Steaming ahead

Though SA may well be over-shopped, retail development is far from dead.

This observation was made by Edgars group development manager Philip Chilton-Jones at the recent Sapaop congress. The statistics are on his side: in the last fortnight alone, development plans have been announced for something like R200m in new shopping centres.

Meanwhile, a letting drive has been launched on the controversial R175m Southgate regional shopping complex at Uncle Charles in Johannesburg’s southern suburbs by developers Southgate Holdings. Though the structure is barely out of the ground and 20 months away from opening, it is already reported to be about 70% let.

New shopping developments in the pipeline include: a R105m, mixed-use development by Capgro, adjacent to the N1 motorway between Peninsula and Bellville in Cape Town, known as N1 City and due for completion next year; and 31 000 m² of decentralised shop space being developed by Shelstaton, in Tzaneen, Pienaarburg, Port Elizabeth and Kroonstad, at a cost of R94.5m.

The 42 000 m² N1 City, a joint-venture between Fintrust and RMS Syfrets, will find itself in a highly competitive market. Its competitors include Maynard Mall, Blue Route and Tyger Valley shopping centres. Other shopping developments planned for the region include Wooltru’s and Pro Gro’s combined 16 500 m² in Claremont, 34 000 m² in Phillippi, 17 000 m² on the border of Khayelitsha and a number of other neighbourhood centres aimed at the black, coloured and Indian markets.

N1 City’s first phase comprises 15 500 m², anchored by OK Hyperarama. The largest tenants in the 32 500 m² second phase will be Pick ‘n Pay, Woolworths and Edgars.

Capgro MD Jacques Pauw says the proposals include a multi-purpose, 7 000 m² entertainment facility, provision for about 150 line shops, taxi ranks and parking for 2 200 cars.

The Shelstaton developments are expected to come on stream in October 1990. The biggest of the four, Tzaneen, is being financed by the Motor Industries Pension Fund, the Kroonstad centre will be sold on and the other two have unnamed financial backers.

However, there might not be a sustainable market behind some of the new centres. Chilton-Jones says the ability of some retailers to say no to certain developments which do not really suit their needs is circumscribed by the fear of losing market share. This acts as an artificial spur to further development.

He questions whether “our thinking hasn’t become conditioned to the concept that, to be successful, a shopping facility must be a large, inverted centre” when perhaps it might be better to revert to the convenient, strip shopping of yesteryear to meet the needs of a clientele which cannot afford to and doesn’t want to travel far.

“What is needed is for some entrepreneur to accurately assess the needs and do something based on those needs, rather than acting on perceptions.”

That does not mean that regional centres are dead. Chilton-Jones admits, for example, that the advantages of a centre like Southgate were immediately obvious and his own organisation has a considerable stake in the development.

Pat Planagan, of RMS Syfrets, for the developers, says apart from site hoardings, the development has not been advertised. “Nevertheless, we must be getting an average of six calls a day and we have had more than 500 different applications for space. We are now looking at leasing the remaining 80 to 90 stores to specialty retailers.”

He says he generally identifies with comments about over-development in the retail industry, but stresses there are markets within markets and micro-markets within the macro-markets. There is no question in his mind that there are still gaps to be filled.
Margins. Colin Hall, previously deputy
chairman and whose appointment as CE was
announced with the results, is particularly
pleased that the turnover rise was achieved
on an increase in floor space of only 2%. He
attributes the higher margins to a change in
the product mix, "harder" buying and fewer
markdowns.

"The improvement was not due to a
change in our pricing policies" he says, "but
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The product mix change was due to lower
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It took some time for Makro, acquired in
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trading in the Third World marketplace."

Wooltru now holds three — perhaps four
— distinct divisions. Apart from Wool-
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retail group, comprising Truworths, Topis,
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The fourth division comprises the unen-
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It has long been suggested that the prop-
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Certainly there is no need to raise funds to
repay loans. Net borrowings fell from
R69.6m to R33.6m, cutting gearing from
22.8% to 9.6%. Hall says the declining trend
will continue, pointing to the strong cash
flow and the policy to gear up for a specific
purchase, like the head office, and then re-
pay the debt over a period.

Perhaps one of the most important consid-
erations for investors will be whether Hall’s
new position will mean a change in direction.
Hall says not: "It makes de jure what has
been de facto for some time," he says. He
sees strong organic growth and no need to
enter new markets, rather diversifying by
introducing new lines into existing stores.

"We have seen no sign of a decline in
demand," he says. He believes the Wool-
worths emphasis on quality will be even more
important in a recession, and that buying
down will benefit Makro.

Hall is confident that Wooltru will grow at
a faster pace than the industry average, and
it seems likely the share price will continue to

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**Prosperous Wooltru**

<table>
<thead>
<tr>
<th>Year to June 3</th>
<th>1988</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>1 668</td>
<td>2 096</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>122</td>
<td>179</td>
</tr>
<tr>
<td>Attributable earnings (Rm)</td>
<td>61.3</td>
<td>93.3</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>178.9</td>
<td>269.2</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>80</td>
<td>112</td>
</tr>
</tbody>
</table>

Trade at a premium. With the latest dividend
bringing the total to 112c, the share is on a
3.7% yield and could adjust to bring the
premium back to previous levels.

Gerald Horsian and Pat Kenney
the Insurance Act, requiring insurers to place 2% of premium income to a "contingency reserve" for five successive years. ED76 does not address the accounting treatment of this reserve. Should it be regarded as an underwriting expense "above the line," or as an appropriation "below the line," in which event it would not be a provision in the accounting sense?

Martin says it might be argued that once the reserve has been built up, it will reduce the need for reinsurances. If an untoward event like a flood or earthquake occurs, it might be reasonable for an insurer instead to "go to the registrar" for permission to release funds from the reserve.

But this is a debating point, he concedes. SA Eagle will not reduce reinsurances despite the building up of the reserve.

Another unresolved issue is the circumstance in which the registrar (whose consent is required) will permit the release of funds from the contingency reserve.

Roger Schooling, GM finance at Commercial Union, chairman of the association's Insurance Act Committee and also a SIG member, draws attention to a one-day workshop to be held by the institute in conjunction with the registrar on November 8 to discuss ED76, which will then have had two months' exposure. Other important issues will also be discussed, including proposed new forms under the Act, which the registrar's office has been considering.

Lastly, if the amendments to the Insurance Act and ED76 are seen in the context of AA Mutual, a further point needs to be made. There can be no substitute for adequate supervision by the registrar's office or proper care by an insurer's auditors.

SIG chairman Roy Tiffin, a partner in Deloitte, Haskins & Sells, notes that, since creation of SIG, co-operation between auditors of short-term insurers and the registrar's office has been greatly enhanced.
The empire strikes back

Jan Burger, chairman of the Johannesburg Management Committee, takes exception to the FM’s cover story of August 4 — “To Laugh Or To Cry” — which criticised the management of the city.

The comment that Johannesburg’s deficits are met from “savings built up over the years when there was no loss” is hopelessly misleading.

The council has, since time immemorial, followed a financial policy based on the bringing and carrying forward of surpluses (or deficits) from one financial year to the next. This is a current situation, which mainly affects only two or three immediately consecutive financial years.

What has happened is merely that some of the operating deficit relating to 1988/1989 has been financed from an income surplus generated in the previous financial year; and the same is expected to apply to the 1989/1990 financial year.

It is also incorrect to suggest that I have attempted to attribute the so-called harsh increases in the latest budget solely to “the general economic malaise.” The Johannesburg City Council is not unique in experiencing problems of this nature: I stand by my statement that our budget for the present year is eminently sound.

The accusation that we do not budget properly or keep proper controls is absurd. The budgets are prepared by the various heads of departments, in consultation with review committees which are composed of the council’s most senior officials, and the draft estimates are then presented to the Section 60 committees (Planning & Environment, Health and Housing, and so forth), on which councilors from all political parties serve, for consideration.

The estimates, in whatever revised form, are considered by the management committee, whereafter they must be approved by the full council.

As far as controls over expenditure are concerned, the review committees mentioned above, the management committee itself, and various officials, most pertinently the City Treasurer, all exercise continuous control over all the major income and expenditure facets of the budget.

The evident obsession of various persons with the council’s budgets for civic entertainment and floral decorations is a little difficult to fathom.

These items represent an infinitesimal fraction of a percent of the operating budget, and, were they omitted entirely, would not have had a perceptible impact on any of the council’s tariffs or rates.

The provision for the overseas guests programme is similarly not a major budget item, and, furthermore, has been debated at length in the council chamber and through the medium of the press. This programme has helped us to forge invaluable links with foreign mayors, councillors and leading figures in various professions, and has proved of considerable assistance in the council’s overseas loans negotiations.

And briefly:
- The question of a municipal security department for Johannesburg has been debated at length, and this could be the embryo of the municipal police force, the need for which has been widely propagated;
- John Pearce is not a law unto himself, but is subject to exactly the same code of conduct as any other official or head of department;
- The management committee will do everything in its power to limit the financial burden which ratepayers will have to bear for the Civic Theatre;
- The management committee advisory committee is not a sinister “cabal” but is simply a corporate management team;
- Delegation of authority to officials is a normal process, and an inevitable part of the efficient administration of a city as large as Johannesburg.

It does not represent any devious attempt by officials to usurp the governing function of elected councilors;
- The average increase in the council’s budget is not 20%, as stated by your reporter, but 17.8% for the operating budget. This compares very favourably with the projected inflation rate for the next 12-month period — conservatively estimated at 18%-19%;
- The deficit on the bus service is mentioned in your article as though it is a novel occurrence. Nevertheless, your reporter has failed to notice that the last time the Transport Department achieved a surplus was in 1944/1945.

Moreover, in 1977 the management committee pegged the deficit on this service at 40% of its annual operating budget (in line with the recommendations of the Driessen Report). This ratio has been maintained ever since that date;
- The special contributions to Jomed and the pension fund are an annual institution, and merely represent the council’s share of the financial commitments of these bodies; and
- The Remuneration of Town Clerks Act is solely designed to control remuneration, and there is no proof that it has in any way hampered the privatisation process.

The quality of the city’s financial administration is best indicated, I believe, by the evident confidence which the business community has in the prosperity of our city. No better proof of this confidence is needed than all the highly visible building activity taking place in the CBD.

The FM replies:

In preparing the article the FM was referred by all council officials to Pieter Mathee, the acting town clerk. Mathee confirmed its factual accuracy after requesting certain changes.

Nowhere in our article do we suggest or imply that Burger attributes the increases solely to the general economic malaise. However, this is virtually the only explanation he gives in his budget speech for the increases.

The article notes that the council has been accused, “particularly by the DP, of over-spending, of failure to budget properly or to keep proper controls.” Though Burger believes these accusations are “absurd,” they have nevertheless been made repeatedly and particularly in relation to the renovations of the Civic Theatre.

The FM approached one of the largest construction firms on the Reef to analyse the costs involved in renovating the Civic — in 1986/1987 estimated at R2.7m and now believed to exceed R100m. Though this firm confirmed that surcharges on stage equipment are high, and do account for many cost rises, it believes it likely the original estimates were either “badly budgeted, unrealistic or poorly researched.”

The attention given to the Civic Theatre was not excessive: the R3.7m allocated to its renovation this year alone represents 10% of the entire capital budget of R382m.

The FM said that the amounts for civic functions and entertainment and floral decorations seemed reasonable for a city like Johannesburg — but that comparisons with other big metropolitan cities are important to place them in perspective. While the R1m allocated for the overseas guest programme may well not be a major item, it is nevertheless a substantial amount spent on a project that should not form part of municipal expenditure.

The Security Department, over which there is total secrecy, consumes R25m of taxpayers’ money without accountability.

A code of conduct which allows an official to undertake other employment while on leave is in need of reassessment.

Burger’s argument that the Transport Department last achieved a surplus in 1944/1945 in no way justifies the present expected deficit of R28m. If anything, it highlights the inadequacies of the service.

The 1989/1990 budget and Burger’s budget speech give no indication of how the special contributions to Jomed and the pension fund improve the situation of lower-paid pensioners.

This amount (R30m) is merely reflected in an additional allocation to staff benefits which means that in total more than a third of the R1.4bn operating expenditure budget is set aside for salaries, allowances and staff perks.

A better gauge of the efficiency of the city’s administration than the extent of present building activity is the faster pace at which the business districts of satellite towns have grown.
Margins. Colin Hall, previously deputy chairman and whose appointment as CE was announced with the results, is particularly pleased that the turnover rise was achieved on an increase in floor space of only 2%. He attributes the higher margins to a change in the product mix, “harder” buying and fewer markdowns.

“The improvement was not due to a change in our pricing policies” he says, “but rather because reduced prices were not necessary, indicating that we were correct in our fashion choices.”

The product mix change was due to lower sales of thinner margin lines, such as wholesale food and increased sales of higher margin items.

It took some time for Makro, acquired in 1987, to mesh with Wooltru. Hall says the division performed “spectacularly” in the latest year. Chairman David Susman considers the company “strategically important to the group since it affords an opportunity for trading in the Third-World marketplace.”

Wooltru now holds three — perhaps four — distinct divisions. Apart from Woolworths and Makro, there is the specialty retail group, comprising Truworths, Topps, Esprit and other specialty chains. Each focuses on a specific target market and with increasing success, according to Hall.

The fourth division comprises the unencumbered R280m property portfolio consisting of freehold land and buildings. These include Wooltru House which alone generates annual tax efficiencies of about R2m. In addition, there are the trading sites, most of which are well situated.

It has long been suggested that the property portfolio might be separated into a property trust after the fashion of Barprop. Hall says there is no point in doing this unless there is an investment for the funds raised, though the fact that the option exists, is comforting. The group’s property expertise may be used, he suggests, in developing shopping centres and earning a developer’s fee.

Certainly there is no need to raise funds to repay loans. Net borrowings fell from R69,6m to R33,6m, cutting gearing from 22.8% to 9.6%. Hall says the declining trend will continue, pointing to the strong cash flow and the policy to gear up for a specific purchase, like the head office, and then repay the debt over a period.

Perhaps one of the most important considerations for investors will be whether Hall’s new position will mean a change in direction. Hall says not: “It makes de jure what has been de facto for some time,” he says. He sees strong organic growth and no need to enter new markets, rather diversifying by introducing new lines into existing stores.

“We have seen no sign of a decline in demand,” he says. He believes the Woolworths emphasis on quality will be even more important in a recession, and that this down will benefit Makro.

Hall is confident that Wooltru will grow at a faster pace than the industry average, and it seems likely the share price will continue to trade at a premium. With the latest dividend bringing the total to R1.2c, the share is on a 3.7% yield and could adjust to bring the premium back to previous levels.

Gerald Hudson and Pat Kenney
Checkers is the Tradegros poser

When Tradegros released its interim figures back in March, chief executive Donald Masson forecast earnings per share for the full year of 35c-40c — on a fully diluted basis.

At the half-way stage the group had put 20,65c under its belt.

With the full-year figures out from all of the group’s listed subsidiaries, analysts’ estimates for financial 1989 are roughly in line with Mr Masson’s mid-year forecast, although the top end of the range (38-40c) is apparently the more popular.

The accuracy of Mr Masson’s forecast does not mean that things have gone according to expectations, but rather that favourable variances to budget (at Rusfurth and Cashbuild) just about match unfavourable variances (at Checkers, Jazz and Coreprop).

The actual Tradegros results will be announced on Monday. The pre-tax profit figures for Cashbuild, Metro, Jazz and Rusfurth are known.

The results for Coreprop, Smart Centre, Stuttafords/Greatermans and most important, Checkers, will not be known until Monday.

On the basis of assumptions being made for the unknowns, the full break-down at pre-tax profit level might look something like this:

- CASHBUILD (75%) R18,4m
- CHECKERS (100%) R23,5m
- Coreprop (100%) 0
- JAZZ (30.7%) 0
- METRO (48.9%) R27,5m
- RUSFURTH (69.8%) R10,5m
- SMART (36.8%) R11,1m
- STUTTAFORDS/GREATERMANS (100%) 0
- STUTTAFORDS/GREATERMANS (100%) R6m

This adds up to a total pre-tax profit figure of R165m.

To get to the bottom line, additional assumptions have to be made about head office expenses, the tax rate and outside shareholders’ interests.

Assuming head office expenses of around R5 million, a tax rate of around 22 percent and outside shareholders’ interests of approximately R65 million, Tradegros will show earnings of around R74 million — equivalent to 36c a share on a fully diluted basis.

At the half-way stage a dividend of 4c a share was paid.

Assuming no change in cover for the second half, this points to a final dividend of another 4c, making an 8c dividend for the full year — almost 5 times covered.

If management is feeling a bit bullish about prospects for its weaker performers — Coreprop, Checkers and Jazz — then it might be tempted to up the final dividend to 6c for a full-year payout of 10c — four times covered by earnings.

The assumption about a lack of contribution from Coreprop may be a bit contentious.

It apparently made a significant pre-tax profit, but this reflected the impact of the property company’s recapitalisation with preference shares in financial 1988.

This profit was wiped out by the heavy preference dividends that had to be paid.

The disappointing performance by Coreprop indicates that management there has not made much progress in its property sales programme.

Funds from such sales could have been used to redeem the prefs.

Smart Centre’s pre-tax profit estimate reflects a strong 50 percent advance on financial 1988.

It also reflects the highly seasonal nature of activity at Smart’s — only R3,5 million is expected from the second half, compared with the R6,5 million reported in the first half.

No such assumptions are made about Stuttafords/Greatermans.

That division is expected to turn in a 25 percent advance on financial 1988, with the performance spread evenly over the year — R4 million in the first half and another R4 million in the second half.

The most important unknown is Checkers. The estimated R33,5 million will disappear, although it is 60 percent ahead of the previous year’s R14 million.

At the half-way stage Mr Masson said that the full-year figure could be as high as R27 million.

In the first six months it earned R7 million, which was more than double the previous interim’s R3 million.

To achieve the R27 million for the full year, Checkers would have had to sustain this pace of improvement throughout the second half and lift pre-tax profit from R11 million in the final half of financial 1988 to R20 million in the second half of 1989.

A full-year figure of R23,5 million assumes a second-half figure of R16,5 million, which is 50 percent up on the second half of financial 1988.

Enough to indicate that Checkers is moving in the right direction, but certainly not sufficient to make shareholders feel comfortable.

Industry sources say the shortfall is attributable to disappointing turnover figures and to continued major problems with shrinkage.

The latter undermines management’s efforts to get margins up to acceptable levels.

So, there is much more room for improvement at Tradegros.
SBDC BIGGEST OWNER

THE Small Business Development Corporation has become the largest developer of industrial property in black townships.

The SBDC was started eight years ago. The corporation’s loans totalling R87,7 million had put more than 22 000 people into business and created more than 200 000 jobs at an average cost of R3 000 a job.

Addressing a press conference in Johannesburg this week, SBDC managing director, Dr Ben Vosloo, said his corporation owned property worth R150 million, of which R50 million was in black areas.

In his chairman’s address, Dr Anton Rupert said the greatest challenge the SBDC was faced with in the next decade was to clear the road for enterprising people in all communities, thus enabling them to build a prosperous South Africa.
Small business vision

By Robyn Chalmers

The second small business week will run from October 2 to 8.

National small business week committee chairman Sonny Tarry says about 30 organisations including Standard Bank and the Get Ahead Foundation will be involved.

The highlights will include seminars, business clinics, practical workshops and conferences, breakfasts, training courses, trade fairs, fairs, markets and exhibitions.

The theme of the week is "I have a vision. Small business week: Creating opportunities for you."

National Association of Women Business Owners (NAWBO) founder member Reuel Erwee says that in a society notoriously divided, the link between small business and the creation of wealth is one of the key areas around which consensus about the future can be reached.

Professor Erwee says the real potential of the movement can be realised through small business being accessible to all — from the most rudimentary form of commerce to the most sophisticated operation.

"But while small business is the ideal vehicle for translating the ideal opportunity into the reality of wealth creation, it is naive to ignore the fact that the source of human potential which drives the machines of small business is not always spontaneously realised because of obstacles."

The obstacles are lack of access to capital, barriers to entry in markets dominated by vested interests, a lack of suitable business infrastructure, unnecessary regulations and a lack of skills.

She says a strategy must be undertaken that not only allows the market to operate, but provides people with basic resources to exploit opportunities.
Setback for Set for Life scheme

By Julie Walker

MILITANT insurance brokers and agents chased Set For Life out of Australia, so promoter John Drinkwater moved to South Africa with his controversial life-assurance co-operative selling scheme.

He obtained a master policy for group life cover from the Standard General Insurance Co of SA (Stangen), but it has also given notice of cancellation.

Stangen — largely Italian owned — says the notice of cancellation was given because of lack of cooperation on the Set For Life's marketing methods. But Mr Drinkwater claims Stangen's action is invalid.

He says that before issuing the policy, Stangen was aware of the marketing plan. He secured a 12-month guarantee from Stangen because he expected opposition from other life offices. He blames them for pressuring Stangen into this "illegal act", which effectively deprives 2,000 Set For Life members of their family protection.

Stangen chairman Roberto Grandi says all bona fide claims will be honoured, and notice of cancellation has been given so that people know it will not last forever.

Scanty

"When Set For Life described its marketing schemes to Stangen, the information was at best scanty. Mr Drinkwater's remark that we tried to iron out the differences with Set For Life without success is not accurate.

Mr Drinkwater, an Australian married to a South African, says the plan is: "It provides much-needed life cover and a monthly income at the same time."

Mr Drinkwater owns Set For Life, which holds master policy document 1257 issued by Stangen.

For Life involves a pyramid of generations of people who buy life cover under the banner "people helping people".

Let's say I sell a policy to four friends. For R500 a month, they buy life cover of R100,000 if they are under 45; R50,000 if they are under 40; and R30,000 if they are between 40 and 45. There is 50% benefit in the event of disability. Everyone pays three months' premium upfront."

Mr Drinkwater says: "This is to give them some time to build up their own generations."

After the three months, commission income is said to be enough to cover a premium of R100 a month and the balance is paid in commission. Tax deduction is 50%.

Monthly commission is R100 from each of four. I have to try to help those four — my first generation — sell four policies each to four new people. The phrase is "help them gain protection." These people become my second generation. I get R9 each of their six-month premiums and my first generation members get R10.

My second generation people then have to sell policies to four of their 16, who become my third generation and the plan continues in this manner. If 16 people each get R9 each, my first generation receives R9 and my second R10. So on, until the limit of six generations. But every member is the success of his own six generations. If my sixth generation members are to achieve their own sixth generation there will be more people than there are in SA paying Set For Life."

Of the premium income paid by my 4,000- strong sixth generation, 45% goes on commissions every month. That is my co-operative. One independent broker says for group cover the maximum commission he takes under Life Offices Association rules is 12.5%. And 45% seems a lot. He says he could offer the same group-life cover at half the price lower.

Mr Drinkwater says that out of every R100, R20 goes back to him, and the balance goes in operating costs of Set For Life.

Dr Grandi says Stangen is considering ways of assisting the 2,000 Set For Life members to obtain cover without the being left in the lurch.

Romens and Dior in rumpus over price

LISTED menswear retail chain Romens has clashed with one of the giants of the fashion world — Christian Dior.

Cape Town-based Romens has complained to the Competition Board that South African licensees of the French fashion house — manufacturing goods from umbrellas to men's suits and knitwear — are refusing to supply it with the designer's range.

Competition Board chairman Pierre Brookes says: "We have asked Christian Dior to respond to the allegation before we decide if a full investigation is needed."

An attorney for Christian Dior says: "We are aware of the nature of the complaint and we believe it is unjustified. We are preparing a full response for the Competition Board."

Romens, which has 12 stores and franchised shops in the Cape, the Free State and Namibia, is SA's biggest retailer of Dior suits, says chairman Danny Kahn.

Prise

"The dispute has its roots in a complaint that our Port Elizabeth franchise was selling Dior merchandise at 'substantially lower' mark-ups to other outlets, at a discount," says Mr Kahn.

"We pride ourselves that, across the board, we sell at prices well below other retailers — but we cannot be discounter. We have built up this business over 25 years on the basis of a fair price to customers and fair profits to Romens and our suppliers."

Mr Kahn says that no Dior licencee was prepared to show Romens the Dior 1989 winter range — although specifically asked them to do so before the end of July.

He says: "Dior officials in Paris have told us that the question of supply does not lie in their hands, it is up to local suppliers. But the licencees have told us they cannot supply us because of a directive from Paris ordering them not to do so."

An major licensee in SA is Meamone Clothing, which makes Christian Dior men's suits. Managing director Mike Bond says: "We are preparing to reply to the Competition Board and it would not be right to comment at this stage."

The row could have repercussions for many suppliers of many other designer label clothes and accessories.

Mr Kahn says that imported linings and trimmings are widely used on designer lines, and the quality is monitored by the foreign principals.

Romens adds that its business relies on its own skilled manufacturing staff and a high quality control system.
BERGERS shares were in demand this week ahead of results, which underline the high quality of the group's earnings.

Listed in 1987 after R28-million was raised at 100c a share, Bergers commanded a high rating, topping 230c before the market collapse of October that year. The price is now 140c.

In the six months to June 1989 Bergers lifted turnover by 25% to R30.6-million, and earnings a share grew 51% to 74c. With sales loaded in the second half-year, they could reach 3sc.

A twice-covered dividend of 15c puts the shares on a projected yield of 11.5% — not bad for the times.

SPREAD

Last year's 37% tax rate is not expected to rise much because many of the trading outlets are outside SA in places where the rate is lower than 5%.

At listing there were 142 stores in the family outfitting chain which is spread throughout the south-western Cape, homelands, plateland and neighbouring states.

Aimmed at the lower B to C income groups, Bergers is a cash-only business. Chairman Howard Maurerberger says that, with so many shops, any political activity or unrest which might affect some branches can be carried by the group.

There are virtually no borrowings, and the December year-end balance sheet is cash rich. Therefore, when interest rates are high, Bergers hardly suffers.

There are 197 stores now, and the target is 200 by the end of the year. Shops are being upgraded, and those in poor sites moved to better premises. Expansion is funded out of the group's resources.

EXPANSION

Mr. Maurerberger says Bergers has been in business for 65 years, but only in the last decade has it undergone significant expansion. It now employs more than 1,000.

The products sold are sourced mainly from SA suppliers, and about 5% is imported from the East. Bergers often procures raw materials and uses cut-and-trim factories to produce counter to its design.

In the last quarter, half of the stores will begin selling shoes. "This is an exciting development which should ensure that the turnover growth remains strong," says Mr. Maurerberger.

The average contribution to turnover from shoes in other total outfitters is about 20%, which augurs well for Bergers.

A tailor-made warehousing facility should be in use before the end of the year. Its leasing cost should be offset by more efficient product handling and faster distribution to shops.

COMPUTER

These advances will be managed by a new computer system also designed to control stock.

Management expects that the value-for-money goods offered by Bergers will help sales to grow well above the rate of inflation, barring unforeseen circumstances.

Mr. Maurerberger is the major shareholder with a little more than 50% of the company. The other directors own 18%, institutions holding another 10%.

WEALTH

The directors refer to the "increase in wealth of shareholders of R21,60a share (53%) arising out of an increase in the share price of R195 to a dividend of R2.60".

I call it the Galtieri syndrome — Argentina's in a mess so let's invade the Falklands.

Genbel's earnings growth was poor, so let's talk about the increase in shareholders' wealth. So much for "active management."
Wooltru sets sights higher

BEING brave and being different — that is how Wooltru boosted net profit by a healthy 52% in the year to June 30, says the group's new chief executive, Colin Hall.

Reassured by sales of R2-billion (R1.4-billion last year) and taxed income of R93.4-million (R63.6m), Mr Hall is confident, saying: "I want Wooltru to be the best retail trading group in South Africa — and we can do it."

Interviewed after the results were announced this week, Mr Hall said three major factors were responsible for keeping Wooltru ahead of the pack — "We have better brands, we have huge cash flows and best of all, we have it all in one group. We also have a young management team, good trading sites and enough clout to get more."

Wooltru was looking at "sustainable growth". No diversification was envisaged. The group had a positive cash characteristic of enormous proportions, said Mr Hall.

Property holdings were worth nearly R289-million and "we don't have to draw against them to keep going".

The group's sales growth of 26% was not simply a reflection of the nationwide trend in the retail trade. "It means we have gained market share."

Commenting on the group's profit growth of 52%, Mr Hall said: "Nobody is in any doubt about the daringly different identity of each division in the group."
Men's wear retailer at war with Dior
Bergers buttons up more good results

Finance Staff

Bergers, whose subsidiaries retail clothing throughout Southern Africa, has followed its record 1988 performance with a 51 percent rise in attributable income to R1.5 million on the back of a 26 percent rise in turnover in the six months to June. Turnover of R30.7 million (R24.3 million) produced operating income of R2.6 million (R1.7 million) before provision for tax and minority interests of R1.1 million (R795 000).

This improvement was achieved in a trading period of 26 weeks (27 weeks in 1988).

Earnings a share rose to 7.4c (4.2c).

Chairman Howard Mauerberger says the group should have more than 200 stores by the end of 1989.

"Our expansion programme is continuing space, with at least 25 stores being opened this year.

"At the same time, existing stores are being revamped and relocated to better trading sites."

He says the group’s cash flow remains strong and it is able to fund expansion out of its own resources.

"The impact of high interest rates is negligible as there is little or no debt."

Mr Mauerberger says turnover remains buoyant, despite the measures introduced to cool the economy.

He is confident that, barring unforeseen circumstances, the group will enjoy another successful year.

He says Bergers is breaking into a new area by introducing shoes to its range in 90 selected stores.

"This is an exciting development which should ensure that turnover growth remains strong."
The Star's Foreign News Service

GENEVA—An 11-member panel of "eminent persons" convened by the United Nations met here yesterday to start a three-day examination of the state of disinvestment in South Africa, and the possibilities of change as a result of tomorrow's election.

The panel, the second of its kind to be convened by the UN Centre on Trans-National Corporations, will come up with a series of recommendations to the Secretary-General, Dr Javier Perez de Cuellar, at the end of the three days of public hearings. The first such meeting was held in 1985.

Representatives of the International Chamber of Commerce, various anti-apartheid organisations, non-governmental institutions and South African employers organisations are among those giving evidence. The South African representatives, who include the Chamber of Mines and the Black Taxi Association, are expected to testify today.

The first day's meeting heard a warning from Mr Joseph Garba of Nigeria, chairman of the UN Special Committee against Apartheid, that the Government of the Acting State President, Mr F.W. de Klerk, "is trying to break out of international isolation and reduce international pressure by making vague announcements aimed at creating an impression of a readiness to bring about gradual reforms in the system."

"Given the long-history of oppression by his party, we don't think he (De Klerk) is bringing anything new," he told a press conference later.

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Businessmen slate Boksburg advert

By Helen Grange

A recent Boksburg Town Council advertisement, showing statistics indicating positive economic growth in the town, has come under fire from Boksburg businessmen who say the figures are misleading.

The Boksburg Alliance, an organisation representing businessmen, has criticised the advert, which appeared in several national newspapers last week, as an "unjustifiable" election ploy by the Conservative Party.

The advertisement was issued by Boksburg town clerk Mr J.J. Coetsee, on instructions from Boksburg's CP-controlled management committee.

Mr Robert Gardiner of the Boksburg Alliance asked if the Conservative Party had the right to "issue selective details under the name of the town clerk to attain some sort of credibility".

The advert claimed that Boksburg's budget growth had been 16.19 percent, that income derived from rates levied on property had increased by 9.35 percent and that the total valuation of properties had grown by 9.77 percent.

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Mambazo cancel two shows

Ladysmith Black Mambazo have cancelled tonight's and tomorrow night's performances at Pretoria's State Theatre "due to unforeseen circumstances."

Pact's publicity department was unable to comment further about the reasons for the cancellation.

The show now officially opens on Thursday night.

Ticket holders for tonight's charity performance should request refunds from their charity organisation.

Those with seats for tomorrow night can claim a refund from Computicket or may book again.

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Councillor's status subject to review

Municipal Reporter

The deputy chairman of the South-Western Management Committee, Mr Victor Thomas, was sentenced to 12 months' imprisonment or a R1,000 fine last week after he was convicted on two counts of corruption.

Johannesburg City Council housing director Mr F.W. Robins said he had asked for copies of the Protea Magistrate's Court records to be referred to the council's legal advisers for their opinion on Mr Thomas's status as a councillor.

Mr Dudley Arends, chairman of the United Civic Association, said the case followed the submission of certain documents by UCA to the MEC in charge of local government.

The documents referred to maladministration by the South-West Management Committee.

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AUTOMARK
Calls follow court ruling

Carletonville businessman threatened

By Jovial Rantao

One of the applicants in the precedent-setting Pretoria Supreme Court case, in which a judge ruled that racial signs in the Carletonville parks must be removed, has received death threats and obscene telephone calls.

Mr Abdul Bharmjee, a local businessman, said yesterday he had received seven obscene telephone calls after a ruling last week by Transvaal Judge-President Mr Justice C F Eloff that a decision to close parks to black people was not in the interests of the town but in the political interests of the Conservative Party.

Bombs

Mr Bharmjee said he had reported the matter to the local police and had spoken to a Lieutenant Bartman.

"These are sheer intimidatory tactics, but I have reported the matter to the police because I'm taking these threats very seriously. The caller told me that we (businessmen) should expect bombs and they were going to burn our shops."

Other applicants in the case, Mr Sarel Waks, Mr Billy Molau and Ms Amsterdam Classens, had received similar threats, Mr Bharmjee added.

He said he believed the calls were made by CP supporters worried about the impact the outcome of the Pretoria case would have on their election campaign.

Carletonville supermarkets visited by The Star yesterday reported a slight increase in turnover. A tour by The Star through the parks in the town revealed that not all "whites-only" signs had been removed.

Black people had not responded to the court ruling by returning to the parks. Pioneer Park, which used to bustle with blacks during lunchtime, was deserted yesterday.

At an extraordinary meeting yesterday, the Carletonville Town Council decided to appeal against last Thursday's Supreme Court order requiring it to remove all "whites only" signs.

Sapa.

Sign of the times... these two men, who declined to be identified, relax at Pioneer Park in spite of the "whites only" sign on the wall.

Picture by Herbert Mabuza.
Finance Staff

Following on its 17.8 percent hike in pre-tax profit and 36.5 percent advance in turnover to R7.2 billion and R170 million respectively for financial 1989, Tradegro management is looking to turnover in excess of R6 billion for the current financial year.

And chief executive Donald Masson is targeting at least a 25 percent advance in pre-tax profit. This means pre-tax profits of over R200 million.

Mr Masson referred to the “unacceptable” level of shrinkage within the group — in 1989 this amounted to around R70 million. He believes that this can be reduced through the enforcement of disciplines and improved productivity.

Management at the Checkers division, which accounted for R2.7 billion of turnover and R24 million in 1989, has committed itself to a compounded annual growth in bottom line profits of 30 percent over the next three years. This is despite a possible resumption of tax payments in the ’91-’92 tax year — Checkers currently has an assessed loss in excess of R100 million.

Checkers' MD Clive Weil pointed out that goals in terms of either pre-tax earnings or return on shareholders' funds have not yet been reached "but at 0.9 percent and 25 percent respectively Checkers is beginning to produce more satisfactory results."

"Training and development of all Checkers people at every level in the company is assuming great strategic importance. The board has authorized an investment of R3 million for this specific purpose during the current financial year. With a commitment to real increases in spending in this category into the future."

Large investments will also be made in upgrading and refurbishing facilities — in particular the computer systems.

In addition scanning is becoming a major priority at Checkers: "Offering exceptional benefits both in streamlining administration and shrinkage controls and sharpening marketing abilities."
Boksburg boycott to be continued

BOKSBURG — More than 1,500 people are standing by a consumer boycott of white shops in Boksburg, despite indications that the town council may be forced to pull down whites-only signs if court action is successful. The decision was taken this week at a meeting called by the Save Boksburg Committee (SBC). 6/9/89.

After hearing an address by Professor Jakes Gerwel of the University of the Western Cape, Mr Mohammed Navsa of the SBC asked the audience to stand if they supported the boycott action.

The entire audience stood up and pledged to continue the protest and shop in Benoni. — Sapa.
BLACCS are daily getting convinced that without economic power the prospects of achieving total liberation are nil.

Delegates to a recent seminar on black economic empowerment, organised by a firm of consultants, Mbelo and Associates, in Soweto confirmed this.

Consensus was that black economic power will have been achieved when black people own and control a substantial portion of the means of production in this country.

It was also agreed that it behooves black leaders to make decisions that will have a significant impact on the economy.

The president of the Black Management Forum, Mr Don Mkhwanazi, said: “Black economic empowerment means the acquisition of economic power by blacks. The acquisition of economic power by blacks will enable them to take greater control of their destiny and of their country.”

We can no longer depend on our economic power to keep the economy on track. Instead, we must be seen as contributors in the economic life, not just as labourers, but as equals, if not major, partners in the creation and control of wealth in our country.

One of the lessons that emerged at the seminar was that black economic power could be achieved primarily through the efforts, hard work, and skills of blacks themselves and only secondarily through agencies that have set themselves up to help black business.

Another lesson was that blacks have the capability to break the barriers and to win, despite all the obstacles which have been overcome. The process may be slow and require all the patience that the people of Africa have acquired in abundance over the generations, but the end result was achievable. It could be achieved.

The road to black economic empowerment

By JOSHUA RABOROKO

BLACCS, which stands for Black Leadership, Community and Black Economic Empowerment, is a new black economic empowerment programme.

BLACCS is a non-profit organisation that aims to empower black communities through the provision of business and skills training.

BLACCS also provides access to capital and markets for black businesses.

BLACCS is based in Soweto and is registered as a non-profit organisation.

BLACCS has received funding from the South African Government and private sector.

