in employment from 25 459 employees to 16 199 in 1997

Erwin said one of the problems affecting competitiveness was that all partners, including labour, manufacturers, suppliers and government, were often at loggerheads with each other and were reluctant to find solutions to industry problems together

"It is time for serious and critical analysis within the industry It is vital for all players to buy into this process if footwear and leather is to become locally and internationally competitive," Erwin said

He said once solutions were found, all input should be passed on to government to be adopted into policy

He said advantages for the local industry included South Africa's energy supply, which was highly competitive, the manufacturing sector, which was strong, highly competitive design capabilities and good technology

Industry leaders were optimistic that the depressed sector would come out of its slump this year

# New Afcol chief looks to continue tale of success

The new boss of Afcol believes in world-class competition. He talks to senior assistant editor Michael Acott

(187) 30/3/98

GRAHAM Theobald has some very high expectations to match up to when he moves in this week to take control of what will be the largest furniture manufacturer in the southern hemisphere

His customers, investors and colleagues all believe he will transform the country's dominant but ailing furniture supplier, Associated Furniture Companies Ltd (Afcol) They expect him to turn it into the high-technology, low-cost success he has made of the lesser-known manufacturer, Pat Cornick

Cornick is taking control of Afcol, a former SA Breweries subsidiary, through a reverse takeover announced last week That move elevates Theobald from heading a company with one manufacturing operation in Brits to running a nationwide operation with about 30 sites

It is not exactly a case of the minnow swallowing the whale, though opponents of the deal at Afcol pointed out that Cornick reported turnover of R141m last year, compared to Afcol's R1bn

Theobald says acquisitions are likely to raise Cornicks's turnover to a quarter of Afcol's this year, but he points instead to market capitalisation when the merger negotiations started in earnest, Cornick had a market capitalisation nearly double Afcol's

What he does not say is that Afcol's sales volumes, market share, profitability and share price have been sliding, largely because of the competition Theobald has been generating at Cornick.

Cornick has had 40% annual compound growth in profit and turnover, Afcol announced recently that it expected to incur trading losses for the financial year ending this month

Cornick is also not a minor operation Its factory in Brits produces case goods — a term which includes cupboards, wall and kitchen units, beds and headboards — is SA's largest Theobald says the combined operation will have 25% of market share, with Cornick accounting for 11%

Yet, where Cornick has expanded recently through the acquisition of Grant Andrews office furniture, the KwaZulu-Natal based Future Bedding and an Australian operation, Panda Sofas, Afcol is well established in all furniture sectors It has major brand names, including Edblo, Sealy, Vitafoam, Grafton and Kallenbach-Hendler

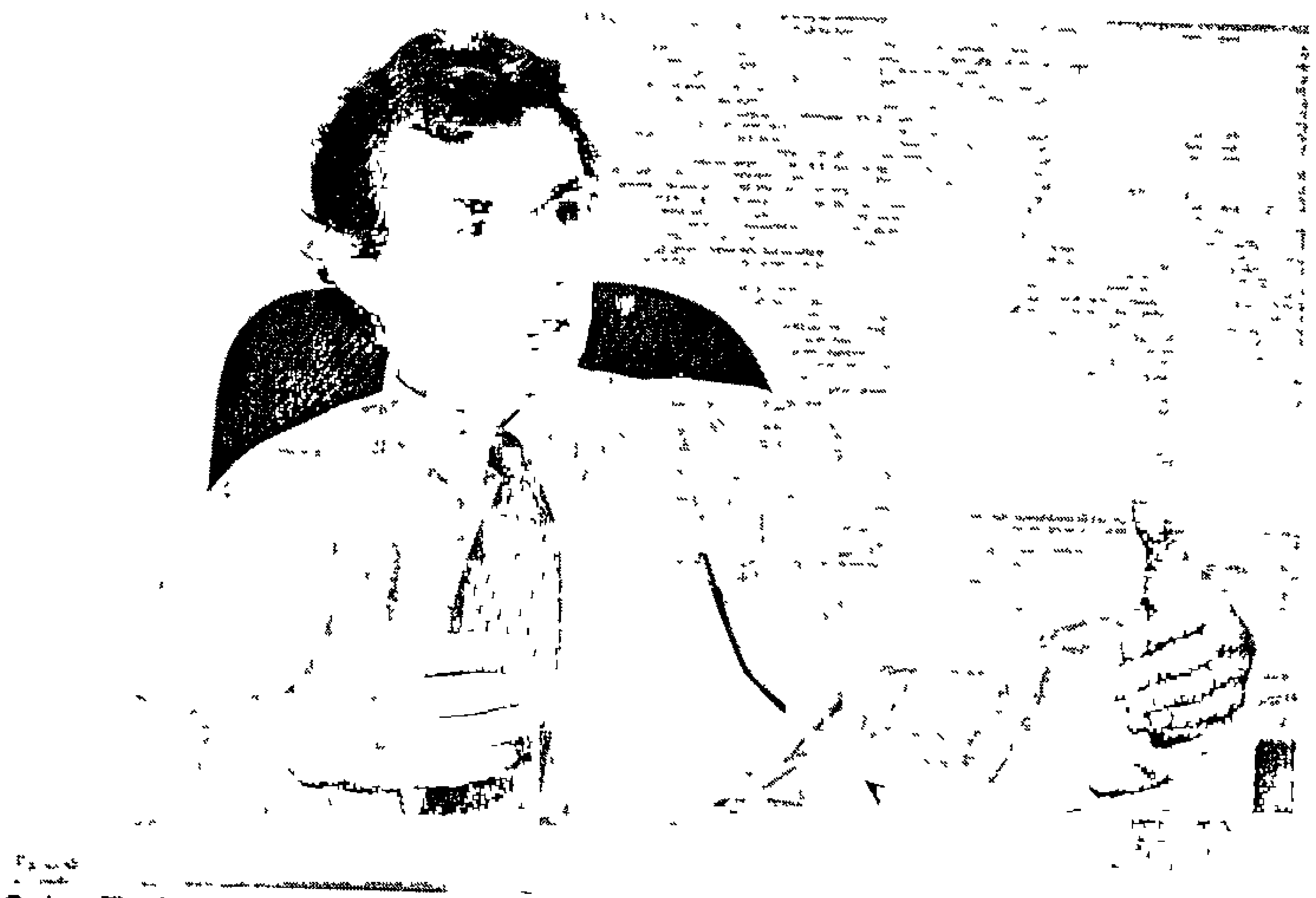
The country's major furniture retailers expect Theobald to revitalise Afcol through the drive and entrepreneurial flair he showed at Cornick. They also pay tribute to his integrity

"He plays it down the line," says Eric Ellerine, head of Ellerine Holdings "He is a very astute businessman who has done remarkably well"

David Sussman, head of the JD Group, expects his old university friend to "do an outstanding job" and says the merger will be good for the industry

Gerald Rubenstein, chairman of Profurn, knows Theobald only by reputation, but says Profurn executives regard him as "a first-class operator" and are delighted at the Afcol-Cornick merger.

Theobald, 50, is Johannesburg-educated (St Stithians College and a Wits B Com) He believes in world-class competition: every overall at his Brits factory proclaims "The winning team".



Graham Theobald

Picture: ROBERT BOTHA

A key element in his expansion of Cornick, which he took over in 1983, was the introduction of a sophisticated computer information system. This enables retailers to specify the variations they want, and provides precise information about manufacture and delivery of any particular order It has been a major factor in Cornick's cost-cutting programme and its expansion of market share.

The system is run by Theobald's wife, Beverly, who used to have her own consultancy and is now a director of Cornick.

The Theobalds must be seen as a husband-and-wife team who have revolutionised furniture making in SA, says Malcolm Dodds of the corporate finance department at Investec

Dodds also points to Cornick's 14-year strike-free record, which he says is the result of Theobald's staff relations and a policy of training and opportunity for all

"Other companies blame their problems on economic conditions, interest rates or a hostile and undereducated labour force.

"It is not labour, it is management Graham will take that same labour force and turn it into a world-class operation."

The thought is echoed by Thierry Dalais of Capital Partners who sits on the Cornick board He says Theobald is a good motivater and a good communicator "It is not money or assets that make businesses work, it is people Graham is a special guy"

So what does Theobald plan when he reconstitutes the Afcol board this week as its new CE?

High on the list is an upgrade of Afcol's computer information systems, which he says are antiquated by comparison with Cornick's.

What about the attitude of Afcol management, many of whom supported a rival bid because they believed Theobald would come in as a hatchet man?

Though he does not believe in "fat head offices .. I am not going to Afcol with the intention of slashing it to pieces. There is a lot of good management in Afcol"

He believes in "serious staff incentives" and in liberating people to achieve their full potential

Theobald says he is not a detail man, but tends to look at the big picture For Afcol that includes internal improvements — each firm with its own niche, and each factory with its own focus — followed by international expansion

"We have now reached the critical mass in terms of size and resources where we can go global. We have our first investment in Australia, and are looking at other opportunities," he says.

First, however, comes "sorting out the Afcol group and getting them up to scratch"

"I have very clear objectives, which will be made clear to everybody They will be given the opportunity to contribute to achieving those objectives. They will be given the freedom and all the backup they need to do that

"But, at the end of the day, I have a pretty uncompromising attitude to people who don't grasp their opportunities They will not find (Afcol) a happy home"

# Daun aims to create new force in furniture sector

(187) BD 3/4/98

Amanda Vermeulen

GERMAN businessman Claus Daun — one of the founding members of Protea Furnishers — is forming a new holding group consisting of a number of furniture manufacturers, including a major German player, which plans to list on the Johannesburg Stock Exchange (JSE).

Daun — who is also chairman of Morkels Retail Group (Moregro) — recently joined forces with Associated Furniture Companies (Afcol) management in an attempt to pull off a management buyout of the group from parent SA Breweries (SAB).

Afcol and Daun lost their bid and the group was sold to Pat Cornick last week.

Daun had planned to combine his new holding company with Afcol — a move which would have given him a significant slice of the country's furniture manufacturing market.

He confirmed this week that he had hoped to participate in the Afcol management buyout. He said he was now looking at other opportunities, but declined to elaborate further.

Daun is putting together his interests in furniture manufacturers Gomma Gomma and Victoria Lewis with a KwaZulu-Natal furniture company.

German group Steinhoff, a major unlisted furniture manufacturer in that country, would also be one of the underlying companies in the new holding group.

Steinhoff could, at a later stage, import SA-made furniture to Germany.

Sources said the new holding company, which is in the process of being established, would be listed on the furniture, household and allied sector of the JSE in the next few months. Daun would not be the controlling shareholder but would have a significant stake.

Analysts said Daun, who has sold most of his interests in Protea Furniture, recently invested significantly in Victoria Lewis to improve its manufacturing capabilities. One analyst said this plan to pull together a new furniture grouping would give Daun a consolidated position in a highly fragmented industry.

It would also provide the new company with greater bargaining powers with the retailers, which had "had the manufacturers over a barrel", he said.

In addition, the new Pat Cornick-Afcol alliance — which gives the two companies a broad penetration of the low, middle and upper end of the market — has created a significant force in the furniture industry.

Daun's plan, said one analyst, could provide strong opposition to a merged Cornick-Afcol.

The furniture manufacturing sector, described by one analyst as "a sick industry", has been in the doldrums for some time. However, the spin-offs from Sanlam and Old Mutual's planned demutualisation, the burgeoning black consumer market, and the Eskom electrification programme should give it a new lease on life, said analysts.