BLACCS is run by a board of directors that includes black business leaders and community representatives.

BLACCS is committed to empowering black communities and businesses and to creating jobs and opportunities for black people.

BLACCS is also committed to promoting fair trade and ethical business practices.

BLACCS has a strong track record of success in empowering black communities and businesses.

The success of BLACCS is evidenced by the growth of black-owned businesses and the creation of new jobs.

BLACCS is also committed to empowering black communities and businesses in other parts of South Africa.

BLACCS is looking for new partners and investors to support its work.

BLACCS is open to discussing ways in which it can collaborate with other organisations and businesses.

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In the spirit of fairness, business is to create livelihood for all in a democratic SA.

The Social Duty of Business

In the light of the recent events in the country, this is an extract.

"Wealth for all in SA business is to create livelihood for all in a democratic SA."

B. BUSINESS ethics to create...
Counting the cost

The cost of creating a job depends on the definition of costs. This explains recent conflicting estimates by the Decentralisation Board, which puts the average cost at R18 000, and the Small Business Development Corp (SBDC), which says it is R3 000.

Board chairman Coen de Villiers explains his figure is the cost to the private sector and it includes land, factory and equipment. While R18 000 is the average for all industries, it differs from sector to sector and region to region.

SBDC GM Sonny Tarr points out the organisation operates in the small business sector where cost of job-creation is far lower than in the formal sector. Moreover, the estimates "relate number of jobs created on its programmes to cost of SBDC finance only", says Tarr. "This excludes owner's contribution which, in some programmes, is at least 10% of total finance costs.

"The R3 000 is the average for all programmes. The mini-loan programme has a cost of R1 629, the job-creation programme R2 225 and general finance R6 400."
A change of SABC policy with far-reaching implications for the advertising and retailing industries comes into effect on November 1.

What it amounts to is that all the SABC's regulations on retail co-operative advertising fall away.

'Outside' products

This means retailers will be allowed to advertise "outside" products on television, and not be restricted to advertising only house brands and/or exclusive lines.

In addition, manufacturers and distributors will be allowed to mention the names of retail outlets through which their products are distributed, regardless of whether or not those outlets have the sole franchise to distribute the products.

The effect will be that competing retailers could well wind up advertising the same products, while a manufacturer could well wind up giving a punt to competing retailers in the same ad.

A change to the rules governing retail advertising, which have been in force since 1977, has been on the cards since December 1988.

At that time the SABC said it had decided that, "in principle, the retail rule is inconsistent with the free market policy currently applying to the buying and selling of television advertising air time on SABC stations".

Representations

Since that statement, says Jack Hobbs, the SABC's general manager, advertising: "The Corporation has received many representations from interested parties urging us to either abolish or retain the rules currently governing retail co-operative advertising.

"We have listened with great interest and concern to all arguments put to us, and have now made a decision which will have a positive effect, not only on the business activities of the SABC, but also on the interests of our audiences and advertisers."
Battles that hungry Bellamy triggered

By David Carter

THE ambition of Adrian Bellamy, former managing director of Edgars Stores, was the catalyst that triggered the scrabbles for Russells, Greaternmans, Edgars and finally for Premier and SA Breweries.

In his fascinating corporate history, larger than life — Zafaid Gordon and the Liberty Life Story, Ken Roman quotes Sydney Press: “Following his appointment (in 1976), Bellamy soared like an eagle.”

In 1981 Mr Press underwent serious open heart surgery. “While I was recovering, Bellamy sought to acquire Russells . . . which would have been a disaster.” Fortunately, Nati Kirsch pipped him at the post.”

GRIMACE

The author continues: “Press recovered but Bellamy’s takeover appetite had been whetted and he now turned his attentions towards Greaternmans.”

According to Larger than Life, Mr Press recollects he was initially positive, but “I later turned firmly against it.”

First, when asked whether the customary month would suffice to check on Greaternmans, Nati Kirsch, who had long served on its board, gave “an eloquent grimace.”

Herb Sewel, then president of Mac’s, also advised Mr Press against buying Greaternmans.

Mr Gordon describes drinking wine under an easel with a couple there next to stockbroker Max Borkum, Mr Bellamy and Greaternmans boss Isaac Kaye.

“Bellamy was getting more and more excited at the prospect of acquiring Greaternmans . . . My reservations, however, became more acute.”

When Mr Press left for a second operation in the US in 1983, he specifically conveyed to me that under no circumstances was I permitted by Bellamy into the Greaternmans deal.

Shortly before Mr Press came under the surgeon’s knife, Mr Bellamy phoned Mr Gordon.

The book goes on: “Could he come urgently to see Gordon . . . the Greaternmans deal was on?”

Gordon arrived together with Archite Aaron (a senior lawyer, not a surgeon). They told Gordon that they were very close to a deal with Greaternmans and

were . . . enthusiastic. Time was pressing however, as Edgar’s option expired on Monday February 1, and a potential rival, Nati Kirsch had . . . the second option. There was to be a meeting at Edgars that evening and Gordon was invited to it as an observer, representing Edcrom.”

DOUBTS

Mr Gordon relates: “We started at 5pm and Bellamy made a detailed presentation. I listened . . . the proposal was to reverse Edgars into Greaternmans . . . I had . . . severe doubts about Greaternmans and the idea of reversing Edgars itself a first-class operation, into that controversial group disturbed me enormously. So I indicated that the deal could not be done without the approval of Press and the Edcrom board.”

The Edcrom board approved the transaction. Only Bill Wilson opposed it. The same evening Mr Gordon called a meeting of the Edcrom board, which decided it could not allow Edgars to go ahead, particularly in view of Mr Gordon’s brief from the absent Mr Press.

Edgars was invited to do a presentation to Edcrom the next day at Mr Gordon’s house.

Says Mr Gordon: “The more we went into it . . . the more we questioned Bellamy and Aaron, the more uneasiness and uncomfortable I became. . . . I knew I was absolutely correct . . . the more we probed Bellamy, more and more skeletons came tumbling out of the cupboard and the worms came out of the woodwork.”

The Edcrom board was unanimously against the deal, short of a thorough investigation.

“What’s impossible,” Mr Bellamy screamed, “the option expired on Monday night at 6pm and the sort of investigation you’re demanding will take months. And Nati Kirsch has got the second option — he’ll give up his going to snap it up.”

Well, so he did, responded Mr Gordon, Archite Aron told Mr Gordon the entire Edcrom management team could walk out on Monday.

On Sunday, Mr Gordon spent 50 minutes trying to dissuade Mr Kirsch from buying Greaternmans. Later, Mr Kirsch said: “I just wish he had been that much more persuasive.”

A pugil Mr Bellamy went to Dick Goss, then managing director of SA Breweries, which had long regarded Edgars as a desirable acquisition.

“Bellamy,” the author quotes Mr Press as saying, “had no business talking to Breweries at all.”

Mr Goss is quoted: “Well . . . there were lots of rumours floating around . . . but the one that . . . had me bothered was the prospect of another bidder coming in for Edcrom — a major Africanus house was rumoured to be interested.

Mr Goss told Mr Gordon he had heard that Edcrom was about to buy Greaternmans. Mr Gordon repeatedly assured him that it was incorrect.

Mr Goss warned that if it did, SAB would bid for Edcrom.

DROVES

Mr Gordon continues: “Dick, I give you my solemn word of honour that we are not going to buy Greaternmans and I want you from, as Sydney Press is going on to the operating table on Tuesday . . . your promise that you will not make a bid for Edcrom until he is back.”

Mr Gordon undertook to inform Mr Goss in the unlikely event of a change of mind. They shook hands. Mr Goss denies he gave any undertaking. That Monday SAB started buying Edcrom shares heavily at R15.50 apiece, a premium of 80% on the previous day.

Institutions were accepting in droves. Liberty’s investment division was keen to sell to an apparently generous price. Mr Gordon asked the board whether there was not much it could do.

Mr Gordon: “I didn’t like the notion at all bit and felt very uncomfortable — almost deflated. I thought it was clear that SAB would bid for Edcrom.

Mr Gordon asked: “Don’t you think that if SAB bid for Edcrom, this will make our stockbroker Max Borkum and a few senior colleagues to a meeting at my house.”

The Press family had about 4% of Liberty Life had some 10%. The Breweries institutional force had probably carried them to nearly 50% already.

“So Edcrom was in fact doomed. But then someone — may have been Max — spotted what turned out to be the Breweries Achilles heel, that undertaking to give the seller the retrospective benefit of any subsequent higher price. That meant we could go to those institutions with a higher offer and Breweries would be in a quandary at a pre-emptive strike delivered quickly and efficiently.”

FINALS

Liberty gave Max Borkum the brief to buy 2 million Edcrom shares at R14.50, a discount of 5% — refusing that the latter would take its side.

Mr Gordon recalls a phone call from Mr Goss: “He phoned at 9pm and said he had 38% and said that’s fine, because we have 31%. I heard that that Breweries would get board representation and I retorted, ‘No ways Dick. If you couldn’t beat the front door, you’re not coming in by the back door’.

Days later SA Breweries offered R15.50 a share and Liberty sold the final

ADRIAN BELLAMY . . . an appetite for takeovers — price was 25% higher than the R15.50 originally offered. Mr Press lost control of Edgars, but received R64 million in compensation.

Liberty’s intervention. I reported in the Rand Daily Mail at the time, cost R25.5 million extra, but of this Liberty’s own profit was only R3.5 million.

The Edcrom fight was only the first round between Mr Gordon and Mr Press. After observing how close SAB was to Old Mutual, Mr Gordon took it upon himself to warn Gavin Reilly of Anglo American that he could lose control of SAB.

Ignored by Anglo, he went to Old Mutual’s Jan van der Horst and offered him Liberty’s 8% of SAB for Old Mutual’s stake in Standard Bank. Rejected by Mutual as well, he found more willing comrades in arms in Premier’s Tony Bloom and JG’s Gordon Waddell.

SUNDAY TIMES, Business Times, September 10, 1989
Ding, dong, dell Sterns
Taking hurdles in their stride

WHEN PRAISE is sung for women achievvers little is said of the hurdles they had to clear on their race to win. Professionals and businesswomen are often portrayed as having powers that other women lack. But often all it takes for success is persistence and refusal to be put into categories.

These women all talk of the bias they had to take to get their jobs and then the exploitation by colleagues and people they deal with personally. Mrs Mejuru Gumel, a secretary and project officer of the Black Landowners Association, however, is delighted with working in Johannesburg. Her husband was sent to Pretoria, where she had hoped to practice.

Loan

“I had already got offered a job when the bank told me that they could not give me an overdraft. They had given a male colleague a loan three months before I approached them. When I asked them about it they said they had since stopped giving overdrafts to people who were starting up and had no track record. But I know that it had everything to do with me being a woman,” she said.

It was not the first time that she had met with discrimination in her job. Gumel was used to clients telling her that she would prefer to be represented by one of her male colleagues.

The odds are frightfully against women. They are looked upon as unbalanced and are said to be high risks. If they are married then their husbands are legally liable should anything go wrong with their business. This is all because of a law that says women are inferior.

Determination

“Everyone knows that a business woman has to be in control of her husband’s name. She does not let that affect her career. She knows that the husband is only there to back her up and run the business. Her success and staying power is owed to her ‘extraordinary willpower.’”

When I talk you cannot afford to disregard me. This has earned me a lot of male enemies because I insist on being treated as an equal. In business they tell me that if I do not have problems finding a job, I must have problems with my husband, for my loan,” Gumel said.

There was always that subtle defiance. I could easily handle that. But I do not want to be always calling attention to our difference in success stories because I was not working for the good of the patient,” she said.

Martin’s clients are mostly people from the low-income group and migrant workers who are often interested in being well and are not worried about the gender role of their doctor, she said.

Disputed

Mr Nas Meyer, Public Relations Officer of the SANC, denied the fact that there is discrimination on the basis of sex when banks are being granted.

Meyer said that 25 percent of their clients were women. He said applications were evaluated on the viability of their businesses, their entrepreneurial skills, relevant experience and their financial position. He said marital status was not a prerequisite for granting loans.
Putting Sowetan Business in context

On September 28 our Business section, Sowetan Business, will be launching another milestone in the growth of the Sowetan. In this article, senior assistant editor, Thami Mazwai, will edit the section, places the coming to be of Sowetan Business in context.

B&G is one of the major sponsors of Sowetan Business. Windsor Shesanye of B&G and Thami Mazwai of the Sowetan enjoy a light moment.

Appeal

The Sowetan has appealed to the business community to come forward with business ideas that will be of benefit to the country.

B & G is a company that has been in business for many years. They have been very successful in the past and have been able to grow their business.

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**FOR FURTHER DETAILS TO NORITE EDUCATIONAL SYSTEMS P.O. BOX 187, JOHANNESBURG 1700.**
Storeco has read the market right

Five years ago, department stores were an important part of Storeco's business.

Today it no longer has an investment in department stores for the simple reason that globally, specialty stores have overtaken and outperformed other retail formats.

Legendary department stores — Saks, Macys, Marshall Fields and Harrods — are supported by the affluence.

However, Durban-based Storeco is cashing in on the structural shift of wealth in SA.

While small compared to Edgars, Storeco is growing thanks to smart management. It has read the future shrewdly and reorganisation by listing subsidiary Orreco Retail as Specialty Stores, leaving Storeco as the pyramid, has helped cash flow by raising R16 million.

Management has decided it is not in the real estate business and the sale of properties over the year generated another R3.8 million.

With its recent substantial profit growth, the capital surpluses on the revaluation and disposal of properties and the disinvestment in department stores, net asset value per share has risen from R54c to 69c over the past two years.

The restructuring took place in June 1989 (after year-end) when subsidiaries Miladys, The Hub, Mr Price and Footgear became wholly owned by Speciality (formerly Orreco), which is 63 percent-owned by Storeco, leaving the public and staff with 37 percent.

Main reasons for the reorganisation were the expansion of Miladys and The Hub's need of additional working capital to fund the growth of debtors, redemption of pref shares, a broader shareholder base, funds to acquire compatible retail operations and, above all, an improved balance sheet.

All this was only possible through the excellent growth of Storeco and its impressive profitability ratios.

The return on gross capital employed rose to 30.2 percent (1988: 25.8 percent), as did the return on shareholders' funds at 19.5 percent (1988: 18.9 percent).

For the year to February 1989, the group achieved sales of R136,94 million (1988: continued operations R108,31 million; discontinued R17,60 million).


After deducting tax and associated charges, net income before an extraordinary gain totalled R4,65 million (1988: R4,73 million) — a rise of 30 percent.

This gave earnings per share of 126c (1988: 90,2c), with dividends up to 48c (1988: 35c).

Below the line, the extraordinary gain was the R800,000 profit on sale of properties (1988: properties surplus R33 million and profit on sale of department store investments R2.4 million).

The Miladys chain of 131 outlets lifted sales to R71,6 million (1988: R53,6 million). Its customers are middle-income women aged 25 to 45, half of them higher-income black.

It increased its contribution to group profits by 44 percent.

There is scope for improvement — 56 percent of sales are generated in Natal, which represents only 22 percent of women's apparel sales.

Miladys sales in the Transvaal are only 30 percent, although the Transvaal represents 60 percent of fashion wear sales. Ten new Miladys stores are planned for 1990.

The Hub lifted sales to R57,8 million (1988: R41,8 million). Profit contribution rose by 48 percent and bad debts were the lowest achieved.

Both Natal and Transvaal are being eyed for expansion.

Mr Price and Footgear, the off-price specialty stores, achieved good results and will be used to develop cash retailing.

Over the next four years, 50 Mr Price stores will be opened.

The growth strategies are three-pronged — increase the number of existing specialty units, develop new specialty formats internally and acquire successful and compatible specialty store.


Chairman Dr NA Labuschagne and deputy chairman WJ McAdams expect a high rate of growth from Speciality — dividends of not less than 24c in 1989 to Storeco's not less than 48c.

Interest rate increases should not bother Speciality and Storeco whose customers are not in the higher-income category where the clients take one hundred and plenty days to pay.

I believe we are witnessing the emergence of a challenge to Edgars. When the Banana Boys move into the Transvaal, it could be a good battle.
Learn about business

SOWETAN recently announced the launching of the Sowetan Business Development Programmes, a series of courses on the essentials of Management, Marketing and Merchandising.

These courses are geared specially for the up-and-coming entrepreneur or aspirant manager who wishes to acquire the skills, motivation, knowledge and general preparedness required to manage every key element of business more effectively.

There are two introductory business programmes of four days each and seven two-day advanced programmes. The advanced programmes can only be done on completion of the introductory programmes.

The subjects covered by the programmes include:
- Finance and Administration
- Modern Retail Merchandising Techniques
- Stock Management
- Managing People to Perform their Best
- Assertiveness in Business
- Marketing and Business Communications.

The programmes have been developed and will be presented by the staff of the Workwise Business Development Group. They have been running similar courses for aspirant managers for some years.

The adoption by Sowetan of these programmes is another manifestation of the newspaper's commitment to the concept of Nation Building which aims to help rebuild the structures that have collapsed in our communities. The Editor, Mr Aggrey Klaaste, says that the Sowetan Business Development Programmes will make an important contribution to the development of black business people.

"Too often we just assume that business people have natural talents for running companies and playing a role in business. That's not always so. Like anyone else, business people need to taught the skills required for excellence. The Sowetan Business Development programmes aim to do just that: teach people the basics of business so that they can go out into the business world with confidence - and in the process help to develop our communities."

The programmes are all run at the Park Lane Hotel in Hillbrow. A special price of R259 will be charged for the four-day introductory programmes that are run this year. Next year the price rises to R499. The programme for this year is:

- Finance/Merchandising
  - September 25, 26, 27, 28
  - October 16, 17, 18, 19
  - November 20, 21, 22, 23

- Managing People/Marketing
  - October 2, 3, 4, 5
  - November 6, 7, 8, 9
  - December 11, 12, 13, 14

Details of these courses and the advanced courses to be run this year can be obtained from Lisa at Workwise Development Group or Anne on telephone (011) 888-1556. (Please do not phone the Sowetan number.)

Sowetan believes that this initiative provides major South African corporations with another opportunity to play their part in Nation Building. In the first place, companies can sponsor their own staff members on these courses. In addition, companies can provide sponsorships for independent entrepreneurs in the townships. Companies wishing to take advantage of this opportunity should telephone Mr Mel Stamm- man on (011) 888-1556.

The launching of the Sowetan Business Development Programmes coincides with the start of a new section in the newspaper, Sowetan Business, which will appear as a weekly section from September 28. These pages will be edited by Senior Assistant Editor, Thami Mazwai, who recently spent some time at Harvard Business School in the United States.

The pages of Sowetan Business will be sponsored by large corporations who have linked up with Sowetan to help market the wares and services of township entrepreneurs. All businesses in the townships are entitled to a 50 percent discount on advertising that they place in the new business section.
Industry-wide Wage Agreement for Motor Makers

ALTECH

ATTENDANCE

ALTHOUGH there were small increases in the number of employees in the motor industry last year, many workers are still working in overcrowded conditions. The Industry-wide Wage Agreement aims to improve these conditions.

The agreement covers all employees in the industry and includes provisions for:

- Increased wages
- Improved working conditions
- Better health and safety measures

The agreement is supported by the National Union of MOTOR Employees (NUMSA) and the National Employers Association (NEA).

NUMSA and six of SA's major motor manufacturers have signed the agreement, which is set to run until December 2022.

For more information, visit the industry's official website: www.motorindustry.co.za
Sales of new cars likely to decline 20 percent

By Jabulani Sikhakhane

Sales of light and heavy commercial vehicles have remained buoyant this year compared with 1988, mainly due to the sound cash-flow position of the corporate sector and the strong fixed investment climate.

Passenger car sales, on the other hand, are still dropping steadily and according to motor industry sources are set to register a decline of about 20 percent if the sales pattern during the first eight months of this year is continued.

Figures released by the National Association of Automotive Manufacturers of South Africa (Naamsa) yesterday show that although sales figures for light commercial vehicles (LCVs) and heavy commercial vehicles (HCVs) marginally declined in August compared with July, the two sectors recorded an improvement in sales during the eight-month period to August compared with the same period in 1988.

Light commercial

LCV sales marginally declined by 2 percent to 10 596 units from 10 810 in July 1988. However the figure for the eight months to August shows an increase of 3 294 units or 14,4 percent from 74 633 to 77 927.

Heavy trucks and buses remained marginally higher during the January to August 1989 at 6 362 compared with 6 039 for the same period in 1988. August 1989 sales were 126 units higher at 910 from 784 units in July.

Industry sources expect the overall sales for heavy commercial vehicles to increase to 10 000 from the 1988 figure of 9 400, mainly because of ongoing investments in projects like Mossgas and the Lesotho Highlands Water Scheme.

Econometrix's industry analyst Tony Twine said the LCV market has performed strongly this year, mainly because of the sound cash-flow position of the corporate sector, which is the main consumer of LCV.

Heavy commercial vehicle sales had done better this year because of the buoyancy of fixed investment, he said.

He said the HCV market could remain buoyant into the 1990's because of the "fixed investment climate is still pretty strong as borne out by recent Reserve Bank figures".

Oversight

New car sales declined by 907 units or five percent to 18 860 from the 19 847 units sold in July and when compared with the corresponding month for 1988 a decline of 3 252 units or 14,4 percent was recorded.

Naamsa says, due to an oversight a member company did not report single unit sales (vehicles allocated to a manufacturer's company fleet, including lease vehicles) and government sales (sales to government and provincial departments as well as SA Transport Services) in respect of the months of March, April, May and June, 1989.

Unreported sales totalled 844 unit sales and when these were included in the figures for the eight-months to August total new car sales were some 1,2 percent below those a year ago at 152 434 (153 317).

Passenger vehicle sales continued to decline from 19 847 in July to 18 860 in August. For the eight months to August passenger car sales were 152 434 against 154 317 over the same period last year.

Mr Twine says Government's attempts to cool-off the economy had impacted negatively on passenger car sales. However, he says when compared with the rest of the durable goods, passenger car sales have remained relatively stronger.

The two main reasons for this were that consumers were expecting the price of new cars to escalate faster than other durable goods in the months ahead and the corporate sector still accounted for a very large share of the passenger car market.

Taken as a whole, the industry's January to August sales rose marginally by 0,35 percent to 239 620 compared to 1988's 238 764.

Modest downturn

Naamsa says the projected decline in new vehicle sales in the second half of 1989 was turning out to be more modest than originally predicted.

New car sales for August had been limited by the impact of industrial action experienced during the period under review in sectors of the component supplier industry and at various vehicle manufacturing plants.

The replacement demand by car rental industry and the corporate sector remained the dominant influence in the market, Naamsa said.
Prince Renier Ready for the Crown
AS part of its mission to develop black business and educate readers on business matters, the
Sowetan is running a series of articles on share ownership issues.

The articles are designed to help the average small investor make an informed
choice when the issue comes up in the market.

Sowetan explains share ownership

You need accordingly, to assess your own risk penchant and to decide on the investment strategy accordingly.

Remember, there is always a risk of losing money in the market and you should therefore plan accordingly to cope with this risk.

The risk of losing money is part of the business cycle and changes in interest rates.

The political risk is the risk of losing money and the business cycle is subject to change.

In the risk of the company in which you hold your shares not performing up to expectations, you should consider the following guidelines:

1. Don't act on an unsubstantiated or unverifiable tip.
2. Before you buy, check with your stockbroker in your personal financial situation with your stockbroker.
3. Do not buy shares with borrowed money.
4. Shares bought with your own money can be held for an indefinite period until you can liquidate them.

For a full programme of courses offered, contact:

Educor, 227 London Street,
Tel: (011) 901 2773
Fax: (011) 901 2021

Nuisance fan is charged

A MAN is to appear in

The outcome is expected in

Clubs

1. What are you going to do when you get a job? (5)
2. Who do you support in the national team? (3)
3. How many hours do you work per week? (5)
4. Do you like to travel? (3)
5. What is your favourite food? (7)

Rules

1. Cut out the completed crossword and paste it on the back of a postcard clearly marking your name, address, phone number and the number of the crossword.
2. Staff members of the Argus Group, Argus Communications and their immediate families may not enter.
3. The winner will be notified by post and will receive his/her shares after the Sowetan has been printed. The winner will be announced on Monday, 24 October.
4. The solution will be published on Monday, 24 October.
5. Send your entries to:

Sowetan Crossword
Sowetan Business
PO Box 5663
JOHANNESBURG 2000
Consumer action delay

By LEN MASEKO

Another shift from the resolutions taken at the second Workers' Summit held at Shareworld about three weeks ago will be on the length of the action.

It will only last for two weeks, between September 22 and October 6, not for a month as had been originally planned.

Cosatu's general secretary, Mr Jay Naidoo, said the decision to postpone the action was taken at a meeting between his federation and Nactu last Friday. The two federations had met to discuss further action against controversial amendments to the Labour Relations Act (LRA).

He said: "It was agreed (by Cosatu and Nactu) that we go ahead with the summit's recommendations for a withdrawal of purchasing power and an overtime ban.

"However, the date for the commencement of these actions was postponed from September 13 to 22 for two reasons:

1) To give Saccoola and other employers the opportunity to meet our
2) To page 2
Car sales down due to industrial action

EDWARD WEST

NEW car sales showed a 14.7% decline in August when compared to last year, due mainly to the impact of industrial action during the month in sectors of the component supplier industry and at various manufacturing plants.

According to the National Association of Automobile manufacturers (Naamsa) new car sales declined by 14.7% when compared to August last year to 18 860 vehicles. This was a 5% decrease when compared to July's sales of 19 847 units.

Total car sales for the first eight months of 1989 were 1.2% below those of a year ago at 152 317 units. Projected decline in new vehicle sales in the second half was turning out to be less than originally predicted.

Sales for the eight months includes an additional 844 vehicles which were previously underreported, said Naamsa. The underreported vehicles arose because a Naamsa member company did not report single vehicle and government sales for the months of March, April May and June.

Light commercial vehicle sales were buoyant during August and dropped a mere 2% to 10 596 units when compared to 10 810 units sold during July. Light commercial vehicle sales 14.4% increased when compared to August last year.
Consumer institute active in protection on all levels

The Consumer Institute for Research and Promotion (CIRP) was born out of a need for closer communication between black consumers and the corporate world, says CIRP special projects director Mongezi Gocin.

The Johannesburg-based institute, which was founded last year and started operating four months ago, seeks to expand the consumer movement and to work with corporate groups in furthering the interests of consumers at national level.

Says Gocin: “CIRP co-ordinates the skills and experiences of consumer groups nationally through information networks, national seminars, workshops and an annual national congress.

“It backs up young organisations and initiates research, calling for concerted effort regarding consumer issues such as pharmaceuticals and baby foods. It facilitates the comparative testing of consumer goods and services and advocates the consumer case at national agencies.”

Gocin says consumer awareness is not high enough amongst blacks, and people need to be told of their rights. These go beyond the borders of this country because companies dump waste in Third World countries and it is the right and duty of consumers to challenge that.”

Experience

CIRP links the activities of large and small grassroots organisations, such as women’s organisations, taxi associations, hawkers and spaza shops.

It has as executive director Eldridge Mathebula, who has been actively involved in consumerism in the past six years as executive director of the National Black Consumer Union. He has travelled extensively in the US, Europe and Israel amassing experience in the consumer protection field.
THE sales jump by Golden Products from R20m in 1986 to R55m last year reflects the black entrepreneur’s contribution to the direct selling market, says company president Brian Murray.

Murray says the direct sales company, with 43,000 registered distributors nationally, has a current target of R65m for this financial year.

He says about 95% of the company’s distributors are part-timers, but there are 15 who earned more than R100,000 each last year.

“Nine of these distributors are black.”

A fair number of the distributors are white families driven by a need to supplement their incomes with additional economic activities, Murray adds.

“With the maintenance of living standards a priority for whites and the exploitation of new economic opportunities a major theme for blacks, direct selling organisations are well-placed for the future.

“For the consumer, the specialised service of supplying the correct product for specific needs is an important factor,” says Murray.

To ensure that standards were met, Golden Products spent R1m on product research during 1986, and all of this went on the three product groups: nutritional, personal care and household cleansing products.”
Picapli fails the test of tough times with earnings halved

By Ann Crottty
Tough trading conditions are the real test of management ability.

It is a test that Picapli appears to have failed in financial 1989 when earnings were more than halved — down from 51.2c a share to 22.3c. The dividend was cut in two — from 15c to 7.5c.

For years Picapli rode along on the back of strong consumer spending with the sales performance sufficient to outweigh the cost of the heavy borrowings that were needed to fund the massive levels of working capital.

When the tough times hit them in financial 1989, the enormous cost of chasing sales — including high stock levels, generous discounts and relatively easy payment terms — became apparent.

In the 12 months to end-June turnover was up by only 12 percent (for competitive reasons no figures are given), compared with the 69 percent surge in financial 1988.

During financial 1989 operating income was up by only 7.8 percent to R37.2 million (R34.5 million), indicating a sharp squeeze on margins.

But the major problem was the massive increase in interest payments. These more than doubled from R11.8 million to R26.5 million.

The hike in interest payments is only partly attributable to the higher level of interest rates. More significantly it reflects the surge in group borrowings from R128 million in June 1988 to R161 million in June 1989. This 26 percent increase in borrowings (compared with a 14 percent advance in sales) reflects the cost of chasing sales and indicates a lax approach to working capital management.

The tax charge was up from 41 percent to 45 percent. This left attributable earnings of R5.8 million — which is just 55 percent of the previous year’s R13 million.

According to the directors, “A severe clampdown by the government on consumer spending in the form of a surcharge on imported products, restrictive measures on HP financing and significantly increased interest rates resulted in a sharp decline in the performance of the group over the past year.”

In order to reduce stockholdings (in line with the fall off in demand) goods had to be sold off at lower margins — “This had a negative impact on profitability.”

That’s the bad news.

The good news is that there has been some management changes and the new management strategy (since February) involves paying much closer attention to working capital and expense controls. This strategy is well supported with management control systems.

The directors believe that the benefits of focusing on asset management will begin to show results during the current financial year and “will provide a solid foundation for improved performance in the future.”

Already there are signs of improvement on the borrowings front. The year end figure of R161 million is significantly down from the end-December level of R175 million.

For financial 1990, the directors are expecting no substantial increase in volume turnover but are looking to an earnings improvement of around 25 percent.

Further down the road, the benefits of the keener management strategy combined with the group’s exposure to the strong white goods market, should enable it to produce more acceptable returns for shareholders.
Car parts prices down 70%

DELTA Motor Corporation's parts and accessory division has announced a downward parts price adjustment — mainly on engine components — of up to 70%. The announcement follows 18 months of intensive negotiations since establishment of the new company.

Parts and accessories manager Charlie van Niekerk commented: "When Delta was established, a number of new doors opened, one being that we could now source replacement parts more freely in SA and throughout the world without being bound by parent company rules. We took advantage of this and established new sources of supply, whose quality standards are high but which offer significant cost reduction benefits."

He added that following the Delta change, "we initiated as a priority a research and investigation programme with two main objectives. One was the reduction of replacement parts prices to the end user, and the other that quality standards must be maintained or bettered.

"We achieved both objectives, and the results of the work are now being passed on to the consumer."

He emphasised that the price reduction, "at present", was mainly engine component related.

"However, the corporation's programme to reduce parts prices is a continuing one," he said.
EAST LONDON. Consumers boycotted last Friday. The decision by the head office of the Congress of South African Trade Unions (Cosatu) on Monday to postpone consumer boycott run from September 22 to October 15 was not well publicised in the city, so some of the bigger retailers in the city thought it was still in force.

Cosatu has said the boycott will continue until elections are held and the country’s political system is changed.

The City Mission has also warned that the boycott could cause job losses.

The National Union of Commercial Employees (NUCE) has said it would continue to campaign for better conditions for workers in the retail sector.

The City Mission has also called on the government to provide more support for consumers who have been affected by the boycott.

The NUCE has also called on the government to support the boycott, which has been ongoing for several months.
Nafcoc shares offered

Dr Motsuenyane. 

THE National African Federated Chamber of Commerce is selling 5000 shares at its shopping centre in Soshanguve in an attempt to create opportunities for meaningful black participation in the economy of South Africa.

In a national message Nafcoc’s president Dr Sam Motsuenyane said the project was being handed over to the black community in the hope that it represented a significant milestone on the road towards the economic empowerment of blacks.

He said it had been decided to issue a total of 5000 shares through which Nafcoc members would have an opportunity to own a majority of the equity of this visible commercial venture.

“To buy a share, members will be asked to pay R200 a month over 24 months. Any member who wishes to take a larger shareholding may do so by paying R400 for two shares, R600 for three shares and so on to a maximum of 250 shares,” he said.

The share participation will be administered by Chartered Accountants Coopers and Lybrand. The payment period started on September 1 and will end on August 31 1991.

Barriers

He said should a member buying shares fail to meet two consecutive monthly payments, all previous payments made up to that point would be declared a donation to Nafcoc.

Motsuenyane said for 20 years Nafcoc had striven to break down the barriers which impeded economic advancement and to create opportunities for meaningful black participation in the economy of South Africa.

“Our country would certainly have no future worthy of talking about if black businessmen are continually hindered from participating fully and freely in the country’s economic mainstream.

Skills

“Nafcoc perceives itself as a facilitating instrument to ensure that blacks acquire both the skills and the capacity of creating vehicles by means of which they can develop and grow economically,” he said.

He said the scheme offered every black an opportunity to own part of the magnificent Nafcoc shopping complex and thereby to derive benefits from its growth and development in the form of annual dividends.

The complex is situated 15 kilometres north of Pretoria and has been in business for just under a year.
‘Thousands will welcome lifting of trading curbs’

Shopping hours restrictions to be lifted

By Michael Chester
R578.7m loaned by SBDC

By TREVOR WALKER, Business Staff

The Small Business Development Corporation says in the nine years to March this year it has granted loans totalling R578.7-million to 22 408 entrepreneurs, creating 216 264 jobs at a cost of about R3 068 a job opportunity.

The SBDC says in its latest annual report that since taking over the assets of Fishcor in October 1986 it has substantially expanded financing in this sector and granted 424 loans worth R32.1-million.

The fisheries finance programme provides loans to bona fide commercial fishermen. The catching of fish must constitute an applicant's sole source of income.

The SBDC says small business flourishes in markets freed from unnecessary regulations.

It therefore promotes the interest of small business by providing practical proposals for deregulation.

In recognition of the importance of the informal sector, the SBDC submitted a comprehensive proposal to the authorities concerning the deregulation of laws and regulations governing street vendors.

One of its main activities is to provide reasonably priced and suitably located premises for small businesses.

The SBDC is today the largest developer of industrial and commercial premises in black and other underdeveloped areas which have suffered much past neglect.

Development priorities are determined in consultation with local communities.

The SBDC is a public company registered in terms of the Companies Act. The private and public sectors are equal shareholders.

The report is a hefty 56-page high quality document with which the corporation hopes to satisfy the private sector shareholders who are all listed about how much they have forked out.
Businesses welcome proposed trading licence deregulation

Own Correspondent

JOHANNESBURG.—Most businesses will no longer require trading licences and will be able to determine their own trading hours in terms of a draft proclamation which will appear in the Government Gazette tomorrow. These measures are due to come into effect on January 1, next year and will become law a year later when the Draft Businesses Bill is enacted.

The proclamation, expected to benefit small businesses and street traders most, is being gazetted to speed up government's deregulation process. The only exceptions to the move are those businesses involved in the preparation of food, which will still require trading licences. In addition, restrictions on Sunday trading will remain in place.

Privatisation Minister Dawie de Villiers said in a statement yesterday that the Draft Businesses Bill, published in April, could "at the earliest" be put into operation only in 1991. He was thus recommending to the State President that as an interim measure a proclamation based on it be promulgated in terms of the Temporary Removal of Restrictions on Economic Activities Act.

De Villiers said while the proposed proclamation suspended the requirement of a trading licence for most businesses, they would still have to comply with other applicable rules and licensing laws. “Individuals will have to place less reliance on official control for their protection,” he said.

Competition Board chairman Pierre Brooks said once comment on the draft proclamation had been received, the necessary adjustments would be made and it would be submitted to the State President for his signature.

Businesses big and small have welcomed the move. Assocom economist Bill Lacey said small businesses would benefit the most from the implementation of the measures. Nevertheless, Assocom welcomed the announcement as an important step in the deregulation process, although it still remained committed to the complete deregulation of shop hours.

Pick 'n Pay chairman Raymond Ackerman said he welcomed any freeing of licences, particularly for the small trader, who was a crucial part of SA's future and should be encouraged.

African Council of Hawkers and Informal Businesses president Lawrence Mavunda described the move as a step in the right direction.
Trading licences to go

MOST businesses will no longer require trading licences and will be able to determine their own trading hours in terms of a draft proclamation which will appear in the Government Gazette tomorrow.

These measures will come into effect on January 1, due to a special interim measure, and will become law a year later when the Draft Businesses Bill is enacted.

The proclamation, expected to benefit small businesses and street traders most, is being gazetted to speed up government's deregulation process.

The only exceptions to the move are those businesses involved in the preparation of food, which will still require trading licences. In addition, restrictions on Sunday trading will remain in place.

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strictions on Economic Activities Act.

De Villiers said that while the proposed proclamation suspended the requirement of a trading licence for most businesses, they would still have to comply with other applicable rules and licensing laws.

Looser controls on trading hours would promote greater flexibility, but he did not anticipate excessive changes in practice.

He said that while some protection afforded by controls would be forfeited, savings in time and costs justified this loss.

"Individuals will have to place less reliance on official control for their protection. A greater responsibility is, therefore, placed on all those involved to respect the interests of others," he said.

Competition Board chairman Pierre Brooks said that once comment on the draft proclamation had been received, the necessary adjustments would be made and it would be submitted to the President for his signature.

It would then be promulgated, and he

Licences

anticipated that the procedure would be finalised by the end of October. The measures would then come into effect on January 1 1990.

Brooks added that the draft proclamation was also intended as an indication to the licensing authorities to "get their house in order".

Businesses big and small have welcomed the move.

Assecom economist Bill Lacey said small businesses would benefit the most from the implementation of the measures. However, they still faced other requirements, and the measures were "only one peel from the onion skin".

Nevertheless, Assecom welcomed the announcement as an important step in the deregulation process, although it still remained committed to the complete deregulation of shop hours.

Pick'n Pay chairman Raymond Ackerman said he welcomed any freeing of licences, particularly for the small trader, who was a crucial part of SA's future and should be encouraged.

"But I would like to see legislation changed to cut the price of petrol and allow us to bake our own bread," he said.

African Council of Hawkers and Informal Businesses president Lawrence Maundla described the move as a step in the right direction.

"However, the ball is now in the local authorities' court. The government is doing one thing, but the local authorities are doing another in continuing with their harassment of hawkers," he added.

He added that the proclamation came at a time when more jobs were needed to fight unemployment.
Matchmaker Services is registered as a company.

THEO RAWANA

MATCHMAKER Services, set up by the American, Southern Transvaal and Witwatersrand Chambers of Commerce in 1986 to expose small business to big business, has been registered as a company.

The concept — an annual small business exhibition at which buyers from large corporations could view products and services — was hamstrung by the lack of contact between the two parties after the show periods.

Matchmaker Services executive director Zuko Tofile said: "There was a need for a year-round organisation to maintain the links formed during the exhibition. Both suppliers and the corporations needed to maintain the momentum built on the spirit of black-white, large-small co-operation and to initiate new events."

The organisation's daily affairs are run by a small, permanent secretariat, based in Johannesburg.

The running costs are covered by the interest from fixed investments purchased with R250 000 worth of debentures of R5 000 each, sold to corporate sponsors which already include IBM and First National Bank.

The Johannesburg events, held annually at Nasrec, have grown from the initial 54 stands to more than 110 and the shows are now entirely self-funded.
# Countdown begins

Tenders for the purchase of a 25 ha regional shopping centre site have been invited by the Westville Town Council.

Though it's still early days, the original R160m development tag attached to the proposed Westville regional shopping centre is likely to be substantially higher when the complex opens early in 1992.

With 45,000 m² of lettable space and the possibility of further expansion, the centre is bigger than both the 34,000 m² Sovalum Centre in Pinetown — completed 15 months ago at a cost of R65m — and The Wheel, the R90m, 30,000 m² shop and entertainment complex due to open in Durban's Point Road next month.

| The proposed R160m Umhlanga Gateway regional shopping centre is comparable in size, but the overall development is more ambitious as it includes 10,000 m² of offices, a 110-bed hospital (eventually rising to 240 beds) and warehousing. First mooted 10 years ago, the Westville centre has had a stop-start history. However, the council has persisted. It used professional teams to research the project and has drawn on studies of similar complexes both in SA and abroad. The result is a comprehensive developer's brief presented as a guide to invited prospective purchasers of the 25 ha site adjacent to the N3 at the Westville glide-off. Closing date for offers is January 8. The tender documents stipulate that offers for the land (18.6 ha for the shopping complex and parking area and an additional 6.4 ha which the developer can use to supplement or expand the scheme) will be kept in sealed envelopes until the council has considered the development proposals. They will be publicly opened on March 5. “Obviously, the price offered for the site is important, but council wants to ensure that proposals fit in with Westville's particular character. The highest price offered for the land will, therefore, not necessarily be the one finally accepted,” says town planning manager Peter Briggs. He points out the shopping centre's location is probably one of the most desirable in the region. It is situated at the centre of what planning and market surveys indicate is Greater Durban's major upper middle-income residential zone. It enjoys easy access from both Durban and Pinetown, is serviced by the nearby N3 Westville interchange (due to be upgraded to coincide with the opening of the centre) and is less than a minute's drive from “spaghetti junction”, the four-tier interchange of the N2 and N3. Its freeway frontage should make the shopping centre a high-profile landmark. What could present a challenge to developers, though, is the typically undulating coastal typography of the site. Once work starts on the centre, the surrounding areas could benefit from the spin-off. The council has plans for the development of a large tract of land south and southwest of the proposed shopping centre. Usages include a residential township of some 900 units, an 18-hole golf course and country club. |
Chains should pay more

NATIONAL retail chains should be paying more realistic shop rentals to ensure the continued development of shopping centres.

Anglo American Property Services (Ampros) says in its Retail Property Update that while retail development was currently strong, future projects could be jeopardised by the resistance of retail chains to pay market rates.

While some national chains thought themselves indispensable to the success of a centre, their presence was a marginal benefit compared with better returns offered by individual traders.

Ampros also warned that alternatives were emerging to many national chains, particularly in the fashion and footwear arena.

The risk of signing with an individual trader may be greater, but this was more than offset by the variety of merchandise and the higher rental paid by the individual trader, said Ampros.

Inevitably the small tenants were subsidising larger ones and their rentals had shown a sharp upward curve in the past two years.

For example, rates of more than R50/m² were being achieved on smaller stores in good, but not prime locations, and R55 to R60/m² in prime spots, yet the chains would not pay more than R20/m² in some cases, with unreasonably low turnover clauses.

Landlords accepted in the initial period during which the centre was establishing itself, the level of rental paid by anchor and chain tenants would be substantially lower than the balance of tenants.

This was accepted because as the centre grew, the turnover clause in the lease should ensure rental growth would keep pace with the rental growth of the centre.

However, statistics indicated this was not the case, which suggested that instead of diminishing or remaining static, as was the present trend, the percentage rent needed to increase — or base rentals should be much higher, said Ampros.
SA's shopkeepers are adamant that restrictions on Sunday trading should be scrapped, and at least one retailer has threatened to defy the laws which enforce these curbs.

All welcome the suspension of trading licences and the flexibility to determine their weekly trading hours in terms of a draft proclamation gazetted today, but are disappointed that Sunday trading restrictions remain in place.

Dion MD Jamie Efs said yesterday freer trading from Monday to Saturday would not affect his company much "at this point in time".

He said many of the discount chain's outlets - particularly those in shopping centres - closed at 6pm during the week and at 8pm on Fridays.

However, he would like to see Sunday trading restrictions lifted totally, and his company had decided to open its stores on Sundays in December "regardless of the law".

"Aside from the fact that everyone does it, we normally lose three important trading days in December, all of which fall on a Sunday," he said.

Checkers MD Clive Weil said the effect of the new measures on the supermarket industry would be negligible since it already had permission to trade on an extended basis.

However, the chain's customers had "voted with their feet" in favour of Sunday shopping.

"Public opinion is on the side of Sunday trading, and the restrictions on this should be lifted totally for everyone," he said.

"More flexible trading would completely change shopping patterns outside of the supermarket industry."

Edgars MD Vic Hammond said his group had been battling for two to three years to have Sunday trading curbs lifted, and had got nowhere.

"I'm very disappointed that the government hasn't lifted these curbs in terms of the proclamation. It would have cleaned up the whole act, which is a farce now because authorities don't take action against those who do trade.

"However, we welcome the other measures. The less red tape the better."

Assocom remained committed to the view that there should be complete deregulation of Sunday trading, the association's economist Bill Lacey said.

The main reasons for this were consumer convenience and the difficulty of enforcing the existing legislation.

Government decided in May to remove all references to Sunday trading from the Draft Businesses Bill after an outcry from church groups.

*COMMENT: Page 12*
First brewery in dockland rolling out the barrels

By GERTRUDE COOPER

Barrels are being rolled out for the first operation to go on stream in the Victoria and Alfred Waterfront Development in Cape Town's old dockland.

The venture, Mitchell's Waterfront Brewery with neighbouring Ferryman's Tavern, was launched by visiting "royalty", "Queen Victoria" and her son "Prince Edward", before an audience of invited guests this week. It opens to the public next week.

The twin turn-of-the-century bluestone buildings erected shortly after the breakwater and used as stores, have been carefully restored and, while retaining original walls and old timber, converted into a mini brewery, capable of producing 24,000 litres of beer in a four-week period, and an English-style tavern.

Licence

Situated in the heart of dockland within minutes of the historic breakwater and the old harbour basin which once sheltered sailing ships, the spruced up property will be fronted by a garden.

Mitchell's will brew under licence and to quality standards the traditional beers that have popularized Lex Mitchell's Knysna Brewery.

Initially Bosuns Bitter and Forester's Draught are being brewed and 18,000 litres are ready for Capetonians. At a later stage Ravens Stout and other specialty brews will be added. Daily tours will demonstrate the art of brewing and visitors will be able to buy beer-related souvenirs.

Partners in the venture are Don Ball, ex-brand development manager for Gilbeys, Ian McClennaghan, the previous owner of the Bungalow Hotel in Butterworth, Tranakie, Michael Williams, professional consulting brewery engineer, consulting engineer Athol Mitchell, and Eric Elley, Oudtshoorn farmer and race horse breeder.

In a R40,000 restoration and refurbishing programme the Ferryman's Tavern combines old and new in a pleasant pub atmosphere. Woodwork incorporates sleepers from the railway line which once passed its front door. Photographs of old Cape Town were tracked down to decorate the stone walls.

Specialist wines

In contrast is a highly efficient kitchen equipped with the most modern cooking and cooling facilities.

Food will be traditional and, because of its situation, fish will feature prominently. While neighbour Mitchell's brews will be available, together with other beers, the tavern management are also making it a source of unusual and specialist wines.

Major partners in the venture are Allan Bell, retired chairman of Gilbeys, Ian McClennaghan and Mike Scholts, previous owner of Caponero's in Rondebosch.

Plans for a 15-minute shuttle bus service from the City to the docks' site are under discussion.
‘Cash kings’ form pr

INFORMAL traders known as the cash kings of Khayalitsha achieved a major breakthrough this week by forming a business association to act as a pressure group.

Although Khayalitsha is only five years old, there are an estimated 2 000 traders in the area, including hawkers.

Ninety traders have already joined the Khayalitsha Business Association (KHABA), which is recruiting 10 new members every day in a membership drive.

More than 50 traders attended the inaugural meeting this week.

The main aims of the association are:
- To provide business training for members.
- To act as an organised voice for business in negotiations with the local authority, Linglethu West Town Committee.
- To negotiate with suppliers for better prices and better credit terms.

The association is also providing a buying card which will help members to get special deals or credit from wholesalers.

Black traders are at a disadvantage and find it hard to get credit so that their cash flow gets tied up in buying stock.

But the association has already negotiated with a leading wholesaler to give members two weeks' credit.

A committee of seven members was elected — and made a rule that anyone late for a meeting would be fined R1 a minute.

It was also decided to stick to the well-established name of Khayalitsha instead of the official title of Linglethu West.

The seven are: chairman, Victor Mbauli; vice-chairman, Micheal Jwambi; secretary, Beulah Dladla; treasurer, Mahlangeni Fusa; and Frank Bosbie, Victor Ndi and Aaron Mgquwa.

"It is difficult for these traders to get credit or borrow money from the banks," said Mr Theo Rudman, executive director of the Self-Employment Institute, an organisation formed to encourage the unrecorded informal sector of the economy.

"The aim is not merely to fight for deregulation and a better deal for small businesses.

"There is a de facto system of no trading licences. That is how wealth is created."

Most of the committee have attended training courses and one of the points stressed was that business meant keeping agreements, said Mr Rudman.

Follow rules

These traders were often casual about keeping appointments and had their own "township time" but they had to learn running a business meant following rules just as much as soccer needed to be played by rules, said Mr Rudman.

"I was most impressed that they are taking this seriously.

"It is important for the white business community to know that these chaps are trying hard.

"Here we have a business organisation trying to discipline undisciplined business people," he said.
UITENHAGE'S richest man is caught up in an amazing race row which threatens to cripple his R50-million business empire and leave hundreds unemployed.

Millionaire Adam Musa Jeeva, 43, is in the middle of a mind-boggling muddle thanks to the Conservative Party, which won the Uitenhage constituency in last week's election.

Mr Jeeva, who was born in Bombay, India, of Syrian parents, was originally labelled Asian. Twenty years ago he applied to be re-classified Cape Malay but was told he was Syrian — and since there was no Group Area category for Syrians, he was officially considered white.

Now, at the instigation of the CP, he has been charged with 42 counts of fraud for claiming to be white when registering property bought in white areas of Uitenhage.

He faces a further 42 counts in his capacity as director of Walad Properties (Pty) Ltd — easily the largest property owner in the region — while two nephews each face 42 fraud charges.

The complaints were laid by Mr S "Spanner" Fourie, an unsuccessful CP candidate in last year's municipal election, apparently acting for former National Party MP Mr Jannie Swiegers, now a member of the CP.

Mr Fourie could not be reached for comment and Mr Swiegers said yesterday he "had no knowledge" of the matter.

Problems

Details of Mr Jeeva's latest race battle were revealed when his son-in-law, Mr Hanif Moosa, applied to the Port Elizabeth Supreme Court to cancel a subpoena requiring him to give evidence against his uncle.

Mr Jeeva's problems started in 1968 when he and his brother appealed to the Race Classification Board to change from Indian to Cape Malay on the grounds that they had been assimilated into that community.

The bid failed and they took the ruling on appeal to the Eastern Cape Supreme Court. The judges upheld the board's ruling that he was not Cape Malay — but also upheld Mr Jeeva's point that he was not Indian.

Mr Jeeva then approached the Department of Community Development. He was told by the Director that he would have to leave the coloured area where he lived and had bought property.

Because he was not Indian he could not shift to that Group Area, either. Two senior officials then ruled that, as a Syrian, Mr Jeeva had the same rights as whites.

Largest

His "European rights" were confirmed in writing in 1983 by a commissioner of the Department of Co-operation and Development, Mr S A Westraad, whom Mr Jeeva approached before buying a house.

Mr Jeeva's company is known to own prime multi-storey buildings in Port Elizabeth and Uitenhage in a portfolio of about 100 properties, including sites as far afield as George.

Mr Jeeva also controls several large industrial enterprises and is Uitenhage's largest employer outside the motor industry, providing work for 800 people.

No date has yet been set for his criminal trial.
Autoquip doubles operating income

Finance Staff
Autoquip Group Limited has posted exceptional results in the year to end June 1989 boosting operating income by 101 percent to R5,2 billion on a turnover increase of 60 percent to R33,5 billion.

Earnings per share increased from 10,5 cents to 15,7 cents and the group has declared a total dividend of 6,5 cents covered 2,4 times.

The substantial growth, which has been achieved entirely organically, is largely attributable to increased market share in all divisions.

Comments Chief Executive Bruce Coquelle: "It is pleasing to note that the results are ahead of fairly optimistic forecasts. Over this period the considerable emphasis placed on the sourcing of products together with rigorous financial controls has resulted in an overall increase in margins."

The Group's foreign operation, started in April 1988, has also begun to make a contribution to profits with full account already taken of start up costs.
Manserv subsidiaries reversed into Cashworths

By AUDREY D'ANGELO
Financial Editor

CASHWORTHS FASHION HOLDINGS will become a cash-shell into which the operating subsidiaries of Management Services Corporation (Manserv) will be reversed, it was announced yesterday.

It will become a financial and management services and banking group and will be renamed Collin Holdings.

The controlling shareholders of Manserv are the MAP consortium, represented by Yakoub Faruk, H S Spain, J M Wiggil, P A Tunstall and A S Klitosky, who acquired Cashworths — a long-established Cape Town clothing retail and manufacturing firm — when it was in difficulties at the beginning of this year and have since sold off all its business operations and properties.

Activity

They say they expect an increase in corporate activity flowing from the present economic and investment climate which will create significant opportunities for the new Collin Holdings including its newly-formed banking division.

The Manserv operating companies — Collin, Punch Line Columbia Training, ACCSYS (Pty), Impact Training (Pty), Academy of Learning (Pty), Don Gray Systems (Pty) and Punch Line Education (Pty) — will be sold to Cashworths for R12.2m in cash.

The MAP Consortium will retain effective control of both Cashworths and Manserv. The sale of its operating subsidiaries will turn Manserv into a cash shell, but the MAP Consortium say they will look for new acquisitions to reverse into it.

Renamed

Meanwhile, it will be renamed MAP Holdings.

Yesterday it was announced that Cashworths had sold its last remaining major asset, Supplier Manufacturing Co, to Sechic (Pty) for R1.1m in cash.

The announcement was made with the release of audited results for the year to April 30, which show Cashworths made an operating loss of 7.5c a share compared with a profit of 11c in the previous year.

Turnover was higher at R21m compared with R19.9m in the previous financial year. But the directors reported a net loss before tax of R1.1m compared with a profit of R1.6m. An extraordinary profit of R1.9m comes from the sale of businesses and properties.

Attributable income is R780 000 compared with R1.1m. The interest bill rose to R680 000 (R520 000) and the tax bill fell to R25 000 (R235 000).

The balance sheet on April 30 showed that long-term liabilities had been reduced to R735 000 (R1.1m). Net current assets had risen to R7.1m (R4.6m).

Losses

The directors say the results were "disappointing and are attributable to losses incurred in the manufacturing division".

They say the recently introduced management team has reduced these losses through "the disposal of all major business operations and properties. Cash proceeds have been placed in interest-bearing investments from the date of receipt."

The directors say the realised value of the assets in cash "will not be less than 60c a share."

Cashworths was listed in the development capital market (DCM) sector of the JSE in 1987 after a private placing to raise R45m at R1 a share.

It achieved after-tax profits of R1.6m — 127% above the previous year and comfortably ahead of the forecast R1.5m — in the year to April 1993.

Norman Schutz, who was then chairman and whose parents founded the firm, said that the retailing arm had performed extremely well.

New plant

The group was hoping for increased profits as a result of gaining full control of R Sassoon & Co and buying new plant for the Botticelli and Knit One factories.

During the year it had expanded out of the Cape, opening a pilot women’s fashion store as a springboard to the Transvaal market.

But last January the company reported a R44 500 trading loss in addition to a R500 000 loss on the disposal of R Sassoon.

Control of the company was sold to the MAP Consortium. It is believed that the highest price paid was 35c a share.

In March the retail businesses were sold as a going concern to the Focus Holdings group in a R4m deal.
'Chains must (pay more rent')

National retail chains should be paying more realistic shop rents to ensure the continued development of shopping centres.

This is the view of Anglo American Property Services (Ampros) which says in its latest Retail Property Update: "While retail development is currently strong, future projects could be jeopardised by the resistance of the chains to paying market rates.

"And while some national groups think they are indispensable to the success of a centre, their presence is a marginal benefit compared with better returns offered by individual traders."

Ampros also suggests that "alternatives are emerging to many national chains", particularly in the fashion and footwear arena.

The risk of signing with an individual trader may be greater but this is more than offset by the variety of merchandise and the higher rental paid, says Ampros.

"Inevitably, the small tenants are subsidising the larger ones and their rentals have been on a sharp upward curve for the past two years.

"For example, rates of R50 a sq m are being paid on smaller stores in good but not prime locations and R65 to R75 plus in prime spots.

"Yet the chains won't pay more than R20 a sq m in some cases, with unreasonably low turnover clauses."
Rental favoured by latest property trend

As building costs continue to rise, the trend for the rental market remains upward, so much so that where appropriate, existing buildings which can be adapted to tenant needs, will prove to be more cost effective.

In its latest issue of Property Perspectives, the JH Isaacs group, says: "Rents for all categories of accommodation increased again during the early part of this year and, for the second year running, reflected annualised growth of between 30 and 40 percent.

"In offices and shops, escalations moved off the previous 10 percent base and in some cases, have reached 15 percent, while rises in the industrial market varied between 10 and 12 percent."

Although interest rates have moved up sharply, yields on property have changed modestly.

JHI believes that the reverse cash flow implications of financing a property with an adverse yield gap, could result in renting being a less hazardous method of securing occupation for most businesses, other than those that are cash flush or those which have very high operating margins.

Commenting on the "increasing sophistication of fixed property investment" JHI sees a significant level of R2 billion being reached in the property trust sector of the stock exchange.

"In addition to the 14 property unit trusts and the nine VLS companies, the property sector on the stock exchange comprises 22 property companies."

The strong letting market of 1988-89 should benefit 1989 earnings on property portfolios as rent rises will be translated into dividend growth.

"Besides the portfolio composition, an investor considering real estate or property trusts must recognise the importance of timing," says PP.

"Between October 1987 and November 1988, the decline in prices of the nine property unit trusts composing the sector's index ranged between 22 and 39 percent."
Small business comes under the spotlight

By Esmare van der Merwe, Political Reporter

A Small Business Week (SBW) aimed at promoting the interests of the small business sector would be held from October 2 to 8, the Urban Foundation and the Small Business Development Corporation (SBDC) announced yesterday.

More than 30 organisations would be involved in organising more than 100 events to highlight the importance of small business.

Mr Sonny Tarr, general manager of development services at the SBDC and national chairman of the SBW, said at the launch of the SBW in the Johannesburg region: "We have got to show the potential of small businesses in our country."

The SBW will be targeted at existing and potential entrepreneurs, central Government and local authorities, the informal sector and youth.

Among the participating organisations are the SBDC, Urban Foundation, the National Association of Women Business Owners, the African Council for Hawkers and Informal Businesses, Got Ahead, various financial institutions and the Wits Centre for Developing Business.

Activities in the Johannesburg region include:

- An Indaba at the Wits Business School on October 2 where small business people will have the opportunity to discuss solutions to job creation.
- Workshops on the taxation of small business enterprises, privatisation and record keeping.
- A "How to be a Millionaire" seminar on October 3 at the Inanda Club, hosted by the National Association of Women Business Owners and the Women's Bureau of South Africa.
- A "Getting the Best from your Banker" discussion on October 3 at the Wits Graduate School for Business Administration in Parktown.
- Tours of the SBDC's Pennyville Hive of Industry in Pennyville and small businesses in Soweto.
Traders could sue town councillors

TOWN councillors in Carletonville and Boksburg face the possibility of being sued, perhaps for millions of rand, in their individual capacities for losses incurred by traders as a result of boycotts triggered by the reappearance in the towns of the CP’s apartheid boards.

That is the opinion of a senior counsel after studying the judgment of Deputy Judge President Mr Justice Eloff in the action Carletonville traders brought against the town council.

Mr Justice Eloff found that the council’s decision to reserve the town’s parks for the use of whites only was grossly unreasonable. He concluded that the council “had not acted in a bona fide manner or had not given due attention to the matter”.

Evidence “incontrovertibly indicated” that businesses in the town had suffered

"and would suffer" severe financial losses from the boycotts, which were foreseeable consequences of the town council’s actions.

Civil action to sue the councillors, individually and collectively, would be based on the judge’s finding that the council had not acted in good faith, which destroys the immunity against individual liability Transvaal town councillors enjoy.

The council itself, a senior lawyer argues, cannot be held responsible for the malae fide acts of the individual councillors in pursuing a political philosophy.

The Carletonville Town Council has applied for leave to appeal against the Eloff judgment. Such an appeal is unlikely to be heard before March 1981 and civil actions cannot be heard until judgment is given.
Formal sector must heed people's needs

THE formal business sector would lose the buying power of the lower income communities unless it started catering to their needs, Dave Gillam, MD of industrial relations consultancy Gillam Bruniquel and Associates said in an interview yesterday.

Gillam said lower income earners, of which the majority were seven million economically active black consumers, were still neglected and underestimated by the established formal sector.

This custom was increasingly being lost to "alternative business forms", which more adequately met the needs of these consumers, he said.

Gillam mentioned the example of minibus taxis, which had undermined Putco buses by catering to consumer needs by running a more accommodating and frequent service.

The alternative business sector was taking business away from the formal sector as it was rooted in the communities and sensitive to the needs and issues affecting the communities.

There was a short-sightedness and a non-recognition by the formal sector of the changes that would occur in a post-apartheid SA, Gillam said.

By ensuring short-term profitability, the formal sector was sacrificing long-term survival by being insensitive.

In a post-apartheid SA, established business would be judged by the communities and if they were found wanting, support would go to the alternative business sector, he said.

If established business was to flourish in an environment in which the Third World element was flexing its muscles, there had to be a greater reliance on upgrading and training of local workers.

The more responsibility and incentive workers were given, the more likely they were to support businesses similar to those in which they were directly involved, he said.

Unless companies took up the challenge to bridge the gap between the two cultures, they would find it difficult to survive, let alone prosper, Gillam said.
South Africans creating their own advertising culture

By Paula Fray

South Africans were creating their own advertising culture, right for the South African market, Mr Roger Sinclair, author, consultant and part-time university lecturer said this week.

The second edition of Mr Sinclair's advertising textbook, "Make the Other Half Work Too" (Southern Books, R54.90) which was updated by Mr Mark Barenblatt, was published recently.

Mr Barenblatt, formerly the course director of the Boston House College schools of advertising in Cape Town, is an advertising consultant.

Mr Sinclair said: "When I first came to Johannesburg 18 years ago, South African advertising was dominated by overseas experts and the agencies were very much in the British and American mould.

The agencies were all imports and advertising concentrated on the white market. Today, the (local) agencies are homegrown."

While South Africa might win fewer overseas awards, Mr Sinclair said, "he believed the advertisements were working in this market.

Despite criticisms of advertising being "all powerful", Mr Sinclair said it had limited power.

In South Africa, its main functions were raising public awareness of a product or company, modifying the attitudes of people about various products, reinforcing and confirming decisions people made, initiating trial and educating people.

Mr Sinclair said some institutions had taken a social responsibility position by trying to set new goals.

Their advertisements included settings of totally multiracial groups although this was often not the position in reality.

"Generally speaking though, advertisers are not in the business of social engineering," Mr Sinclair said.

The book promoted a concept of "marketing bands" whereby consumer groups were identified not by race but as target groups and, as such, as groups "who are identically motivated...it has nothing to do with colour."

Mr Sinclair said he did not believe advertising created unrealistically high expectations among consumers.

"We are by definition a materialistic society. Advertising gives people a choice."

The consumer, Mr Sinclair added, was protected to a large extent by wide-ranging controls over advertisements — starting with the Advertising Standards Authority."
Blame it on business

In a burst of deregulation, government last week scuttled most limits on shopping hours and eliminated the need for most trading licences.

But don't expect a mad rush by stores to expand trading hours. While local authorities will have less of a hold over businesses, because of government's decision to allow 24-hour shopping, six days a week, nationwide, retailers have the ultimate say on when they are open.

"I don't anticipate a change in the status quo," says Pierre Brooks, chairman of the Competition Board.

For some time retailers in many parts of the country have had the freedom to stay open later but remained reluctant to do so. Instead they have come up with a litany of silly excuses and unfounded reasons for shutting early (see table). A favourite rationale is that no one is around after hours — but it's one that tends to overlook the fact that shoppers generally avoid dark shops with locked doors.

Would-be consumers are still unceremoniously ushered out of shops in crowded malls at midday on Saturdays. Downtown shops are often empty during the day but shut their doors just as office workers stream into the streets.

While declaring how much they would love to stay open longer, some retailers enjoyed the protection of trading laws. They didn't have to worry about the competition luring away customers with extended hours.

"There's a tendency to hide behind the law," says Louise Tager, executive officer of the Law Review Project.

"It's a handy excuse," Brooks adds. "A lot of legislation on the statute books was not necessarily introduced by government."

The public, too, has taken advantage of excessive government intervention by demanding limits on consumerism. "They come to government and say, 'You tell these people to close at six o'clock,'" says Brooks.

Four years ago government began ploughing through each province's labyrinth of regulations, standards and licensing laws to eliminate constraints "that may hamper the economy in general and the small business sector in particular." The result is the Draft Businesses Act. It suspends the requirement for trading licences — except for people dealing with food preparation and processing. And it takes away the power of provinces and towns to set shop hours. Special licences, such as those for liquor dealers, remain in effect.

"The trading licences were a barrier to entry," Brooks says. "Just to know where to go and get one took lots of energy and a tremendous amount of time. I can't think of a deregulation measure that has that much impact on small businesses."

That's not to say that small businesses, especially hawkers, will be able to trade without constraint. Local regulations that limit where and how long a hawker may trade will still be enforceable, though the threat of a suspended licence will disappear.

Deregulation will, it is hoped, push shopkeepers forward. Retailers are already discovering that women are now full-scale members of the work force and must be catered to with late-night and weekend shopping hours. The sexist idea that women are home during the day with nothing better to do than shop, is finally eroding. Major shopping centres are gradually moving toward opening late at least one night a week.

Sunday shopping, however, remains the toughest nut to crack. Early on it looked as though the new legislation would finally rid SA of this Victorian remnant of anti-consumerism. But when the Act was released for public comment in April, there was a furor.

"Sunday shopping is a thorn in the side of the administration," says Asscom economist Bill Lacey. "The religious people exerted pressure."

Asscom studied the issue and found that "while most people want Sunday trading, they do not get as agitated as the minority who are forcefully opposed to Sunday trading." The research showed that "some three-quarters of the population claim to be Christians (1980 Census) but this does not imply that they are strict Sabbatarians and the evidence shows that they are not averse to Sunday shopping."
Every Sunday, Checkers breaks the law by allowing customers to buy tubes of lipstick, teapots and socks along with the legal bread and margarine in areas of the country where strict trading laws are still in effect. In Natal, anything went, but elsewhere stores took their chances.

"We do it with the knowledge of local authorities," says Checkers MD Clive Weil, who admits Sunday trading is a vexatious issue. "And sometimes we have their unofficial encouragement."

But that's not to say harassment doesn't take place. Well's trading licences have been threatened by zealous law enforcement officials who spot a pair of socks going out with the milk.

"In certain instances we break the laws," Weil admits, "but we're bowing to public demand."

As public demand grows Sunday trading — including open cinemas — is inevitable.

In future it will be up to religious groups to lobby businesses that they believe inhibit their services, instead of demanding that the government step in.

"There should be less regulation and more of what the public needs," Tager says. "This shouldn't be decided by regulation. It should be a decision by the people."
Aiming higher

The black business movement moved into a new phase this month with the launch of the New Economy Trust. Its aim: to develop small- and medium-sized formal companies.

Anglo American chairman Gavin Retty and Anglo director Clem Suter stress the urgency of developing the trust — a step up from basic informal-sector activities — saying the survival of SA business depends on its success.

The trust will be run by Joe Louw, a lawyer and a trustee of Black Enterprise magazine, and Mashudu Ramunno, an associate editor of the magazine and the executive director of the Association of Black Accountants. First National Bank is supporting the effort through its trust development arm, First Persam.

First Persam investment accounts manager John Bennett says the idea is to provide an opportunity for people looking to invest what is known as conscience money — money that assists black development.

"These include disinvestors, former disinvestors and sanctioners who, nonetheless, want to promote black empowerment through the development of a strong free-market system," Bennett says.

"The trust will offer venture capital to aspirant black entrepreneurs in return for an up-to-50% share in the operation," he says. "Being a shareholder, the trust has a direct interest in ensuring a return and will offer whatever services it deems necessary to see that the company gets off the ground in the medium to long term. Dividends will be ploughed back into the trust."

The trust was conceived by black businesses associated with two-year-old Black Enterprise magazine. Trustees say it has drawn local entrepreneurs and financiers and investors from Canada and Britain.
The withdrawal of buying power from businesses starts today, with the length of the protest now extended from two to three weeks.

The withdrawal will start simultaneously with a work overtime ban which, according to the organisers, will continue indefinitely.

The campaign is part of the "sustained action" decided upon by Cosatu, Nactu and unaffiliated unions at a recent Workers' Summit in protest against controversial amendments enacted in the Labour Relations Act (LRA).

Employers have condemned the protest, saying such actions would not increase employers' willingness to participate in the negotiations - in which they are already taking part anyway - to resolve the LRA dispute.

The unions said employers - in response to the overtime ban - were using such "aggressive tactics" as threats of dismissals and court actions.
In a R30m deal...

Finansbank
gets control
of Furngro

By BRUCE WILLAN

FOLLOWING reports in the market-place yesterday, Ivan Hammerschlag, CE of the rapidly expanding Furniture Fair Group (Furngro) yesterday confirmed that control of the group has been sold to Finansbank for R30m.

The deal which was only concluded late yesterday afternoon could amount to R50m, should minorities of Furngro and its operating subsidiary Furniture Fair (Furnfair) accept the standby offer of 180c a share made by Finansbank.

Some 17m shares changed hands at 180c between the two parties in a deal which Hammerschlag described as a surprise move.

He added that the deal was accepted on sound financial decisions and had nothing to do with rumours of the family emigrating.

"It was a strategic decision taken for the sake of our families and one which gives us an opportunity to diversify our risks," he said.

However, Finansbank has requested both Ivan Hammerschlag and his brother Jeff to remain in their respective positions of CE and financial director till the end of the year.

Ivan Hammerschlag said that both he and his brother would then make a decision about their future.

The deal became apparent on the Johannesburg Stock Exchange during afternoon trade yesterday when a special bargain was struck at 180c in Furngro.

Prior to this, Furngro shares traded at 205c with minimal volume on September 15. They closed at 180c (sellers) yesterday.

The operating subsidiary, Furnfair’s share price closed at 190c (sellers) with the last trade at 200c.

In the five years since the Hammerschlags started the burgeoning furniture retail business, the Furngro empire has grown from the one store in Woodstock opened in April 1984, to 24 stores at present.

The group acquired, in a series of deals, both Harmony and Montana Furnishers and then proceeded to open its own specialist store, TV Time.

The group has recorded phenomenal growth over the past few years and with the use of assessed tax losses and a growing debtors book has never had to pay tax or found it necessary to make provision for deferred taxation.

Experts believe that the group would have to continue to grow at a substantial rate to keep the profits up as well as meaningful returns to shareholders.

However, it is also believed that in the future the debtors book might not be able to keep up the necessary growth due to the slowdown in the economy and the group would become liable for tax.

This could in due course negatively affect earnings attributable to shareholders.
**Border’s empty shops herald nation-wide consumer action**

While the consumer boycott, launched in protest against the amended Labour Relations Act, has already started to affect towns in the Border area, shoppers throughout the country are gearing up to join the campaign.

**By THUMIDA MAISTRY, VUSI GUNENE and GAYE DAVIS**

**Tombstone vandalism sparks ‘buy local’ campaign**

**By GAYE DAVIS**

**Cape Town**

Under way this week, white-owned businesses in the conservative towns began feeling the effects of a “Buy Local” (B1G) campaign launched last weekend.

People are very angry about the tombstones being destroyed,” one of the march organizers told Daily Mail. “It took five years for the money to be collected to pay for them.”

He said 5000 and 20 000 people — not only from Oudtshoorn but also from other South African towns such as George, Knysna and Mossel Bay — were expected to take part in the march, which would be preceded by a service at Bridgenorth’s Catholic Church.

Several hundred teachers — all members of the Cape Teachers Professional Association — had pledged their support and Dr Allan Boscia, University of the Western Cape rector, Gwion Fawcus, National Union of Teachers and Ceres union federation Moralei Eerste would be travelling from Cape Town to take part, he added.

An application to Oudtshoorn’s chief magistrate asking permission for the march to be allowed to proceed was made this week and a copy sent to the head of the local security police, he said.

If everything goes according to plan, the marchers would proceed to Oudtshoorn’s municipal offices “about five kilometres away” and deliver a list of demands before moving on to nearby police headquarters and doing the same.

“The government is obstructing the police from executing their mandate and now we are being denied the chance to protest,” he said.

**Matters of Fact**

It was correctly reported last week that the editor of Sipho, RH Linderus, had appeared in court on charges under the Criminal Procedure Act.

Linderus was ordered to appear before a magistrate as a potential witness in a case allegedly committed by Cosatu. He appeared before the magistrate in a private office and the matter was postponed to October 3.

In a report in Natal and Tasman Press last week, it was said that King Goodwill Zwelithini was the uncle of the film’s chief minister, Moutshoel Sizemore. In fact, Sizemore is the king’s uncle.

A study in the WM Film Festival supplement stated that the film The Great Pretender was inspired by events in the life of artist Helen Schel.

Beaowulf says the merely acted in the film.

**We are outraged at the murder of Anton Lubowski and mourn the death of a friend who fought for a new Namibia based on reconciliation.**

Anti-Apartheid-Bewegung in der Bundesrepublik und West-Berlin
Antimperialistasches Solidaritätskomitee für Afrika, Asien und Lateinamerika
Arbeitskreis 'Koin Geld für Apartheid'
Arbeiterwohlfahrts-Bundesjugendwerk
S.D. - Die Falken
Sozialistische Deutsche Arbeitsjugend
Südafrika-Projektgruppe der Evangelischen Frauenwerk
Terre des Hommes
Zentrum für Afrika-Studien/Namibia-
P’n P turnover passes R2bn

By AUDREY D’ANGELO
Financial Editor

PICK’N PAY Stores achieved a turnover of more than R2bn (R1,8bn) in the six months to August 30 and lifted earnings by 15,6% to 36,3c (31,4c) a share. The dividend is 16,6% higher at 10,5c (9c) a share.

Trading income rose to R51,7m (R44,8m) and pre-tax income to R54,3m (R47,2m).

The stores and hypermarkets in the Western Cape, alone, accounted for about 30% of profits. At first sight a 13% growth in turnover and a rise in earnings less than one percentage point above the official inflation rate seem less impressive than one expects from this group.

But chairman Raymond Ackerman pointed out yesterday that it was well above the official inflation rate for food prices, which was 9,2% for the year to August.

In fact, based on the full range it sells, the group has worked out that food prices are rising at the rate of about 12% a year. “Our growth exceeds this in real terms,” Ackerman said.

“And when you reach figures like R4 bn a year it is much harder to produce large growth figures in percentage terms than if you are a small chain starting out, when opening one store can mean increasing turnover by 50%.”