# China promises to put the boot into 'unfair' shoe exports

CT (MR) 7/4/98 (2A) (187)

**THABO LESHILO**
BUSINESS EDITOR

Pretoria — South Africa could not beat the far east on cheap products and should rather concentrate on high valued-added goods to improve its global competitiveness, Alec Erwin, the trade and industry minister, said yesterday.

Labour costs in the far east are one-fifth of what they are in South Africa.

Returning from a week-long trade and investment mission to China and Hong Kong, Erwin said he had had "constructive" talks with the Chinese about stopping the "big surge" in their export of cheap footwear to South Africa.

Combined, China and Hong-Kong are South Africa's 11th largest export market, worth R3,8 billion. Pretoria's imports from the two countries are worth R5,9 billion.

The Chinese, he said, were prepared to help Pretoria stop the flood of cheap imports that are destroying the local shoe manufacturing industry.

Such has been the impact of the imports — some illegal — that production volumes in the local shoe-making industry have dropped from 62,4 million pairs of shoes in 1988 to 36,4 million pairs last year.

Employment levels in the industry subsequently fell from 25 459 employees in 1988 to about 16 000 last year. Three million pairs of illegally imported shoes entered the country, mainly from the far east, last year alone.

"They acknowledge the importance of the need for our economy to grow and don't want to destroy it," said Erwin.

The Chinese, he said, were prepared to invest in and to explore joint ventures with the local footwear manufacturing industry, with an eye on the export market.

**BIG SURGE** *Trade minister Alec Erwin says South Africa can't beat the far east on cheap products but must concentrate on adding value to exports* PHOTO JOHN WOODROOF

Erwin said the Chinese understood last year's imposition by South Africa of import quotas on footwear from countries not aligned to the World Trade Organisation.

China is still negotiating its membership of the world trade body.

Listing the accomplishments of his mission, Erwin said the Shangai Industrial Investment Corporation had earmarked 30 industrial investment projects in South Africa in the areas of construction, infrastructure and ceramics.

He also said individual meetings between the 80-strong business delegation in his mission and the Chinese had resulted in the signing of memorandums of understanding to establish a R210 million truck assembly plant in South Africa and a R7 million joint venture for a stone-crushing plant in the Northern Province, among other achievements.

(187)

OFFICE FURNITURE

## Dauphin to export kits to Africa

The office furniture market in South Africa had become more competitive, with more international manufacturers starting operations here, Isla Galloway, the managing director of Dauphin Office Seating said yesterday. Dauphin has retained its 28 percent share of the growing market and is about to launch a second range designed specifically for export to other African countries in kit form.

The company, which is in the Bidvest group, manufactures under licence from the German based office seating manufacturer Dauphin which holds a 24 percent stake in it. Isla Galloway herself has a 5 percent stake. Galloway said the market had grown, particularly in Johannesburg, with more international companies opening new offices. But she said there was a tough year ahead, and many companies would control costs more tightly. — *Audrey d'Angelo, Cape Town.*

ET(BR) 1/5/98

# 'Conshu will downsize, but no factory closures foreseen'

BD 4/5/98 (187)

Nicola Jenvey

DURBAN — Industrial clothing, textile and footwear group Conshu Holdings would continue rationalising and downsizing to match output and market demands, but financial director Charles Rapp said there was no threat of factories closing in the near future

Conshu, which operates eight major footwear factories and a rubber moulding and extrusion business, retrenched 600 employees across its KwaZulu-Natal factories in the first quarter The retrenchment costs have affected the final dividend for the year to March

Chairman Lawrence van der Watt said Conshu, a subsidiary of SA Breweries, maintained its position as the leading branded footwear manufacturer and industrial polymer converter in southern Africa

Attributable income grew 119% to R16,7m despite the soft domestic market and imports

Headline earnings rose to 34c from 15,2c and a 2,5c (1997: nil) final dividend was declared, bringing the total to 12,5c (6c).

Turnover inched up 4% to R803,1m compounded by the difficult trading conditions, while trading profit was boosted 67% to R37,9m

Van der Watt said the balance sheet remained strong with gearing being reduced to 15% of shareholders' funds This was achieved through constant attention to lowering working capital

Conshu spent R11,7m on improving technologies and production facilities

He said the steps taken to rationalise activities and control costs had made a major contribution to the improved results The continuing rationalisation and rightsizing of the group to match capacity with market requirements was producing "meaningful" productivity improvements.

"This, coupled with the recent positive response to the ranges, should result in satisfactory growth in earnings and dividends in the current year."

# Bolton Footwear walks away from Conshu

CT (BR) 11/6/98 (187)

**Ravin Maharaj**

Durban — Bolton Footwear, the Western Cape-based footwear manufacturer and motor vehicle retailer, would not enter the bidding race for Conshu, but would be interested in parts of its business in the future, Marthus Louw, the managing director of Bolton Footwear, said last week

Conshu is a leading manufacturer of branded footwear, and also has a rubber moulding and extrusion business Along with Lion Match and Da Gama, Conshu is being unbundled from South African Breweries (SAB)

Analysts expect SAB to make an announcement regarding the disposals when it reports its year-end results this week They have forecast an 8 percent to 10 percent increase in earnings, boosted by offshore achievements

Louw said Bolton Footwear, which is part of Bolton Industrial Holdings, would only express an interest in Conshu if it were to be delisted

"There are some parts of Conshu's business that appeal to us, but we do not intend to bid for the company Our interests are longer term," Louw said

Bolton reported a 78 percent increase in earnings a share to 43,3c a share (24,3c) for the year to February 28, despite difficult trading conditions

In the period, the company succeeded in controlling working capital and increased its cash resources from R9,2 million to R13,2 million

Meanwhile, analysts said it had been difficult to pinpoint possible suitors for Conshu, which was recovering off a depressed base

# Workers strike over spy cameras

## Surveillance necessary to prevent stealing say managers, but employees deny theft claims

THABO MABASO

(187) ARG 16/5/98

Employees at an Epping textile plant have downed tools to protest against the installation of security cameras in the factory The bosses say the measures had to be taken to stop theft But the workers say the cameras invade their privacy

The workers, who have been on a legal strike for five days, accuse the management of Migra Textiles of treating them like slaves

"The Labour Relations Act says we must not work under slavery conditions where you are watched all the time," shop steward Clive Campbell said

He said the workers, who are members of the Southern African Clothing and Textile Workers Union, were not consulted about plans to install the cameras

Mr Campbell said of the 85 workers employed at the plant, about 65% were on strike However, Mike Phillips, the managing director of Migra Textiles, said only 30 workers were taking part in the strike

Mr Campbell said the cameras were installed because of the company's recurring problem of stock loss

"Our audited figures indicate that our stock loss for the year gone by has reached unacceptable levels Various initiatives to reduce this growing problem have been attempted," Mr Phillips said

"On the advice of specialists called in to identify the problem, we have introduced closed-circuit cameras at strategic points inside the plant as well as at all critical points on the perimeter of the plant," he said The angry employees want Migra Textiles to remove all the cameras

"The bosses are saying they are protecting their property, but we are saying what about our rights as workers It is intimidating working under conditions where you are watched all the time We are not stealing stuff from this factory," Mr Campbell said

The cameras were installed two weeks ago. The employees engaged the managers in negotiations soon after they were put up, with the view of having them removed, but the talks deadlocked

The dispute went to the Commission for Conciliation, Mediation and Arbitration, which failed to reconcile the two parties

The workers have vowed not to go back on duty until the cameras are reviewed

Mr Phillips said the company was open to exploring all possible options to resolve the dispute. "Much as I appreciate the sensitivity related to the tightening up of our security arrangements, the company has had no option but to take these measures to ensure the survival of our organisation," he said.

# Shoemakers tie the knot

RAVIN MAHARAJ (187)

Johannesburg — Natal Component Holdings (NCH), the manufacturer of footwear components, and EVA Components, the provider of sheeting for footwear, would merge and list on the JSE later this year, Raymond Cohen, the financial director of NCH, said yesterday

Cohen said the main aim of a listing would be to raise capital for expansion and enable the merged companies to become internationally competitive

The proposed listing was still in its infancy Investment bankers were still surveying conditions and advising the company on future prospects in the generally depressed footwear sector The manufacturing industry has been in the doldrums for some time Production volumes dropped from 62,4 million pairs of shoes in 1993 to 36,4 million pairs last year

But Cohen was upbeat about the footwear sector "It is not as dead as it seems," he said He said manufacturers had to become more cost-efficient and restructure so as to be able to compete with imports

China and Hong Kong are South Africa's 11th largest footwear export market, worth R3,8 billion South Africa's imports from the two countries are running at R5,9 billion.

CT (BR) 2/6/98

(187)

**BOLTON FOOTWEAR**

# SELLING CARS & SHOES = TROUBLE

- **ACTIVITIES** *Primarily involved in footwear manufacturing and motor dealerships*
- **CONTROL** *Bolton Industrial Holdings 74,1%*

FM 19/6/98

| Year to February 28 | '95 | '96 | '97 | '98 |
|---|---|---|---|---|
| Debt equity ratio | 0,18 | 0,09 | — | — |
| Int & leasing cover | 3,3 | 3,7 | 9,2 | n/a |
| Return on cap (%) | 28,2 | 10,1 | 6,8 | 10,7 |
| Turnover (Rm) | 277 | 251 | 239 | 265 |
| Pre-int margin (%) | 11,3 | 4,6 | 3,1 | 4,1 |
| Earnings (c) | 24,5 | 28,2 | 24,3 | 43,3 |
| Dividends (c) | 7,5 | 8,5 | 8 | 13,5 |
| Tangible NAV (c) | 373 | 393 | 409 | 449 |

No, Bolton Footwear has not turned the corner sorry The noticeable strengthening in its results this year are due to two essentially short-term factors a contribution holiday of R2,6m (1997 —) in the retirement fund and a largely tax-free Industrial Development incentives of R2,6m (1997 R0,8m)

If both these factors are stripped out, operating profit continued its slide in financial 1998

While they should continue to contribute to the company for the next two financial years, they will, as the directors note in the group's 1998 annual report, "have the effect of the profit level not being sustainable over the longer term "

The group's problems still revolve around its operations in motor dealerships and footwear manufacturing But these are two of the meanest sectors in the SA economy

On the footwear side, the company believes it has retained or gained market share in its niche areas, but that these markets have remained static or declined Its motor operations continue to struggle with the difficult market, and produce losses During the year activities were further rationalised, with the closure of the Knysna branch of Stanmar Motors

The group does appear to be making a good defensive play — cutting costs and reducing working capital — but it is failing to turn the businesses around The management needs to do more than what it is doing If its existing business can't produce the necessary returns, then it should find some businesses that can in different areas The group has net cash resources of R13m, and there is opportunity for a fresh start

**Stuart Rutherford**

(187)

**CONSHU**

# SWIMMING AGAINST THE TIDE

- **ACTIVITIES·** *Largest producer of medium to higher priced branded footwear in Africa*
- **CONTROL** *South African Breweries with 67,4%*

FM 19/6/98

| Year to March 31 | '95 | '96 | '97 | '98 |
|---|---|---|---|---|
| Debt equity ratio | 0,26 | 0,14 | 0,29 | 0,14 |
| Int & leasing cover | 4,2 | 3,7 | 1,5 | 3,3 |
| Return on cap (%) | 18,1 | 18,3 | 5,6 | 9,9 |
| Turnover (Rm) | 709 | 782 | 771 | 803 |
| Pre-int margin (%) | 9,8 | 9,1 | 3,0 | 4,7 |
| Earnings (c) | 76,8 | 79 | 15,7 | 34 |
| Dividends (c) | 29 | 30 | 6 | 12,5 |
| Tangible NAV (c) | 439,2 | 478,2 | 487,8 | 503,6 |