He and MD Hugh Herman said that the past six months’ growth had been achieved from an exceptionally high base. Last year Pick’n Pay celebrated its 21st “birthday” with special offers and promotions which gave an exceptional boost to sales in the first half.

“I thought we would be hard put to it to match these figures this year,” Ackerman confessed, “and to exceed them is really excellent.”

The second half, which includes the Christmas trading period, is normally the best and Ackerman forecasts a 17% growth in profits for the current year as a whole.

“We expect to do this in spite of the slowing down of the economy because, although the first six months of the last financial year were spectacular, the last half was ordinary,” said Herman.

“So although we shall be growing from a high base the comparison we have to beat for the year as a whole will not be quite so tough.”

Herman said that rising bond rates had undoubtedly affected purchasing power. "People are having to pay R200 at R300 more a month on their bond and that is coming straight off the grocery bill.”

Pick’n Pay’s wage bill had also risen. The minimum wage was now R750 a month — 150% higher than three years ago.

But efficiency and productivity had risen to counteract this, and “shrinkage” had fallen.

He and Ackerman both believed that the economy was unlikely to worsen significantly in the second half, and expected a “reasonable” Christmas. They said there was a new feeling of optimism and confidence in the country.

Ackerman said the five stores opened during the first half, including the new superstore in Table View, were all doing well.

“We are delighted with the Table View store. We feel there is a lot of growth there.”

He said Pick’n Pay considered the protection of the environment an issue of major importance.

The Table View store had "ozone-friendly" refrigeration and air conditioning.

● Pick’n Pay Holdings (Pikwik) lifted earnings for the six months to August to R4,2m (R3,6m) which at share level is 5,19c (4,40c). The interim dividend is 5,19c (4,41c) a share.
Focus further in fashion

FOCUS Holdings has extended its move into fashion retailing with the R33.5-million acquisition of Smileys Blue and Goophees from Amrel.

The two comprise 22 stores aimed at the middle- to upper-income shopper. The move comes several months after the profitable retail side of Cashworths was bought. Until then, Focus’s specialist retailing had two arms — men’s clothing and mattresses.

Focus’s group profile includes 37 Mattress World, of which 24 are franchised, 18 menswear stores such as Bachelors, Grant McKenzie and Ace Joe, 53 Cashworths, and 19 Smileys Blue and three Goophees for a total of 110.

All the shops operate for cash or credit up to six months.

The latest acquisition were sold by Amrel because of their small size. Focus chairman Irwin Sachs says they are right for his company.

Focus has strengthened its middle and top management with high-profile appointments in each of its three divisions.

Mr Sachs says steps are being taken to pyramid control of Focus to allow more flexibility when acquisition opportunities arise. The group’s market capitalisation is only R11.6-million at 57c a share, but will rise because 5-million shares will be issued at 56c for the latest purchase.

The shares will be placed with financial institutions, the balance to be paid in cash.
Spareco runs

By Don Robertson

SPARES dealer Spareco plans to increase turnover to about R200-million in the year to next June through acquisitions and expansion.

Chairman Chris Sladden says between eight and 10 new businesses will be opened this year and the company is looking at two or three fairly large acquisition opportunities.

About R100-million of turnover will come from Fleishmann, another R100-million being generated by improved efficiencies at Spareco outlets.

In the 16 months to June this year, turnover was R65.5-million, earnings were 85.3c a share and the dividend was 40c.

Mr Sladden is confident that earnings will increase in spite of an additional 2.6-million shares which will rank for dividends this time. They were issued for the purchase of Goldco and interests in the Eastern Transvaal and did not rank for dividends in the past year.

Tax is expected to remain about 30% by using depreciation allowances.

Mr Sladden is enthusiastic about Spareco Europe, which recently won an R1.5-million export order. The intention is to increase exports to between R50-million and R100-million in the next few years.

There is, however, some concern about the rising costs of spare parts and Mr Sladden believes there could be an adverse effect on sales in the short term. Since the break-up of the marketing agreement with Midas, Spareco has entered wholesaling and is using its warehouse in Wadeville to supply its stores. Considerable benefits are expected to come from it.

The rand's world value

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Trade weighted value of rand, % change against 1974 base \(\text{R}\)

Domestic interest rates

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MONEY MARKET

DOMESTIC RATES (Effective rates)

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CAPITAL MARKET

SECONDARY MARKET

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Best sections this week

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Overall market this week

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JSE Actuaries Index

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Overall market this week

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1.875
Advertising shifting its focus to blacks and pros

By Robyn Chalmers

GREATER emphasis on the black segment of the population and more deregulation in professional services will be seen in advertising, says Roger Sinclair.

He has launched an updated version of Make the Other Half Work Too, the accepted textbook on advertising in SA. Mr Sinclair wrote the first version in 1985. It has been updated by Mark Barrenblatt.

Background

Mr Sinclair has had 25 years' experience in advertising. Mr Barrenblatt helped to set up the Boston House College School of Advertising.

The book, which has been prescribed at several universities and technikons, gives a background of advertising in SA, traces its history, sets out developments in the industry, provides practical details of it and the people who serve it.

Mr Sinclair says advertising has changed enormously in the past 10 years. Professional services are battling against diminishing public esteem and increased competition. As a result, they have had to consider marketing their services.

Power

The trend whereby architects and quantity surveyors deregulated will continue, he says, to include attorneys, engineers and other professions. He predicts that if chartered accountants do not go the same route; by 1990 it will be the only profession in the English-speaking Western world which has not done so.

In a similar vein, Mr Sinclair says there will be a big change in the target audience of advertisers in the short-term future.

"If you trace the way SA advertising has gone over the past 20 years, it can be seen that the target audience has been almost exclusively white. This is because 3.5 million whites in SA had 75% of the spending power."

"This means that SA had an incredibly sophisticated advertising industry, which could compete on equal terms with any other industry in the Western World."

He believes in this sense, sanctions have been good for SA because they have forced advertising agencies to look at the domestic market. As a result, they are producing advertising for a non-racial SA and have developed home-grown talent.

Another major development identified in the book is the accelerating process of technological innovation.

The whole nature of communications is changing and newspapers are having to re-consider their positions and recognise the dangers and opportunities that electronic information poses to their future.

The book was updated by Mr Barrenblatt because of the changing nature of advertising.

Mr Sinclair writes: "Within four years since I wrote the book, we had the advent of the account planner, big advances in research mechanisms such as AMPS meters and developments in agency remuneration."

He plans to have the book revised every four or five years.
‘Carletonville shoppers back in town’

Court ruling ends 30 consumer boycott

By Kaizer Nyatumba

The Carletonville consumer boycott triggered by the Conservative Party-controlled town council’s re-introduction of petty apartheid early this year is now over, according to Carletonville Chamber of Commerce president Mrs Annetjie Claassen.

Mrs Claassen said the Pretoria Supreme Court’s overruling of the town council’s policies about a month ago made black people return to the town in droves to shop there again.

“The people are back in town. They feel that we succeeded in showing that the council’s insulting policies were the cause of the boycott,” she said.

She said although the boycott was not formally called off by its organisers in the labour movement, blacks returned to the town when the “whites only” signs were pulled down by court order.

“There was a big change in town after those offensive signs were removed. Businessmen have gladly welcomed their customers back and some of them have even taken back the staff they laid off during the boycott,” she said.

Mrs Claassen conceded that some people’s buying habits had changed and some of them might never do their shopping in the town again.

Returned to town

A spokesman for the organisers confirmed that the boycott was never formally called off. A number of people had returned to town, the spokesman said.

The spokesman said it was felt the situation would be reviewed during the present two-week period of national consumer boycott, which started on Friday and will go on until October 6, in protest against the Labour Relations Act.

The Carletonville boycott organisers, the spokesman said, did not view as a victory the Pretoria Supreme Court’s ruling, but considered it “a step forward”.
OK deserves a better rating

From modest beginnings in a 1100 sq m rented shop in 1927 to annual sales approaching R4 billion and a staff of more than 25,000, OK Bazaars can be proud of its fine reputation and remarkable achievements.

Contrary to suppliers providing the bulk of working capital, OK shows the reverse, with more than R100 million of positive working capital.

Despite being owned 70 percent by SA Breweries and having a net worth of R29.57 per share at end-March 1989, the current JSE price is only around R14.50.

I find this rather strange as the trend for sales, total assets, earnings and dividends in the past five years has increased superbly.

The profitability, solvency and liquidity ratios are also impressive. Also, in 1984, 25,100 people produced sales of R1.92 billion; while in 1989 25,033 employees produced R3.73 billion in sales so that productivity is improving. Or is it price increases?

I agree with chairman Meyer Kahn's summation up of "a highly commendable performance by management and staff in 1989".

Currently, OK operates through 193 department discount stores, supermarkets, freestanding furniture stores and 19 Hyperama, House & Home and service station outlets.

MD Gordon Hood's prime concern is to keep prices, particularly food prices, as low as possible, while remaining competitive.

Stock turn at cost improved to 6.03 times (1988: 5.42 times), with year-end stocks at end-March 1989 reflecting only a 6.8 percent increase to R503 million (1988: R257 million).

The introduction of a centralised warehousing grocery distribution system in 50 percent of the stores materially assisted stock turn and stock control. A computerised space allocation system will shortly be installed to further reduce branch stock holdings.

The only blemish in a near-perfect annual report was the sharply higher interest expense, despite a reduction in year-end debt.


The effective tax rate declined to 45.3 percent (1988: 40.3 percent), giving tax of R193.33 million (1988: R187.5 million).

After dividend income, pre-dividends and outside shareholder's profits, attributable earnings were R234.92 million (1988: R194.57 million) — less than one percent of sales.

However, it is worth noting that OK provides one percent of total sales for the maintenance and renewal of fixtures and fittings (1988: R33.94 million, 1986: R24.41 million) to ensure that its stores are maintained in a modern and competitive condition.

Earnings per share were 15.5c (1988: 16.5c), with the annual dividend upped to 10c (1988: 9c).

Understandably, chairman Meyer Kahn is unhappy with SA's tax system. The March Budget contained little good news for the consumer, who is destined to become worse off through fiscal drag and the GST increases.

The delay in implementing VAT is preventing effective forward planning, while the regional services levies have hurt retailers who operate on low margins. Margins improved slightly, with the "value added" as a percentage of sales increasing to 11.89 percent (1988: 11.47 percent).

Over the last three years, sales participation has shifted away from food. In 1988 food was 5.8 percent, with non-food items 40.2 percent.

The food participation, while reducing, still continues to have a detrimental effect on gross margins, says Mr Hood.

A notable statistic was the sharp drop in number of ordinary shareholders to only 1,259 (1988: 1,674, 1987: 2,133).


The trading performance will continue to improve, says Mr Kahn, but at a slower rate.

The past five years have seen OK improve consistently after 1985's profit slump to only R12.7 million (1986: R21.4 million).

Somehow investors are not impressed. I fail to understand why, especially when the latest figures should give them more than a healthy appetite.
A key to black business world

ON Thursday you will be holding Soweto Business in your hands, another achievement in our Building the Nation campaign.

Inside it you will find news about the black business sector, a case study looking at problems experienced by traders, a business feature, a column on controversial issues affecting the black business sector and, most importantly, scores of adverts from black entrepreneurs telling you of their products.

Charge

Black entrepreneurs are not into advertising because of the rates we charge, some did not understand the concept and, many others were just happy with the trickle into their tills and hoping for a better turnover the next day. Well, that has now changed.

Our business community has realised the competition it faces from the sophisticated white business is for real, that is why they have now set up businesses and are determined to meet them.

Black businessmen are now determined to meet fire with fire, they will fight their white competitors to the bitter end. Advertising is one of the weapons they will use. Just as white-owned businesses use the Soweto to get black custom, black businessmen are going to use the same medium to get their people buy from them. Said one Mamelodi trader: "The gloves are now off and we will utilise the same weapons they use against us. We cannot use stones to fight people with machine guns. The methods we use are stones and advertising is a machine gun."

We are now also going to use machine guns.

"I have taken out four adverts which will appear in the following four weeks. One costs R115.26 and I paid R461.04 for the four. The size is good as it gives the all details required by the consumer."

Powerful

By advertising in the Soweto black entrepreneurs are now using the most powerful medium in the country when one wants business from the black community. This newspaper is read by over 1.2 million people every day, more than 90 percent of them from the townships. When black traders advertise in the Soweto they are reaching their own people, the people to support their businesses.

But the cherry on top is that township traders only pay 30 percent of the cost to advertise in the Soweto. No other newspaper does this. This discount has been made possible by big corpora-tions committed to get township entrepreneurs off the ground.

General Mining, one of the bigger mining houses in the country, has agreed to sponsor four pages in the October edition of Soweto Business.

Ensure that you are among enterprising business men and inform the thousands of consumers by advertising in the Soweto, and at 50 percent of the price.

Phone our advertising representative Mr. Paul Tshabulous at 474-0128 or our advertising department.
Carletonville consumer boycott triggered by the Conservative Party-controlled town council's re-introduction of petty apartheid early this year is now over, according to Carletonville Chamber of Commerce president Mrs Amietjie Claasen.

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Pick ’n Pay has boosted operating income 15% - 30%

CAPE TOWN — Pick ’n Pay has reported 15% growth in interim turnover to more than R2bn from last year’s high base and boosted operating income by 15% to R51.7m, providing further proof of efficient management.

Taxed income grew 15% to R28.6m on turnover of R2.6bn. After payment of the outside shareholders’ interest, this translated into earnings a share of 36.3c, which was up 15.6% for the six months to August.

An interim dividend, which normally accounts for about 25% of the annual payout, was lifted by 16.6% to 10.5c.

Chairman Raymond Ackerman and MD Hugh Horman are more than happy with the sales growth. They argued at a Press conference in Cape Town on Friday that while turnover appeared merely to have kept pace with inflation, it was well above the official inflation rate of food prices, which was 10.3% for the year to August.

And, while the group could not have hoped to achieve last year’s growth, when 21st anniversary special offers and promotions boosted interim sales by 26.4% and operating income by 34.6%, its profit performance was in line with the compound growth rate of 15% achieved over the past five years.

Trading margins remained constant at 2.6%, reflecting the benefits of a shift in emphasis in the sales mix towards the higher margin non-perishable items, like clothing and microwave ovens.

Stocks, down slightly on the same period last year at R333.2m (R338.8m), still reflected the strong purchases of non-perishable goods ahead of import duty increases and the imposition of surcharges last year. Lower cash resources of R18m (R85.6m) also reflected the purchases.

Nevertheless, Horman said the group’s efficiency could be seen in its ability to offset rising wages by the containment of other costs. The minimum wage was now R750 a month — 150% higher than it was three years ago.

Ackerman said in his chairman’s statement that new developments in the first half included the opening of supermarkets in Mossel Bay, Uitenhage and Bloemfontein, the opening of a new superstore in Table View on the last day of the half year and the expansion of an existing supermarket in Nelspruit into a superstore.

He said the second half would see the opening of new pantry stores in Durban and downtown Johannesburg, another of the successful Price Club, Cash & Carry Wholesale store in Pietermaritzburg and the completion of a hypermarket at Steeledale and supermarket expansions in Blackheath.

The Boardman’s chain of home-style stores reported an excellent increase in the interim profits, Ackerman said.

He forecast profit growth of up to 17% for the year in spite of the effect of higher interest rates on consumer spending. This was based on expectations of a good Christmas season, the unlikelihood of a significant decline in the economy during the second half and a new feeling of optimism and confidence since the election.
Blacks urged to get economic freedom

By JOSHUA RABOROKO

BLACKS needed to empower themselves economically to prepare for the post-apartheid era, the chief executive of Business Challenge Mr Phil Khumalo said at the weekend.

Speaking at the opening of the East Rand Expo '89 in Kwa Thema near Springs, he said both political and economic freedom were inseparable if blacks were to escape the evils of South Africa such as unemployment, malnutrition, starvation and poverty.

He said: "It is pathetic to call ourselves a liberated nation when in reality we are fully relying on others for handouts for survival. I want to believe that a man who feeds you tells you what to do -
By Kaizer Nyatumba

The Carletonville consumer boycott triggered by the Conservative Party-controlled town council's re-introduction of petty apartheid early this year is now over, according to Carletonville Chamber of Commerce president Mrs Annetjie Claasen.

Mrs Claasen said the Pretoria Supreme Court's overruling of the town council's policies about a month ago made black people return to the town in droves to shop there again.

"The people are back in town. They feel that we succeeded in showing that the council's insulting policies were the cause of the boycott," she said.

She said although the boycott was not formally called off by its organisers in the labour movement, blacks returned to the town when the "whites only" signs were pulled down by court order.

"There was a big change in town after those offensive signs were removed. Businessmen have gladly welcomed their customers back and some of them have even taken back the staff they laid off during the boycott," she said.

Mrs Claasen conceded that some people's buying habits had changed and some of them might never do their shopping in the town again.

Returned to town

A spokesman for the organisers confirmed that the boycott was never formally called off. A number of people had returned to town, the spokesman said.

The spokesman said it was felt the situation would be reviewed during the present two-week period of national consumer boycott, which started on Friday and will go on until October 6, in protest against the Labour Relations Act.

The Carletonville boycott organisers, the spokesman said, did not view as a victory the Pretoria Supreme Court's ruling, but considered it "a step forward".
PRETORIA — The rising income of blacks is reshaping the economic balance in SA in their favour and steadily increasing their economic empowerment, says Economic Advisory Council member Hohale Mahanyele.

Speaking at a Pretoria University Graduate School of Business function last week, he also warned that SA was heading for a management crisis if the country persisted in recruiting managers mainly from the white population.

Currently whites constituted 90% of the managerial corps.

On earnings, Mahanyele said black incomes had grown faster than white incomes since 1973.

Between 1990 and 2000 earnings growth was projected to average 56% for blacks, against only 10% for whites.

Disposable incomes showed an even faster increasing trend.

Other projections were that blacks would constitute 84.1% of the economically active population by the end of the century.

It was accepted that growth of 3% a year was the absolute minimum if SA was to stave off massive unemployment which could result in serious socio-political upheavals.

Managerial pool

On the looming managerial crisis, Mahanyele said in excess of 210 000 additional managers would be needed by the year 2000, according to authoritative estimates, with whites only able to contribute a maximum of 40 000.

Everything pointed to the need for blacks to be drawn into the managerial pool, especially as the black population would total over 80% by 2020.

The ratio of workers to managers was 50 to 1 in SA, compared with 12 to 1 in Japan, 14 to 1 in Australia and 16 to 1 in the US.

Some estimates claimed the SA ratio would deteriorate to 76 to 1 by the turn of the century.

Some companies tended to rationalise away the need to appoint black managers because of their educational and experience background, said Mahanyele.

Others advanced blacks into management because they saw a new political and economic order with a different distribution of power.

Most blacks occupying or aspiring to managerial jobs cited racial discrimination as the main cause of their inferior status in the organisation.

Existing black company employees rarely got promoted to managerial level.

It was obvious that although advancement of blacks to managerial jobs had become an economic necessity, companies still held back, he said.
Call to help black business take its place

TANIA LEVY

UNLESS black business is assisted in taking its rightful place in the economy there will be demands by a future black-dominated government for enforced redistribution of wealth, says black taxi development company Project Spear.

In a study entitled Creating the Economy: SA Business in the 1990s, it says a large and prosperous black business movement will assist and accelerate political change, a process known as black economic empowerment.

Action must begin now and show significant results by the end of 1990. Business must be restructured to form smaller versions of today’s English and Afrikaans giants among black businesses.

The study says by 1994 black business must include a smaller version of Anglo and Sanlam conglomerates.

The three will together form the “new economy”, an essential counterpart to the new constitutional dispensation to be devised by politicians.

The restructuring of SA business must take place at the same time as political and economic changes.

Whereas the 1980s have been the decade of grants, the 1990s’ need is for investment, it says.

Time and effort

Investment will take two forms: large-scale financial investment, possibly from sources outside SA and development investment by established business and other agencies which wish to see black business develop.

They must invest not only money — though this is essential — but time and effort to ensure black business develops rapidly from the informal to formal sector.

There must be partnership at all levels between black entrepreneurs and white established business.

In the new economy the momentum must come from a combination of black entrepreneurs working with white entrepreneurs able to offer the necessary business skills.

Two developments which show the way to the new economy are mentioned in the study.

First is Black Enterprise magazine’s recently created New Economy Trust, an agency applying funding from local and overseas sources to the financial needs of black entrepreneurs.

Secondly, the paper says the SA Black Taxi Association has set up a joint venture with a white-owned company with specialist skills in business, training and transport.

The aim is to provide education and training for the taxi industry and new business opportunities.

Representing R1bn in capital investment, the black taxi industry could become the leader of the new black formal business movement more quickly than any other group in the informal sector, the paper says.
Buoyant business reported

SYLVIA DU PLESSIS

MANUFACTURERS are still experiencing buoyant business conditions and business confidence prevails, but the industry is sliding into a period of slow growth.

This is the finding of the Stellenbosch University-based Bureau for Economic Research (BER) in its latest quarterly survey of the industry, involving 92 manufacturers nationally and representing 21 subsectors.

According to the BER, 59% of the manufacturers polled expressed satisfaction with their present business conditions.

Respondents said they were still experiencing "substantial" volumes of sales in the third quarter, with levels higher than in the same period a year ago, despite the demand restrictions of May 5.

This trend was expected to continue for the remainder of the year, albeit at lower growth rates.

Pressure

BER researcher Murray Pellanier said in a statement he expected the rate of increase in new orders placed for the rest of the year to "taper off" as the economy moved into the early stages of the cyclical downturn.

According to the BER, while there are signs of an easing of the pressure on production activity, more manufacturers experienced higher levels of production than anticipated during the previous survey.

Expectations are that the rate of increase in the volume of production will remain the same during the fourth quarter.

Manufacturers appeared to have already discounted the expected decline in demand by timely production planning and scheduling, with respondents expecting to lower production by laying off factory workers and reducing employment levels.

The survey — conducted prior to the September 8 election — also found that manufacturers' perceptions on issues such as sanctions and political policies causing business constraints had not changed dramatically since the previous survey, despite the "tension-filled" pre-election period.

The BER said the longer term influence of sanctions was reflected in manufacturers' expectations of increasing both their exports and imports over the next year, although at a somewhat slower rate.
CAPE TOWN — Safren has broken with tradition in its newly released annual report, to provide a five-year breakdown of its diverse operating company's individual contributions to bottom-line profits.

The disclosure suggests a change in attitude from past years when the giant parent of Safmarine, Rennies (76%) and Kersaf (24%) disclosed as little information as possible about its separate companies, largely because of the sensitivity of its international shipping operations.

The break-down shows that wholly-owned shipping company Safmarine contributed R1 588.5m, or 41.2%, to turnover for the year to June 1987, Leisure group Kersaf R1 800.1m (24.8%) and freight and transport company Rennies R853.8m (24.8%).

But, while Kersaf achieved more operating profit from its turnover, contributing 51.2% to an operating profit of R739.4m, Safmarine moved ahead of it at the bottom-line, contributing 43.8% to taxed earnings of R271.7m against Kersaf's marginally improved 41.1% contribution.

Safren chairman and CE, George Alastair Macmillan, confirmed in his statement that Safmarine had had an excellent year with the development of trading opportunities outside the core SA operations contributing substantially to the improvement.

He said plans to establish an operating base in Switzerland had been completed and that the company continued to expand its activities in the international shipping field.

With the planned unification of the European Community coming up in 1992, Macmillan said management was concentrating its efforts on ensuring that Safren remained at the forefront in the transport of cargos and from Europe.

Dampening

Internationally, he said all trade routes were experiencing strong competition. But, the charter market had managed to hold its ground with the result that freight rates had increased and were expected to maintain higher levels in the year ahead.

A strong performance by Rennies had been offset by a higher tax rate which had reduced growth in attributable earnings.

While both companies benefitted from an increase in imports during most of the period under review, higher duties and surcharges began dampening demand and reducing from volumes during the final quarter.

Macmillan warned that this trend was expected to continue, slowing Safren's growth during the current year.

Safren is import sensitive. The imported goods it ships tend to be of a higher value-added secondary and tertiary nature than the lower value primary products it exports.

This means it thrives in economic upswings when imports are stronger and will rely on its international bases to assist in ironing out problems related to the cyclicality of the domestic economy.

Macmillan said the group's investment in the leisure sector through Kersaf had achieved another set of record results. However, while the rapid expansion of the past few years was expected to continue, Kersaf's earnings growth was expected to slow down if trading conditions were affected by restrictive monetary and fiscal measures already introduced.

"The next 12 months are not going to be easy for the SA economy," Macmillan said in his statement.

Fire-damaged Matus & Co moves in with Tarry

THE directors of tool wholesaler Matus & Company have assured the market of continued supplies and "minimum delay in deliveries" following the fire which destroyed the company's premises in Hardy Street, Johannesburg, on Saturday, together with stock amounting to R5m.

Local suppliers have rallied round and

TERRY WILKINS

the company is importing large consignments by air. (Johannesburg) 25 (1987)

Matus is in the process of being acquired by major tool wholesaler the Tarry group, which is part of the PSI group, subject to certain conditions being fulfilled.

The directors have decided to merge the two operations in Johannesburg and will immediately trade as Matus out of the Tarry complex in Elod Street Extension.

Tarry MD Lindsay Ralph was optimistic that a much larger Matus would be effectively operating soon.
Boycott begins to bite in retail sector

SIPHO NGCBOLO and ALAN FINN

THE trade-union backed consumer boycott of white-owned businesses, designed as a protest against the Labour Relations Act, was beginning to affect major retail stores, leading retailers said yesterday. Stores that confirmed they were beginning to feel the effects of the boycott included Pick 'n Pay, Checkers, Dion and the Edgars Group.

Employer organisations and Cosatu and Nactu said the impact of the simultaneous call for an indefinite, national overtime ban was still being assessed.

At least one company has won an Industrial Court interdict against the ban, while other applications may be in the pipeline.

Cosatu Witwatersrand regional secretary Ariel Mabulane said it had been decided the boycott on the Reef would continue for an extra seven days beyond the scheduled two weeks. He added it had been decided to defy interdicts granted against the overtime ban.

Pick 'n Pay chairman Raymond Ackerman said the effect of the consumer boycott varied from slight to medium. Staff purchasing had dropped in a lot of areas and customer purchasing in some. He was unable to give figures of turnover losses.

Checkers MD Olive Weil said the effects of the boycott were noticeable only in East London and other eastern Cape areas. She said it was contrary to Checkers policy to divulge statistics.

Dion MD Jannie Els said his company's stores suffered an overall 10% loss in turnover on Friday and Saturday when the boycott began. He said he would be in a position to give yesterday's figures today.

Edgars Group MD Vic Hammond, whose group of stores includes Sales House and Jet, said the consumer boycott was noticeable in the Johannesburg CBD. "I do not have figures yet but from the look of things some people are adhering to the boycott. I was in the Johannesburg CBD on Saturday and noticed that it was empty."

Meanwhile, East London's CBD Association chairman Frank Bishop said his organisation was still prepared to negotiate with the boycott planners, but said the task was almost impossible since the planners were faceless.

"Wanting a meeting with these guys is like wanting a meeting with God. Just like God, they do not have telephone numbers or offices where they could be contacted," said Bishop.

Spokesmen for the FCI and Seifsa said they were still awaiting reports from members on the extent of the overtime ban. And Cosatu and Nactu officials said they were awaiting feedback from their regions and affiliates.

Transvaal Mattress was granted an interdict last week against the Paper, Printing Wood and Allied Workers' Union.

Industrial Court spokesman said another four notices had been received in respect of urgent applications against overtime bans. However, these had not been carried through and it was possible the matters had been settled out of court.
Specialty Stores set for consistent growth

RETAIL group Specialty Stores looks set to maintain its four-year record of posting consistently improved earnings after achieving a 58% increase in attributable profit in the six months to August.

Healthy trading from the major chains in the group — restructured earlier this year when it acquired all the assets of its holding company Storeco and became the operating arm of the group — saw turnover climb 28% to R76,5m.

Even more impressive is the increase in operating income before interest, which surged 49% to R8,1m.

Gearing low

This compares with the pro forma R5,5m recorded in the same period last year.

Following the R17m raised earlier in the year by way of a rights issue, gearing is low at 15% and the interest bill has risen a marginal 12% to R1,1m.

After taxation and associated charges of R2,5m (R2,2m), attributable income amounted to R3,5m (R2,2m), and earnings a share are 25% up at 26,6c from 21,3c on an increase in the number of shares in issue.

The group, which forecast total dividends of not less than 24c for the year,

...continued...

Sylvia du Plessis

He said Milady's had acquired the Milieu's operation in Pretoria, and this, coupled with the five new stores opened in the current year and another five planned, would lift the number of outlets in the chain to 141 by year end.

Expansion was also in the pipeline for The Hub and Mr Price — one of Specialty's two cash concept operations.

Earnings

Both Cohen and joint MD Laurie Chiappini predict more difficult trading conditions in the second half of the year but are confident that Specialty is well-positioned to maintain its record of profitable growth.

Holding company Storeco, which has a 62,2% interest in Specialty, has posted earnings of 42,4c a share in its first reporting period since it became the pyramid holding company of Specialty.

An interim dividend of 17c a share has been declared — the same as last year in spite of the dilution of Storeco's investment in Specialty.
SPECIALTY Stores, which owns the Milady’s fashionwear chain and The Hub, achieved a 58% increase in attributable profit for the six months to August 31, 1989.

SPECIALTY’s turnover climbed 28% to R36.5m but the major achievement was the 49% improvement in operating income before interest. This amounted to R8.182m (R5.478m) and with the group having had the foresight earlier this year to restructure, raising R17m by way of a rights issue, the group’s gearing is low at only 15% and interest paid rose a mere 12% to R1,146m.

After taxation and associated charges, attributable income was 58% higher at R3.51m (R2.219m).

Because of the rights offer the number of shares in issue has increased which has the effect of reducing the rate of increase in earnings to 23%.

Earnings per share at 26.6c, however, compare well with last year’s 31.3c on the smaller share capital.

SPECIALTY has declared an interim dividend of 8.5c a share, putting the group well on its way to achieving the dividend of not less than 24c a share for the year forecast in the 1989 annual report.

With effect from March 1, SPECIALTY acquired all the assets of its holding company Storeco, and has now become the operating arm of the group.

THE Government has dropped a highly controversial bill which would have allowed SA companies to continue using the trade mark and other immaterial property rights of parent companies which had disinvested or severed ties with the Republic.

A Spokesman for the Department of Trade and Industry confirmed yesterday that the Protection of Business Amendment Bill had been scrapped.
E Cape boycott affecting many white stores

By Jacqueline Myburgh

Retailers in parts of the Eastern Cape are beginning to feel the effects of the consumer action promoted by Cosatu and the Mass Democratic Movement.

The action, which began last Thursday, was called in protest at the Labour Relations Act and is due to run until October 6, except in the Western Cape where the protest will run from October 7 to 20.

It seems the "nationwide" action is chiefly affecting the Eastern Cape and Border area.

Major chain stores in Queens-town, King William's Town and East London reported that black customers were shopping in Bishop in the Ciskei or buying groceries from traders in the townships.

Lay-by system

Blacks still came into some shops, such as Ackermans in King William's Town, but the manager said none bought any goods because they were afraid. Mrs Genny Birkholtz said some black customers had bought articles on a lay-by system and would collect them once the action was over.

Some blacks did shop at Clicks in Queens-town, the manager said, but they all removed the price and other identifying tickets before they left the store.

No intimidation of shoppers has been reported in the towns, but in Stutterheim one trader said children were checking people's parcels before they entered the townships.

He said white and black traders outside the town were being supported.

Black traders are having to cope with more customers than usual. One such trader complained of increased theft in his store because of the large number of people shopping there.
THE Pretoria Standing committee has endorsed the call by Workers' Summit for a consumer boycott.

The Cosatu-organised boycott, which started on September 22, will continue until October 6.

The Pretoria Standing committee, in a statement, said: "We see this as the only peaceful means available for the majority of South Africans to register their lack of voice."
Entrepreneurs need more than crumbs

IN line with his promise of a fair dispensation, which among other things means economic fairness, President FW de Klerk should give the drive for black economic empowerment a massive boost by giving sizeable Government contracts to black entrepreneurs.

Several years ago a delegation from Nafco petitioned the Government to set aside a percentage of contracts for black contractors. They cited the case of the United States’ affirmative action programme for disadvantaged communities.

Nafco was told this was being considered very positively.

Now, more than five years later, a school is being built in KwaThema right behind the industrial park. Hardly a cent of business has been given to the entrepreneurs in the park.

When this practice is questioned we are always told that contracts are allocated on a non-racial basis. The best tender gets the job.

This is baloney. Take Giant Blackpool and pit them against the England side Liverpool – you will see the worst massacre in soccer. Likewise when black entrepreneurs tender for contracts they do not have a ghost of a chance against white industrialists.

Black traders have always had their hands tied behind their backs. The Government has passed vicious laws that barred them from the manufacturing sector, from forming partnerships and companies in the urban areas. This left them underdeveloped.

White business, instead of coming to the defence of its black counterpart, took advantage and black business was virtually paralysed.

That is why the opening of white central business districts to black entrepreneurs has not meant anything.

Many of the black businesses that moved into the CBDs were not fully developed and at a disadvantage against white businesses with greater resources and experience. Consumers continue to buy from white shops. What has then been achieved?

For the black entrepreneur to regain lost ground he needs plenty of jobs, not crumbs from the master’s table.

Researchers say blacks spend more than 60 percent of their income in white areas. The remaining 40 percent includes rent, electricity, water and transport. The township entrepreneur gets a teenie-weenie two to 10 percent at most.

Government purchases are the injection needed to revitalise black business. In any case government spending, as John Maynard Keynes has stated, is one of the weapons used to regulate the economy.

If at least 20 percent of Government contracts went to blacks or a condition of all Government contracts was that 20 percent of the subcontracting went to blacks or companies wholly controlled by them, black business would be revitalised and it would begin to grow.

One of the reasons for the rise of Afrikaner business houses, today major institutions in the economy, was that the Government showered them with lucrative contracts - at times even when there were cheaper tenders from English competition.

Why can’t De Klerk do the same for black business?
Clothing giant expands

SOWETO businessman Reggie Hlongwane has linked up with Pep Stores, one of the country's giants in the retail clothing industry, for control of the black market.

Their new company, Pep Reef, now has outlets in Vosloorus, Tembisa, KwaThema and Katinghong. The fifth is being opened in Khayelitsha, Cape Town, today. Within the next year three more will be opened in Daveyton, Protea North and Sebokeng.

"Once negotiations have been completed with the various authorities, it will be all systems go," Hlongwane said this week.

The future looks promising for Pep Reef. According to an unaudited income statement for the first five months ended on July 28, 1989, profit before interest was R81 824. Net profit was R56 541 compared with a budgeted profit of R64 487 (after interest and before tax) for the 1989/90 financial year.

Healthy turnover

Hlongwane started the first Pep store in Vosloorus when he went into partnership with Pep Stores, whose holding company, Pepkor, is among the country's Top 100 companies according to this year's analysis by the Financial Mail.

After a healthy turnover and profits Pep and Hlongwane decided it was time to take over the market completely. Other outlets in Tembisa and Katlanghong followed, and the fourth opened last month in Atteridgeville.

When they decided to expand their relationship was altered and Hlongwane looked around for black investors to ensure that the majority of shares remained in black hands. Pep Reef as an associate company of Pep Store, was launched in November 1987. Pep has a 49 percent stake and blacks will hold the 51 percent majority.

Management

Among those involved in Pep Reef are Ben Mokhoeng and Solly Sebota, two prominent East Rand businessmen. Pep also has a management contract which will expire in five years time. It was signed six weeks ago and the fee is six percent of turnover if there is a profit.

According to the contract, Pep is responsible for purchasing, national advertising, accounting, personnel and administration. All existing outlets are managed by blacks.

The new company is registered and registration of the prospectus should be finalised this week or early next week. The black community will then be invited to take up the remaining 33 700 shares on offer.

One million shares priced at R1 have been declared, of which Pep holds 49 900. The black community holds 17 3000.
Cafe owners worry about their safety

By Jacqueline Myburgh

Johannesburg cafe owners are becoming increasingly anxious about their safety, following the most recent attack when the owner of a Jeppe Street cafe was shot on Friday morning.

Mr Frank Swarbreck, executive director of the Catering, Restaurant and Tearoom Association, said the unusual hours of work which cafe owners kept, and because most of their sales were cash, made them prime targets for hold-ups.

But Friday's 3 am shooting at the Bonanza food shop remains a mystery as police investigate why owner Mr Basil Christodoulou was shot in the chest.

Business premises

This month, a Westdene cafe owner was shot and killed at his business premises before thieves escaped with only R50.

Mr Swarbreck said there was considerable concern among cafe owners about their safety, and hold-ups were not the only danger as a Pretoria cafe owner discovered last year when a limpet mine exploded in his stand of potato crisps.

"It takes a long time to recover after such an attack and for a while some victims sell their businesses, but they come back because they have to live," he said.

Mr Swarbreck said the best method of securing owners' safety was the police Business Watch system. But currently uniformed policemen patrol an area in the Johannesburg CBD during normal business hours only, which meant cafe owners were not protected late at night.

Major SC de Wet of the SAP said although the safety of cafe owners was of concern, the police lacked the manpower to extend the hours of Business Watch.

Assocom's security committee also felt the security in cafes warranted attention and the vice-chairman, Mr Gerald Heine, said the matter would be on the agenda at the next committee meeting.

Although most cafe owners had hand guns on the property, these weapons were rarely at hand when a hold-up occurred, Mr Swarbreck said. It was essential that they took additional steps to defend and protect themselves and their property.

Devices such as the Stun Gun and Stun Suitcase, for example, caused a stunning shock if activated, and an infra-red button worn around the neck set off sirens in the cafe when someone came too close to the wearer.
Boycotters 'being cheated'

BLACK consumers yesterday claimed they were being ripped off by Soweto shop and supermarket owners since the start of the trade union-backed consumer boycott of white-owned businesses last Friday.

Consumers say the rip-offs have taken the form of price increases of up to 33% per commodity in less than a week of the boycott.

At one of the main supermarkets in the township, a war of words allegedly erupted between an official of the Media Workers Association of South Africa (Mwasa) and the store’s floor manager last Saturday over price hikes.

The Mwasa official told Business Day he went to buy groceries at the store last Saturday, a day after the start of the boycott, and found prices had rocketed.

Boycott

"I am a black man and a man of the people and I know the suffering of a black man. For those reasons I can never do a thing like that. If there have been any price increases, they have probably been based on prices of suppliers," said the businessman.

A prominent Soweto businessman, Truman Mnguni, said it had become the usual practice of Soweto businessmen to increase their prices whenever there was a consumer boycott.

He said: "It is wrong of these people to exploit the consumer boycott situation. These are the types of people who look at short-term business gains rather than long-term ones."

He said the upping of prices only helped to leave a bad impression on one's business.

He said meat (beef) had gone up from R7.16 per kilogram to R9.50 while mutton had been upped from R10.50 to R13.50 — increases of 33% and 26.6% respectively.

He said two litres of fresh milk had increased from R2.79 to R3.07 — an increase of about 10%.

He said 2kg of powdered soap that was R6.69 had increased to R7.19 — an increase of about 4%.

"I was forced to give up buying other items as I could not afford them," he said.

The supermarket owner denied he was exploiting the boycott situation and said he had never looked at the boycott as a chance to amass profits.

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He said the upping of prices only helped to leave a bad impression on one's business.
Gold steady in dollar watching

LONDON - Gold ended steady in London at $369.00/50 after another day "dollar watching" as central banks throughout the world intervened for the third successive day to stem any rise in the US currency.

At one stage the metal touched an eight week high of $379.25 compared with Tuesday's $357.75 close.

On the JSE the strong gold price and weaker dollar gave impetus to gold shares, reports Charlotte Mathews.

Overseas interest in SA gold shares was evident, dealers said, and added there were more buyers than sellers in the market.

The all gold index reached a new 12-month high of 1,710.11 points above the peak of 1,690 recorded at the beginning of August.

On the currency market the rand closed firmer ending at R2.7138 to the dollar versus Tuesday's R2.7333 close, but except for a recovery against the weaker pound from Tuesday's lows, made little or no headway against other leading currencies despite some Reserve Bank support.

The financial rand held steady at R4.06/04 to the dollar.

Other closing rates were: £4.2840 from Tuesday's £4.4192; DM0.6998 from DM0.6938.

In London persistent central bank intervention for a third consecutive day subdued the dollar, while sterling fell more than two pfennings in spite of repeated Bank of England efforts to hold it up.

The dollar closed at 1.8810/20 marks, down from an opening 1.8825/30 and Tuesday's closing 1.8880/90.

The dollar fell more than 1-1/2 yen, closing at 140.60/65 yen against 141.20/30 at today's opening and 141.35/45 at Tuesday's finish. -- Reuter.
Consumer boycott: Call for discipline

By CHIARA CARTER

THE Mass Democratic Movement (MDM) in the Western Cape has appealed for "absolute discipline" in the consumer boycott due to begin in the region on October 7.

The call is part of an attempt by the MDM to avoid problems which occurred with previous consumer boycotts.

These included gangsters using boycotts as an excuse to rob and attack people, conflict between youth and elders resulting in the emergence of vigilante groups and boycotts floundering because people had nowhere to shop.

A pamphlet issued by the MDM said the boycott should be explained to people and that no force should be used to enforce the protest.

The pamphlet also appealed to people not to attack trucks. It said that the use of violence would merely give "the criminal element an opportunity to take over".

The MDM has established committees in different parts of the region to ensure that no intimidation takes place.

Meanwhile, community organisations have been meeting with local shop owners who have been asked not to push up their prices.

Unlike the rest of the country, the Western Cape boycott is not aimed at all white shops but is targeted against specific companies which have used the Labour Relations Amendment to lock out or dismiss workers, companies which have victimised workers for staying away on September 5-6 and those regarded as "union bashers", an MDM spokesperson said.

The spokesperson said the boycott was scheduled to last until October 20 when it would be "reassessed".

The starting date for the boycott is later than other areas of the country where the boycott began last Friday.

Postpone

The only area in the Western Cape where the boycott has already begun is Paarl.

An MDM spokesperson said organisations in the region decided to postpone the starting date to enable them to mobilise effectively.

He said the boycott was intended to take the defiance campaign to "another level" and to help build organisation in the region.

The MDM has said that if companies do not wish to be targeted they should publicly give a written undertaking that they would not apply the LRA against workers, ask the government to scrap it, recognise democratic unions, pay workers a living wage, stop rises in the price of basic foodstuffs and withdraw disciplinary proceedings against workers who stayed away on September 5-6.

The MDM is also demanding that companies support the call for an independent commission of inquiry into the conduct of the police in Cape Town on September 6 and that they put pressure on the government to free all political prisoners, lift the state of emergency and abolish the death penalty.

The MDM also wants employers to place pressure on the Cape Town City Council and the government to provide people with housing, drop rent arrears and stop cutting electricity and water.
White Consumers Losing Confidence

By Audrey Vangels

The report continues...
Union action off to slow start

THE nationwide consumer boycott and overtime ban launched by unions last weekend made a slow start in most parts of the country this week, except in the Eastern Cape where there was a reported 98 percent drop in sales figures.

The launch of the boycott and an overtime ban followed a resolution passed at the workers’ summit last month to protest against the Labour Relations Act.

The campaign appeared to get off to a patchy start this week but was given a boost when the appellate division of the supreme court in Bloombestein ruled that the overtime ban was a legitimate form of industrial action. The decision was the outcome of a lengthy legal dispute between the Food and Allied Workers’ Union (Fawu) and SA Breweries.

Most unions were still assessing the success of the overtime ban and the consumer boycott. However, the Chemical Workers Industrial Union reported successful implementation of overtime bans in the Eastern Cape, Transvaal and the Western Cape.

In the paper industry, the Paper Printing Wood and Allied Workers’ Union (Ppwwa) said the overtime ban was strongest on the Witwatersrand and in the Eastern Cape.

On the Highveld the National Union of Metal Workers of South Africa has successfully implemented bans at all organised plants except for Highveld Steel and FerraMetal, where workers have to work continuous three-cycle shifts.

A Nactu representative said employers in Potchefstroom and Klerksdorp visited union offices on Tuesday to establish why workers were not doing their overtime shifts.

Nactu affiliates in the metal, chemical, construction and food industries have been threatened with interdicts against the holding of overtime bans.

The Federated Chamber of Industries (FCI) said that according to reports from eight regional chambers and 50 companies, employers had little difficulty getting employees to work overtime. The overtime bans were partly effective only where there was a strong union presence.

The Associated Chamber of Commerce (Assocom) reiterated that the consumer boycott had made no drastic impact on retail sales — but said it had not yet received a full report from all regions.

Assocom’s Bill Lacey said that last Saturday a 30 percent drop in sales was recorded in Pretoria.

“This could have been related to the planned marches and the fact that streets were closed to the public,” he added.
Suburban success

Claremont’s meteoric rise as Cape Town’s major centre of suburban development continues. The CBD now boasts 400,000 m² of commercial floor area — nearly 80% of the total allowed in terms of the zoning scheme and double the 1983 figure.

Two main factors have contributed to this: Claremont’s outstanding location in the heart of the affluent southern suburbs and work done by the council to attract development.

Its buccancy is emphasised by two large developments now nearing completion and the announcement of two others to follow.

The largest is the R70m Atrium development on the underdeveloped east side of Main Road. The 6 500 m² site, bounded by Stegmann, Main and Roscommon roads and the railway line, is being developed by Proclare, a partnership between Syfrets and Pro-Gro. It will comprise 67 shops covering 12,000 m², restaurants and cinemas and 8 500 m² of A-grade offices in an adjoining five-storey tower which is scheduled for hand-over in November 1990.

The project is considered a breakthrough because parking and access problems ensured that most of Claremont's development took place on the other side of Main Road. These problems have now largely been solved. The Atrium offers 800 on-site parking bays and agreement has finally been reached to build an access road on the railway side of Main Road. The road is so fundamental to the scheme that developers have taken the unusual step of giving the council a sum towards funding so work can proceed without waiting for provincial approval.

Pro-Gro’s Ron Finger claims it will be comparable with Sandton’s Hyde Park shopping centre but better finished. It is “aspirational” and aimed at “niche-shoppers” — not just another centre with all the majors.

Norwich Life has announced plans to proceed with the second phase of its head office on the other side of Main Road, The R13m development, due to start in a few months and for completion by the end of next year, will include three floors of parking and six floors of offices. Altogether, 115 parking bays and 4 800 m² of offices will be provided, some of which Norwich will occupy.

Two developments nearing completion are the R44m Sanclare (Sanlam) project and R17.5m Woolworths flagship store. Sanclare, due for completion on November 1, includes 18 800 m² of offices and 850 m² of retail space. The building is 70% let with Sanlam, Trust Bank, Nissan and Lintas as the main tenants. Sanlam’s Anton Mans says rentals are R25/m² and upwards with escalations starting at 12%.

Just how lucrative Claremont is as a retail centre is demonstrated by the Woolworths development. Its new store will be 5 300 m² — an increase of nearly 50% on its existing one. This makes it the second largest Woolworths in the country after Eastgate in Bedfordview.

In all these projects a key role has been played by the council’s inter-departmental development co-ordination team. The incentives offered to developers should ensure private sector profits — with some benefits to the public sector. The latter will be through the provision of significantly more public parking, aesthetically pleasing developments and an enhanced rate base.

The perception of being a developer-friendly municipality is also invaluable to the city. If Ron Finger’s comment: “Cape Town municipality is unbelievable to work with” is anything to go by, more development should follow.
Adspend by top 48 nears half-billion

LAST year South Africa's top 48 advertisers spent almost half a billion rand promoting their products.

They also produced a total of 204 new television commercials at a cost of R47 million or R230 000 each.

In a study of advertising expenditure trends by the country's top advertisers, local research company Markinor found that only 40 percent had spent less than R150 000 on their last TV commercial. It is believed that some of the commercials produced last year cost in excess of R2 million.

Said a spokesman for Markinor: "When this total amount spent on TV production, based just on the top advertisers, is compared with the total expenditure on television advertising — R400 million in 1988 — the production cost of television commercials probably represents about 25 percent of the television advertising expenditure."

The total annual above-the-line advertising expenditure of the companies included in this research was R443 million in 1988, and their spend represents 34 percent of the total above-the-line expenditure as recorded by Adindex.

Markinor added: "The number and cost of new commercials is very different between retailers and other advertisers. Among the retailers we interviewed, the average number of new commercials made in the past year was 56 at an average cost of R18 000 per commercial."

"Forty-two percent of these television advertisers had not done research on these new commercials."

The main reasons cited by those who had not tested these commercials were that the new commercial used a concept that had been used before, that it was an adaptation of a previous campaign, or that the previous campaign had been researched. About a quarter of those who had not tested the campaign felt that research was not helpful or that they could trust their own judgment.

"Given the high cost of production and airtime, these people may not be getting the best value from this investment."
THE up-market Woolworths chain is attacking Big Three supermarkets Checkers, OK Bazaars and Pick 'n Pay right where margins are tightest --- food lines.

After a year in which Woolworths turnover topped R1-billion for the first time, the group is opening a chain of stand-alone food markets.

The first opened this week in Pretoria. The second opens at Johannesburg's Bruma Lake before Christmas, two more are scheduled for the Johannesburg area in the first quarter of next year and another is due in Rivonia late next year.

Managing director Syd Muller says "We are still in the market for sites."

It's a significant break for Woolworths which has traditionally had relatively small food departments carrying mainly premium house brands in its general shops.

Food and household lines have provided about 30% of turnover. Mr Muller does not believe the bigger exposure to tough competition in food will affect the group after the benefits of higher turnover.

The Pretoria launch, which gives the group 76 shops, came after two years of research and planning.

"We have invested heavily in infrastructure, particularly the sophisticated cold chain and transit system needed for this type of food retailing."

"We have honed our systems, allowing us to give good value for money."

The group's agreements with smaller suppliers have led to a much wider range of lines.

"We have set the standard for top-quality convenience foods and we will continue to lead the market."

Mr Muller says the intention is to enable customers to do almost all their household shopping in the group.

Goodies in store --- Syd Muller and product demonstrator Linda Dinkelman
Red tape still bars the way to free enterprise

By Robyn Chalmers

THE commitment of the authorities to deregulation has been well publicised, but huge barriers still stand in the way of would-be entrepreneurs.

Many small businesses are thwarted by red tape. One of those pushing for speedier deregulation is Sunnydale Central, a lobby of 40 agencies promoting small enterprise.

Gwynne Main, spokesman for Sunnydale, believes: "We have yet to realise the dynamic potential and job-creating ability of its small business sector."

A shove over the hurdles

The rate of products to meet their needs. SBDAD product development manager Malcolm McIntyre says the department has launched a video-booklet package.

"Video runs for 90 minutes, is presented in an entertaining style. The accompanying booklet deals in more detail with matters such as start-up options, planning, marketing, legal business entities, sources of finance and control."

On the more formal side of business, the bank offers Business Problem Solvers - 10 booklets on important topics, such as working capital management, costing and pricing and the cycles of one's business.

Mr McIntyre says the information complements the video package, although it is more detailed.

For the smaller business, a simplified computer cash-flow model designed for work on Lotus 1-2-3 is available for those who find the engineering of planning a hindrance.

Miss Main says testimony to the resilience, determination and sheer survival instincts of small businesses is the fact that across the board, operators are quietly working away and creating jobs.

"These innovative entrepreneurs exist in one of the most over-regulated societies on earth. An economic professor once said that SA has more laws than Russia."

"Many of these businesses operated illegally. Anglo American in all likelihood is illegal because it does not know all the laws it should comply with.

"The renaissance of small business is only possible in a free, just and peaceful society."

Leon Louw of the Free Market Foundation has repeatedly criticised the authorities for the fact that SA has the most over-regulated retail and commercial sectors outside the communist bloc.

His reasoning is that a deregulated economy is more likely to promote a more rapidly expanding economy.

Taiwan has a completely deregulated economy and its size doubled in seven years.

He pinpoints three areas in urgent need of deregulation - licensing, health and building codes. In addition, he believes the apartheid laws need special attention.

The seeds of success

THE Small Business Development Corporation stresses that it is not the sole organiser of Small Business Week, but it is a primary one.

The week was conceived at SBDIC head office as a result of the success of a similar venture in Canada.

The SBDIC was launched in 1981 with a capital of R17-million. It has since become the largest property developer in black townships and other destitute areas, created more than 200,000 jobs and put about 22,000 people in business.
INDUSTRIAL hardware wholesaler and distributor Spectrum had heart-wrenching results for the half-year to end-June.

With disappointing performances by recent acquisitions operating profits dropped 25.5% to R865 000 (R1 110 000) on a turnover rise of 34% — reflecting operating margins of 7% (12.7%).

The interest charge leapt by R781 000 (R242 000). Directors hope to reduce borrowings, though this is not likely during the current financial year.

Earnings dwindled to 0.4c (4.6c) a share while net tangible asset value increased to 35.4c (29.7c) due to the R172 801 cash purchase of Titan Tool & Hardware — not reflected in the books.

In an attempt to turn the group around, directors have sold generator division SA Industrial for R500 000 cash. The sale of its Boksburg premises is under consideration.

Directors expect improvement by concentrating on core business.
Turfloop meals firm quits

By MATHATHA TSEDU

A university spokesman said the Fedics contract would be terminated from the end of September by mutual agreement of both parties.

It is not yet clear when a new catering company will come in. Meanwhile students are preparing their own food in the rooms filling hostel corridors with a variety of aromas.

The university statement said management, and the student representative council were "urgently seeking" for ways to provide catering for the rest of the year. Documentation for a new catering service for 1990 is presently being drawn up," the spokesman said.

Fedics, which has provided catering for a number of years, became the centre of controversy after the introduction of the coupon system in 1986 by which students only paid for meals booked for and taken.

Students said the company was providing second-rate food at exorbitant prices and in July this year launched a total boycott of dining halls. The boycott is still on and last week, all Fedics workers at the university were dismissed.

Students had called for the appointment of Ajanta catering which is based in Natal and presently serves students at the University of Zululand, University of QwaQwa and other black institutions.

SRC president Mr Ernest Kloza yesterday welcomed the departure of Fedics.
Week of events hosted in bid to hone entrepreneurs’ skills

SMALL Business Week — a national event arranged by a number of organisations interested in promoting small business — starts today and offers opportunities for individuals and organisations alike.

The objectives of the week, which ends on October 8, seek to improve skills among entrepreneurs and promote the sector’s vision and vigour as well as success strategies for small businesses, future investment, opportunities through change, and new ways of thinking.

Activities during the week will include trade fairs and exhibitions, conferences, seminars and workshops; flea markets, competitions; fashion shows; training events; business breakfasts and luncheons; gala dinners; television and radio discussions and many other events.

Today’s highlight — organised by the SBDC and Unisa — is a morning seminar at Unisa in Pretoria entitled From Homepower to Profit Power.

Tomorrow the Pretoria Afrikaanse Sakekamer hosts a small business breakfast seminar at the Protea Hof Hotel in Pretoria. At Ellerslas there will be an afternoon work session on labour relations, estate planning, RSCs and taxation.

The national committee boasts representatives from the SBDC, the National Association of Women Business Owners (Nawbo), The African Council for Hawkers And Informal Businesses (Achib), Get Ahead, Standard Bank and the Wits Centre for Developing Business.

With the theme “I Have A Vision — Small Business Week Creating Opportunities for You”, the week is directed at existing entrepreneurs, potential entrepreneurs, big business, national and local authorities, youth and the informal sector.
Big plans for small business spelt out

SMALL Business Development Corporation (SBDC) MD Dr Willem Vosloo spelled out on Friday a strategy and action plan to develop more entrepreneurs in SA.

Vosloo told a Federation of Reporter's Scopes meeting in Brakfontein that one of the most noticeable shortcomings in the SA economy was the limited number of successful new entrepreneurs entering markets.

He said a strategy for small business development should include making available suitable financial assistance to new and established small businesses which were not catered for by existing commercial channels.

“Affordable business buildings such as shopping centres, workshops, factories and offices in areas where commercial developers are not prepared to build, should be created.

“Necessary support services to develop practical business and managerial skills — advice, information, and marketing services, and applicable transfer of technology on a decentralised basis should be made available.”

He said the overall strategy should also include:

- A conducive climate for the development of entrepreneurs by scrapping unnecessary regulations and red tape; and
- An entrepreneurial culture through applicable educational programmes with a high degree of youth participation.

Practical steps which could be taken to give effect to the strategy include:

- Scrapping of regulations such as unnecessary strict zoning controls, safety and building standards, conditions of employment, and licensing requirements;
- Help to operators in the informal sector in the form of low-cost shelters for street hawkers, “baazars” and backroom facilities, micro financing schemes, simple and practical training programmes;
- Increased support from the private and public sectors by sub-contracting services such as cleaning, gardening, vehicle repair and maintenance;
- Increased support to centralised development actions by community leaders such as the Local Enterprise Taskgroup Scheme of the SBDC;
- Mobilising and channeling capital resources, which are placed in the hands of institutional investors because of contractual savings, in the direction of real work-and-wealth creation activities of entrepreneurs.
Small Business Week begins

This year's national Small Business Week started yesterday and ends on Sunday.

Organised by a number of organisations with an interest in the promotion of small business, the week aims at encouraging the development of vision in the small business sector, the improvement of skills among entrepreneurs, the adoption of success strategies for small businesses, and investment in the future.

Events planned for the week are aimed at entrepreneurs, big businesses, national and local authorities, the informal sector, and youth.

The Small Business Week national committee includes representatives from the Small Business Development Corporation, the National Association of Women Business Owners, the African Council for Hawkers and Informal Businesses, Get Ahead, Standard Bank and the Wits Centre for Developing Business.
No end in sight as the boycott starts to bite

By Karen Stander

Businesses are feeling the bite of a national consumer boycott called by trade unions and the Mass Democratic Movement.

The boycott, originally scheduled to end on Friday, is continuing.

"The manager of a chain store in central Johannesburg said sales had dropped significantly. "We have been hard hit. It has eased slightly, but that is presumably due to the month-end. Overall I would say the effect is becoming more severe," he said.

Various shop managers gave widely varying estimates of the drop in sales. Businesses most severely affected appeared to be those in central business districts, said Mr Pirosaw Camay, general secretary of the National Council of Trade Unions.

Dr Leon Coetzee, group public affairs manager for the Edgars group, which includes Jet Stores, said the boycott had a slight effect.

"But sales and profits are still up and we do not expect the boycott to last long," he said.

A spokesman for Checkers said the impact in the eastern and western Cape had been greater than on the Witwatersrand.

Mr Mike van der Merwe, Pick 'n Pay's general manager for the southern Transvaal, said the effect was patchy.

"Of course there is an effect. But by and large we do not normally do a tremendous trade with the black population."
Business has role to play

By Michael Chester

The business sector was told yesterday that it had a key role to play in setting up a new agenda for white-black dialogue over a new constitution in the South African reform process.

The Association of Chambers of Commerce and Industry sent out the message to more than 20,000 companies that their contribution towards the goal of racial reconciliation and negotiation was "indispensable".

Assocom chief executive Mr Raymond Parsons underlined the crucial role of business as "an important agent of change" when he addressed a lunch meeting of the Free State chamber in Bloemfontein.

"Employers, through their network of contacts at all levels of black society — including the trade unions — are a positive force in building new bridges between the races," he said.

"The experience of employers over several years in the hard school of industrial relations can make a valuable contribution to conflict management at the political level.

"This will be needed if we are to reduce the inevitable hurdles which are likely in the path of the political transformation of South Africa over the next few years."

The challenge was to create a broad-based political democracy with sound economic management as a platform for business confidence, he said.

There was now general agreement, he said, that economic performance was imperative to a stable democratic future that promised to meet the legitimate aspirations of the population.
Margins must go up, says Clive Weil

SYLVIA DU PLESSIS

Retailers will have to lift margins in the next decade because it will become increasingly difficult for businesses in the industry to grow in real terms, Checkers MD Clive Weil said in Johannesburg yesterday.

Addressing a conference on retailing realities of the nineties, Weil said that prices would become far less significant in the future, but competition within the industry would remain strong.

"The focus will be on the shopping experience, and the thousands of details making up the quality of this will assume greater importance," Weil said.

Weil said Checkers planned to feature departments previously "unheard of" five to six years ago, but the greatest trend in the industry would be a move closer to the customer and a shift into micromarketing.

Urbanisation

In addition, both Checkers and the industry generally would be moving "deeper and deeper" into centralised distribution to avoid wastage.

Pick 'n Pay MD Hugh Horman said the basic elements of good retailing would remain applicable, while mass urbanisation would see retailers' markets grow.

He added that what was needed in the nineties was "a closer synergy" between retailers and suppliers to ultimately benefit the customer.

Grand Supermarkets MD Chris Burgess told delegates retailers would have to provide new services such as videocassette and post office and dry-cleaning services.

However, the political climate, the economy, productivity, shoplifting, bombs and robberies would still be concerns facing the industry.

Spar MD Robin Burnell said his chain—which currently held 11% of the total market—was "totally committed" to making the independent retailer a success in SA.

Two possible scenarios for the future which would affect every facet of retailing were the freedom to live where one wanted and, in particular, the freedom to trade.
**Consumer action: Chain stores targeted**

By CHIARA CARTER

MOST major retail chains are included on a list of companies to be targeted for the consumer boycott due to begin in the Western Cape this Friday.

The list was drawn up by the Mass Democratic Movement in the region and includes companies which the MDM says have a history of "union bashing" and companies which have used the Labour Relations Act (LRA) to dismiss and victimise workers.

An MDM spokesperson said the boycott would also be aimed at "collaborators".

He said community organisations would decide which shops would be boycotted in their area.

The MDM has appealed for no intimidation to be used and intends monitoring local traders to ensure they do not put up prices.

**Gaining momentum**

According to reports the boycott, which began earlier in other parts of the country, has so far had varying degrees of success.

The Border region of the Congress of South African Trade Unions has decided to continue the boycott until later this month. The Witwatersrand region of Cosatu has decided to extend the boycott for a week.

A Cosatu spokesperson said both the overtime ban and the consumer boycott were "gaining momentum" in the Witwatersrand.

The Western Cape boycott is due to last two weeks after which it will be reassessed.

An MDM spokesperson said that if it was decided to continue the boycott, listed companies could have their names removed by meeting certain demands.

These include signing a legal agreement not to use the LRA, calling on the state to scrapped the LRA, meeting living wage demands, reinstatement of all workers dismissed during last month's stayaway and the withdrawal of disciplinary notices against workers who stayed away.

The MDM also wants companies to place pressure on the government to release detainees, end the state of emergency and stop all hangings; to call for an independent commission of enquiry into police conduct on election day and to put pressure on local authorities and the state to meet housing demands.
Exciting year for Furnfair

The year to June was the most momentous in the history of Furnfair (Furnfair), chairman Ronnie Stein said in the group's annual report released yesterday.

This year could be even more momentous as a result of yesterday's announcement that Rusfurn had bought the controlling interest in the company.

This said that the acquisition was part of Rusfurn's "objective of the acquisition of companies with a strong market share in clearly defined market niches".

Conversion

Rusfurn financial director Mervyn Gerszt said in an interview yesterday the future of Furnfair was "exciting" and some reorganisation was planned.

"In the western Cape we now own Arrow, Furniture Fair, Harmony, Montays, Giddys, Russells and Dion. There are significant synergistic benefits between the companies and we plan to more than double the size of the Furnfair chain."

He said the reorganisation could include the conversion of the metropolitan area Arrow stores into the Furnfair group because the directors felt Arrow was better placed as a rural chain.

In the Furnfair/Furngro annual report, Stein pointed out that in the course of a year the company had grown from a small retail chain to one of the country's largest independent retailers of furniture and household appliances.

"At the end of the financial year to June 1988, the group had a total of five stores under its control. Twelve months later, this figure had risen nearly fivefold to a total of 24," Stein said.

In the course of the past year the group acquired the seven stores in the Montana chain and the seven Harmony stores.

He said four new stores opened under the Furnish Fair and Montana banners and the first outlet in a chain of specialist video and television shops was opened.

Stein pointed out that turnover rose by 174% to R72m (R26,2m) and attributable profits by 186% to R13m (R4,5m).

He said the bottom line performance was remarkable, especially in view of the year's adverse trading conditions.
MDM targets 'collaborators'

By GAYE DAVIS, Cape Town

Most major chain stores have been targeted for the consumer boycott to be launched in the Western Cape tomorrow.

The selective campaign is aimed at putting pressure on specific companies deemed guilty of union-bashing, or using the Labour Relations Amendment Act against workers.

Shops belonging to "collaborators" — councillors and tri-cameral parliament representatives — are included in the boycott action, and a call has gone out for people to withdraw accounts from the sponsors of the rebel rugby tour.

A feature of the pamphlets is a list of guidelines, which urge that no violence be used to force people to observe the boycott.

By agreeing to a range of demands, and making a public statement illustrating what they have done to demonstrate good faith, companies can get their names on the list.

The demands include agreeing not to use the LRA against employees; recognising unions; paying a living wage; freezing the cost of basic foods and transport; and the unconditional reinstatement of workers dismissed or warned after observing the September 5 and 6 stayaway.
Tafelberg holds dividend firm despite earnings drop

A higher effective tax rate of 54% has taken a R15 000 bite out of Tafelberg Furniture Store’s attributable profits for the six months to August.

In addition, price hikes flowing from additional duties on imports taking effect and impacting on consumer spending have seen turnover rise only a marginal 6.3%.

But in spite of this, the listed furniture retail chain, operating from stores in Cape Town, Bellville and Paarl, has managed to maintain its interim dividend at 1.5c a share.

While sales of R14.4m were only slightly up from the R13.8m recorded in the same period last year, operating profit improved by 21.5% to R938 000 (R772 000).

However, a hefty interest bill of R127 000 (R21 000) has left pre-tax profits 8% up at R811 000 (R751 000).

After taxation of R465 000 (R330 000), attributable profit reflected a 3.5% decline to R406 000, and earnings have been trimmed to 3.25c a share from 3.36c.

Sylvia Du Plessis

Bonds on a R1.5m warehouse adjacent to the group’s Bellville store have boosted long-term loans to R960 000 (R79 000).

But fixed assets have climbed to R2.6m at August 31. The complex is due for completion at the end of this month and is expected to contribute to higher earnings.

Chairman Eugene Theen said turnover in the second half was traditionally higher and results for the full year promised to at least match those of the previous financial year, when attributable earnings of R319 000 were posted.

He said the warehouse currently under construction would create 40% more sales area in the Bellville outlet and the additional profits expected to flow from this increased sales area should cover the high interest bill.
Boycott off Cosatu

The national consumer boycott, which began on 6 October in protest against the Labour Relations Amendment Act, ends today, the Congress of South African Trade Unions said yesterday.

However, a spokesman said it was up to Cosatu's regional structures to decide whether the action should continue until 13 October, as its Witwatersrand region had said earlier.

The boycott was called by Cosatu, the National Council of Trade Unions and independent unions as a protest against the controversial law.
Taxi talk

Because of concern at the number of accidents involving black taxis, the SA Black Taxi Association, Sabta, has decided to launch a national road safety advertising campaign.

The R220 000 campaign, sponsored by the Anglo American and De Beers Chairman's Fund, will be handled by Cape Town agency Concept Marketing. Chairman Martin Feinstein says Sabta has decided to do something constructive about the issue of safety. "Research shows that overloading is one of the main factors causing accidents. The campaign — based on high frequency radio commercials — will focus on this issue." More than 400 commercials are being aired between September and November.

He explains the messages will have a threefold aim: "Taxi drivers need to know that it is illegal and dangerous to overload; passengers need to know they take a risk getting into an overloaded taxi; and motorists need to know something is being done about educating people on taxi safety."
Shoprite ups earnings in spite of inflation

PEPKOR-controlled supermarket chain Shoprite Holdings has upped earnings by 35% to 12,5c (9,3c) a share in the six months to August against the backdrop of climbing inflation and higher interest rates.

Turnover for the retail and wholesale-listed group, which markets food and non-food products to the broad lower to middle income group, increased 32% to R209m (R159m).

This was in line with the increase in operating profit, which rose to R5,8m from the R4,4m recorded in the same period last year.

Following a marginal drop in interest paid to R47 000, pre-tax profit was 33% up at R5,8m (R4,3m). After tax of R2,1m, this translated into a 35% rise in post-tax profit to R3,7m (R2,7m).

Dividends of 4,5c (3,75c) a share, covered 2,8 (2,5) times, have been declared.

A strong balance sheet reflects a hike in total group assets to R100m — far off 1988’s R77,5m.

MD Wellwood Basson described the results as satisfactory and was confident of maintaining healthy growth.

He added that the group continued to increase market share, while maintaining profitability, in spite of highly competitive trading.

Four new branches were opened in the half-year and all had performed above expectations, while two additional branches would be opened soon.
Shoprite lifts earnings 35% 

THE Shoprite supermarket chain increased its turnover by 32% to R209m in the six months to August 31, at the same time lifting its operating profit to R5.8m.

In the same period earnings increased by 35%, to R3.7m (R2.7m).

Shoprite’s MD Wellwood Bason described the results as “very satisfactory” particularly when viewed against the background of high inflation and interest rates.

“Most of our business has traditionally been conducted in the Western Cape which is probably the most overtraded region in SA.

“It is therefore pleasing to be able to report that our expansion into the lucrative Transvaal and Free State markets have been very successful.

“In the period under review, we established four new branches and they are all trading well above expectations,” Bason said. — Sapa
Rusfurn ‘on way to super profits’

AT A time when the furniture industry is shrouded in doom and gloom, with most companies expected to report mediocre results, Rusfurn CE and new owner Geoff Austin is confident the group will buck the trend and produce “super” profits.

A consortium led by Rusfurn management, with Austin at the helm, this week concluded a deal to buy control of the Ribn-a-year group from Tradegro for R23m.

Dividends

Various institutions will end up with up to 10% of the shares, while nine senior directors of Rusfurn have put in R23m of their own money, everything they own, to acquire their 10% stake.

A further incentive to produce the forecast of a 50% growth in earnings and dividends for the year to June 1990 is that, by producing such “super” profits, management will be eligible for additional new shares which will enlarge its stake to 21% at the end of three years.

This was one of the innovative schemes resulting from the deal which was concluded after 54 days of negotiations. That was the deadline given by Tradegro to Austin to put in an offer for control of the group.

The R23m he had to raise in such a short time was a lot of money for a sector that is currently unfashionable. But for a man who sees himself as a strategist, it is not surprising that the deal was clinched.

When Austin took charge of Rusfurn in February 1986, the group was running at a R20m loss for the year to June 1985. It was listed on the JSE in June 1987.

In the past financial year to June 1989, the group reported net earnings of R6m, a turnaround of R29m in three years.

The spark which triggered the management buy-out was the conflict between Rusfurn’s growth ambitions and Tradegro’s reluctance to increase its exposure to consumer durables. The conflict came to a head in June when Rusfurn agreed to buy Furngro, but Tradegro did not want to approve the deal. On August 7, Tradegro gave Austin the opportunity to come up with an offer by September 30.

Austin, 44, immediately called in Sidney Frankel of stockbrokers Frankel, Kruger, Vindrine, Hennie van der Merwe of merchant bankers Finansbank, and TrustBank.

Over the next few weeks, Austin gave at least 30 detailed presentations to various institutions on Rusfurn’s plans and prospects.

From an initial attitude of scepticism — “Oh no, not furniture!” — virtually every institution expressed interest in coming in on the deal at the end of each presentation. As a result, Rusfurn shares were placed at 140c each, higher than they have ever been.

Impending

However, Austin first had to surmount a Catch 22 situation, for a key element in the 50% profit projection for the current financial year was the Furngro acquisition.

But until an agreement was signed with Furngro, nothing of the impending deal could be mentioned. This was because Furngro itself has many institutional shareholders and did not want them to know of the discussions in case the deal did not come off.

This hurdle was overcome when Finansbank stepped in and offered to buy Furngro with no guarantee that Rusfurn would take Furngro off its hands if the deal with management failed to materialise.

It was a courageous decision by Finansbank which enabled Austin to inform potential investors about the proposed Furngro deal. This fact tipped the scale for many institutions to come in on the deal.

With only 10 days remaining before the deadline, TrustBank then stepped forward to underwrite the entire offer so that Austin could go to Tradegro with an unconditional offer for Rusfurn.
Shop rental growth rises as retail sales gap narrows

The growth in shop rentals reflected from 1982 has continued to rise strongly and the gap with retail sales has narrowed substantially.

Graphs depicted in today's Ampros property exchange reflect rental growth in the retail sector and the relationship between retail sales, shop rentals and inflation.

During the 1976 to 1983 period retail sales and shop rentals grew at the same rate. From 1982 to 1985 rentals continued to grow, but at a substantially lower rate than retail sales.

During 1985 shop rentals showed a downward trend until 1987, when they levelled off while the Retail Sales Index continued its upward trend.

The total real retail trade sales for the first nine months of 1989 showed an increase of 3.5% compared with the first nine months of 1988. A slowdown in retail sales is expected in 1990 as a result of government's tightening up on consumer credit.

After the drop in 1987, shop rentals have tended to grow in line with the inflation rate, which in September had fallen to 14.9% from 15.5% in July and August.

Inflation is expected to peak at levels below those previously predicted, and an average of 15% for the year is forecast for 1989.
CNA Gallo plays some sweet music

Record sales, increased earnings and low debt featured in CNA-Gallo's 1989 annual report and should be music to shareholders' ears.

CNA-Gallo says it is committed to being "first with the goodies".

With 380 retail stores throughout Southern Africa, it can justifiably claim to be the leading supplier of books, magazines, stationery, music, videos, photographic supplies, toys and greeting cards.

The merger with Gallo in the mid-80s might have had its teething problems, but what a marriage it has turned out to be.

Sales in 1989 exceeded the half-billion-rand mark and in five years earnings per share have increased more than 400 percent.

Debt is negligible and neutralised by increasing cash balances. CNA enjoyed favourable liquidity levels in 1989 and, with rising interest rates, produced an interest gain of R2 million.

Merger architect Tony Bloom has relinquished his chairmanship and moved to the UK, but has left behind an excellent management team headed by Hal Miller.

Controlled jointly by both Premier and Argus, group earnings command the respect of both in any consolidation.

New business development and acquisitions continued, including the purchase of the 50 percent outside interest in Video Cassette Reproductions, a 50 percent stake in Pilgrims Bookshop and Young Reading, a further 13.9 percent in Video Lab, a further 50 percent in Swaziland News Agency and 100 percent in a Transkei company called Intech.

A 4.2 percent interest was acquired in Weihold - 1.48 million shares at a cost of R7.7 million and R62,000 in Walstons Stationery, costing R672,000.

CNA now holds 31.7 percent in listed Most Holdings, which is engaged in training and education.

New projects include Centaur Publication (scholastic publications), Umkhonto Records and Video Warehouse.

Sales were R54,9 million (1988: R43,05 million), yielding a trading profit of R32,62 million (1988: R36,54 million).

Dividend income was virtually unchanged at R2,15 million (1988: R2,35 million), while interest income was sharply higher at R2,04 million (1988: interest expenses R181,000).