Despite some recovery in EPS in 1998, Conshu is just a shadow of its former self Like many others in the footwear industry, the company has been walked all over by importers, who now supply more pairs of shoes to the market per year than domestic producers do

Not surprisingly then, Conshu's annual report this year makes for bleak reading The central theme in both the chairman and CE's reports is management has done well under the circumstances

CE Robert Feinblum says that as prices and profit margins have come under pressure they have concentrated on improving the utilisation of assets and increasing efficiencies This has involved the development of smaller orders and cost cutting Last year, 900 people were retrenched at the group, bringing the staff count to 6 000

Feinblum is critical of steps taken by government to assist the industry He says the quota system, restricting imports from non-WTO countries to 15m pairs per year, was introduced too late and that the component and tanning industries have already redirected their focus outside footwear manufacture

Not that all hope is lost The group says that with further productivity improvements and positive responses to current ranges it should produce satisfactory growth in earnings and dividends in 1999 Apparently, a management-led consortium is odds on favourite to snap up SAB's 67,4% stake in the company, so there is obviously some belief in the group's future The other serious contender is Austin Shoes, a company based in Maritzburg, KwaZulu-Natal **Stuart Rutherford**

# Footwear industry in a cross-border stampede

CT(RMR) 23/6/98 ~~186~~ (187)

**SHIRLEY JONES**
KWAZULU NATAL EDITOR

Durban — Labour and industry leaders said yesterday the local footwear industry was caught in a cross-border stampede Local companies were shutting shop to relocate to neighbouring states, while imports were streaming back into South Africa thanks to the Southern African Development Community (SADC) protocol

Industry leaders said the South African industry was dying, despite measures aimed at pulling it up by its boot straps The measures included a footwear accord to boost competitiveness and a government quota on imports from the East

Local companies were eager to move to countries like Lesotho, where wages were a fraction of South Africa's But even companies there were closing Springfield Footwear closed one of six factories in Lesotho a month ago and is believed to be contemplating another closure

The greatest danger was that made-in-Lesotho footwear coming in with minimal SADC duties was actually rerouted goods from the East

Harry Naicker, the chairman of the Association of Medium and Small Footwear Manufacturers, said cutters in Lesotho were paid R120 a week as opposed to R750 in South Africa Stitchers received R80 against R450 locally

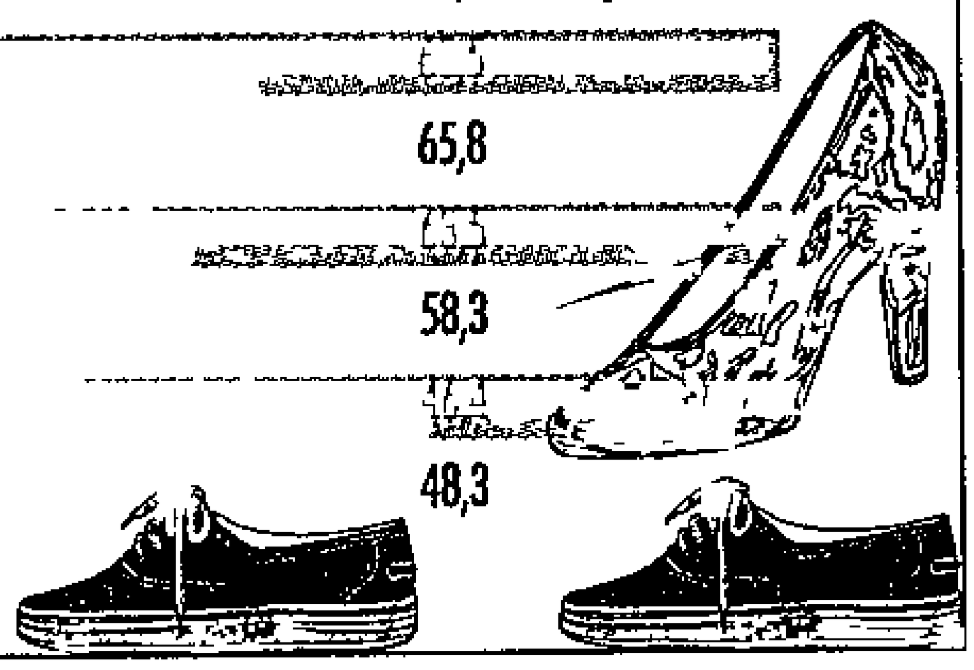
Industry heads confirmed that at least three more Durban companies were considering moving across the border Pietermaritzburg-based Amber Footwear relocated to Lesotho last year. Pinetown-based Crown had already moved sections of its production and might ultimately move the lot, it said

Naicker said at least 3 000 jobs had been lost so far this year, and industry casualties were growing The South African footwear sector was "in a tizz", with companies barely able to fill order books for more than two months at a time. Most were on short time or three-day weeks, awaiting a July manufacturing rush for Christmas that might never materialise.

"If it's not short time, it's retrenchments, and if it's not retrenchments it's liquidation or sequestration," said Roy Naransamy of the National Union of Leatherworkers.

**Footware**

| YEAR | EMPLOYMENT | PRODUCTION |
|---|---|---|
| 1991 | 35 637 | 72,6 million pairs |
| 1992 | [illegible] | [illegible] |
| 1993 | 29 583 | 65,8 |
| 1994 | [illegible] | [illegible] |
| 1995 | 28 333 | 58,3 |
| 1996 | [illegible] | [illegible] |
| 1997 | 22 992 | 48,3 |



# EU-SA trade deal 'does not bode well for footwear sector'

(187) CT (MR) 24/6/98

RAVIN MAHARAJ

Durban — A free trade deal between the European Union (EU) and South Africa could put the nail in the coffin for South Africa's ailing footwear industry, Cedric Novis, the executive deputy chairman of Bolton Footwear, said yesterday

Bolton Footwear, which is part of Bolton Industrial Holdings, is the Western Cape-based footwear manufacturer and motor vehicle retailer.

Novis said trade liberalisation could result in a flood of legal footwear imports from EU countries such as Spain, Portugal and Italy, which are the leaders in footwear fashion

He said the industry was already battling to survive imports from the East — mainly India and China — and that illegal imports were crippling the industry

At present, there is a 30 percent duty on leather and footwear products from the EU Industry leaders believe this is bound to fall away altogether

Legal imports account for more than 60 percent of footwear consumption in South Africa About 10 years ago, local footwear production accounted for about 80 percent of local consumption, but this has since been on a steady decline

The proposed free trade deal continues to elude both sides, but negotiators say painful South African concessions could pave the way for the signing of an agreement within months

South Africa has presented Europe with its most liberal offer thus far, including concessions that could hurt South African leather and footwear industries

Commenting on the state of the footwear industry, Novis said nothing had changed for the better, especially in terms of government intervention

# Conshu in 'diabolical' conditions

CT(PR) 25/6/98

RAVIN MAHARAJ

(187)

Durban — Market conditions in the footwear industry were "diabolical" and far worse than in the depressed retail sector, Robert Feinblum, the chief executive of Conshu, said yesterday after the company's annual general meeting

Conshu, the largest producer of medium- to higher-priced branded footwear on the African continent, has been operating under a cautionary for several months It was soon to be shed from the South African Breweries stable but an announcement, to have been finalised by the end of May, had been delayed, the company said

Analysts said they expected a management buyout which would comprise a black empowerment element Industry sources said three final bidders had been unsuccessful.

Feinblum said even larger operations like Conshu were hampered by high capital and labour costs, fashion influences, creativity and the inconsistent availability of leather.

He said the company was monitoring market conditions on a weekly basis

Ongoing rationalisation and rightsizing of the group to match capacity with market requirements were producing meaningful improvements in productivity, Feinblum said

He said the decline in volumes and late orders was becoming increasingly common, resulting in the shrinking of the production pipeline

But rationalisation, coupled with consumer acceptance of its ranges, should result in a satisfactory growth in earnings and dividends in the coming year, Feinblum said

Conshu reported a 121 percent rise in attributable earnings for the year to March 31 1998 But its results were still the second worst since 1987

Feinblum said the company's main objective was to try to be cost competitive in global niche markets

Conshu finished unchanged at R2,45 on the Johannesburg stock exchange yesterday

# Sactwu starts housing scheme for members

(187)

SHIRLEY JONES

KWA ZULU NATAL EDITOR

CT(BR) 20/6/98

Durban — The South African Clothing and Textile Workers' Union (Sactwu) would launch a housing scheme this week, thanks to an investment fund that began with just R2 million six years ago but is now more than R1 billion.

Jabu Ngcobo, Sactwu's general secretary, said the union had decided to provide a housing fund rather than have its members continue living in shacks.

Homelessness was a major problem within Sactwu, compounded by non-recognition of members by commercial banks because of low incomes and perceived high lending risks.

Ngcobo said Sactwu was working on a scheme known as Khuphuka, a supervisory process that trained people to build their own houses. Through this, a three-bedroomed house with a kitchen and living room could be built for R26 000.

The scheme would not work on handouts. It would be administered through Unibank. If members could not repay loans, Sactwu would allow them to fall back on the provident fund rather than repossess houses.

The maximum repayment period was eight years, and repayments could not exceed 25 percent of a member's salary

# Leather, footwear unions ballot members for possible strike

ET (BR) 30/6/98 (187)

**Ravin Maharaj**

Durban — The National Union of Leatherworkers and the South African Clothing and Textile Workers' Union (Sactwu) were balloting their members for a possible strike, union officials said yesterday.

Glen Goldstone, Sactwu's regional leather industry co-ordinator, said the unions were asking for a 12 percent wage rise across the board, but the employer was offering 7,5 percent.

Employees also wanted a better deal on the provident fund and tax incentives.

South Africa's ailing footwear and leather industry employs thousands, but restructuring in the face of cheaper imports from the East, illegal imports and the recent closure of several footwear factories have resulted in severe employment shrinkages.

Industry leaders also warned that trade liberalisation between the European Union (EU) and South Africa could result in a flood of imports from the EU.

Last year the South African government placed a ceiling on imports from countries that did not belong to the World Trade Organisation to help local manufacturers, but no long-term effects have been felt.

Dennis Linde, the director of the South African Footwear and Leather Industries Association (Saflia), which represents footwear manufacturers throughout South Africa, declined to comment about the wage negotiations, saying they were at a sensitive stage.

Goldstone said negotiations this year were not just about wage increases, but also about the provident fund and tax incentives.

The employer was offering a package including provident fund wages, but workers had indicated that the offer was insufficient and they were prepared to strike, Goldstone said.

He said the trade unions would set up a meeting with Saflia later this week to discuss the latest events in the negotiating process.