The tax rate declined to 43 percent (1988: 47 percent) - tax was R23,44 million (1988: R18,48 million) - leaving taxed profits of R32,63 million (1988: R20,02 million).

After outside shareholders' proportion of profits, profit and dividends and the equity of associates, earnings attributable to ordinary shareholders was up 50 percent from R35,65 million (1988: R23,35 million).

Shrinkage control played an important role in increasing profits. Below-the-line extraordinary gains totalled R534,000 (1988: R57,90 million).

Earnings per share were 112,06c (1988: 73,90c), with dividends upped to 45c (1988: 29c).

The sales and profits attributable to the divisional activities showed that retail sales accounted for 73 percent, with pretax profits at R28,75 million (1988: R19,76 million).

As a percentage of sales, pretax profits rose to 7.3 percent (1988: 6.1 percent). Mickey Mouse's 60th Birthday, the Christmas Bentley Bear campaign and January's "Back to School" first-term stationery promotion all helped.

The entertainment division's sales produced healthier margins and increased profit contribution to R17,98 million (1988: R11 million) which, as a percentage of sales, was 15 percent (1988: 1.5 percent).

Gallo has played a leading role in the renaissance of the music industry.

Video Lab's sales were stagnant, its profit contribution barely increasing to R3,84 million (1988: R3,49 million). Apart from the group's 50 percent stake in Strick Holdings, which again had a difficult year, all other support subsidiaries and associates had a buoyant year.

The balance sheet shows the growth. Ordinary shareholders' funds totalled R122,57 million (1988: R105,39 million) at end-March.

Working capital remained virtually constant at R35,68 million (1988: R37,87 million), but fixed assets increased R10 million.

Cash and bank balance doubled to R12,8 million (1988: R6,2 million).

Despite a troubled economy, the outstanding trends of the past three years are set to continue, says Mr Miller. The group is budgeting for further real growth.

"Despite problems, CNA-Gallo has kept SA's books and entertainment industry alive. As Mr Miller says, CNA-Gallo runs a very tight ship and is well trimmed for whatever challenges lie ahead."
Indaba to launch black Who's Who

The kwazulu/Natal Indaba is soon to launch a comprehensive Who's Who of black achievers in the area, to be followed by similar publications for the eight other economic regions of South Africa.

Sponsored by donations from the private sector and advertisements in the book, it will feature between 2,000 and 3,000 names of people living in or originating from the area.

Fields to be covered include commerce and industry, health and social work, labour, education, medicine, the media, sport, music and entertainment, religion and conservation.

Inclusion in the black Who's Who will be decided by an independent editorial board drawn from all shades of political, academic, educational and professional opinion.

The purpose of the publication is to raise the profiles of key players in the black community and to make them more accessible to both the wider South African and international communities.

The kwazulu/Natal Indaba said it would not seek to control the contents of the book. Support for the Indaba was not a prerequisite for inclusion.

It motivated its decision to focus on blacks only by saying white, Indian and coloured achievers were generally well-known.

"If negotiation is to stand a chance, relevant individuals must be drawn to the conference table. This requires their identification and adequate background detail," the Indaba said.
Warning of imminent economic slowdown

WOOLTRU chairman David Sussman warns shareholders in the latest annual report that while the inevitable slowdown in the economy has taken longer than expected, all indications are that it is close at hand.

In spite of the negative implications for Wooltru over the next few years because of this factor, Sussman feels that the group's mixture of cash trading in everyday goods and credit trading in fashion provides adequate resilience to the expected economic downturn.

Wooltru produced very impressive figures for the year ended June 1989. Sales increased by 28% to R2,095m (R1,680m), while pre-tax income advanced by 47% to R179m (R122m) during the same period. Earnings a share rose by 50% to 269c (179c), while dividends were 40% higher at 112c (80c). Dividend cover was up marginally to 2.4 (2.2).

Sussman indicates that the group is headed for another successful year, as sales, through early September, were 24% ahead of last year. Budgets for the current financial year show a real increase in both sales and profits.

Wooltru is the owner of Woolworths, Truworths, Topics and Makro SA. Sussman says each operating company improved its profits substantially and management believes each is fundamentally healthier and more responsive to change than ever.

Woolworths has a unique relationship with international retailing giant Marks & Spencer, which assures Woolworths' management of a significant advantage in the SA market-place. Woolworths intends making increasing use of this international dimension to stay at the forefront of retail developments.

Truworths has positioned itself as the leading domestic ladies' specialty fashion chain, and recorded another record year of sales and profits. Topics, which targets the middle-income ladies and children's clothing market, recorded a 51% profit increase for the latest financial year. Return on total assets was 28%, which is very satisfactory based on SA retailing standards.

Makro is a broad-range, self-service, non-credit mass wholesaler. Wooltru took total control of this company during the past year, and a R40m capital expenditure programme for Makro has begun, while a sixth store was opened at Ottery in the Cape. Sales during financial 1989 grew by 27% resulting in a moderate market share increase, while profits more than doubled.

Group borrowings at year-end were R89m lower than the previous year, while borrowings to shareholders' interest declined to 21% from 27%. The returns on both ordinary shareholders' interest and capital employed were 27% and 46%, respectively, which are now at their highest levels for at least the past seven years.
Auctioneers expect good times as rates rise

By Sue Olswang

An official confirmation of an increase in finance charges has not been announced, but it is likely to follow the recently increased Bank Rate, and while consumers brace themselves against a possible increase, auctioneers expect an increase in business.

"An increase in interest rates will certainly have an effect on our business because we will see more repossessed vehicles on the market," said a spokesman for a large auctioneering group which specialises in the sale of motor vehicles.

OVERALL PERFORMANCE

"Auctioneering is a strange business," he said. "We do best when everyone else is struggling."

However, the National Association of Automobile Manufacturers of SA (Naamsa) does not paint a gloomy picture for automobile manufacturers if there is an increase in finance charges.

"The demand for and sales of new motor vehicles are functions of the overall performance of the South African economy," said Naamsa spokesman Mr Nico Vermeulen.

"There is no doubt that higher interest rates are intended by the Government to reduce the aggregate level of domestic expenditure and obviously it must have some dampening consequences for new vehicle sales in time to come," Mr Vermeulen said.

"There is substantial pent-up replacement demand by the corporate and fleet-car rental sectors, underpinned by the strong earning potential of many companies, and this should cushion the effect of the increase."

Hire purchase sales and the entire domestic appliance industry will be affected by an increase in finance charges, according to OK Bazaars.

Mr Arthur Solomon, OK director of furniture and household, said the actual increase will not have a major impact on repayments but "psychologically it won't be a good thing."

Mrs Carolyn Tonkin, a Johannesburg public relations officer who is "fed up with inflation", is calling for support from other consumers who feel the same way.

Mrs Tonkin, who said she can no longer afford to pay for her house, eat or smoke cigarettes, has started a petition to protest against the high rate of inflation, the eroding of the rand, high bond and interest rates, and "the general lethargy of the Government."

"Please support us by starting a similar petition if you are also sick to death of ridiculous bond rates and soaring inflation," Mrs Tonkin said.

Petitions should be sent to PO Box 10181, Vorna Valley 1688.

Going up...home bond rates are going up to 21 percent as a result of an increase in the Bank Rate. The graph shows how monthly repayments have risen with increases in interest rates over the past two years. The repayments are calculated for a 20-year bond.

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Timeshare Dynamics under final liquidation

By Cathy Stagg

Timeshare Dynamics was placed under final liquidation in the Rand Supreme Court yesterday.

Leisurelife managing director Ms Sandra Ann Quinn said in papers that when Timeshare could not pay Leisurelife for promotional and marketing services, a new agreement was made, resulting in the formation of a new company, Leisure Industry PR Association (Pty) (Lipra).

Timeshare was not able to pay agreed amounts. Leisurelife was owed R166 000 for promotional services from June to August this year and also has a prospective claim of R3.4 million. Timeshare's debts were estimated to amount to R4.5 million and its investments in various timesharing properties could total R2 million.

Mr Justice E Stafford granted the final winding-up order.

An urgent application by Standard Bank for the winding-up of World of Leisure Holdings Ltd was postponed until October 24. One of World of Leisure's subsidiary companies was Timeshare Dynamics Ltd.

Seven miners die in Bop

A runaway ore carrier killed seven platinum mine workers in Bophuthatswana on Monday. They were killed by a loud haul dump unit travelling downhill an incline at Eastern Platinum Mine near Bophuthatswana. 

See Page 17.
Focus on small business legislation

JOHANNESBURG. - Manpower Minister Eli Leew announced yesterday he had requested the National Manpower Commission (NMC) to investigate SA's labour legislation as it pertains to small business.

The proposed investigation appears to represent a major leg of government's deregulation drive, and could lead to legislative amendments, which would wholly or partially relieve small businesses of various legislative obligations they face.

The official NMC brief is to examine the influence of legislation on the establishment and functioning of small business; the costs incurred by small businesses as a result of dispute settlement and litigation in terms of the LRA; whether the same principles should apply to them as to large businesses; and the possibility of specific legislative amendments.

A statement from the Manpower Department stressed that "fundamental rights of employees and employers will still have to be protected, and the complete abolition of protective measures cannot be considered."

NMC chairman Frans Barker said yesterday he did not envisage the commission recommending, for example, removing from employees of small businesses their rights to unemployment insurance and workmen's compensation.

However, it may be that a way could be found to relieve the administrative burden the relevant Acts impose on small employers.

The Labour Relations Act and the Basic Conditions of Employment Act would also be under the spotlight.

But Barker could not say at this stage whether the NMC would examine only the effect of minimum conditions of employment laid down by the Beka and wage instruments regulated by the LRA, or whether collective bargaining provisions would also be examined.

"It depends on the evidence we receive," he said.

The NMC has called for evidence on this matter to reach it by January 10 next year.

The Manpower Department also said the NMC was calling for evidence by the same date on its previously announced investigation into the consolidation of the LRA.
Entire consumer market will feel a ripple effect

By Michael Chester

The ripple effect of the increase in Bank Rate on home bonds and hire purchase deals was sending shock waves through the entire consumer market, a major credit-rating network warned last night.

The bills piling up at the average household were likely to increase by at least R120 to R150 a month.

Mr. Paul Edwards, chairman of the Information Trust Corporation, said many consumers faced the stark risk of bankruptcy as they were overwhelmed by the debt loads they were carrying.

"Many consumers are already in a precarious financial position," he said. "A new round of interest rate increases, which could see mortgage bond rates rising to 21 percent, will push many hard-pressed consumers into bankruptcy."

"The weak position of the consumer is highlighted by the rising number of sequestrations, the increased value of debt judgments and by the number of homes threatened by sales in execution."

He said the value of judgments handed down by the courts ordering debt repayments had already risen by almost 80 percent compared with a year ago.

Mr. Edwards said he appreciated the need to dampen demand for imported goods in order to protect the balance of payments situation. But signals from the consumer sector indicated that consumer spending was already slowing down.

"The consumer has had faith that the Government's new approach to monetary and fiscal management would lead to interest rate stability, albeit at higher levels," he added.

Consumer spending had struck a psychological barrier with interest rates at 20 percent or higher and the repercussions could depress the economy for the next year or perhaps two years.

He believed the housing market would be hit at the lower end, with defaulters running into difficulties in selling their homes in a declining market. Black families might be even less inclined to become involved in home ownership.

*See Pages 2, 17 and 18.*
Car sales fell by 7.9% during September

SUPPLY shortages arising from industrial action at various vehicle and motor component plants during August and September forced a drop in new and light commercial vehicle sales during September.

The National Association of Automobile Manufacturers of SA (Naamsa) said yesterday new cars sales for September had declined sharply by 7.9%, or 1 488 units, to 17 372 units compared with the 18 860 units sold during August.

When compared with September last year, new car sales for September 1989 declined 6.9%, or 1 397 units.

Sales of new light commercial vehicles (lcv) declined by 6.3% to 9 924 units when compared with 10 586 units sold in August.

When lcw sales were compared on a year-on-year basis, new lcw sales had held up well, Naamsa said.

Sales of heavy trucks had shown a modest increase of 3.3% to 940 units when compared with 910 units sold during August.

Naamsa said corporate demand for new vehicles remained strong, though there were signs of a softer trend in manufacturers’ new order intake.

The latest increase in interest rates and past measures to curb domestic spending would slow the economy still further.

The industry anticipated a modest levelling off in passenger car sales during the months ahead. Outstanding orders by the car rental industry and the corporate sector would, however, cushion the economic slowdown.

Commercial vehicle sales responded to different dynamics to car sales. Industrial activity levels and investment spending — which invariably continued at a high level after the consumption spending cycle — had peaked, Naamsa said.

The market for industrial and new vehicle sales were thus expected to remain reasonably buoyant in the short to medium term, Naamsa said.

No rain

September tractor sales had dropped drastically by 21.2% from 580 units sold in August to 467 units sold in September, the SA Agricultural Machinery Association (Saama) said yesterday.

This was mainly due to little activity because of virtually no rain in summer grain producing areas.

Rain was needed in the wheat producing areas of the OFS and in the eastern Transvaal, where maize must be planted this month.

Year-to-date tractor sales stand at 4 215 units, marginally up from the 4 155 units sold in the same period last year, Saama said.
Concorde poised to hit R100m turnover

DURBAN — Concorde Travel Holdings (Contraiv), freed of its links with Columbia and getting ready to forge links with the Miller Weendon travel companies in the Transvaal, is set to emerge with turnover of about R100m a year and 11 branches round the country.

Recently appointed chairman Alec Rogoff said that the Beare Holdings company Summit Travel had been absorbed into Contraiv in return for a 20% holding in the group to be held by Aaron Beare, Jonathan Beare and himself.

The management of Contraiv had executed a management buyout (MBO) from Columbia and would hold about 80%. It was planned that once the option to buy control of Miller Weendon was exercised (from R3,2m) Jack Walsh would hold about 18% of the equity.

A 20% share in Pride was bought by

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Own Correspondent

Contraiv from April 1988, but it has been decided to sell this and concentrate on the travel interests.

Minority shareholders are being offered 50c a share for their holdings — the same price for the MBO and the purchase of Summit Travel.

Rogoff said the tourist industry was promising, not only in terms of foreign visitors but for the increasing numbers of people in SA.

While Contraiv had been focused on corporate and overseas travel he saw great scope for expansion in other areas.

The absorption of Summit and the likelihood of taking up the Miller Weendon option would lead to some rationalisation in the administration of the companies.

Rogoff retired as chairman of the Durban-based Beare Group late last year.
Moving furniture out

Though Tradegro has sold its major bottom-line income contributor in Rusfurn it apparently does not regret doing so. Some analysts have welcomed the move.

The sale of Tradegro's 60% and Frasers' 20% of Rusfurn for R135m and R46m respectively followed protracted negotiations in which differences between Tradegro CE Donald Masson and Rusfurn CE Geoff Austin sharpened. Austin wanted to make acquisitions and grow rapidly, increasing Rusfurn's (and Tradegro's) gearing and debtors book (Fox October 6). Masson wanted less credit, more cash. He was prepared to live uneasily with a limited rate of acquisitions.

Masson succeeded Mervyn King last year with a brief to fine-tune Tradegro's tentative recovery. He has said Tradegro's growth should now come from within and is on record as saying, "I'm not a takeover man — I haven't bought a single company in my business life."

Rusfurn's conditional acquisition of control of Furngro in June brought matters to a head. Masson says that after soul-searching, Tradegro decided it wanted to "keep its head down" and not extend its exposure to furniture. One option was to sell Rusfurn at a "fair price."

The price set by Tradegro was Rusfurn's net worth and Austin was given an option for six weeks. Says Masson: "They managed to get the figure and we wish them well." Tradegro may have believed Austin would not get the money and been outmanoeuvred when he did. Masson confirms that if Austin had not got the money he would probably have had to go. But in this case the sobriquet "Masson the Assassin" did not apply.

Masson says Tradegro is happy with the cash and should decide within two months how it will be used. He says the sale does not signal that Tradegro is becoming less of a conglomerate, concentrating on food — it is still broadly targeted at the mass consumer market.

Initially, the cash will be used to pay off substantial amounts of overdraft — R70m in Tradegro alone. If Tradegro had had cash rather than Rusfurn in the year to June 1989, its EPS would have been 22% lower, at 30.7c; the EPS decline in Frasers and Frascon, which holds 50% of Frasers, would have been 38%.

Masson says the cash will also be used to clean up Tradegro's complicated pref and convertible debenture structure and "rationalise" Frasers and Frascon. He says he is "completely open-minded" on how this will be achieved. The sale of properties in Coreprop will contribute more cash.

Three analysts welcomed the sale by Tradegro. They say it will strengthen its balance sheet and though EPS will decline immediately, the quality of income will improve and Tradegro will be more profitable long term.

They believe Tradegro will now move to buy the 49% and 46% it does not hold in Frasers and Frascon. Unlisted clothing retailer Smart Centre, 51% held by Frasers, has shown particular growth. On the potential offers there could be value in Frasers and Frascon.

But for EPS growth longer term Tradegro will have to stop servicing the 100,5m 13% debentures, whose conversion is triggered once EPS reach 46.5c. With Rusfurn, EPS would have reached that this financial year; without Rusfurn, that may be some way off. Syd Vianello, of broker Ed Horn, Rudolph, says non-conversion will jeopardise Tradegro's full recovery. The conversion rate is set at 1:1 but he believes Tradegro will offer earlier conversion at an enhanced rate. He thus recommends purchase of the convertible debentures.

If Austin's forecast of 34% growth in Rusfurn's EPS this year, to 55c, proves correct, the 140c price will turn out cheap — a forward p/e of 2.5. But Vianello questions the total non-provision for future tax by Rusfurn. He believes the price would have been higher with a tax provision, and that Rusfurn, which is currently untaxed, should come into full rate in 1992.

He also questions Austin's confidence in further fast growth in the face of declining consumer spending. About half of consumer durable sales occur around Christmas — a period difficult to forecast. Margins on cash business, particularly Dioni's, are low. Austin has said 42% of Rusfurn's turnover is cash, inordinately high for the furniture sector.

Overall, the analysts believe it is too early for a recovery in the furniture sector and minorities should accept Rusfurn's 140c offer. This is good advice, especially as Rusfurn rose strongly ahead of the sale deal.

But Austin has surprised investors with the strength of its earnings increases, and particularly of his balance sheet. If he continues this way, Rusfurn must eventually be rated well ahead of the furniture sector generally. And though Tradegro's business and balance sheet will be streamlined, investors are unlikely to show confidence until its new plans are known, and unless there is some entrepreneurial spark in them.

Teague Payne
Despite expected downturn...

Wooltru sees steady growth

By BRUCE WILLAN

WOOLTRU group chairman David Susman yesterday said turnover for the first half of the current financial year is up 25% on the previous year, but expressed concern that the latest interest rate hike will affect consumer spending.

In the financial year ended June 30, 1989, the group recorded a 26% increase in turnover to $2,055.7m with income before tax up 47% at $178.5m.

Speaking at the general meeting, Susman said Wooltru has been experiencing a downturn in the economy but this has taken longer than expected.

"While the inevitable slowdown in the economy has taken longer than expected, all indications are that it is close at hand," he said.

In spite of the increase in interest rates Susman is confident that the group will enjoy a good Christmas.

But, he stressed "the unnatural buoyancy of the past three years does not reduce the urgency to face the real issues in SA".

Susman is of the opinion that the slowdown in the economy will not be a sharp decline but rather a gradual slowdown over a year.

Lending support to Susman’s statements in the group’s annual report, deputy chairman and CEO Colin Hall said in an interview later that the group is not pessimistic about the future.

"The government is determined to fight inflation and we must accept that the economy needs trimming and it will affect everyone," said Hall.

On the future prospects of the group, Hall said the expectations that the economy was going to slowdown have been taken into consideration.

"It will make things a little tougher out there but we will have to work a little harder.

"The expected high rate of inflation will make real growth very difficult to achieve. What is not predictable is the performance of the sectors in which we trade, not the impact of two major economic phenomena — rapid urbanisation and the growth of informal trading... our challenge is to increase productivity and make market share gains," said Hall.

While the group enjoys a very broad mix of both cash and credit customers, it has a very conservative policy and borrowings are kept to an absolute minimum.

Finance required for projects are generated within the group.

"I believe that the character of the group, with its mix of cash trading in everyday goods and credit trading in fashions, provides more resilience than most in a slower growth economy," said Susman.
Concorde poised to hit R100m turnover

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The absorption of Summit and the likelihood of taking up the Miller Weedon option would lead to some rationalisation in the administration of the companies.

Rogoff retired as chairman of the Durban-based Beare Group late last year.
Welcome sign: According to block businesswoman, H.S. Edwards, the move was a form of "peace and support." The sign reads: "Welcome to Tall Blacks, home to Tall Blacks, Welcome to Tall Blacks, home to Tall Blacks, Welcome to Tall Blacks, Welcome to Tall Blacks, Welcome to Tall Blacks."
Rent boycott unresolved

By DAN DHLAMINI

A MASS meeting to resolve the five-year rent boycott in the Free State township of Tumahole near Parys ended in stalemate this week.

More than 15 000 residents who crammed the local stadium amid a heavy police presence left without reaching an agreement with the council.

Tumahole residents had earlier taken the council to the Supreme Court over the R38 rent increase. The court ruled in favour of the residents, who had been paying R18.50 a month before the rent boycott in 1984.

An appeal lodged by the Free State Provincial Administration on behalf of the council has yet to be finalised.

This week residents gave the council two options: either nobody pays rent until judgement is passed, or residents pay R18.50 site rent while council waives arrears and withdraws the appeal.

Tumahole Civic Association members said residents were prepared to lift the boycott if they were assured that they would pay R18.50 and start on a clean slate as from November 1.

Tumahole mayor Andrew Pule, who told residents that they should pay whatever amount they could afford while waiting for the outcome of the court case, was booed and told to set clear conditions concerning the payment of the rent.

Pule said he would talk to the authorities so that the case could be withdrawn, although he did not have the power to withdraw the case himself.

After the meeting he could not be reached for comment on allegations that his council threatened residents with eviction and arrest for failing to pay rent.

Civic Association members later told City Press that they had reservations concerning talks with the council, as they did not recognise it as an elected body.
THANKS to savage interest rate increases, retailers expect a thin Christmas this year.

But most had already planned for a less buoyant festive season than in 1988, so they will not have to cut back on orders already placed.

They report that consumers will have less disposable income after increased HP, overdraft and bond rates.

Paul Edwards, chairman of the Credit Information Organisation, Information Trust Corporation, says the financial future of many South Africans is bleak.

He says: "A one percentage point rise in the bond rate will cost another R65 in interest payments on a bond of R100 000. And higher repayments on hire purchase will mean the average household will need to find at least another R120/ R150 a month."

"Unlike big companies, individuals often pay 3%-5% more than prime rate. I'm concerned that a psychological barrier exists at the 20% mark and that consumers will reduce their credit commitments, hitting the retail sector hard."

Depress

"This psychology could prevail for the next year or two and depress the economy." - Richard Ferrer, chairman of the Domestic Appliance Manufacturers of South Africa says prior to this week's increase, his members had already seen a drop in major appliance sales of 5%-11%.

Sales figures of white goods could be expected to drop further with the increase Mr Ferrer says.

This week, the Furniture Traders Association (FTA) issued an urgent appeal to government to relax the credit restriction on higher purchase sales—particularly in view of the increase in rates.

Frans Jordaan, executive director of the FTA says: "In August, sales of appliances showed a year-on-year decline of 5%—TV sales fell 22.7% and audio equipment 15.1% all at current prices. Add on 16% of inflation, and you can see how serious the position is."

"What we are asking for is immediate relief for the furniture retail trade in the form of relaxed deposit and repayment periods," Mr Jordaan says.

Checkers managing director, Clive Weil says he did his Christmas planning some months ago and "did not plan for a buoyant Christmas."

"I believe then that we would see minimal real growth, and my view now is that it will be only slightly down on earlier predictions."

Mr Geoff Austin, chief executive of Ruschur Group, says his company will be budgeting carefully for a "slower" Christmas this year.
THE EFFECT of strikes at motor-manufacturers and component suppliers in August was felt in the market in September.

Total vehicle sales fell by 4.7% to 26,672 in September compared with 30,112 in August, and indications are clear that sales for the year will, at least, be marginally below 1986.

Car sales dipped by 7.9% in September to 17,372 against 18,560 in August, leaving the total for the year at 179,606 compared with 172,586.

The reason for the decline, according to the National Association of Automobile Manufacturers of South Africa (Naamisa) was the strike action during August. It is expected that sales for the rest of the year will level off at about current levels.

This suggests that new car sales could be as low as 229,500 compared with 230,600 in 1986, representing a decline of 4.5%.

However, underpinning the market is a strong demand from the corporate and car rental sectors. The higher interest rates have not yet had an effect.

Light commercial vehicles held up well at 9,524 compared with 9,381. The total for the year is 97,851 against 94,589.

Medium commercials were 438 in September compared with 345 in August, while heavy trucks and buses were 940 against 945.
Bidcorp had its sights on Drop-Inn Holdings

SYLVIA DU PLESSIS

Bidcorp chairman Brian Joffe was one of the bidders for retail and wholesale-listed liquor distributor Drop-Inn Group Holdings.

Drop-Inn, which is rumoured to be looking for a buyer, issued a notice recently advising shareholders to exercise caution in dealing with the group's shares.

Joffe told Business Day on Friday that he had expressed an interest in the group and negotiations had been in progress for "a couple of weeks" before being called off.

He declined to elaborate.

Drop-Inn chairman Sam Berk and MD Jacques Kempen were visiting one of their Johannesburg branches at the weekend and could not be reached for comment.

The group, which is also an exclusive agent for various brands of Scotch whisky and imported wines and spirits, lifted sales by 27% to R109m in the year to end-February, while taxed profits were 5% up at R4m (R2.8m).
While industry observers acknowledge that demand for office and industrial space has reached a plateau, the much talked of downturn has not materialised. In fact, interest from institutional investors is creating a surge in prices. Against this background, VAL PIENAAR examines the latest developments.

URBANISATION and the removal of apartheid legislation will revolutionise retail development in SA over the next few decades, says George Skinner, MD of Coreprop and chairman of Sapoa's urbanisation committee.

Existing centres will be upgraded and with increasing urbanisation there will be scope to infill, with centres serving a geographically smaller customer base. Urbanisation in the US and Europe increased steadily from 55% to 85% over a period of 125 years ending with the Second World War.

"SA is currently about 55% urbanised, and it is expected to reach 85% by 2010. The effect of this on retail trends alone is mind boggling," says Louw.

The property industry, especially in the retail sector, will in the next 10 years experience its greatest growth phase yet," he says.

"Of this, Skinner sees two trends: the increasing demand for 'certain retail chains' to new developments. These will be served by bigger, more powerful centres, he says.

"Some retailers prefer to limit the number of their outlets to maximise and localise their profits, and they have attempted to squash development to preserve their profit bases. "The next decade will see the pressure of demand reach such a level that no one can stop it," he says.

"Skinner's view is not shared by Hyprop MD Peter Berman, who says SA's white areas are "adequately" or "properly" developed.

"And, he says, developers interested in putting together a shopping centre in today's climate would be wise to opt for a larger, rather than a smaller, development.

"Large centres can offer the full range that shoppers want. The success of centres like Hyde Park is unusual and is based on their appeal to a specialised, high-income niche market."

"Balance"

The aim is to achieve a balance between the purchasing power of an area and its shopping facilities.

"There will be some development, but it will be a slow process over the next 10 years or so while the emotional climate between the races improves. Developers can go into a community only when the community wants them."

"Such development as there is will take place in the more mature, affluent areas for instance, Coreprop's Indang land holding in Jabulani, Soweto. "In other areas, the resistance to development is exacerbated by the lack of transport facilities. Suburban shopping centres are designed for people with their own transport," he says.

"He foresees increasing retail development at major transport nodes such as railway stations and bus and taxi ranks. "This is a strong trend in the US, where there is a swing away from taking shops into the suburbs. The tendency now is to put shopping centres in CBDs."

"Johannesburg's Plein Street and Smal Street malls show the beginning of this trend, and they will cater for the new customers, who are predominantly black, who have moved to the suburbs."

In the longer term, Skinner believes the eventual scrapping of the Group Areas Act will result in an influx of people into established white suburbs. The resultant higher population densities will create new opportunities for shopping centre development, filling the gaps between geographically smaller, trading areas.
Clicks set to beat record forecast

TOILETRY, cosmetic and gift retailer Clicks looks set to exceed management’s forecast of a record R406m in turnover for the full year after hitting the R378m mark in what is traditionally a quiet first half.

The Cape-based group, control of which passed to food giant Shoprite last year, has lifted earnings by 31% to R232c a share in the six months to August against a backdrop of difficult trading conditions and stronger competition.

This compares with the 21.6c reported in same period last year — a pro forma figure since Clicks altered its year-end to February from July to coincide with that of its new parent company.

Operating profit was 30% up at R123m (R97m), translating into a 31% improvement in attributable profit of R1.7m (R1.3m) after a tax bill marginally higher at R5.7m.

An interim dividend of 12c a share has been declared.

MD Trevor Honneysett said sales had grown by 31.4% from R142.8m in adverse trading, conditions and both December trading and the impact of 19 new stores planned for this year prompted to ensure a continuation of this trend.

All these new stores — 14 Clicks and 15 Diskom — would be on stream by Christmas.

man, and he expected the group to “reap the full impact” of the three peak trading months to end-December.

“We are expecting both chains — 100 Clicks and 34 Diskom — to experience their biggest growth thrust ever during this three-month period,” he said.

“The group is definitely on the track in meeting the commitment, made at the beginning of the year, to produce a turnover well in excess of R400m by the end of the second half.”

That a lot of energy had gone into existing stores to increase market share was another reason why he was confident about future prospects.

Merchandising was constantly being re-evaluated and a number of innovative and successful new product lines had been introduced.

In addition, there had been a strong emphasis on media exposure and promotional activity in the current year — the group’s 21st — with television advertising in particular drawing a “dramatic” response.

Honneysett said Diskom stores were performing well and showing growth.

The chain was establishing itself nationally with new stores being opened in Louis Trichardt, Pretoria, Springs, Lenasia and Middelburg before Christmas.
Mass demand has boosted Mas's turnover by 59%

SYLVIA DU PLESSIS

STRONG consumer demand has boosted undisclosed turnover for listed mail order and direct sales group Mas Holdings by 59% in the six months to August and earnings have soared to 17.6c from 13.4c.

However, management has considered it prudent to maintain the interim dividend at 6c with the increased profitability being reflected in the final dividend.

MD Marco van Embden said in a statement he ascribed the healthy results to the expanding mail order industry.

"We are experiencing an excellent demand for our products. Our existing customers are buying more and our customer base is constantly increasing," he said.

"Our customers are virtually unaffected by increasing interest rates and other tougher economic measures designed to curb consumer spending. Instead, in the wake of growth in the informal sector, their disposable income is growing."

Van Embden said the nature of the group's business allowed it to operate throughout SA and "across the country's borders "with ease."

"Wherever there is a post office we have an outlet, so one can say we have 2,000 branches throughout SA," he said.

Mashold posted a 44% rise in pre-tax profit to R4.4m (R2.9m) in the period under review, and after taxation of R2.9m (R1.5m), taxed profits were up at R3.5m (R2.0m).

This translated into attributable profits of R3.4m — a climb of 33% from the 48-previous period's R2.6m and not far off the R4.7m recorded in the full 1998 year.

Van Embden said that during the first half the group had launched its latest mail order division — Sonny Boys — after buying it out of liquidation last year.

This division had already started to contribute to profits, and directors were expecting "even greater things" from it in the second half. Mashold was also in the process of expanding its COD direct selling operation, Family Selections.

"He added that the group was trading ahead of budgets and given stable trading conditions, directors expected to achieve real growth in earnings and dividends a share for the full year to February."
Low govt rentals drive away Pretoria’s CBD developers

Government is forcing down rentals in Pretoria CBD office properties and driving away potential developers, in the process, say industry observers.

As a result, there is a shortage of prime office space and businesses are leaving the CBD to stagnate as they relocate in southern and eastern suburbs.

"Government departments are becoming more sophisticated in terms of their needs and are having to move to newer buildings that can accommodate high-tech office operations," says BSA Eleni- domme managing executive Gerrie Minnaar.

Official policy is for the Public Works Department to find and negotiate for space on behalf of government departments, but this is an unwieldy system and is falling away as individual departments undertake their own negotiations.

"As this trend increases, Minnaar believes building owners will begin to insist on realistic rentals for their properties — but the damage to the CBD could be severe and lasting.

"Developers can't just write Pretoria off — but any development in the city centre is put together with the knowledge that it might be taken up by government at a low rental.

"As a result, they are careful to keep costs down, and A-grade space in Pretoria CBD is often equivalent to B-grade, as Sapoa defines it, in terms of quality and price.

Responsible

The private sector is partly responsible for this. With government setting the standards, private companies have become accustomed to depressed rentals and are unwilling to pay more unless they move to the suburbs," Minnaar says.

The situation is exacerbated by Pretoria’s traffic congestion, combined with a shortage of parking space. On average the ratio of bays to office space is only 2:100 m², compared with 4:100 m² in the decentralised areas.

"The city council is planning new parking space in Verwoerd Square, but this one development is unlikely to have much effect on the CBD," says Minnaar.

In addition, access is poor, although schemes to widen the roads within the city are under consideration.

"The result is that Pretoria CBD has become a dead area, and the impetus to decentralise has taken hold. According to City Property Administration MD Alec Wapnick, while demand for space in the CBD was fair for the past few years it is currently very low.

"But this position could change in the short term. At each end of any cycle during which there is little activity, demand builds up and manifests itself in a sudden burst," Wapnick says.

Shortage

Minnaar says the shortage of supply exists only regarding prime space. There is an oversupply of B and C-grade accommodation.

"The CBD has very little A-grade accommodation — only about 243 000 m², and no new building is planned there.

"There are some developments coming on stream now, and these will take up the slack, but nothing more is planned," he says.

Only Die Meent (15 000 m²) and Shoreberg (14 000 m²) are actually bringing new A-grade space to the market.

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Pep Stores manages to up dividend

SYLVIA DU PLESSIS

LATEST interim results from Pep Stores — on an expansion trail — reflect a mammoth 109.1% leap in interest paid, but the group has, nevertheless, managed to reward shareholders with an impressive 19.2% increase in dividends.

The no-frills retailer, backbone of holding company Pepkor and incorporating the Pep and Ackermans chains, has declared dividends of 20c (22c) a share for the six months to August, with cover unchanged at 2.8 times.

This was realised on a 28.2% rise in sales to R448.2m (R350.4m) and a 21% increase to R46m (R37m) in operating profit, which reduced operating margins to 10% from the comparable period's 10.6%.

Equipment

MD Basil Weyers said in a statement yesterday that operating income growth was at a lower rate as a result of a number of non-recurring factors, including the splitting of Pep Stores and Ackermans into two separate divisions.

After an interest bill of R1.2m (R431,000), reflecting a R7m long-term loan — entered into last year — to finance equipment in the group’s new high-rise warehouse in the Cape, pre-tax profit of R43.7m was still 19% higher.

Taxation of R11m (R8m) — at an effective tax rate of 25% expected to be higher at year-end — and attributable profit after tax of R72.6m (R57.9m) from associated companies came down to a net profit of R33.4m.

Healthy

This figure, from which earnings of 72c (61c) a share have been declared, represents a 30.1% improvement over the R27.6m recorded in the corresponding financial period last year.

Weyers, describing the results as healthy, said the group had maintained its high rate of expansion.

About 80 new Pep Stores and Ackermans outlets were opened during the period under review, lifting the total number of stores in the group network to 891.

Weyers said a “satisfactory” earnings growth rate would be sustained in the second half of the year in view of the fact that Pep Stores supplied no frills, goods to a mass lower-income group market and was therefore largely cushioned against economic downturns.

Weyers said Pep Stores, which includes a manufacturing division, planned to continue its network expansion and a substantial number of additional outlets would again be opened in the latter half of the year.

Pep Stores's shares rose from a year’s low of R12 in July to peak at R18 at the end of September.
Cash box jingles at Pep Stores

Pep Stores has reported a 23 percent hike in turnover to R449,2 million (R350,4 million) and a 20 percent increase in earnings to R33,4 million for the six months to August.

The dividend payout has been lifted 18,2 percent to 26c (22c) a share.

The group maintained its high rate of expansion, opening 60 new Pep Stores and Ackermans outlets in the six months for a total store network of 801.

The slower rate of increase in operating income — from R37,2 million to R44,9 million — is attributed to a number of non-recurring factors such as the splitting of Pep Stores and Ackermans.

Tax rose 23,4 percent and interest charges were higher, but a 35 percent increase in the contribution from associated companies helped achieve attributable earnings of R33,4 million — up 20,1 percent on the comparable half-year in 1988.

Managing director Basil Weyers says a satisfactory earnings growth rate should be sustained in the second half.

Pep Stores supplies no-frills goods to a lower-income mass market and is therefore largely cushioned from slowdowns.

Mr Weyers says Pep Stores plans to continue its network expansion and that a substantial number of additional outlets will be opened over the rest of the year.
Time has proved advisors can help

A NEW breed of businessmen burst onto the SA scene in the 60s, says Roger Keyte, chairman of the management advisory services interest group of the SA Institute of Chartered Accountants.

"This new breed was the answer to business woes. They called themselves management consultants."

A quarter of a century later, "they've grown up, and a new professionalism and effectiveness has convinced businessmen that consultants can help."

Keyte believes a major factor in the coming of age of the management consultancy profession has been the involvement of the major accounting firms.

Two elements contributed to the involvement of accounting firms, he says.

The first was an increasing need for management assistance by audit clients.