# Shilowa hits at Reserve Bank over rand crisis

FROM REUTERS

Johannesburg — Mbhazima Shilowa, the general secretary of Cosatu, chastised the Reserve Bank yesterday for its attempts to halt speculative attacks on the rand, saying its approach had painted the country into a corner

"You use a blunt instrument of high interest rates to deal with issues of inflation and speculation, what happens is that inflation goes high The minute you drop them (rates), the speculators come in," Shilowa said

He veered away from directly criticising Trevor Manuel, the finance minister or Chris Stals, the governor of the Reserve Bank

"Our approach is not to deal with individuals, particularly insofar as the government is concerned," he said

"The first thing I would focus on is less on the issue of inflation and less on the issue of preservation of the rand at all costs — including high interest rates which would choke the economy So the ANC and the alliance more broadly must do something to deal with that"

He recommended that the government should attempt to find a way to penalise speculators· "Obviously we've got no control over what speculators do, but we think that the government does need to consider a package or series of measures that rewards those who invest in the productive sectors of the economy and punishes those who just put their money in the speculative investments"

Reacting to criticism that part of the reason for the attack on South Africa was its strict labour laws, Shilowa said unions were an easy target but would not take the blame

"Nobody knows why the currency is under attack If anybody does say they know definitively, I brand every single one of them a liar

"The fact that people say there is labour market rigidity does not mean there is It's very easy to pick on us We will not be pushed around as the federation We have principles," Shilowa said

Companies could retrench staff merely after consultation, and the country had a "gray economy" which employed workers only on a temporary basis and was accountable to no union, he said

Cosatu's alliance with the ANC has become increasingly fractious as the party pulls away from its formerly socialist economic policies in a bid to attract foreign investors.

# 'Don't write off footwear sector in SA'

(187)

CT (BR) 1/7/98

RAVIN MAHARAJ

Durban — Footwear manufacturers should not buy into the dismal scenario pervading South Africa's industry, Robert Feinblum, the president of the Southern African Footwear and Leather Industries Association, said yesterday

Presenting the footwear industry's annual review, Feinblum, who is also the chief executive of Conshu, South Africa's largest footwear manufacturer, said the industry should look at widespread restructuring to become globally competitive in niche markets and new businesses

"Globalisation now and into the future will be the engine of growth," he said

He said there would be dislocations and bumps on the road to prosperity in all the world's critical markets, but one could not afford to write off the footwear industry

Feinblum said illegal and undervalued footwear imports continued to pose a major threat to jobs Last year some 2 800 jobs were lost due to imported footwear, he said

The industry's vision was to create 100 000 jobs and produce 120 million pairs by 2005, he said

# Footwear industry's national strike enters its fourth day

CT (BR) 9/7/98 (187)

RAVIN MAHARAJ

Durban — The footwear industry enters its fourth day of a national strike today, with about 22 000 workers aligned to the National Union of Leatherworkers and the South African Clothing and Textile Workers' Union demanding higher wages and a better deal on the provident fund.

The industry has been badly hit by illegal imports, unemployment and the erosion of market share, and now faces further stumbling blocks — the spectre of continued high interest rates and the overall high levels of consumer debt.

Andrew van Rooyen, a union spokesman, said the unions were asking for a 12 percent wage increase across the board, but were prepared to settle for 9 percent if their various demands were met The employers are offering 7,75 percent.

Martin Poulson, another union spokesman, said the unions were hoping to meet the South African Footwear and Leather Industries Association, which represents the employers, to try to resolve matters He said a meeting was at present being planned for the parties

But Dennis Linde, the executive director of the association, said the industry had to stick to its guns with regard to its vision spelt out in the Foot plan.

The association only represents 38 percent of footwear manufacturers in South Africa, but which employ 80 percent of the industry. The remaining 62 percent is represented by the Association of Medium and Small Footwear Manufacturers of Allied Products

Linde said the entire industry pipeline would focus on becoming world-class producers of predominantly leather footwear for the mid-to-upper-price categories and niche markets.

# Footwear workers back today

CT (BR) 13/7/98 (187)

**SHIRLEY JONES**

Durban — Footwear workers are expected to return to work today after winning an 8 percent across-the-board wage increase

But the South African Clothing and Textile Workers' Union (Sactwu) warned this did not mean the strike was off

The union, which was not included in the meeting between the South African Leather Industries Association (Saflia) and the National Union of Leather and Allied Workers (Nulaw) that produced the agreement in Cape Town on Friday, said it would suspend the strike, but had not accepted the revised settlement

A jubilant Nulaw said its members would return to work after having achieved a package equivalent to a 9 percent increase despite short time and lock-outs by manufacturers

"At the start of this year's negotiations on April 16 and 17, the bosses started with a measly 1,75 percent increase and told the union that we wouldn't get an increase anywhere close to the inflation rate. Comrades, we forced them beyond the inflation rate," the union told its members

The package includes an 8 percent salary increase and a 1 percent increase, which will cover inclusion of a spouse or child on the Leather Sick Fund

Martin Paulsen, Sactwu's national leather co-ordinator, said that given the confusion surrounding the latest wage offer, he could not promise that all plants where Sactwu was represented would return to work today

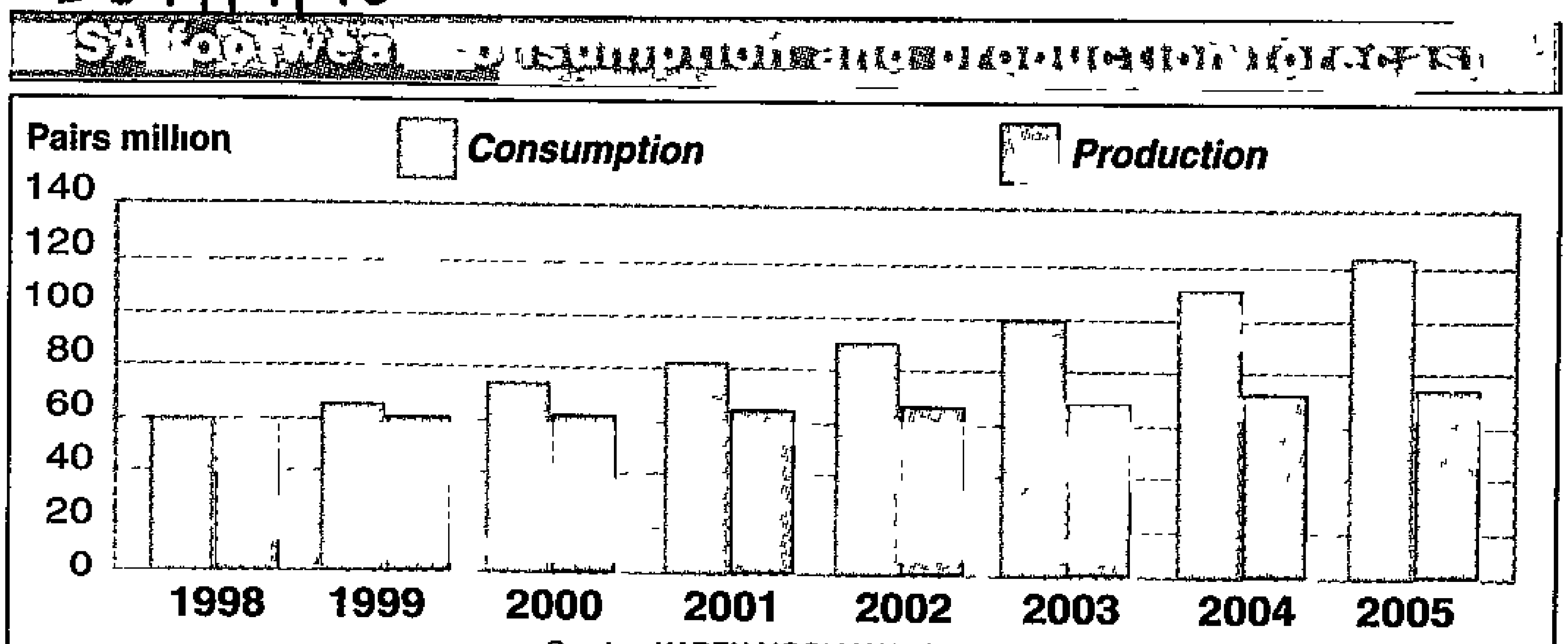
The revised offer would be put to members next week. Once the union had been properly mandated by its members, he suggested that all parties meet again in a "properly constituted" bargaining council

In a letter to Saflia, Paulsen voiced more concerns and said Sactwu might have been "purposefully excluded" in the hope that an agreement with Nulaw would divide striking workers

# Illegal footwear tramples SA industry

(187) BD 14/7/98

**Samantha Sharpe**



Graphic KAREN MOOLMAN Source SATLIA

CAPE TOWN — The imposition of quotas on footwear from non-World Trade Organisation countries, which came into effect in September last year, has not yet had the desired effect of stemming imports, the Southern African Footwear and Leather Industries Association (Saflia) says

Saflia president Robert Feinblum said in the latest Saflia annual report that illegal and undervalued imports still posed a major threat to jobs, with 2 800 jobs lost in the past year to imported footwear

The first quarter this year saw nine factory closures and 1 100 job losses, and a 5,3% decline in production

However, Feinblum said the industry was committed to a widespread restructuring which would allow for the creation of 100 000 jobs and the production of 120-million pairs of shoes by 2005

"It has been my experience that business uncertainty and diversity worldwide are inevitably accompanied by opportunity

"The situation in the leather industry is no exception and should provide us with a unique opportunity to make the strategic moves that will increase our participation in global markets "

Saflia executive director Dennis Linde said footwear production last year had remained at 1996 levels, but leather footwear had declined by 8,12% or 1,7-million pairs — the first time in nine years that leather footwear did not increase its share of total footwear production

"The explanation is to be found in a substantial increase in imported leather footwear — from 9,6-million pairs to 11,6-million pairs last year (with) traditional leather-producing countries such as Brazil, India and Italy recording increased exports to SA "

He said the 11 leading footwear exporting countries in total imported 298-million pairs or 9% of their consumption of 3,3-billion pairs of footwear

In SA, 63-million pairs of shoes or 53% of 118-million pairs were consumed on the local market, an indication of the work still to be done

"The extent of illegal footwear imports remains an unknown factor Through the efforts of the footwear industry task group and the consultants employed to track down the perpetrators some results have been achieved," he said.

(184)

# Sactwu loses its footing in footwear union unity talks

(187) CT(BR)29/7/98

**Ravin Maharaj**

Durban — The South African Clothing and Textile Workers' Union (Sactwu) had "missed the boat" with regard to creating a single voice in the troubled footwear and leather industries, Andrew van Rooyen, the general secretary of the National Union of Leather and Allied Workers (Nulaw), said yesterday

Sactwu — the tanning sector's majority voice and the smaller of the two unions in the leather and footwear sector — initiated amalgamation talks early last year to create a single voice in the industry But both parties have been reluctant to transfer members to other unions during talks

Combined, both unions represent more than 35 000 workers in the leather and footwear sector, which is concentrated mainly in KwaZulu Natal.

Van Rooyen said it was now too late to talk, especially since Nulaw had recently aligned itself with the Federation of South African Labour Unions (Fedusa), which has more than 30 affiliates from many sectors

"We are now in a better position to jack up our services to members, especially since Fedusa is not politically aligned," Van Rooyen said.

He said the union, which has about 20 000 members in the footwear and leather sector, would benefit from education and training programmes, and improved bargaining powers

He said it was a pity that Sactwu could not agree on the issue earlier

But Rachel Visser, Sactwu's media officer, was upbeat about a merged force in the sector

"A merger can only be to the advantage of members. That's the bottom line. In fact, we are busy discussing the way forward for the leather and footwear sector," she said

Sactwu was, however, still on a recruitment drive, with 2 000 new members signing up in the last couple of weeks, Visser said.

**CONSHU HOLDINGS**

# THIS PAINFUL ABUSE CAN'T BE LEGAL

(187)

## Massacre moves into 3rd year

FM 9/10/98

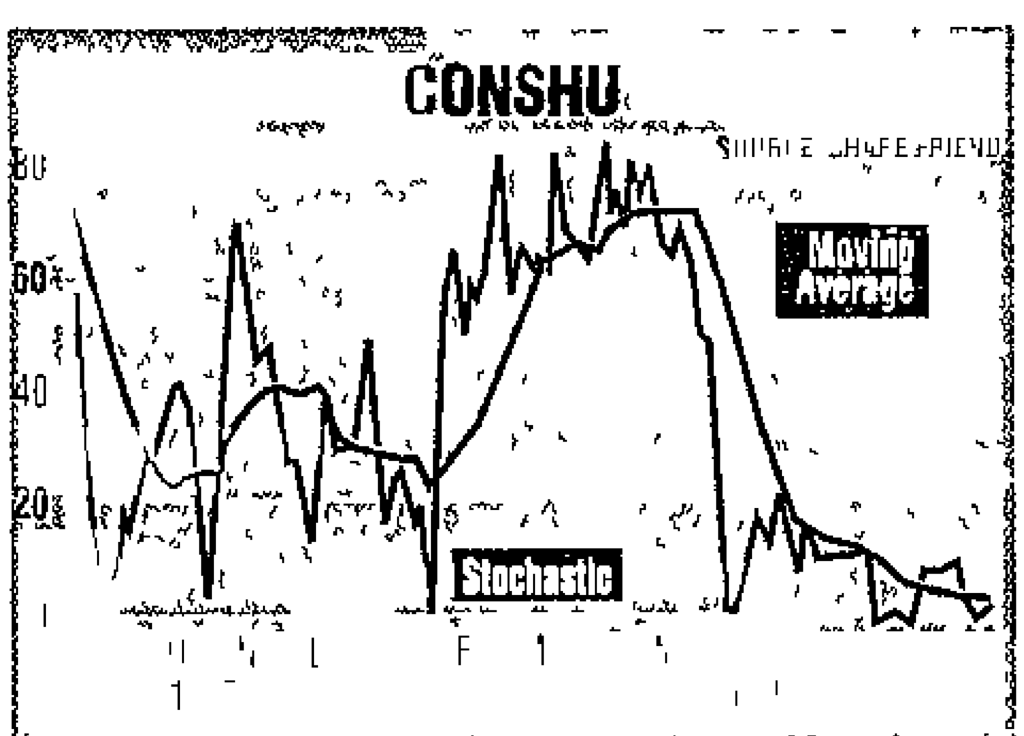
Conshu could put to shame a dungeon full of masochists with the amount of abuse it has soaked up over the past few years It has been battered by a variety of mistresses rising imports, a stagnant local economy, desperate competitors and stubborn trade unions

The result is that SA's largest shoe manufacturer's results and share price have been on the down since 1996 And the group's strategy has centred on making an orderly retreat and keeping capacity more or less in line with the order volume CE Robert Feinblum says they have chased opportunities both domestically and overseas, but these haven't been sufficient to offset the overall fall-off

For the most part Conshu has played the part of a declining company well It has gained market share and rationalised wisely In financial 1998 it showed a 124% increase in headline earnings per share after a mammoth cost-cutting campaign But the results were still the second worst recorded by the company since 1987

It has also strengthened its balance sheet by concentrating on capital control and costs, and at the end of the 1998 financial year had knocked back gearing to 15,1%, compared with 29,1% in the previous year

Conshu has, however, failed to reverse the decline and more bad news is on the way In a notice to shareholders dated September 22, it warns that as a result of lower than anticipated demand, strikes at its operations and production difficulties, it "expects to approach a break-even earnings position for the first six months (to September) and to achieve a modest profit for the full financial year (to March 1999)"




Conshu's stochastic indicator, having again bounced from the zero level to nudge through the moving average, gives encouragement However this lightly traded share needs investor interest if it is to recover from its historic low.

Of more concern, the notice says the talks to dispose of SAB's stake in the company have been terminated These talks caused a rally in the share price to 350c per share in May, in anticipation of a deal price closer to the NAV per share of 503,6c

The talks also brought the promise of a radical new direction being introduced at the group and a move away from short-term asset protection measures towards steps that would bring the company back in line with current trends and ultimately provide

Companies & Markets

some growth potential A sort of adaptation to the market

The *FM* asked shoe "legend" Roy Eckstein (*Companies & Markets* April 24) what he would do with Conshu if he took control He argued what was needed was a consolidation, and a drive towards more competitive footwear " It could be a successful business because they have good brand names and market niches with great products in sports, men's and industrial footwear "

**>>For the most part Conshu has played the part of a declining company well<<**

Some of the options, therefore, would be to close the various factories or sell them off to shrewd local operators — who have the hands-on management style required to make them a success — or move production facilities offshore, to where input costs are at their lowest

To exploit Conshu's core strength in brands, the company could be turned into a "design house", concerned purely with brand promotion, designing new styles and outsourcing production In this way it would start providing a high value-added service rather than a marginal product

Feinblum confirms *FM* speculation that he was leading a management consortium bidding for the company, and that they are still interested in acquiring a stake at an affordable price He won't discuss what the consortium would do with Conshu but does say "At the end of the day this business has to be run by Moms and Pops not by corporates, who can't sustain the returns required by the investing public "

That suggests he is also thinking very much along the suggested lines, but is being constrained by SAB's desire to keep the company and its existing assets intact Unfortunately, with present market conditions, this approach is gradually destroying value and affecting the core strength of Conshu negatively

SAB is trying to maximise value for itself and minorities, but time is rapidly running out The situation in the industry is unlikely to improve Government's quota hasn't stopped the tide of cheaper imports and there is fear that it may drop duties on leather shoe imports from the EU, which Feinblum says would "wipe out the local leather footwear industry"

The market is concerned Last week the company fell to an historic low of 75c If SAB waits too long the share price is likely to fall even further

**Stuart Rutherford**

*Income declines sharply to R1,9m*

# No easy walk for Bolton Footwear

(187) CT(AR) 23/10/98

**Ravin Maharaj**

Durban — Bolton Footwear, the Western Cape-based footwear manufacturer and motor dealership, yesterday reported a sharp decline in attributable income to R1,9 million for the half-year to August 31, from R4,5 million in the previous interim, exacerbated by the woes in the internationally uncompetitive footwear industry and severe pressure on margins.

This translated into an erosion of earnings a share to 9,7c, from 22,6c a share in the previous interim period. An interim dividend of 3c, compared with 4,5c in the previous period, was declared.

Cedric Novis, the executive deputy chairman, said yesterday it was not all gloom and doom, however. The second half should be profitable, he said, but all indications were that earnings would be less than those of the current period. Accordingly, total earnings would be significantly down on those of the previous year, Novis said.

Considerably higher input costs, as a result of the sudden deterioration in the rand, and labour disruptions, had translated into a significant reduction in profits, he added.

Lower than expected demand, and the non-receipt of regional industrial development programme benefits, which amounted to 2,8c a share in the previous corresponding period, further worsened the climate.

Turnover fell to R126,93 million, from R133,58 million in the previous interim.

Novis said problems with fluctuating currencies had made it difficult for forward purchases for next year's winter season. Continuing pressure on margins also had a greater effect on the women's footwear factory, which showed a loss for the period.

Novis said the motor division broke even against a significant loss for the same period in the previous year. Rationalisation of this division would continue, he said.

Capital expenditure for the half-year amounted to R1,9 million, and a further R1,8 million would be expended to February 1999, Novis said.

Bolton closed 10c down at R1,20 yesterday on the JSE.

# Shoe workers may lose jobs

ARG 29/10/98

BONTLE HEADBUSH (187)
STAFF REPORTER

**Nearly 1 000 leather workers stand to lose their jobs if negotiations between provisionally liquidated shoe manufacturer Buccaneer Shoes and Absa Bank fail.**

Buccaneer, which supplies almost 60% of the South African school shoe market, was provisionally liquidated in the Cape High Court on Monday

The company, owned by the Cape Town Issa brothers, found itself in trouble in March when it had a cash flow crisis and had to increase its overdraft

The company is negotiating with Absa for an extension of the overdraft but it and the bank are keeping mum

The South African Clothing and Textile Workers' Union had not yet been informed of the outcome of yesterday's negotiations at the time of going to press, but the company has arranged to meet its representatives after talking to the bank.

"If the bank decides not to extend the overdraft and the company does go into liquidation, at least the workers are guaranteed paid leave, according to the Leather Agreement," said union spokeswoman Rachel Visser

The union was not sure whether the liquidation was voluntary or forced – and could act only once it had all this information, she said

# Production woes and strikes usher Conshu into red

(187) CT (BR) 6/11/98

RAVIN MAHARAJ

Durban — Conshu, the largest producer of medium-to-higher-priced branded footwear on the African continent, has fallen into the red after strikes and production difficulties The company yesterday warned that strikes and boycotts affecting some of its major customers, including Edgars, could result in factory closures and retrenchments during the next few months.

Conshu yesterday reported an attributable loss of R0,7 million for the half-year to September 30, compared with a profit of R13,6 million in the previous interim.

Earnings a share on an attributable basis plunged to a loss of 1,4c, compared to a positive 27,7c a share in the previous half-year. Headline earnings a share fell to 2,6c, compared with 27,5c a share in the previous period.

The directors decided not to declare an interim dividend.

The results included an exceptional item as a provision for the writedown of loans to the executive share trust of R2,1 million.

The increase in working capital was constrained and capital expenditure was reduced to R3,5 million.

Robert Feinblum, the chief executive, said the outlook for the second half was subdued. High interest rates, limited disposable income and the worrisome rate of unemployment would have an adverse effect on trading.

Conshu earlier warned shareholders it expected to reach a breakeven earnings position during the first half, and to achieve a modest profit for the full year to March 1999

"Trading conditions are expected to remain difficult, and only modest earnings for the year are forecast," Feinblum said yesterday.

He said domestic footwear production and employment had fallen badly During July, about R6 million was lost because of a strike.

He added that the company's ability to pass on increased input costs of raw materials, as a result of the falling rand, was affected by weak demand.

Despite this, company directors said its share of the footwear market had increased to 10 percent of actual pairage and 18 percent of the locally produced market.

Turnover came in at R383,6 million, down from R416,8 million the previous interim.

Conshu closed 3c lower to 97c on the JSE yesterday.

# Shoemakers step out defiantly

(187) CT (NR) 18/11/98

**STICKING TO THEIR LAST** *Family duo Clive and Karen Aaron, directors at Natalie Footwear, say co-operation and outsourcing are the future* PHOTO BARRY TUCK

**Ravin Maharaj**

Durban — Small, medium and micro enterprises (SMMEs) in the footwear manufacturing industry were determined to defy tough market conditions, industry leaders said yesterday

Worker skills were being upgraded, management structures were being flattened and cost structures were being scrutinised But 1999 would not be an easy year, they said The cost of raw materials, components and leather had soared, and margins continued to be under pressure

SMMEs said that the spectre of high interest rates and imports had encouraged them to work even harder.

Many SMMEs said the industry seemed to be coming together and revitalisation was possible But trade liberalisation between the European Union (EU) and South Africa could result in a flood of imports from the EU, even though it could help in parts of the business

Clive Aaron, a director of Natalie Footwear, the manufacturer of ladies' footwear, said times were tough, but not unmanageable Basic business principles and good management were a recipe for success Most factories did not have written orders for next year, which meant a longer annual shutdown

If the government delivers on its promises, SMMEs should get a better deal from it next year Alec Erwin, the trade and industry minister, was awaiting a progress report from the industry in January, which would be used to outline a future blueprint.