The second was the use of improved statistical techniques, audit approaches and computers, resulting in the improved efficiency of audit services and giving firms space to grow.

"Keyte says the relationship between auditor and client is often closer than that between business and banker, and with a high degree of trust."

Where the consultants of the 60s tended to impose solutions, the modern consultant aims to combine his experience and qualifications with his client's knowledge of his own business.
Pupils at M C Weller School which is run by the United Sisterhood, whose activities are threatened following disinvestment of its main sponsor. Picture by John Hogg.

Education drive in trouble after losing sponsor

By Wlonie Graham

The United Sisterhood, whose African projects are in jeopardy as a result of the disinvestment of its main sponsor, is to ask its sister organisation in the United States for financial help.

Mrs Henna du Plessis, the chairman of the United Sisterhood, said the national president, Mrs Shirley Robinson of Cape Town, was flying to the world conference of the Temple Sisterhoods this week to look for the R750 000 needed to keep the projects going. Most are education-related.

"This is what sanctions have done. It is not the whites who suffer. Without the help of the American Sisterhood there is a real danger we will not be able to continue our work for African communities."

A portfolio of pictures taken by The Star photographer, John Hogg, will be exhibited at the World Conference of Sisterhoods showing aspects of the women's work.

The sisterhood is heavily involved in the running of the M C Weller School in Alexandra. Named after the rabbi who started the reformed movement in South Africa, the school was taken over by the Bantu Education Board in 1955 (now the Department of Education and Training). The sisterhood, however, continued "mothering" the school.

Today there are 940 pupils at the M C Weller School, which has moved into a dilapidated old building which was once a convent. The women have provided a library, heaters for the classroom, classes for the upgrading of teaching skills, various teaching aids and meals for destitute children.

"The daily meal gives them 70 percent of the body's nutrition and costs 50c a child a day. In most cases, it is the only one they get each day. We would like to expand the feeding scheme to provide about 200 children with another meal but we haven't the money."

A promise of a new school building has never materialised and the sisterhood has now embarked on a major programme of refurbishing the 32 classrooms, adding electricity to each room.

Mrs du Plessis said the 23 teachers at the school had all written, or wrote about to write, matric. Within three years all hoped to have teachers' diplomas.

Without help

"A four-year course at Vista University not only upgrades teacher skills, but puts them in a higher salary bracket. However, fees alone cost R600 a year and few could afford to continue without help."

The women's organisation also provides bursaries for 22 black students now at universities and colleges in South Africa.

The sisterhood has also "adopted" 550 patients at a black tuberculosis hospital who are visited monthly and provided with basic necessities, newspapers and magazines.

Mrs du Plessis said the Sisterhood of the Temple David had embarked on a project to help black matriculants pass their examinations. The young people were brought to the Mitzvah School where they received extra coaching.

The Jewish women also organise numerous white projects which are heavily funded by the local Reformed Jewish community comprising about 2,000 families.
Businessmen to sue council

By Kaizer Nyatsumba

Carletonville businessmen are to sue 10 local town councillors in their individual capacities for losses suffered by their businesses during the duration of the consumer boycott.

At a meeting of the Carletonville Chamber of Commerce attended by about 30 people last night, the Chamber voted to sue the individual councillors for the harm suffered by businessmen as a result of the Conservative Party-controlled town council's re-introduction earlier this year of petty apartheid.

The council's decision triggered an intensive consumer boycott that seriously affected the town's businessmen, some of whom reported turnover losses of up to 80 percent and higher.

Claims against the councillors are expected to run into millions of rands. Carletonville Chamber of Commerce president Mrs Annelie Claassen said the town's estimated loss during the boycott had been R30 million.
**Repossessions of cars increase**

Edward West

VEHICLE reposessions have escalated compared with last year due to the combined effect of increased vehicle prices and government's efforts to curb domestic spending.

Bank spokesmen were yesterday reluctant to disclose actual repossession figures due to the competitive nature of the vehicle financing market.

However, Wesbank MD Peter Thomson said vehicle reposessions had increased 50% to 60% for the quarter June to September when compared with the quarter September to December 1988.

But the situation had not yet reached disconcerting levels and the high increase was because of a low level of reposessions during 1988, he said.

Another reason for the high increase put forward by economists was the combined influence of increased vehicle prices and bond rates and decreased levels of disposable income, said Thomson.

Santambank Assistant GM Francois du Pitsani estimated that group vehicle reposessions escalations had only increased 19% compared with last year.

He said 65% of the repossessed vehicles were given back to the client due to a settlement being reached.
Varsity subsidies go down, fees go up

PRETORIA — Government will continue to place stringent curbs on university subsidies next year and most universities have already decided on big hikes in tuition and other fees.

The chairman of the Committee of University Principals, Natal University's Peter Booyzen, said higher fees were unavoidable because of cuts in subsidies.

This had gone on for the past six years and had compelled universities to work on austerity budgets. Chronic inflation had aggravated the problem.

More stringent admission requirements had had to be imposed at Natal University because of the huge volume of applicants.

The University of Pretoria yesterday announced an 18% increase in tuition

GERALD REILLY

fees from January and some subject fees will be raised by more than 18%.

In conformity with the current subsidy formula, the state should have contributed about 80% to total funding.

The expected cut of about 25% in the subsidy for 1989 would decrease the state contribution to about 65%.

Hostel fees are also to rise at Pretoria University — women's by 3.3% to R3160 and men's by 9.5% to R3 670.

A Unisa spokesman said its fees would be raised by about 17.2%.

Fees at the University of the Witwatersrand will rise by about 17.5% and at Cape Town University by between 15% and 20%, spokesman said.

Predator threat seen by Nafcoc

NACFCC yesterday called for legislation to prevent black business falling into the hands of white "predators" drawn by the profitability of black consumer business.

Nafcoc public affairs manager Gabby Mokgoko said whites had already taken over in some areas.

He said legislation was necessary because of the abuse of 49/51% shareholding in government and other businesses in towns, and black nominees acting as fronts to buy business sites in black areas.

“We would interpret this (call) as a form of affirmative action whose aim is to allow black business to grow to comparable heights” and redress economic and political inequalities.

He said the retention of trading laws in one place and the abolition of the same laws in another also contributed to unbalanced development, frustration and hostility.

THEO RAWANA

While 2A took bold steps to scrap some of these laws, many "national states" kept them, therefore scrapping restrictive laws should be within the perspective of a unitary state.

"If this were attended to, black people would move faster forward across all sectors of the economy without any veiled stipulation as to which business should be for blacks and which for whites," Mokgoko added.
Beating boycotts

SA's polecat image makes life very difficult for exporters. So the successive years of growth achieved by Unifruco, the deciduous fruit industry's international marketing agency, is in fact a triumph over adversity.

The man who can take a lot of the credit is CE Louis Kriel.

He presides over an industry whose export earnings in the 1988-1989 season were R924m, up 20% on the previous year. Internationally, "Cape" is now a premier fruit marketing brand — this despite efforts of anti-apartheid activists who have targeted supermarkets stocking SA fruit. However, in recent years the industry has lost 17% of its export volume through sanctions.

Kriel (49) has not always been in the fruit industry nor even marketing. Born in Johannes- burg, he was educated at Linden Hoërskool before going on to Pretoria University where he obtained a BSc in maths and mathematical statistics. He lectured in maths at Pretoria Technical College for a year before joining the Rembrandt group.

For his first year he was assigned as a salesman in the northern Transvaal. The work wasn't glamorous but it taught Kriel the value of talking to customers — something he often considers of more value than sitting in meetings. During that time the seeds of an admiration for Anton Rupert, which continues to this day, were sown.

In 1962, Kriel was transferred to Stellenbosch, where, apart from a five-year stint in Europe, he has lived. Within the Rembrandt Group Kriel held various posts in marketing, first with Rembrandt SA, followed by posts with Rupert International, Rothmans International (overseas from 1972-1976) and with the Oude Meester group.

At about this time he decided to take on the challenge of marketing SA fruit pro-

I accepted the invitation because I felt, in the same way that we lobby governments who institute sanctions against us and those churches that encourage boycotts, it would be benefi-
cial for our industry to convey to the ANC the story of our industry and the long-term ef-

fects that comprehensive sanctions would have.

The past decade of his stewardship at Unifruco has seen achievements on both the qua-
tity and quality fronts.

The establishment of a growth philosophy, after years of pessimism about the industry's future, has seen fruit-growers become among the most successful farmers in the country. Kriel's approach in this respect was cultivated at Rembrandt and is premised on the view that a growing industry is much less vulnerable to attack than a stagnating one. The aim was thus to grow export volumes to the point where the industry became indispensable.

Quality has also increased. Closer atten-
don to consumer preferences has, for exam-

ple, led to a major change in approach to the maturity of fruits.

Whereas fruit used to be picked earlier, to offer a longer shelf life, it is now picked when it's riper, which shortens its shelf life but improves the taste.

Exacting quality demands by British retail chains in particular leave no room for com-

promise.

Kriel enjoys his job — dealing with products that symbolise good health. Challenges are there in abundance — co-ordinating the marketing of perishable commodities supplied by 1 200 producers and sold in competitive markets in an unfriendly world. His own good health can no doubt be ascribed to lots of fruit and the sterling habit of getting up at 6.15 every morning to walk in the Stellenbosch mountains.

Time spent overseas has encouraged an interest in international affairs. He reads current affairs, business journals and biogra-
deries. William Manchester's tome on Churchil is now the object of his attention.

Kriel is married with four children, three of them now studying at Stellenbosch Uni-
ersity. His oldest son is president of the National Student Federation.
Small business spotlight

THE government's commitment to deregulation signals that it is finally acknowledging the existence and importance to the South African economy of what is euphemistically described as the "informal sector".

The most common definition of this sector is that it constitutes a very substantial part of the country's economic activity that is not recorded in the national accounts and that could be regarded as technically illegal because of non-compliance with one or more statutory requirements.

Most informal businesses are small, one-man operations and include subsistence farmers, hawkers, street vendors, home-businesses, backyard mechanics, taxi owners, craft and curio makers, moonlighters and even black marketers.

If the formal small business sector is added to this diversity, it is estimated that more than 50 percent of South African business falls into the "small" category.

Small in this context can be defined as businesses with assets of less than R1.5 million; annual turnover of less than R5 million; and less than 100 employees.

It is also estimated that about 40 percent of all economic activity can be accredited to small scale enterprises in the formal and informal sectors.

The number of small businesses now exceeds 800 000, generating 75 percent of new employment opportunities within the country.

It is notable that about 35 percent of all formal sector employment is directly attributed to the small business sector and that about 75 percent of the country's labour force is involved in some form of small business or informal sector activity.

Considering the immense challenges facing South Africa in tackling the twin problems of unemployment and population growth, evidence suggests that small business can and does play a vital role in contributing towards finding solutions. We suggest that:

- Small business is by far the most cost effective and efficient job creator in a free enterprise economy.
- In a developing economy there is strong demand for basic consumer goods, and the small industrial sector is a proven natural supplier of such goods.
- Small business is an important source of competition and challenge to larger companies, dispersing economic activity and countering the evils of concentration.
- Small businesses are a crucial factor in maintaining a vibrant free market economy, promoting self-sufficiency and human dignity.
- Small business often represents valuable sources of innovation and creativity.
- Small business is regarded as an effective means by which one can integrate the informal or semi-formal sectors into the more formal or modern sector. It is the logical starting point for the Black entrepreneur who has been denied free and equal access to participation in the South African economy.

There are at least four key policies that need to be addressed in order to ensure the stimulation of the small business sector:

- The free market is the best environment in which to provide the incentives with which to nurture small business, and this calls for a dramatic reduction in socio-political constraints and the removal of legal and administrative barriers.
- Entrepreneurial talent and the philosophy of free enterprise needs to be more vigorously promoted among all South Africans.
- Development programmes, focussed on small enterprises, need to be more actively developed, with support from organisations like the SBDC.
- Far greater resources and expertise, including access to finance, premises, management, advisory services, training, legal counselling and marketing services are needed to reinforce the efforts being made by development organisations.

In the interest of promoting enterprising and vigorous entrepreneurial talent among all South Africans, future columns will offer practical advice on some of the following: steps to establishing your own business; check list for starting and maintaining a small business; where to locate your shop or retail outlet; understanding simple bookkeeping; costing; drawing up a business plan; stock control; keeping proper records; import replacement for small business; elements of exporting: small claims court.

For further details telephone the SBDC at (021) 461 8450.
Buyers say no to factory farming

BRUSSELS — Consumers are rebelling against factory farming methods, pressuring Europe's producers and lawmakers to give the millions of animals slaughtered each day a better life and a more humane death.

Increasing numbers of consumers in northern Europe are willing to pay more for eggs and meat from animals that are fed a healthy diet, do not spend their lives cramped in cages or boxes, and suffer minimal stress at the abattoir.

"Consumers are tending in some countries to ask for meat from animals which have been raised in acceptable conditions of comfort," says an official at COPA, the European Community (EC) farm lobby group.

Meat consumption

COPA maintains per-capita meat consumption is rising by a half to one percent a year in the 12-nation group. But some producers worry that people are cutting their meat consumption or giving it up altogether — a symptom of wider concerns about the environment and the quality of food, air and water.

"There are more people who think about these things who have decided not to eat meat," says Mr. Tony Venables, head of the European Bureau of Consumers' Unions (BEUC). "'Welfare meat' is the industry's response to growing vegetarianism," he said, referring to meat produced with regard to the welfare of animals.

Some meat and egg producers in northern Europe are moving away from intensive, factory-style systems of cattle and poultry raising introduced after World War II.

Public opinion is forcing legislators to implement tighter rules to protect farm animals in line with a convention agreed by the 23-nation Council of Europe in 1976 after an earlier wave of disquiet at factory farming.

Switzerland and Sweden are phasing out battery cages for hens. Denmark has given its battery hens at least 600 sq cm of living space each. That is slightly less than a sheet of standard business stationery but more than the 450 sq cm minimum set by the EC.

From January, Britain is banning veal crates, the narrow individual boxes in which factory farm calves spend their lives. — Reuters.
and Finds Score's Okay

Cars Lots up the Score
There's no business like home business
Union overtime ban, consumer boycott start

By Drew Forrest

A nationwide trade union overtime ban and consumer boycott in protest against the Labour Relations Act (LRA) has been called for today.

The action, the latest phase in a campaign decided at last month's "worker summit", coincides with talks between the unions and the employer body, Sacola, aimed at producing joint proposals to the Government on restructuring the LRA.

Cosatu's Mr Neil Coleman said seven out of nine Cosatu regional secretaries had been detained or sought by police since the summit. Mr Swayi Mokoea, western Transvaal secretary of Transport and General Workers' Union, was detained this week and seven officials of the National Union of Mineworkers were also being held.

Cosatu and Nactu, the union bodies spearheading the action, stated that the overtime ban was indefinite but subject to monthly review. The consumer boycott, directed primarily at white businesses, would end on October 6 but could be extended.

EMPLOYERS REACT

Early indications are that the overtime ban could spark a flood of employer interdicts.

Yesterday, Cosatu said a Nampak company, Printpak Grayure, and an Afcol subsidiary, Transvaal Mattress, had used the courts to stop worker action.

About 300 workers at Northern Transvaal Sawmills were fired for refusing to do overtime, Cosatu said. Company confirmation could not be obtained.

◆ NUM press officer Mr Jerry Majjali, detained under the emergency at the weekend, has been released, said Mr Coleman.
Customer a product

By Charmain Naidoo

SERVICE in South Africa is generally shocking and needs to be re-evaluated if this country is to make it to world class.

So says Tony Manning, author of World Class! Strategies for Winning with your Customer. His book provides clues for businessmen on how to weave customer service into business strategy.

Mr Manning believes customers are a product.

"They are created when you do the right things in the right way — when you make the most effective possible use of your resources."

Mr Manning says: "Most people have grown up experiencing nothing but lousy service, so they model their behaviour on the worst possible examples."

"Also, the management style in most companies works against great customer service. Another important fact is that people in the front line are not hired carefully enough."

Customer service begins with good human relations inside the organisation.

"Companies would do a lot better if managers remembered that people won’t show they care until they know YOU care."
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Pick 'n Pay
cheapest

PRICES are lower at Pick 'n Pay than at other shops, says a survey commissioned by the Consumer Council. On average, the price of general goods in September rose by 1.6% from August at Checkers and by 1.3% at OK. Pick 'n Pay prices dropped by 0.7%.
The Furniture Traders' Association has done a great deal to upgrade furniture retailing over the years. These days, more than 90 percent of all furniture retailers are members of the association.

All of them subscribe to a Code of Conduct, which keeps the industry "squeaky clean". The FTA is justifiably proud that its members subscribe to a Code of Conduct that states that:

- Advertising should not be misleading;
- Once an order has been accepted the price of the article should not be increased except in the case of increases in GST or import surcharges over which the dealer has no control;
- Delivery charges be cost related;
- A "cooling-off" period of 72 hours be applied, except in exceptional circumstances;
- Credit be granted with discretion to avoid over-commitment on the part of the consumers;
- Disciplinary steps be taken against members and staff who contravene the code.

Hopefully, this gives an answer to the often asked question: "Does the FTA have "teeth" when it comes to mediating in the case of a genuine complaint lodged by a consumer?"

**Pressure**

The fact that the SA Co-ordinating Consumer Council, newspaper consumer columns and the Legal Advice Bureau refer most of their complaints to the FTA for investigation supports the claim that it is able to bring pressure to bear on its members should the need arise.

The FTA has seldom, if ever, had to resort to such action because its members are for fair and honest trading.

Invariably, unresolved complaints arise from staff members who fail to meet their commitments but, almost without exception, those people have not been acting in accordance with their company's policy.

There is also the "impossible" consumer, who cannot or will not be satisfied.

Fortunately, there are not many of them around.

A Code of Conduct is simply affirmation of ethical trading. Any trader who chooses to ignore this important philosophy more often than not closes down.

Furniture retailers, like most other retailers, place a very high premium on "repeat" business, and this is only possible with satisfied customers.

There are instances where members of families three and four generations down the line still do their shopping at the same store.

When you consider buying furniture, appliances, TV or sound equipment, make sure that you deal with an FTA member, because credibility is the key to that member's success and your peace of mind.
Pressure on fleet owners in…

**Used-car decline**

The market for second-hand cars has taken a tumble and fleet owners are having great difficulty in getting rid of their used vehicles at acceptable prices.

Used-car prices began to decline from the beginning of May and since then, resale values have fallen by between 10% and 15%, with the 3 and 5-series cars experiencing the largest falls. Even prices of 1.2 and 1.5 cars have fallen.

The reason for the softening in prices is both the oversupply of second-hand vehicles and the fact that almost every used-car seller would like an individual whose disposable income has not kept pace with the rise in new car prices and consequently the upward pressure on used cars.

This means that the private buyer has been unable to enter even the used car market, especially in view of the prices fleet owners expect to get for their used vehicles, based on a planned resale price.

Although there is still a market for used cars, prices before the May tumble have returned to extremely high levels.

### Difficulty

This was caused largely by fleet owners, who take up about 75% of new vehicle sales, having favourable financing mechanisms and who, in any event, must have vehicles to conduct their business.

It has long been the consensus that if new vehicle prices continue to rise, used vehicle prices will rise in tandem. This, however, is not the case.

In contrast, the private buyer does not have access to similar funding methods and must use his disposable income to match a car purchase.

The result of these factors is that fleet owners are now having great difficulty in disposing of used vehicles at expected prices.

### Problems

To counter these problems, Avia Lease has suggested the use of full maintenance leasing (FML).

In terms of FML, there is no risk for the type of car; as Avia Lease is responsible for the eventual disposal of the vehicle at no cost to the user.

Although trading under these conditions is extremely difficult, we at Avia Lease are not concerned that it is happening as it will, hopefully, bring a lot of reality to the market," says managing director Greenvale Wilson.

"This should put pressure on some of the less professional players who seem to believe there is no end to the heights that residual prices will go.

"As pioneers of FML in SA, Avia Lease has experienced a number of downturns in the used car market and is fully aware of how to handle the situation.

"We are geared up to meet this situation having experienced it before and are able to handle it to the best advantage of our customers," he says.

"In the past, cooperation and commitment were rewarded coming to FML because they felt they would always be able to get good prices for their second-hand vehicles and it will not cost them anything.

"But now with the used car market where it is at present, the cooperative and efficient fleet owner will be finding it difficult to move their vehicles and might even be taking a loss on them.

### Benefit

"This is an opportunity for us to emphasize the benefits of FML," says Mr Wilson.

The FML in effect offers a residual value guarantee or a residual value assurance, which alleviates any risk element might experience. Avia Lease has been doing this since it introduced FML and has all the experience to make it work.
Toyota set to lay out R1-bn for expansion

By Jabulani Sikhakhane

Two major car manufacturers are planning investments totalling R1,3 billion over the next five years to meet requirements of the local content programme. Toyota has revealed plans to invest R1 billion in capital projects, while Volkswagen is spending R340 million in a major expansion programme.

An industry analyst warns, however, that the SA market might not be large enough to meet the additional capacity resulting from the large-scale investments.

In terms of the value-based local content programme, introduced by the Board of Trade and Industries (BTI) in March, manufacturers will have to lift the local content of their vehicles from current levels of about 55 percent to 75 percent by the end of 1997.

Analysts say that every one percent rise in local content costs each manufacturer about R30 billion.

This means that over the next seven years, therefore, SA's six producers will have to spend about R6 billion on the programme at current prices.

Reliable estimates are difficult to make at this stage, but the capital investments will inevitably lead to considerable cost escalations.

Tony Twine, motor analyst at Econometrix, says: "The success of the investment expenditures depend very much on whether the local market can absorb the additional supply and initial price increases resulting from the programme."

"This is doubtful and many manufacturers could experience losses if they cannot find alternative markets."

He suggests that local manufacturers examine export markets more seriously, especially Europe in 1992.

He argues that as a result of a drop in local demand, spare capacity is available, which could be used to produce cars for export.

At an economic forum last week, Nissan chairman Peter Whitfield said: "The inclusion of exports in the programme means that we can now become part of the world vehicle market, concentrating on the production of a limited range of components."

He estimated that the value-based programme would relieve pressure on foreign exchange reserves with the annual net forex usage on vehicles and replacement components declining from about R7 billion to R4 billion at current prices and volumes.

Since the introduction of the programme by the BTI, its implementation has been rather chaotic.

Nevertheless, many manufacturers have already announced extensive investments to meet its requirements.

Toyota will kick off its R1 billion expansion programme with a R55 million expenditure next year on an engine plant at its Prospecton factory.

Expenditure on the factory will grow to about R200 million over the next five years and will put the company in a position to meet its own needs for engines and offer them to other manufacturers.

Announcing the project over the weekend, Toyota's chief executive Bert Wessels said the first phase would lead to initial foreign exchange savings of about R60 million.

The programme will involve the localisation of the versatile Toyota V-series range of four-cylinder engines and create jobs for 40 skilled workers and many others for semi-skilled and unskilled workers at a later stage.

Other items of major expenditure include more than R200 million for new model tooling, R190 million for tooling required to increase the value of the local content of existing models under the local content programme and R60 million for presses, tool and die manufacture.

"A further R230 million will be required for other facilities to retain the company's position as industry leader," Mr Wessels said.

Volkswagen's R340 million programme is also designed to make substantial foreign exchange savings, with a tool-manufacturing facility at the top of the list of planned investments.
Clive Weil, a man you learn to trust

When I was a kid, I loved to swim. It was a great way to keep fit and have fun in the sun. Now that I'm older, I still enjoy swimming, but I've found that it's even more important for my overall health.

Swimming is a great form of exercise, and it's something that anyone can do, regardless of their age or fitness level. It's a low-impact activity, which means that it's gentle on the joints and can be enjoyed by people of all ages. Whether you're a beginner or an experienced swimmer, there are many benefits to adding swimming to your routine.

First and foremost, swimming is an excellent form of cardiovascular exercise. It helps to improve your heart health and lowers your risk of developing heart disease. Swimming also strengthens your muscles and helps to tone your body. It's a full-body workout, so you'll be working your arms, legs, and core.

Another benefit of swimming is that it's easy on the joints. It's a low-impact activity, which means that it's gentle on your knees, hips, and ankles. This makes it a great option for people who have joint pain or other mobility issues.

Swimming can also help to reduce stress and improve your mood. When you're in the water, you're surrounded by nature and can take a break from the stresses of daily life. The water has a soothing effect on the body and can help to improve your overall well-being.

In addition to the physical benefits, swimming can also help to improve your mental health. It's a great way to unwind and take a break from the demands of daily life. It's a great way to get away from the stresses of work and take some time for yourself.

But best of all, swimming is fun! It's a great way to socialize and meet new people. Whether you're swimming with friends or just enjoying the water by yourself, it's a great way to relax and have fun.

So, if you're looking for a fun and healthy way to stay active, consider adding swimming to your routine. It's a great form of exercise that has many benefits, and it's something that you can enjoy for a lifetime.
Govt curbs hit Tedelex profits

No retailing group seems to be more affected by the government's credit spending curbs than Tedelex.

After disappointing interim results the group today reported a rise in turnover of only three percent to R468.7 million and unchanged earnings per share of 50c for the year to end-August. However, the final dividend was raised by 70 percent to 17c a share (10c).

Commenting on the results the directors state that sales were depressed as a result of the strict hire-purchase and curbs and surcharges imposed last year.

"However, stringent cost controls and a significant improvement in sales of professional and business products enabled the group to raise margins from 10.1 to 10.4 percent and reduce gearing from 43 to 32 percent."

The directors forecast a slight improvement in profits in the current financial year, although an improvement in consumer durable expenditure is only expected when hire-purchase restrictions are lifted and there is a positive change in the overall economic climate.
Pepkor turnover up to R674,4-m

By DICK USHER, Business Staff
PEPKOR lifted its turnover for the half year to August to R674,4 million, a 28 percent increase on the corresponding half year in 1989.

Operating profit rose 18 percent to R47,8 million, while net profit, before extraordinary items of R2,6 million, rose 22 percent to R24,5 million.

Commenting on the results, chairman Christo Wiese said the half-year had been characterised by a further sharpening of Pepkor's focus and by the continued rapid expansion of Pep Stores.

"We sold Hyperette because as a convenience-store chain it did not really fit into our niche, which is mass-market retailing to the lower-income group.

We also disposed of some properties that were not directly related to our business, and we sold our export operation to Pep Stores, where it should be of great strategic value," said Mr Wiese.

He said the lower increase in operating profit was mainly attributable to the operating margins of Pep Stores being adversely affected largely by non-recurring expenses associated with the separation of the retail division into two businesses, Pep Stores and Ackermans.

"Profit before extraordinary items increased by a satisfactory 22 percent over the same period last year and reflects the improved results of the group's two listed subsidiaries, Pep Stores and Shoprite Holdings, which reported increased earnings of 20 percent and 35 percent respectively," said Mr Wiese.

The extraordinary items consisted of the surplus on disposal of certain investments, including the sale of the group's interest in Hyperette.

The dividend of 54c a share was 20 percent up.

PRESTO TRANSPORT

- Presto Transport Holdings showed a 37 percent increase in turnover to R51 million for the year to July 31.

Profits before interest and tax grew 58 percent to more than R5 million.

The dividend for the year more than doubled to 10,9c a share.

CEMAG HOLDINGS

- Cemag Holdings operating profit grew 30 percent to R1,8 million on a turnover increase of 26 percent to R25,5 million for the six months to August 31.

The interim dividend of 1,6c a share was 20 percent up.

Management said growth had been achieved entirely organically and was primarily attributable to an increase in the customer base and a sustained emphasis on rigorous financial and operating controls.

Financial director Victor Farkas said: "The group has benefitted from ongoing involvement in the Le- sotho Highlands water project. As a long term project these benefits are likely to be sustained in the coming period."

Cemag operates as a supplier of electrical and related equipment to mining houses, petro-chemical and steel industries and is also extensively engaged in the manufacture and re-winding of the electromagnetic and electric motor requirements of heavy industry.

Clients include semi-government organisations like Eskom and Sasol.
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SOWETAN Thursday October 26 1989
No role for big builders in housing

By ANDREA WEISS, Staff Reporter

SOUTH Africa's housing shortfall of more than two million units should be met by owner/builders rather than large developers, according to Mr Wolfgang Thomas, head of the Small Business Development Corporation.

In the latest Rode's Report, a research-based quarterly journal on the property market, Mr Thomas justifies a swing to owner development by pointing to the difficulties experienced with the 40 000-unit Blue Downs project in the Western Cape.

Flexibility

Seven large developers were employed there: one went bankrupt, another performed extremely badly, costs escalated, dissatisfaction was expressed over the standard of workmanship and developer/subcontractor relationships deteriorated, according to Mr Thomas.

While acknowledging that owner/builders cannot meet all housing needs, the owner/builders' input combined with greater flexibility would keep costs close to available funds, he says.

He suggests:

- Large developers should develop only serviced sites which would allow them a reasonable return on their projects but prevent them from hoarding or speculating on land. At present, artificial shortages are making prices skyrocket.
- Serviced sites should be auctioned to private individuals with only limited restrictions on their purchase, for instance a two to three-year building obligation and one plot per person.
- The resale of plots should be allowed possibly only subject to an initial six-month resale embargo.
- Suburban external services should be available and of a standard related to the desired residential standards. Also there should be minimal restrictions on building plans, materials used and phasing of construction.
- Information about plans, architects, builders and low-cost supplies should be disseminated.
- Basic facilities should be available on time.

The outcome of this approach may look chaotic at times but in the long-term would be more cost-efficient and self-satisfying to local communities. In addition, it would boost local entrepreneurship, Mr Thomas said.
Consumer boycott hit hard in Carletonville

By Raizer Nyatumba

Early this year the CP-controlled Carletonville town council followed Boksburg's lead and reintroduced petty apartheid.

The resulting black consumer boycott was much more intense than in Boksburg; more businessmen were put out of business and a number of people lost their jobs.

The town council refused to rescind its policies, arguing it was merely enforcing the NP's law.

The Carletonville Chamber of Commerce took the town council to court, asking that its decision be nullified.

In what was widely regarded as a watershed judgment, the Pretoria Supreme Court ruled in favour of the Chamber and ordered that the "whites only" signs be pulled down.

The town council's decision, the judge said, was harmful to the town.

The CP, however, immediately let it be known it would appeal.
Hairdressing – a survival tactic that’s set to flop

By PHILIPPA GARSON

BLACK hair care is a growing new business and hairdressers and manufacturers of hair products seem set for yuppydom.

The 3 000 black professional salon owners in the country rake in a total of R56-million in salaries each month, says Xolani Qubeka, chairman of the Black Hairdressers Association.

But the success stories are the exception rather than the rule, say a group of Wit University students who recently surveyed 32 black hairdressers in the Johannesburg central business district.

Most informal sector hairdressers are struggling to make ends meet, say sociology students Zuraida Dada, Somaya Imsial and Anusha Pillay.

They identified three groups among the hairdressers:

- One third, whom the students termed the upper stratum, lived comfortably from the proceeds and had entered hairdressing as a career.
- The middle stratum just managed to survive on their CBD business.
- The lower stratum was made up mainly of domestic workers who worked as hairdressers over weekends to supplement their income.

The researchers found a direct correlation between education levels and the various strata to which the hairdressers belonged. For example, the upper stratum members had studied beyond Std Eight whereas only 10 percent of the middle stratum had progressed beyond this point.

Most said they had left school prematurely because schools were far away, they were short of money and they needed to support families.

Only the upper stratum saw their education as benefiting their current jobs. Most interviewees had completed hairdressing courses at training centres and had “paid anything from R200 to R800 for two to six months’ training”. While many of the upper stratum had trained in the elite Sandton area, most middle stratum hairdressers completed courses in central Johannesburg.

The lower stratum, made up of thousands of people operating in townships from home — or if domestic workers, on the pavements outside their employers’ homes — had not undergone formal training.

Most of the hairdressers put themselves through training school.

All middle stratum hairdressers operated from offices in old buildings in town hidden from view, to which the women who sit on street corners with cardboard placards advertising perms direct customers. Many of these women are members of the hairdressers’ family who do not get paid but have a share in the business.

The upper stratum hairdressers had salons but “lacked the sophisticated decor and equipment of their white counterparts.”

For the vast majority the informal sector is not an escape avenue from poverty but a survival strategy in the face of large-scale unemployment

Interviewees were reluctant to divulge wages paid to assistants. But the women advertising hairdressing services in Johannesburg street corners said they were paid R50 a week.

Lower stratum hairdressers kept domestic work as the only means of subsistence to which they had access.

While middle stratum hairdressers worked on weekends to supplement their income, the wealthier group did not.

The researchers found that monthly turnovers were not much higher than rentals. The average monthly income for the upper stratum ranged from R1 000 to R1 500, while rents were between R700 to R900 a month. Yet the researchers describe these salons as “small rooms concentrated in dilapidated buildings in advanced stages of disrepair…”

Furthermore hairdressers had to spend between R200 and R300 a month on hair care products.

Most of those interviewed had been in the “trade” for not more than 18 months — indicating the rapid growth of this small business.

All hairdressers working in the CBD had trading licences, yet all showed ignorance about legislation restricting business activity. The researchers said licences had been issued “uselessly”, with up to 10 hairdressers on one floor.

The hairdressers complained of competition and poor business — despite offering their services at low profit margins.

The students concluded that despite the deregulation of black business, apartheid society and the continued existence of discriminatory legislation effectively disadvantaged blacks trying to eke out a living on their own.

Their small-scale project reflects general trends in the informal sector pinpointed by researchers from the Human Sciences Research Council, who say: “For the vast majority the informal sector is not an escape avenue from poverty but a survival strategy in the face of large-scale unemployment”.

HSRC researchers Eddie Barendse and G Huggins say that because unemployment is so high an enormous number of people are attempting to exploit the informal sector. This leads to stiff competition and low profit margins. Those who “make it” have access to the necessary financial and social resources and often get rich at the expense of the less successful.

Limited profits in hair trade

and outline of hair. Xolani Qubeka, found in recent research on this sector.

Qubeka’s findings, published in Black Enterprise magazine, show from 1985 to 1988, more than 13 000 people passed through training academies, which grew in number from 12 to 40 in the space of a year.

But nearly half of these academies have now closed down, and Qubeka now others are less eager to enter the business.

He thinks better training would revamp the hairdressing industry and lead to a professionalism he sees as lacking in many black hairdressers.

He estimates that over 60 percent of these people are underqualified and this leads to accidents and casualties which give the business a bad name.
"Extend credit on cars"

WESBANK managing director Mr. Peter Thompson has appealed to the authorities to increase the existing maximum credit period for motor vehicles from 42 months to 60.

According to South African legislation, hire purchase contracts for passenger vehicles are restricted to 42 months. The bank strongly believes that the authorities need to take a fresh look at this.

Research conducted by Wesbank shows that the average vehicle loan agreement in the United States runs for 36 months.

"New car purchases for the man-in-the-street have become a dream. In 1983 the repayment for an average compact car was R310 per month. Today, these payments are over R900."

"A longer contract period will provide the motorist with the means for affording a new car again," he claims.
Small firms get orders

THE Small Business Development Corporation has set up a unit to promote closer links between between big business and small entrepreneurs.

The SBDC unit, funded by R250 000 in bridging finance from Anglo American's new small business unit, has helped to arrange contracts worth R1.4-million. Contracts worth R2-million are being adjudicated.
The long-awaited marriage
of the Association of Cham-
bers of Commerce and the
Federated Chamber of Indus-
tries could take place on
Wednesday.

Assocom approved the
merger in principle at its
congress in Port Elizabeth on
October 17 and the FCI is
expected to announce accep-
tance at its Exco '80 confer-
ence in Johannesburg on
Wednesday.

There will be economies in

**By Don Robertson**

Joint chambers of commerce
and industry — but to get to
the altar, some large differ-
ences have had to be over-
come.

**Pecking**

Often the interests of com-
merce and industry clash. In
addition, there are strong
personalities on the execu-
tives of both organisations.

Arranging a pecking order
will be no picnic.

Ron Haywood is executive
director and chief represen-
tative of the FCI, and Ray-
mond Parsons holds a simi-
lar position at Assocom.

Mr Haywood, however, is
confident that any areas of
dispute can be resolved at
committee level and a uni-
ified voice presented.

The two agree broadly on
socio-political matters — so
much so that they were re-
moved from President FW
Botha's Economic Advisory
Council. But they have dis-
agreed on several issues in the
past and there could be prob-
lems in presenting a single
voice on some subjects.

The new organisation —
SA Chamber of Business —
will be established early next
year. It will represent about
half of SA's manufacturers
and businesses.
We aim to keep you moving

By Don Robertson

Everybody in the motor business wants to help ordinary citizens to buy new cars. They hope to do so by influencing the Government to lengthen the hire-purchase payback time to five years. The National Automobile Dealers Association (NADA) and the National Association of Automobile Manufacturers of SA (Naama) not only support the proposal by HP house Wesbank, but claim it is necessary to avoid an industrial calamity.

NADA chairman Errol Richardson says that unless dealers increase sales, "we will have a disaster".

Naama executive director Nico Vormeier warns that sales are declining.

Government regulations lay down that HP debts must be repaid in 48 months.

Restrictive

Wesbank has written to the Registrar of Financial Institutions and the Department of Trade and Industry asking for 48-month contracts.

No comment could be elicited from the Government this week, but economists say any relaxation of credit restrictions would fly in the face of restrictive monetary and fiscal policies.

The counter-argument is that particular industries should not be singled out and that interest rates should be used to control spending.

Santambank has joined the clamour for easier finance and has called for more affordable car repayment schemes.

Inflation

Managing director Roland Perold told the Handelsinstituut's motor congress this week that new methods of vehicle finance were necessary to help first-time buyers.