Denis Linde, the executive director of the Southern African Footwear and Leather Industries' Association, said the industry had to focus on becoming a world-class producer of mainly leather footwear for the mid-to-upper price points and niche markets

Over recent weeks there had been an alarming rate of mergers and outsourcing among the smaller operations Also, a number of footwear factories had closed their doors, with hundreds of jobs being lost

**REVIEW 98** *Cheap imports continue to batter ailing footwear sector*

# Shoe and leather industry on its uppers

CT (B&R) 21/12/98 (187)

**RAVIN MAHARAJ**

Durban — Crippled by job losses, imports and consumer preferences for European fashion, the footwear and leather industry would embark on major restructuring to become globally competitive next year, industry leaders said last week

The woes of 1997 had crept into 1998, resulting in more labour trouble, steeper prices for materials and a flood of counterfeit goods. In addition, the imposition of quotas from non-World Trade Organisation countries had not stemmed imports as the bona fides of certain importers had yet to be established

Robert Feinblum, the president of the Southern African Footwear and Leather Industries Association (Saflia), said illegal and undervalued footwear imports continued to pose a threat to jobs

On a positive note, the Footwear Manufacturers' Federation was restructured to include suppliers, including tanners and the components sector, under the umbrella of Saflia

Also, small, medium and micro-enterprises (SMMEs) have rallied around demoralised workers and created work forums Larger players have outsourced activities to SMMEs.

On the labour front, however, the South African Clothing and Textile Workers' Union and the National Union of Leather and Allied Workers, the majority union, have been at odds over amalgamation talks to create a single voice for labour

In 1999, industry leaders said all eyes would be on trade liberalisation between the EU and South Africa, which could result in a flood of legal footwear imports from EU countries

At present, there is a 30 percent import duty on leather and footwear products from EU nations Legal imports account for 60 percent of local footwear consumption A decade ago, local footwear production accounted for 80 percent of local consumption, but has suffered a decline

In Saflia's 1998 annual report, Feinblum said business uncertainty and adversity were inevitably accompanied by opportunity Conditions in the footwear and leather industry were no exception, and should provide the industry with a "unique opportunity to make the strategic moves that would increase participation in global markets", Feinblum said

"Improved labour productivity, tempered wage demands and investment in technology are essential for a stable, growing industry"

He said the vision of the industry was to create 100 000 jobs and produce 120 million pairs of shoes by 2005

MANUFACTURING - FOOTWEAR

1999

# SAB finds buyer for Conshu at R38,1m

CT (BR) 15/1/99

(187)

RAVIN MAHARAJ

Durban — South African Breweries (SAB), the world's fourth largest brewer, said yesterday it had sold its 67,4 percent stake in Conshu, the African continent's largest producer of medium- to higher-priced branded footwear, to Daun & Cie, the international industrial group, for R38,1 million

Malcolm Wyman, the group corporate finance and development director of SAB, said the disposal was an advanced step in a process of shedding non-core interests which started with the disposal of OK Bazaars in December 1997

Conshu, which fell into the red for the half-year to September 30 1998 as a result of strikes and production difficulties, has been up for grabs since May last year

SAB has already sold the stakes it held in furniture, retail and textile companies, and Lion Match ahead of moving its primary listing to the London Stock Exchange on March 8, where it will focus on its international beer business

Daun said it had undertaken to extend an offer to the remaining shareholders of Conshu to acquire their shares for cash at 115c a share

The intention was also to retain Conshu's listing on the JSE No change to management was anticipated

Wyman said the sale was at a fair price, even though a higher price had been hoped for

"The entire process finally seems to be reaching an end," Wyman said "Our energy now will also shift to focusing on our hotel and gaming interests "

He said SAB would unbundle its controlling stake in Edgars to SAB shareholders within the next month

Conshu firmed 30c to R1,20 yesterday on the JSE, while SAB firmed R4,30 to R98,90

CONSHU/SAB/BOLTON FOOTWEAR

(187) fm 22/1/99

# CONSHU: PRICED DAUN BY 35c

Methinks the minorities have had their boots stolen

Conshu shareholders may be interested to know that the 115c per share SAB settled on with Claas Daun for the sale of this asset was not the top money on the table There was a higher bid of 150c per share, made by rival shoe maker Bolton Footwear

That difference is worth R17,19m to shareholders A material amount considering that anyone who has sat with Conshu shares has had to count losses rather than gains Conshu's share price has been under almost constant attack since mid-1994 when it spiked at 725c per share

Interestingly, the R1,50 tag is still half the price SAB was expected to realise if it had sold the footwear asset earlier in the year — when Conshu lined up with Lion Match and Da Gama on the auction block

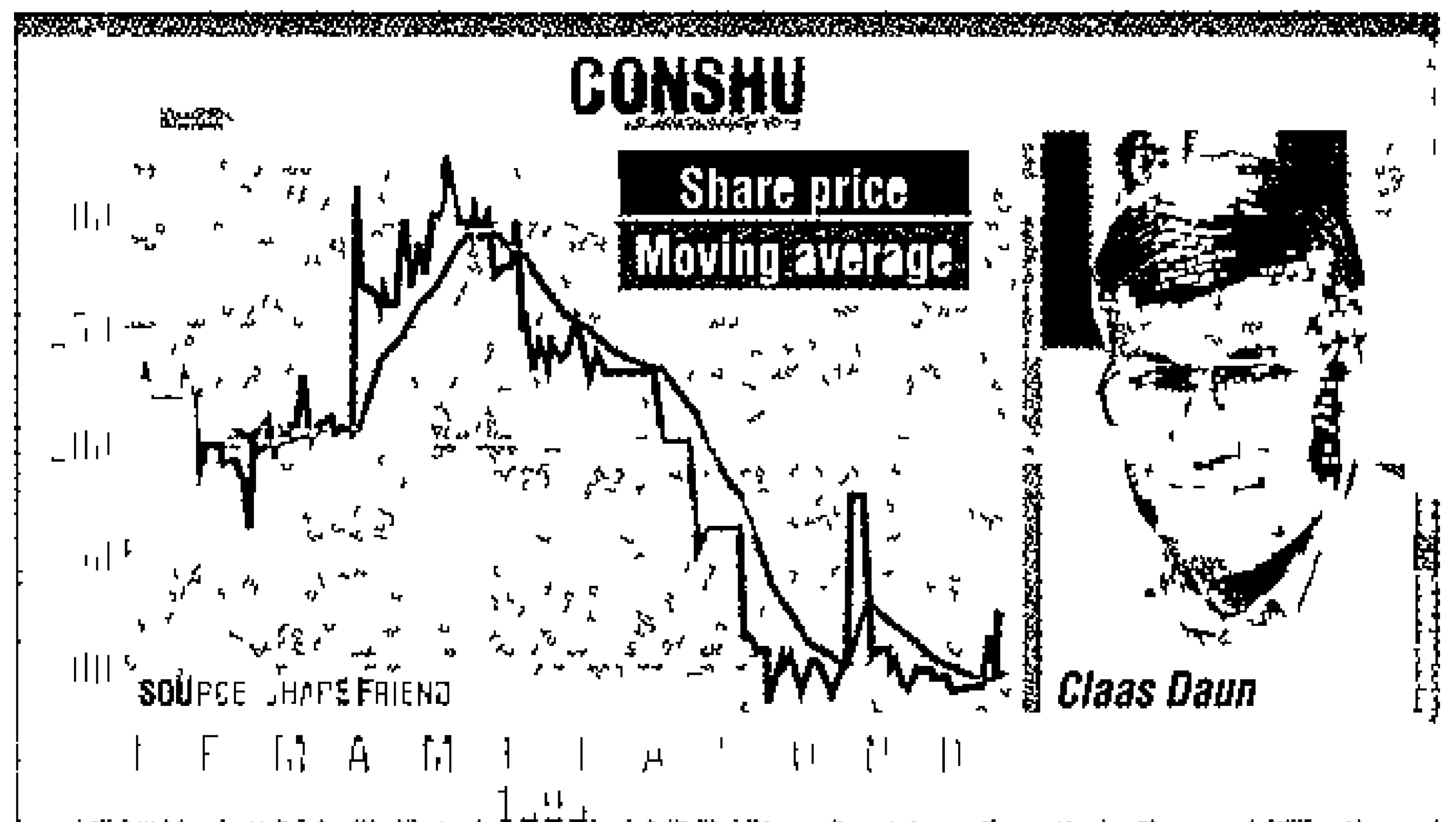
Why did the normally price-obsessed SAB decide to take the lower of the two bids? SAB's executive director Malcolm Wyman won't discuss details of this deal but says in principle SAB does not only consider the price, but also the terms and conditions of the offers and what's best for the business

The question now becomes did SAB have cause to trash the deal because of these last two factors The Bolton bid, unlike Daun's, did come with some terms and conditions attached As a listed company Bolton obviously needed to get the shareholder approval and wanted to do a five-day due diligence exercise

But Bolton MD Marthus Louw says Bolton could have transferred the full purchase amount into a trust for SAB within 24 hours pending the approvals — all of which, he believes, could have been obtained by mid-February Shareholder support was a fait accompli with shareholders and directors — holding 76% of the shares — giving it the thumbs up

Louw adds that if Bolton management had been told the due diligence was a major problem for SAB, it would have been prepared to waive this as a condition But once again it seems the laconic SAB was not talking to the bidders, a fact that was highlighted by the *FM* during the sale of assets early last year (*Open Season* July 17)

The other big uncertainty that Wyman draws attention to, is the issue of Competition Board approval "We were under the impression there were a number of parties that would complain to the Competition Board," he says In November 1995 the board rejected the proposed merger between Conshu and Bolton, because of the dominant position that would arise in the SA shoe market




With its daily closing price plotting leaping through its 25 day moving average on high volume, to above the offer price, the outlook seems positive for Conshu.

But since then conditions in the market have altered materially Imports have grown their share of the SA market to more than 50%, there has been a proliferation of smaller backyard competitors, and Bolton and Conshu have been pushed back into top-end areas of the market

Louw believes the Competition Board would not have objected to the deal, with many of its original worries now having been removed Either way, he says Bolton made a commitment to SAB that if any conditions were laid down by the board, then the deal would still have gone ahead and the brewer would have got its cash

Switching then to the business benefits from the deal Wyman says Daun was the best option for Conshu "Conshu needs to be run on a more entrepreneurial basis And if you look at Claas Daun's record he has achieved this in a number of businesses"

There is no question Daun is an investing genius with experience in troubled industries, but he has never been involved in the footwear industry and does not even have a plan for the business Conshu's long-standing MD Robert Feinblum says he has been charged by Daun with coming up with a blueprint for the business

On the other hand there are obvious benefits to be had from a Bolton deal Notably, there could have been significant rationalisation in the areas where the two companies both operate, allowing vast improvements in throughputs — key to success in the footwear industry

Bolton, it should be noted, has struggled more than Conshu these past few years from the difficult market But it at least had a plan for the new Bolton/Conshu entity and understands the shoe business

All of this leads me to one conclusion the sale of Conshu to Daun was a deal of convenience for SAB which at this stage appears to be speedily working through a "things to do" list before it moves to London It has destroyed value while holding on to Conshu and while letting it go

Conshu minorities now need to choose between two equally unattractive offers 115c per share or an uncertain future with Daun

Daun's options are more attractive He could delist Conshu and then sell the company to the highest bidder I'm guessing that would be Bolton Footwear Making a profit of R17,19m, from the pocket of SAB and minorities Certainly, Louw says "I would like to meet him and see to what extent we can assist in rationalising the industry to ensure its survival" **Stuart Rutherford**

**"Bolton could have transferred the full purchase amount into a trust for SAB within 24 hours pending the approvals"**

# Security industry row is referred to arbitration

(187)

(186) (459) CT(BR) 10/2/99

FRANK NXUMALO

Johannesburg — The planned security industry strike by more than 70 000 workers belonging to eight unions was put on hold and referred for arbitration by the Labour Court yesterday after employers successfully challenged the Committee for Conciliation, Mediation and Arbitration's jurisdiction over the dispute

The parties are deadlocked over whether the unions' demands for a reduction in working hours from 60 to 55 hours a week, as provided for by the Basic Conditions of Employment Act, should be accompanied by a reduction in wages

The dispute is an acid test for the act, which was promulgated on December 1 The settlement, whether by arbitration or agreement, will be a vital barometer of the unions' ability to defend hard-won labour rights

*The conflict is an acid test for the Basic Conditions of Employment Act*

Just as important, the outcome of the dispute will also be a measure of how far employer organisations are prepared to go in defending shareholder value at the expense of good working conditions for employees

The labour department said wage determination 481 would still apply to the security industry until investigations into sectoral determinations were completed

Jerry Ngcobo, the spokesman for the Transport and General Workers' Union, said the unions were awaiting the date for the arbitration hearing at the Labour Court They would then chart a way forward

The employers' organisations did not mention the arbitration hearing They talked instead of a planned bosberaad for February 16 and 17

The organisations said they were disturbed and shocked at the irresponsible and inflammatory statements the unions had made about the strike

"Employers are concerned that these statements are misinforming the workforce and public in general, which could lead to uncontrollable conflict," they said

"Labour's position at the declaration of the dispute in December 1998 was an increase in cost to employers of 19,9 percent.

"This position has moved twice since then and now sits at some 25 percent in costs

"This constant moving of the goal posts by labour is hampering the negotiations The employers trust that the proposed bosberaad will pave the way to reaching a suitable settlement without any need for industrial action "

# Former director steps in to save Buccaneer

(187) CT(BR) 1/4/99

RONNIE MORRIS

Cape Town — Buccaneer Shoes, the shoe manufacturer which used to supply about 60 percent of the South African school shoe market, had been saved by George Issa, a former director, who had bought the trade name along with plant, equipment and stock, Koos Pretorius of Sonnenberg's law firm said yesterday

Sonnenberg's acts for Absa Bank, one of Buccaneer's biggest creditors

*The shoe company once supplied about 60% of all South Africa's school shoes*

Pretorius said Issa, acting for Onshelf Investments 73, trading as Buccaneer, had paid R14,5 million for selected assets which included the Buccaneer trademarks and trade name The company was now trading on a smaller scale

The Cape High Court granted final winding up orders against seven group companies yesterday. They are S Rossitter and Co, Issa Components, Issa Leather, Issa Brothers, Jaguar Shoes, Puma Manufacturers and Bishara Property Investments

Pretorius said another eight applications for the winding up, or sequestration, of group companies and property-owning trusts were pending.

The court will hear an application for the sequestration of Issa's estate in May

When the winding up orders were first sought late last year, the court was told that Buccaneer, which once supplied large chain stores such as Woolworths and Edgars, had assets valued at R52,7 million against liabilities amounting to R59 million.

Issa blamed the downturn in the economy for the need to negotiate with Absa for an increase in overdraft facilities.

The bank had declined to assist and Buccaneer was therefore unable to continue trading, he said

# Footwear industry stands firm on sick leave pay issue

ET (MA) 21/4/99 (187)

**Ravin Maharaj**

Durban – Employers in South Africa's battered footwear industry would call for a wage freeze if sick leave pay were included in the 1998 99 wage agreement, the industry's collective bargaining council said yesterday

Ashraf Ryklief, the national education and training officer of the National Union of Leather and Allied Workers (Nulaw), and a bargaining council member, said the employer felt sick leave pay would increase overall labour costs by 7,5 percent

The Southern Africa Footwear and Leather Industries Association (Saflia), which represents employers, had offered a 4 percent across-the-board wage increase for the new year on condition there was no increase in the sick fund component The bargaining council has its own sick fund agreement, which expires on May 10

The trade unions are asking for a 15 percent wage increase, and an improvement in working conditions, especially in connection with capacity building and overtime arrangements

Last year's wage agreement was reached after a week-long strike

Nulaw, the majority union in the footwear sector, which represents about 13 000 workers, and the South African and Clothing Textile Workers' Union (Sactwu), have jointly had two rounds of talks with Saflia over wage negotiations, a departure from previous divisions among unions The next round of talks is scheduled for May

The industry altogether employs about 19 000 workers

In addition, Martin Poulson, the national leather co-ordinator at Sactwu, said both unions also wanted to tackle the issue of startling job losses in the industry, and the regulation of outsourcing in terms of job security

The footwear industry had embarked on extensive outsourcing as an interim measure to create jobs

Dennis Linde, the executive director of Saflia, said the employer would not comment on wage negotiations until the matter with all relevant parties had been resolved

# Conshu puts shoe plants on review

(187)

RAVIN MAHARAJ

Durban – Conshu, the delisted footwear manufacturer, was undertaking an investigation into the future of two of its factories in Pietermaritzburg, Robert Feinblum, the chief executive, said yesterday

The company's Richleigh factory, which is well known for its welted footwear in the export market, and Eddels, which has been hampered by a lack of volumes, were the subject of the investigation

Conshu earlier retrenched 384 people at Richleigh and suffered a 30 percent reduction in production capacity Eddels retrenched 283 people, Feinblum said the company had to consider the future of its investment, which was going back to business basics He declined to comment further

CT(BR) 20/4/99

# Company News

## Bolton Footwear sees an industry down on its uppers

CT (BR) 27/5/99 (187)

Ravin Maharaj

Durban – Bolton Footwear, the only remaining footwear manufacturer listed on the JSE, yesterday warned of more factory closures and retrenchments in an industry recording its lowest production levels since 1963.

Employment in the footwear industry was slashed by 12 percent in the past year, reducing the staff from 19 000 to 13 000.

The industry has complained of erosion of its local market by footwear imports. Although legal imports have shown a decline in pairage, the value has remained constant.

Import quotas for footwear from non-World Trade Organisation countries were expected to fall away from September 2000.

Duties on leather footwear imported from the European Union would be lowered over time and were expected to be removed from Southern African Development Community countries.

Gerald Stein, the chairman of Bolton Footwear, said in the company's latest annual report that the authorities had decided to let the industry "fend for itself". "Unfortunately, local costs, especially labour, far exceeded those of international competitors."

Stein said Bolton's focus would remain on cost control, labour and material efficiencies, and effective cash management.

The men's footwear factories had performed reasonably in a stagnant market. Men's footwear production declined 8 percent, and although imported footwear affected this sector, brand loyalty remained strong.

The ladies' manufacturing industry had been devastated by imports. Total local production decreased nearly 27 percent as better-priced imports obtained a larger share of the market.

Bolton turned in earnings a share of 21,5c for the year to February 28, against 43,3c in the previous year.

# Footwear unions poised to strike

CT 17/6/99 (187)

RAVIN MAHARAJ

Durban – There could be another strike in the footwear industry by the end of the next week, Martin Poulson, the national leather co-ordinator of the South African Clothing and Textile Workers' Union (Sactwu), said yesterday

He said mediation talks over the unwillingness of footwear employers to offer a wage increase for the 1999-2000 period had failed

The Southern African Footwear and Leather Industries' Association (Saflia), which represents the employers, said it would not comment at this stage

Poulson said members would be balloted this week, and a strike was likely to follow The footwear industry is large in KwaZulu Natal, the Western Cape and Gauteng

Both Sactwu and the National Union of Leather and Allied Workers (Nulaw), the combined voice of workers in the footwear industry, indicated the unions still wanted a 10 percent wage increase

The earlier three rounds of talks failed The employers refused to offer a wage increase Mediation talks subsequently failed

Last year a strike sharply cut company earnings, resulting in production difficulties at most footwear operators

Poulson said part of the problem was polarisation among some employers within the industry Some smaller players had indicated willingness to settle over the wage freeze, which was instituted by employers about a month ago

Poulson said "We have an open door policy, and the employer is welcome to approach us to try and avert a strike"

The footwear industry in the past year has shed thousands of jobs There has been widescale rationalisation and many operations have been forced to shut their doors

# Shoe industry meets to avert strike

(187)

Tim Cohen

CAPE TOWN — Footwear and leather industry representatives met union representatives yesterday in a last-ditch effort to avoid a strike in the struggling industry.

Union representatives said last week that a strike ballot was probable in the industry — which employs 13 000 people — this week or next

Union representatives have been pressing for a 10% increase across the board, while the industry's opening offer was no increase, although it is understood that this offer had been improved during negotiations A conciliation process has been unable to resolve the dispute

Dennis Linde, executive director of the Southern African Footwear and Leather Industries Association, says the industry is experiencing "extremely difficult times"

Employment has dropped below 13 000 which is 3 000 less than a year ago and production declined last year by 18% to 30-million pairs, the lowest employment and production figures for more than 30 years

Footwear company Bolton Industrial Holdings recently reported a 40% crash in attributable income to R5,7m in the year to February, which analysts said was symptomatic of the footwear industry

Lenco footwear subsidiary Olympic Flair, marked for disposal, posted a 9,7% fall in turnover and 66,5% drop in operating income in the year to March

"Currently, most manufacturers are experiencing very lean times with orders for the summer season not reaching expectations," Linde said

Import control is being removed incrementally with effect from September this year so expectations for a reversal of the current position of the industry are low, he said

Complicating matters further, illegal footwear imports are running at about 30% of all footwear sold

"Under these circumstances employers are not able to meet the union demand of 10% or even inflation," he said

BD 22/6/99

*Workers reject employers' final offer of 5 percent*

# Shoe workers vote to strike for higher wages

(187)

ET (MR) 9/7/99

**Ravin Maharaj**

Durban – About 15 000 workers in South Africa's troubled footwear sector are likely to embark on a national legal strike early this week, after rejecting a final wage offer from management

Jabu Ngcobo, the general secretary of the South African Clothing and Textile Workers' Union (Sactwu), said nearly 95 percent of workers aligned to Sactwu and the National Union of Leather and Allied Workers (Nulaw) – the two major unions in the sector – were believed to have voted in favour of the strike during the secret ballots which were conducted late last week

Ngcobo said it emerged during report-back meetings that workers had rejected the employers' final offer of a 5 percent increase, demanding 10 percent instead

Earlier the Southern African Footwear and Leather Industries' Association (Saflia), which represents employers, said they could not afford to pay wage increases Saflia was unavailable for comment at the weekend

Last year a strike sharply cut company earnings, resulting in production difficulties at most footwear operators

The footwear industry is undergoing a severe restructuring programme to position itself to compete against foreign shoe imports

Last year total employment for the industry was 21 656, down from 23 906 in 1997, according to Statistics South Africa

Ngcobo said Sactwu's wage negotiations in the clothing sector had been settled late last week

According to the new wage agreement, which took effect from July 1, workers would receive a wage increase of 6,5 percent, plus an additional 1 percent on provident fund contributions

During this year's wage negotiations Sactwu managed to secure an increase of 8,5 percent for workers in the cotton sector who were earning below the minimum rate for the industry

Cotton workers who were taking home minimum rates were awarded an increase of 7,5 percent

# Crack cocaine looms as big SA drug threat

ARG 12/7/1998(7)

TYRONE SEALE
SPECIAL WRITER

**Cocaine accounted for nearly a third of drugs seized by the SA Narcotics Bureau (Sanab) in Cape Town last year.**

Nationwide, 636kg of cocaine was seized by the bureau last year, compared with 73kg five years earlier.

A study shows that 5% of drug-related admissions at Groote Schuur Hospital's trauma unit in February this year involved cocaine users

The study was conducted by the Medical Research Council's South African Community Epidemiology Network on Drug Use

In terms of demand for treatment for drug use, cocaine powder and crack cocaine rank third after dagga and Mandrax Crack is more widespread than cocaine powder and its use spans socio-economic groups

In Cape Town last year, cocaine powder comprised 31% of the value of all drugs seized by Sanab A quarter of arrests for dealing in drugs were also cocaine-related

The Medical Research Council says in its report that most cocaine comes from Peru or Bolivia via Brazil, and Nigerians are heavily involved in the trade Crack cocaine labs have been set up in South Africa and cocaine is trans-shipped through South Africa to Europe and Australia and possibly the United States

The report says: "We do not have good information on the purity of cocaine traded in South Africa, as this is not routinely tested One study showed purity at 70%. The cocaine sold is often a mixture of one-third to half cocaine, with the remainder being bicarbonate of soda "

The councilsays cocaine is also used with Mandrax by prostitutes to come down from a crack high

The research council is concerned that some drug dealers are pushing crack over Mandrax, and that high school pupils are using the highly addictive substance, which has been linked to violent behaviour

"Over the past three years, we have seen crack cocaine use and trafficking increase exponentially

"The fact that this drug is smoked is likely to increase its use in the South African market The US market for cocaine is almost saturated and it appears that South Africa is seen as an important new market for this drug "the report notes

CT (AR) 14/7/99

# 2000 footwear workers go on strike

(152)

(187)

RAVIN MAHARAJ

Durban – About 2 000 footwear workers aligned to the South African Clothing and Textile Workers' Union (Sactwu) embarked on a strike in Pietermaritzburg yesterday after rejecting management's new wage offer

Martin Poulson, the national leather co-ordinator of Sactwu, said the shop floor had rejected the "poverty wage" offer because it was below the inflation rate "If we accept management's offer our workers will be poorer than before," he said

Sactwu still wanted a wage increase of 10 percent, but was prepared to be flexible if settlement was reached closer to the inflation rate of 7,7 percent

Poulson said management and Sactwu would meet again next week to try to renegotiate a wage settlement In the meantime, the strike would continue in "strategic" locations

But the National Union of Leather and Allied Workers, the majority voice in the footwear sector, confirmed it had accepted a two-year wage deal

The Southern African Footwear and Leather Industries' Association (Saflia), which represents employers in the sector, last week offered a 5,5 percent increase with an extra 0,5 percent from January 2000

# SAA's partner spreads wings in Europe

AUDREY D'ANGELO

Cape Town – South African Airways' strategic equity partner, the SAir Group, the holding company of Swissair, has agreed to buy 42 percent of a privately owned Portuguese regional airline, Portugalia It is also negotiating to buy 20 percent of TAP Air Portugal, the national airline, which is in the process of being privatised

In a statement issued yesterday, the SAir group said Portugalia would be developed to provide a feeder service to the hub airports of Swissair, its subsidiary Sabena and other European airlines belonging to the Qualiflyer international alliance.

SAA, in which the SAir group has bought a 20 percent stake, has not yet decided whether to join the Qualiflyer alliance. Industry sources say it is likely to co-operate with other members in addition to Swissair and Sabena

SAir's acquisition of a stake in Portugalia is still subject to approval by the Portuguese and EU authorities

Meanwhile the Qualiflyer frequent flyer programme is being turned into a legally independent company known as Qualiflyer Loyalty The new company will be owned by Swissair, Austrian Airlines, Sabena, TAP Air Portugal and French airline AOM

# Footwear industry to link wages to CPI

(187)

MARGIE INGGS

Durban – A threatened strike in the troubled footwear industry was narrowly averted when unions and the Southern African Footwear and Leather Industries Association (Saflia) agreed that wage increases would be linked to the consumer price index (CPI) for the next two years, Ashley Benjamin, the co-ordinator of the Cape Town branch of the National Union of Leather Workers (Nulaw), said on Friday

After a four-month standoff, members of Nulaw and the Southern African Clothing and Textile Workers' Union (Sactwu) accepted a 5,5 percent wage increase, retrospective from July 1

An additional half-percent increase would come into effect from January 1 2000 and run until June 30 2000 Thereafter, increases would be linked to the CPI until June 30 2001

concentrating on critical issues such as cheap imports and reduced tariffs

"Asian imports being dumped on the South African market are killing the industry," said Benjamin. He threw out a challenge to the government to review the phasing out of the import quota system to avoid national mass protest action

According to Martin Poulson, Sactwu's national leather co-ordinator, the agreement would bring some stability to the industry, enabling employers to concentrate on a marketing strategy to deal with the crippling reduction in tariffs.

"This is imperative to slow down the tide of retrenchments," he said. "More than 6 000 footwear and leather workers lost their jobs in the past year and this figure could double in the next year as import quotas are phased out "

Dennis Lubbe, the executive

# Footwear industry 'near end of decline'

CT(BR) 5/8/99

**Margie Inggs** (187)

Durban – The footwear and leather industry had been through tough times but expected a strong turnaround by August next year, Andre Lubbe, the newly appointed president of the Southern African Footwear and Leather Industries Association, said yesterday

"The industry has declined to well below 50 percent of where it was four to five years ago, but a holistic strategy has been developed to stop the decline," said Lubbe.

The strategy focused on an in-depth analysis of five areas marketing, manufacturing, human relations, materials and customs and tariffs

"These will be the cornerstones of improvement, involving manufacturers, unions, the government, material and machinery suppliers, importers and retailers," he said

A workshop from August 16 to 18 could give impetus to the work of specialist groups charged with finding solutions and making recommendations to kickstart the turnaround.

Lubbe said cheap imports remained one of the industry's major problems Legal imports had decreased but illegal imports had grown to comprise about a third of the local market

"This has been exacerbated by the phasing out of the import quota system

"We need time to adjust but the government ignored a proposal from the industry and announced that the system would be phased out by September 2000"

Lubbe said the free trade agreements with the European Union and Southern African Development Community countries should have a positive effect on the industry

However, South Africa could not compete on price alone, it had to develop brand names that would have a standing in foreign markets

South Africa exports about percent of its footwear

"Our exports are reasonably competitive in First World markets such as Europe and the USA," said Lubbe

"But we can't compete with countries like India and China, where wages are much lower, import duties are as high as 1000 percent and there are huge government export incentives"

**BOOTS 'N ALL** *Andre Lubbe, the newly appointed president of the Southern African Footwear and Leather Industries Association, expects better times*

PHOTO ANDREW BROWN

# Help for ailing industry

(184) (197) (187)

**By Mzwakhe Hlangani**
Labour Reporter

ORGANISED labour, business and Government delegations are completely engrossed in discussions aimed at alleviating the bleak future of the textile, clothing and footwear industry, which is beset by job losses and the closure of factories

The National Economic Development and Labour Council (Nedlac) is engaged in a series of conciliatory meetings between social partners after the Congress of South African Trade Unions threatened to embark on a nationwide strike in protest against the current massive job losses, acting executive director Ms Wendy Dobson said at the weekend

The protest action is directed at the Government, business and the Reserve Bank and the reasons cited include several elements which Cosatu believe relate to the increasing job losses

These elements include employers' ability to retrench workers through Section 189 of the Labour Relations Act, insolvency laws, restructuring of government-owned enterprises and reduction of import tariffs

More than 20 000 jobs were lost in the textile and shoe industry last year as factories continued to close down

In the middle of all this, illegal clothing, shoes and textiles flood the South African markets, forcing the SA Clothing and Textile Workers Union (Sactwu) to submit a notice of possible nationwide protest action to Nedlac if this does not stop

Dobson said a third meeting was held last Friday to consider all the options to redeem the lost confidence in the shoe and textile industry

The union cited retrenchments and factory closures in these sectors and their supply chain caused by a range of trade policies, and sourcing decisions by retailers, in motivating their intended protest action

Employer federations, labour and Government representatives agreed over a range of issues, but were deadlocked on labour's proposal to freeze the tariff phase-down scheduled for September 1 1999 and retention of the existing footwear quota and trade union involvement in the adjustment of quotas for Zimbambwe

It was further agreed that the Department of Trade and Industry and labour would hold a bilateral meeting to discuss further the areas of deadlock and report back to the Nedlac committee soon

Retailers at the meeting also agreed to source their stock from South Africa, spokeswoman Jennifer Wilson said

Sowetan 16/8/99

# Pilot project challenges footwear sector

CT (BR) 24/8/99 (187)

**Margie Inggs**

Durban – The struggling footwear and leather industry had launched a workplace challenge pilot project in Pietermaritzburg to improve productivity, equity and efficiency, Sue Padayachee, Pietermaritzburg branch co-ordinator of the National Union of Leather and Allied Workers, said yesterday

The project was being conducted in Pietermaritzburg because 60 percent of the footwear and leather industry was located in the city

According to Greg Ogle, a consultant to the workplace challenge, the footwear project would also be initiated in the eastern, southern and western Cape areas

"By transforming workplace practices and organisation, the workplace challenge will help the industry become more globally competitive," he said

*New initiative to make industry 'globally competitive'*

A joint initiative by the trade and industry department and the National Economic Development and Labour Council, a tripartite forum representing labour, business and the government, the workplace challenge was being managed by the National Productivity Institute, said Ogle Logistical support had been provided by the KwaZulu Natal Economic Council

Seventyfive percent of the approximately R850 000 allocated for the project had been provided by the department, said Padayachee

The balance had been provided by the five participating shoe manufacturing companies Eddels, Richleighs, Cardello, MG Shoes and Ballulici, and assisted by the Pietermaritzburg Transitional Local Council

The project entailed selecting a consultant to work with management and shop stewards at plant level to identify problems and corrective measures

"The consultant is selected from a list of 16 endorsed by a steering committee Consensus is required between management and shop stewards on the choice of consultant"

# Frame weathers tough times

Nicola Jenvey (197)

DURBAN — Textile group Frame Holdings has experienced a pick-up in demand resulting in a healthier forward order position, despite harsh trading conditions and threats to the industry, executive chairman Roy Sable and MD Walter Simeoni said in the annual report

In a joint briefing, Sable and Simeoni said trading conditions remained unclear, given the relatively high interest rates and the depressed results reported by major retailers

Asian economies were staging a fragile recovery However, the massive inventory of finished goods and surplus capacity in the region remained a threat to manufacturing industries around the world

The directors said the year under review saw the textile and clothing pipeline experience "perhaps the harshest business environment in several decades" Nevertheless, Frame achieved an improvement in earnings, returns and cash flows, augmenting the group's six-year track record of sustainable growth

"(This) plainly signals both the mettle of our team and the benefits of our strategy of continuing investment in new technology and training," Sable and Simeoni said

In the year to June the profit margin on sales rose 29% to 5,3% and cash flow from operating activities increased 7% to R148m This followed a 40% increase in the previous year

Sable said given industry conditions, the 4% decline in revenue to R1,27bn was "modest".

BD 14/9/99