He said finance houses should restructure financial packages to include inflation. Monthly instalments could be increased by about 15% a year. Payments in the first year would be low, but would grow with annual salary increases. This would reduce the initial burden on the first-time buyer.

He advocated monthly savings pools among groups of car-buyers along "stokvel" lines.

A stokvel is a form of co-operative saving. Individuals contribute to a pool, and by rotation are allowed to draw...
management and leveraged buy-out opportunities.

Corvest will initially have R30-million to help finance buy-outs. It will be prepared to invest in buy-out companies, says Corvest chief executive Laurie Korsten.

The new company already has three or four proposals. "We believe that disinvest-
ment and corporate restructur-
ing activity will not decline," says Mr Korsten.

"Managements are showing an increasing willingness to take equity risk in order to share more directly in the wealth they are creating." He says managers can normally fund only a small part of the purchase themselves, and commercial bank loans may not be available or entail too high a level of gearing.

"This is where our money can help."

Critical

Corvest will be headed by three executives from First National Merchant Bank - Neil Page, Dick Merks and David Rissik - who have had wide experience in MBOs and development capital pro-
jects. They will have a minority interest in Corvest.

"We have worked together for four or five years and our combined experience gives us skills in three critical areas - finance, marketing and technical," says Mr Page.

The formation of the company is a logical move for Corvest. Mr Korsten became an MBO pioneer at Volkskas when he played an important

US companies, particularly, find the new tax burden on their South African subsidiaries onerous."

SA groups are also watch-

"High interest rates can mean that prices become more realistic. It becomes more of a buyers’ market."

From Page 1

Car hopes

on the capital built up.

Wesbank managing director Peter Thompson says: "New-car purchases for the ordinary man have become a dream. In 1983, the repay-
ment for an average compact car was R310 a month. To-

day, it is more than R900. A longer contract would put cars within reach of motor-
ists again.

Mr Thompson says the monthly repayment of a car worth R28 000, after a 15% deposit and GST, is R953 over 42 months. If the contract were extended to 60 months, the repayment would fall to R773 a month.

A car worth R48 000 would require R1 633 a month under the present rules and R1 300 a month over 60 months.

"The quality of vehicles is superb these days and the average life of a car has in-
creased dramatically since 1983. It makes sense to ex-

tend repayment to 60 months."

Nada's Mr Richardson says 301 000 new cars were sold in 1981. The forecast for this year is 220 000. The industry would be in trouble if sales fell below 210 000.

Total vehicle sales, including light, medium and heavy trucks, are forecast at 330 000 or 350 000 annually for the next five years.

The present squeeze coincides with plans by the indus-

try to spend R550-million a year between 1990 and 1997 to meet Phase VI of the local content programme.

Mr Richardson says that in 1980 there were 3,3-million vehicles in SA, of which a million (29%) were older than 10 years.

The stock of cars increased to 4,1-million in 1985 and 1,3-

million (31%) were more than 10 years old.

In 1989, the car stock was 4,7-million and 1,7-million (35%) were older than 10 years. At current levels, it will take about 12 years to replace the car stock.

Mr Vermuelen says that in the last six months of 1988, new-car sales amounted to 19 720 a month. In the first nine months of this year, average monthly sales fell to 18 867.

Used-car sales have also fallen. In 1988, used-car sales averaged 39 820 a month, but fell to 27 800 a month in the first half of this year. June sales were 37 100.

Corporate and fleet pur-

chases made up about 50% of new-car sales only a few years ago, but today they represent 70%. Small cars made up about 50% of the market in 1980, but now represent 65%. Their share is forecast to rise to 70% next year. Some fleet owners now buy second-hand cars.
Little Christmas cheer in store for consumers

By ANDREW GILLINGHAM

Nick Barnardt says: "Salaries are likely to rise at below the rate of inflation. And, despite election promises, the Government is unlikely to decrease tax for another two years because of the country's economic circumstances."

National president of the Housewives League Mrs Lyn Morris said: "Everyone is struggling. They are worrying about budgets and prices -- they have to..."

Reeling

"And they are thinking about the advertising hype associated with a particular product and deciding whether it's worth the price. Often they will buy the cheapest brand and see whether it does the job."

Supermarket chains are offering temporary relief on bread costs. Checkers announced a price increase in its bread price stability for the year to R720 000 yesterday. And Pick 'n Pay managing director Mr Hugh Hermsen said the company will also freeze its bread price for as long as possible.

Homeowners are still reeling from the mortgage rate rise to between 20.75 and 21 percent. And they could reel even further!

Mr Barnardt yesterday warned of a possible further rise to 22 percent.

"Budget for high interest rates until the second half of 1990 and, even then, don't expect them to fall sharply," he advised.

The Representative Association of Medical Schemes executive director Mr Rob Sperling said medical aid contributions could rise by as much as 30 percent next year.

And another increase in the petrol price is on the cards.

The National Energy Council says South African motorists are underpaying for petrol and that at price rise has been predicted for some time.

Blow for Retailers

Christmas Spending

By Steve Thomas

The retail sector was dealt a blow with the release of the latest Consumer Expenditure Survey (CSES) by the Bureau of Labor Statistics. The report showed that retail sales fell in December, leading to a decrease in spending for the holiday season.

Retail sales for the month of December were down 2.5% compared to the same month in the previous year. This is the largest decrease in retail sales since the beginning of the pandemic.

The report also showed that consumers are cutting back on non-essential spending, particularly in the clothing and electronics categories. Retailers are feeling the pain as they struggle to meet customer needs in the face of supply chain disruptions and inflation.

With the holiday season nearly over, retailers are looking to the new year for a rebound. However, with uncertainty in the economic outlook, it remains to be seen how the retail sector will fare in the months ahead.
Edgars looks smart despite the odds

SYLVIA DU PLESSIS

BLUE chip retail group Edgars has defied difficult economic conditions to show real growth across-the-board in the six months to September.

While tightened consumer spending has limited growth, earnings a share after the conversion of debentures were a nominal 29% up at 113.3c (87.5c), from which dividends of 27c (22c) have been declared.

Turnover climbed 27% to R897.2m (R704.9m) -- a creditable 6% ahead of the clothing, footwear, textiles and accessories (CFTA) market. A hefty 40% rise in operating profit to R130.2m improved margins to 14.5% from 13.5%.

But attributable profit of R75.5m, 33% up from R45.4m, would have been higher had it not been for a 90% hike in interest to R17m (R8.7m).

Group CE and MD Vic Hammond and financial director Kevin Bryar said in an interview yesterday the group's level of interest-free liabilities was "undenably high" last year, and gearing at 0.47 (0.38) was still satisfactory.

Hammond said he was very happy with the figures for all chains -- Edgars, Sales House; Express Stores and Jet.

Sales House subsidiary Express, still in the experimental stage, had been repositioned and "everything was in place".

Turning to prospects, he said real spending, "our CFTA", had contracted, and this "downward trend" would continue. Growth. While Edgars was not going to maintain its current sales growth, the group was budgeting for real sales growth of 6% for the full year.

He said stock for the festive season was up 35%.

Unlike most other blue chips, Edgars shares firmed earlier this week to a fresh peak of R24.50 -- more than 50% up on their yearly low in December of R16.
Tokyo motor show's star

Combined effect in -head compartment.
Over 72 000 cars worth R200-market stolen last year

More than 72,000 cars worth R200-million were stolen last year — and this figure is likely to rise. This is equivalent to a whole year’s output from one of the leading car manufacturers in this country. And it is believed that nearly half the cars stolen here are destined for foreign countries.

Car alarms and immobilisers are still the car-owner’s best single line of defence against this onslaught and a new system has been developed by Conlog, who introduced the ingenious speedo-cruise to the local motor market some years ago.

They also supply security systems as original equipment to Volkswagen and Toyota. The new product developed for the aftermarket has, say the manufacturers, such a wide range of electronic features that it will fool even the most clued-up car thief.

The new RXi has been developed as an extension to the Scimitar range and has been designed to balance security and convenient operation.

A crystal controlled ultra-sonic sensor detects movement in the car and a tell-tale signal informs the car-owner if an attempt has been made to tamper with the car, while the RXi also has a panic button feature.

This could be a lifesaver if you are threatened in the vicinity of your car. If you are outside the car, pressing the button will set off the alarm and hazard lights for 60 seconds, as well as unlocking the doors if the car has central locking. A separate button can be fitted inside the car which, when pushed, will activate the alarm and hazard lights for 60 seconds, also locking the doors if the car is fitted with central locking.

Other features include:
- Perimeter protection for the doors, boot and bonnet;
- Three circuit auto-arming immobiliser;
- Anti-tamper system override for vehicle servicing;
- Faulty input indication warns of a fault or an un-closed door;
- Power-down protection built in battery charger and battery back-up circuit.
Cover for informal business

THE African Council of Hawkers and Informal Business has signed an agreement with Metropolitan Life for funeral cover for its members.

Achib president Mr Lawrence Mavundla said in a statement in Johannesburg yesterday that this was the first time insurance had been made readily available to the informal sector.

"Informal businesses are regarded as high risk so it has been impossible for them to get cover," Mavundla said.

The insurance cover which will begin in December will not cost members anything as Achib has agreed to deduct it from subscription fees of R10 a month, Mavundla said.

"Funeral cover is just a start. Obviously we must now educate Achib members of the need for other insurance cover," said Mr Chris Myburgh, national sales manager of Metropolitan Life.

Mavundla said: "Achib has now succeeded in getting wholesalers, manufacturers, suppliers and an insurance company to do business with the informal sector. Banks are next." - Sapa.
Growing wealth in black townships

Yet there is not one formal pharmacy in the township. There are two doctors that I know of in private practice — probably dispensing practitioners.

"There are a few 'chemists' selling over the counter patent and traditional medicines. Dozens of spaza or house shops stock patent medicines, as is done by many supermarkets throughout the country.

"Few wholesalers or manufacturers are doing anything about developing this market."

Rudman said Durban held just as much opportunity. "Kwa Macha alone, just one of the black townships there, is almost the same size as Soweto."

"Because this growth has happened quickly, in the last five years or so, it has been overlooked by many marketers who still believe that Soweto is the centre and in some cases the only viable way of reaching the black consumer."

Pointing out that: "SA is a black country, much more African than European in tradition and standards," Rudman continued: "Learn to work with this market and that is where you will find your greatest prosperity yet."
WOOLTRU

Pillars of productivity

Activitites: Retailers of clothing, food and fashion goods. Owns 100% of Makro Wholesalers.

Control: Largest shareholders: SA Mutual 3.9m; Southern Life 3.5m; Liberty Life 2.4m.

Chairman: D Susman; chief executive officer: Colin Hall.

Capital structure: 14.7m ords of 50c each; 20.1m "A" ords of 50c each. Market capitalisation: R1,13bn.

Share market: Prices: 3 250c. Yields: 3.4% on dividend; 8.3% on earnings; PE ratio: 12; cover: 2.4, 12-month high: 3 380c; low: 1 550c.

Trading volume last quarter: 2,83m shares.

Financial: Year to June 30

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<td>Return on cap (%)</td>
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<td>15.0</td>
<td>22.1</td>
<td>24.9</td>
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<td>Turnover (Rm)</td>
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<td></td>
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<tr>
<td>Pre-int profit (Rm)</td>
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<td>Earnings (c)</td>
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<td>Dividends (c)</td>
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<td>80</td>
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<td>Net worth (c)</td>
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There is little room for doubt that the group has finally re-emerged from a mid-Eighties gestation period leaner, more aggressive, better focused and altogether more dynamic. The 1989 annual report tables excellent all-round results.

For a 52-week year sales exceeded R2bn for the first time — a 25.7% increase. For the five years 1984-1989 sales have risen at an annual compound 26.9% though the bottom line (EPS) managed only a 16.6% rate, because of falls in income in 1984 and 1985.

This year, however, against the expectations of most analysts, EPS growth again exceeded 50%, at 50.3%, compared with 1988's 51.7%. The dividend was raised 40% in spite of an increase in cover from 2.2 to 2.4.

Colin Hall ... reaching deeper into the population

Each of the three operational pillars — Woolworths, Speciality Retail Group (SRG), and Makro, the mass wholesaling chain — substantially improved its profits though individual figures are not disclosed.

With 76 stores and five franchised outlets, Woolworths' aggregate sales increased by 24% and topped R1bn for the first time. Clothing and general merchandise sales were up by 23% and food by 28%.

Tight cost and stock controls improved stock turn and reduced markdowns, with the result that pre-interest margins improved by 15.5%. Information technology contributed to pre-tax profits which increased by more than 45%.

Total floor space increased by only 2% but all space was made to work much harder. SRG sales grew 30%, to R59m (17.1% of group sales), and profits by 60%. The main contributor was Truworths where sales grew by 33% and profits by 62%.

Makro's six stores grew sales by 27% to R711m, 34% of group sales. Profits more than doubled. Here, too, management evidently increased productivity substantially.

The financial structure is sounder than for some time. Interest-bearing debt is down to the extent that cash on hand at balance-sheet date covers more than half of it. Debt/equity ratio has diminished to the point where the group is almost ungeared. Net working capital as a percentage of sales continued to fall.

At the annual meeting, two days after the hike in Bank rate, chairman David Susman disclosed sales were running about 25% above last year's. He said the expected downturn in the economy had not yet been felt but was close. In spite of this he was confident the group would have a satisfactory Christmas.

Deputy chairman and CEO Colin Hall says: "The three trading formulas have been much more closely focused. Woolworths, by expanding ranges and reaching deeper into the population, is demonstrating it has enormous steam in it. We expect substantial organic growth and aim to demonstrate we are going to be a big player in the food game.

"SRG has masses of growth, as it continues to focus on niche markets, and the restructured Makro is poised for new growth. In addition, we expect benefits from our new approach to property development."

Hall does not know when the downturn will bite but believes the group will outperform the sector. If sales growth stays at 25% for the rest of the financial year he is confident EPS will grow by more than that.

Last October the share price was R16. It is now around R32.50. Clearly, the market has significantly rated Wooltru. Even in the face of last week's volatility the share remained relatively constant, an indication that it is firmly held. Though it can be argued that it is fully priced at the moment, there still seems every reason for the long-term investor to accumulate the share.

Gerald Hinshon

FINANCIAL MAIL NOVEMBER 3 1989
Better than expected

Edgars’ results for the 26 weeks to September 30 seem very much better than one might have expected from the forecast in the annual report. Chairman Meyer Kahn said that the rate of real growth this year was expected to be well down on the previous year’s exceptional performance, when EPS climbed 59%.

He proved to be correct at the EPS level, where the increase was 12%, but this does not take into account the fact that 7.7m debentures were converted and increased cover in the past allowed for dividends to rise by 23%.

The surprise comes at the operating level. The group succeeded in increasing sales by 27% (34% last year), which was 6% ahead of the clothing, footwear, textiles and accessories market as a whole. Mainly as a result of the benefits of the climb in turnover, margins improved sharply from 13.2% to 14.5%, helped by tight asset management and some improvement in staff productivity.

There has been no easing in capital expenditure, though the extension to Edgarpark and the computer hardware outlay is complete. The budget provides for total capex of R84m this year, a large part of which has been spent on refurbishing and better utilisation of space in existing stores, especially those of Sales House. MD Vic Hammond has reason to be pleased with the resultant increase in sales/m² of 43%.

A number of new Express Stores were opened, as well as the Pretoria Edgars Store, which Hammond says is the best of its kind in the world. A new Jet store was also completed at Westgate.

Jet has long been a problem area, but Hammond says that the chain is showing a profit this year and that its return on assets has climbed from 10% two years ago to 32%. Sales/m² have also risen, in this case by 22%.

“The new management team has settled in and we would be very confident if it were not for the economic downturn,” he comments.

Financial director Kevin Brewer suggests that the market will continue to be relatively strong until after Christmas, though the white market has softened considerably. The group had the added problem of a boycott in September, which Hammond estimates cost R2.8m in sales and he says that “we are spending more to get the customers now.”

In anticipation of this, Edgars has stocked up, though stock turn, is at 3.7, is much the same as last year. To finance the increased stock and higher working capital requirements, borrowings rose 44% from R375.5m to R539.9m, pushing gearing up from 28% a year ago (which Hammond says was abnormally low) and 44% at year-end to the present 47%. Interest payments consequently climbed 95% to R17m.

Brewer says that borrowings will rise further and suggests that margins are at about their peak. “There must be a squeeze on margins if we aggressively chase sales,” says director Fred Haupt. Again, the predictions for the second half are for a lower rate of growth, especially as the way of accounting will mean that the expansion will be 26 weeks in the current year with 27 weeks last year.

This suggests that the dividend might be around 90c for the year as a whole, putting the share on a dividend yield of about 3.7%. The price has leapt from R16 at the end of last year to a new high of R24.50 on Tuesday. With the consumer demand downturn starting to accelerate, the share seems fully priced at present.

GOLD

Friendly trend

After all the publicity about gold breaking through a major resistance level at $370, it was hard to find a pessimist about the metal in a straw poll of chartists, but there are several suggestions it might react downward short term, with the shares in its wake. The general view is that the metal had broken out of the downward channel it has etched since December 1987 (see Markets).

The most negative view, from a leading broker’s chartist, is that the upturn in the gold price from about $366 to $377, between October 23 and 30, is not enough. He adds the chart may be in a “base area” but there is not yet enough evidence for a breakout.

The analyst says gold has fallen against the D-mark and he cannot find fundamental reasons why it should rise. He agrees, however, that chartists for gold in dollars are turning positive. The decreasing magnitude of the metal’s fluctuations in the down channel also indicates the bear trend is running out of steam. He says gold shares cannot be bought for their yields and their record of volatility this year makes a speculative venture into them spooky.

Three other chartists are unanimous the breakout is confirmed. Technical consultant Tony Henfrey has been predicting a gold upturn since May. He says the breakout constitutes a breach of the eight-month moving average and indicator configurations similar to those in 1976, 1982 and 1985, when there were strong rises in the metal’s price.

Jet says there are now reappers. This means gold has the potential to rise to $460-$500, he says.

The only uncharacteristic, uncomfortable feature is that previously gold turned when investors were apathetic about it; this time, interest is high. Though gold generally rises on inflation, Henfrey says its nature is changing; it is now rising on “tremendous financial worries.”

Chartist Bill Barclay says the bull trend for gold began when it lifted from its nadir of $455 on September 15. He says Monday’s $377 appears to be the top of the developing upward channel and now expects a reaction to around $373, testing the previous resistance level. Consolidation of the metal price and shares will be followed by resumption of the upward trend.

“Dee Ashton of Mathison & Hollidge says there is a definite change in market sentiment about gold but the recent rise in the metal and shares appears to be too far, too fast. She expects the metal to react to around $373 but it will still be in the bull trend if it holds anywhere above $368. Based on current buying pressure, she believes it will rise to the $392-$397 range within two months.

The All Gold index rose 26% from its low point of 1.399 on October 16 to 1.766 on October 31. Ashton says the volatility of gold shares means they may now whip saw downwards, especially as there is still plenty of nagging doubt about the metal’s prospects. For long-term investors, she describes the present as a buying opportunity second to none.
Van Zyl's threat to council a recipe for disaster - Ramaphosa

THE threat issued by Mr. Olaus van Zyl, Transvaal MEC in charge of local government, to the Soweto Council at a meeting this week was a recipe for disaster, the Soweto Peoples' Delegation spokesman Mr Cyril Ramaphosa said yesterday.

Ramaphosa said the rent crisis was not wholly the result of the council's negligence and inefficiency but was rooted in the system that created economically unviable townships.

Van Zyl earlier gave notice to the Soweto council to get its house in order saying, among other complaints, that outstanding rents had not been collected.

**Boycott**

"Inadequate housing for black people, which gave rise to squatting and the concomitant problems such as lack of sanitary facilities, poor services and poor living conditions - that contribute to disease - have been with us since the early days of Johannesburg," Ramaphosa said yesterday.

"The rent boycott as a form of protest against the terrible state of affairs should be resolved along the lines proposed by the SPD in their meeting with the TPA on October 1989," he said. - Sapa.
Black business sector has vital role to play in economic reform plans

By Roy Colayne

It is imperative that a large black business sector be created and put on a sound footing to assist the Government in its economic reform efforts, says Deputy Minister of Mineral and Energy Affairs, Piet Weigemoed.

"I believe this could be achieved by ensuring that opportunities are afforded to the black sector," he said in an opening address a National African Federated Chamber of Commerce (Nafcoc) privatisation conference in Pretoria yesterday.

Mr Weigemoed said all stakeholders, be they in the First or Third World sectors, regardless of race or colour, should be made aware of the objectives of the privatisation policy, either by a vigorous information effort or by some other stimulation, but preferably by a concerted co-operative effort by all levels of ultimate shareholders in the private sector.

"In the past, the consultative processes in the privatisation field were not as adequate as desired, especially as regards the potential black entrepreneur.

"However, I am happy to say that representation has been effected through the inclusion of the executive director of Nafcoc on the privatisation forum for commerce and industry under the auspices of the privatisation unit."

"In this manner, an excellent platform is being created for the black businessman to voice his views on privatisation initiatives."

"Hopefully this may lead the way to further consultation processes to enable the black business sector to be better informed and to be put in a position to compete in the privatisation actions on an equal basis," he said.

Mr Weigemoed said if South Africa was to survive economically, the regulatory system had to be kept uncomplicated and adaptable.

He said the deregulation policy was aimed at removing barriers to entry into business. Major changes were occurring with substantial and consistent growth in the number of black-owned or black-managed businesses.
Tramways change

The refurbishment and adaptation of obsolete utility buildings — railway stations and old markets are good examples — for use as trendy shopping and entertainment centres is very much in vogue. Latest city to jump on the bandwagon is Pretoria with its centrally located, old tram sheds.

Work begins in the new year on transforming the structures — at the corner of Van der Walt and Schoeman streets — into a R40m speciality centre along the lines of Durban’s Workshop. As part of the agreement with the City Council, the electricity department, which uses the sheds as a depot, will be relocated to a site provided by the developer, E G Chapman.

Chapman’s Greg Swemmer says the building will provide 12 000 m² of retail space. It will also be linked to the neighbouring Federated Forum and Momentum Volkskas retail malls — creating a combined 34 000 m² of shopping space when it opens in mid-1991.

According to Swemmer, two companies have expressed interest in becoming anchor tenants and Chapman is talking to several other national retailers. There will be speciality shops and home craft stores and negotiations are in progress for a cinema.

Hallmark has set its sights on meeting the needs of the informal sector with the acquisition for R3.5m of a block of industrial land from Rand Mines.

The intention is to develop a mini factory complex with an ultimate sales value of R20m. Known as the Crown Industrial Park the project will be implemented in several phases.

Hallmark says this is the first of several such developments planned for greater Johannesburg.

Tram sheds being spruced up for shops

The centre’s theme will be transport 1910 to 1920. The developer has bought an old tram which will be restored and installed as a stationary feature in the complex — perhaps it will be used as a coffee shop.

Swemmer says other features include a square — which could host a flea market — and a 300-bay garage.

Rentals are being pitched just below prime Pretoria CBD retail rentals — R55/m² to R65/m² for small shops — and agreements will include turnover clauses.

Architects are Peter Hattingh Ball De Klerk and Meiring Van der Leq & Ronga.
SUPERMARKETS 20

Weil checks out

The supermarket sector loses a bit of showbiz colour with the resignation this week of Clive Weil as group MD of Checkers.

Weil indicated he had been unhappy at Checkers for some time and was uncomfortable with his boss, Tradegro MD Donald Masson, who had a much more hands-on style than his predecessor, Mervyn King.

Weil won’t be leaving the limelight. His new post is executive director at the Johannesburg end of the Durban-based Prefcor group, a diversified retail and manufacturing group that includes Beares and Game. Weil says he won’t necessarily work on the retail side. “I consider myself to be a manager rather than a retailer. Out of the 20 years of my working life I have spent only four years in retail, 14 in manufacturing and two in wholesale.”

Prefcor chairman Terry Rosenberg says: “Clive is just up Prefcor’s street. He will have a staff position for at least the first couple of months and will help me plan Prefcor’s strategy. We have a number of new ventures, including a plan to turn our fleet of 1400 vehicles into a profit centre, and a move into golf club manufacture.”

Weil is the fourth MD in the Tradegro group to resign this year. Just a few weeks ago former Dion MD Hyemic Sibul was made executive chairman of Prefcor’s furniture division. The other departures were Cecil Smith of Metro and Clive Sacher of Jazz Stores.

Weil leaves Checkers in good shape. He turned a R43.3m loss the year he arrived into a R23.9m profit in the year ending June 30.

Soon after assuming the MD’s post four years ago, Weil starred in the Checkers TV commercials and acquired the nickname Chubby Checkers.

He created a huge controversy in retail circles last year when he spoke out against confidential rebates, a practice by which retailers get discounts in return for volume growth in certain brands. He described this as “commercial terrorism” and debated the practice on TV with Pick n’ Pay chairman Raymond Ackerman.

Ackerman says he bears no grudge. “Weil did a very good job bringing Checkers out of the mire and was the best boss the chain had since I left in 1966.”

Weil's number two, Sergio Martinengo, will take over but might not become permanent MD. Both Weil and his predecessor, Gordon Utian, came from Tiger Oats and the next MD could also be poached from the ranks of Checkers’ suppliers.
Square dance

Troubles surrounding the R200m Sandton Square project have been given a new twist.

A town council management committee has decided to cancel an agreement relating to a R5m office development contract awarded to Nexus Properties a year ago.

Controversy has plagued the ambitious multifaceted scheme since the first tenders were awarded in October 1988. The project involves 65,000 m² of office space, 20,000 m² of retail space, a 545 m² pedestrian mall, 6,600 m² of parking, a 34,000 m² civic site and 9,517 m² of public open space on a 9 ha site between Fifth and West streets.

Other problems include alleged tendering irregularities related to one of the proposed development sites and objections to aspects of the retail development. These are now in the process of being ironed out.

Management committee members were unable to confirm officially the latest decision over Nexus; the matter was discussed in committee and they are bound to secrecy.

However, it is understood that the action could be seen as a slap over the knuckles for Nexus for allegedly delaying work on two key sites next to Fifth Street, which divides Sandton City and Sandton Square.

It also opens the way for further action which could, in extreme circumstances, lead to a cancellation of the overall agreement between Nexus and the council.

Nexus MD Frank Peter says no notice has yet been received from the council and he will reserve any comment on the issue until after he has received formal notification.

Under the original agreement, once Nexus furnished the guarantees for its tender the developer was obliged to start work on-site within a year. However, because of the consolidation of Nexus's two sites into one, under a new title, a new agreement was negotiated. The essence of this was that Nexus had to pay interest on outstanding amounts owed to the council.

Furthermore, it had to provide guarantees for the interest owed — and Nexus has apparently failed to comply.

So the council has cancelled the second contract and the first comes into force. This means Nexus has little leeway in terms of starting work if it is to comply with the original terms.

The council does not believe it has in any way been responsible for delaying the Nexus.

However, Peter says the delays are as a result of changes in design by the council which have meant that the developer does not even know where the entrance to the development will be. Peter says his organisation has urged the council to firm up the designs so that it can proceed with the work.

The council's argument is that, although there have been rezoning problems, other organisations, such as Alcon, which is under similar constraints to Nexus, is already on site and construction work is under way.
Retail group has lost its biggest asset

WHEN 43-year-old Clive "Trolley-for-Trolley" Well, chief executive of Checkers, announced his resignation this week, people all over the country regretted his decision.

The reason: since taking over the hot seat at the country's biggest grocery chain in 1985, Well has built a reputation as someone who cares for the housewife and other customers.

In the financial year to June 1986, Checkers showed a loss of R44-million and could have faced the liquidation court.

Strenuous efforts by Well and his team, plus the financial muscle of the Sanlam insurance group, gradually turned the giant chain store group around.

Profit in 1987 was almost R7-million, growing to R24-million in the year to June 1989.

Profit of R24-million sounds impressive, but when compared to turnover of R2,7-billion, one realises how slim the profit margins of these superstores really are.

The public benefits from intense competition between mass retailers.

Supermarkets make a tiny profit on each item, while a high turnover ensures a reasonable overall profit.

For example, if a trader sells two pairs of shoes per month and each pair gives him a profit of R20, his total profit is R40. But if he sells 10 pairs and the profit on each is only R5, his total profit is R50!

The trader benefits because total profit is bigger and customers win because of the lower price.

However, a business with low profit margins and high turnover requires expert management, because profit can be wiped out by small mistakes.

This was realised by Kenneth Kaunda of Zambia not long after he nationalised OK Bazaars branches in his country.

Inexperienced management caused massive losses within months.

Checkers was fortunate to have had the expertise of Well to turn the company around after it landed in a mess.

Why has Well left?

Press reports say "strong personal reasons" are behind his decision.

Because of massive television advertising which projected Well as the friendly grocer who was available to anyone with a problem, he and his family lost their privacy. The phone rang day and night.

His public profile was simply too high.

One hopes Checkers will get another top-flight retailer as its new chief executive.

An efficiently managed Checkers will ensure competition keeps prices down.
CAPE TOWN — Shoprite increased turnover by 32 percent to R209 million in the six months to August and lifted operating profit to R5.8 million. Earnings increased 35 percent to R3.7 million (R2.7 million).

Shoprite managing director Wellwood Basson describes the results as satisfactory, particularly when viewed against the background of high inflation.

"Most of our business has traditionally been conducted in the Western Cape, which is probably the most overtraded region in South Africa.

"It is therefore pleasing to be able to report that our expansion into the lucrative Transvaal and Free State markets has been successful." — Sapa
Good news for entrepreneurs

By Jabulani Sibikhalane

Small business received a major boost yesterday when the Minister of Trade, Industry and Tourism, Mr Kent Durr, committed himself to the growth and promotion of entrepreneurship.

Mr Durr announced an open-door policy, inviting entrepreneurs to contact his department for discussions.

He told entrepreneurs at the Pennyville Hive of Industry that South Africa faced constitutional and economic challenges.

"If we are to win economically, small business will be essential to any growth strategy."

The Government would follow three strategies to boost small business:

One was continued support for the Small Business Development Corporation (SBDC).

The second was deregulation and the third the implementation of the "policy of the rising tide".

Mr Durr said some people had called for a "a mini-mister of small business."

"I say you have one. I commit myself again to the interests of small business."

The Minister said he had started as a backyard entrepreneur with no capital, only a telephone and an answering machine. "I built a business which has grown very big today," he said.

"South Africa is now celebrating its second national Small Business Week."

"The theme of Small Business Week is 'I have a vision. I share that vision. Small business must become and remain a large concern on the road ahead, if we are to grow as we should," he said.

He said conservative estimates were that 60 percent of all business undertakings in SA could be classified as small. About 70 percent of the labour force was employed by the small business sector. About 75 percent of all new jobs were created by the sector.

Its contribution to gross national product (GNP) was estimated to be 15 to 20 percent.

"The importance of small business development is therefore very clear."

"We need to develop small business in a big way if we are to place South Africa on a new growth path. If South Africa is to grow, small business must grow."

"The Government is attempting to promote small business development as far as possible by way, for example, of cluster industries such as this one in Pennyville," he said.
Consumer spending is likely to fall next year

CONSUMER spending was expected to slide in 1990 due to price increases, declining income, high interest rates, taxes and stringent hire purchase conditions, a Bureau of Economic Research (BER) report said today.

Total per capita consumer spending was expected to slow from a 1.5% increase in 1989 to 0.5% in 1990, while real disposable income was expected to slip from a annual 1% increase in 1989 to a 1.2% decrease in 1990.

Political

Yet, in spite of declining real per capita disposable income, total private consumption expenditure was increasing in real terms.

To the BER, it appeared as if many consumers were using a great deal of credit to maintain living standards, while another consumer group were anticipating higher disposable income levels and raising living standards because of the political reform process.

The net results of these trends was a lowering in average per capita living standards, an increasing burden of debt and low saving ratios, the BER said in the report, compiled by economists.

Spending on durable goods were expected to drop from an annual percentage decrease of 0.5% in 1989 to a decrease of 11.8% in 1990.

Slow growth in the durable sector would lead to a smaller market share, and if this was used as a yardstick for standard of living, the implication was that the latter would deteriorate.

High interest rates, price rises of imported durable goods, stringent hire purchase conditions, a building activity slide and tighter consumer finances would negatively impact on the sale of durable goods with household appliances and motor vehicles likely to be affected most, the BER report said.

Spending on semi-durable goods would slip from a 1989 increase of 3.6% to a decrease of 1.6% in 1990. This sector had cyclical tendencies and hard times were anticipated for this sector in 1990.

Spending on non-durable goods would decrease marginally from a 2.1% increase in 1989 to a 2% increase in 1990. Spending on services were expected to rise from 1.7% in 1989 to a 3.2% increase in 1990. Growth in non-durable and the services sectors was expected to remain relatively stable in 1990 because these sectors offered many goods and services which customers could not go without.

Employee remunerations increased rapidly during 1989 and less slowly during the latter half of 1989, but the BER expected a considerable decline in growth during 1990.

Income tax

Direct personal taxes were expected to affect consumer income adversely during the second half of 1989 due to bracket creep. In spite of an anticipated provision for bracket creep in next year's budget, real disposable income could decline in 1990.

The Finance Minister was on record as saying he would like to see a lower rate for private individuals' income tax. Given the demands made to comply with the needs for political and social reform, this would be difficult if not impossible to achieve, the BER said.

The best that could be hoped for in 1990 was an adjustment in bracket creep. Inflation was expected to remain high.
EAC economic attacks, differential taxes

Business Remains Optimistic

As zero growth rate is forecast
Help at hand for businessmen

ARE the pieces in your business not falling into place despite your best efforts? Are you experiencing some problems in running your business?

If this is the case do not despair for help is freely available. Our column "What Went Wrong" in Sowetan Business is for this purpose. You just write in detailing your problem.

The Centre for Developing Business at the Wits Business School will give you guidance. So why not send the details of your problem to them right now?

Their answer will be published in our What Went Wrong column but your name or company name will not be published as your consultations with the school are confidential. The details of your case and suggested solutions are published to help other entrepreneurs with similar problems.

Write to: Centre for Developing Business, Wits Business School, PO Box 98, Wits 2050.

Also we have opened a debate on whether white businesses should be allowed into the townships or not. Write to The Editor, Sowetan Business, PO Box 6663, Johannesburg 2000, giving your views.

Some entrepreneurs believe that black townships should be opened to white entrepreneurs but these companies must set aside a percentage of their shares to blacks. In other words if OK gets into the township, it must first get into a 49-51 percentage deal with blacks for the township operation. In addition it must set aside 20 percent of OK shares in the holding company or its major operations for blacks. This means black shareholders must also benefit in profits made in white areas by OK.

The other view is that whites must stay out and instead the Government must pass legislation protecting black entrepreneurs from white competition. This could be done by specifying that whites not operate within a specific radius of black businesses. What do you think? Just write to us in about 100-150 words, giving us your arguments.

Writers of the five best letters will get R20 each.
October’s new car sales take a dive from last year

AFTER three months of steady decline, new car sales for October 1989 increased 4,3% compared to September 1989 due to increased supply, but showed a sharp decline of 11,3% when compared to October 1988.

New car sales in October increased by 750 units to 18 122 units compared to 17 372 units sold during September. However, October 1988 sales decreased by 2 300 units when compared to sales in October 1989.

A National Association of Automobile Manufacturers of SA (Naamsa) spokesman said the increase in sales from September to October was due to increased vehicle supplies following production disruptions late in August because of industrial action.

However, of note was that the negative trend in vehicle sales was gaining in momentum, as evidenced by the year-on-year 11,3% decrease for October, he said.

For the past five months the monthly year-on-year comparisons had shown negative sales percentages, but the large decrease in October showed that the negative trend had gathered momentum, he said.

Naamsa said yesterday new car sales were showing signs of weakness at various vehicle manufacturers reported a sharp drop in orders.

Consequently, a further levelling off of passenger car sales was expected in the months ahead, Naamsa said.

New light commercial and minibus sales during October increased by 8,8% or 663 units to 10 570 units compared to September. Compared to October 1988, new light commercial vehicle sales increased 4,9%.

The continued sales performance of light commercial vehicles was because of better demand for utility and light commercial vehicles from deregulation in the small business sector, the corporate sector and the black taxi industry.

October sales of medium and heavy trucks compared to October 1988 fell by 17,8% and 4,5% respectively.

For the remainder of 1989 and the first half of 1990, Naamsa expected slower growth in the economy, declining levels of aggregate domestic spending, higher inflation and lower levels of real disposable income.

As a result, Naamsa forecast new vehicle sales would weaken and unit sales comparisons would probably be negative for most of next year.
Spaza is the new buzzword

According to Thami Mazwai

The latest word to be liberally dropped around in the business community these days, particularly in corporate boardrooms, is “spaza shops.”

The excitement with which white company directors have talked about these shops the past 18 months has at times made me wonder if they were referring to the same institutions I patronised in the fifties. To my surprise they were, I even recognised the peeling paint on some of the doors. The only difference today is that the magic wand has been waved and they are now seen as a natural expression of the entrepreneurial spirit in man. How things change, in the fifties the entrepreneurship was how to round them out of existence. While South Africa was specific - no “native” businesses.

Spaza shops, shebeens, coffee carts and hawkers, to name a few, constituted the informal sector in those years. Coffee carts were snuffed out in the early fifties when the then liberal Johannesburg City Council decreed they were a health hazard.

Shebeen

They have reappeared. Most are owned by whites but operated by blacks, and now ostensibly no longer a health hazard! The spaza shops, hawkers and shebeens continued to exist regardless of the harassment. Out of sheer defeat the Government legalised shebeens.

Likewise spaza shops are now virtually legalised. But why is big business so excited about them? I always get suspicious when they get excited about black ventures. It means there is something for them, and probably little for the spaza shops. And this seems to be the case.

Since the “discovery” of these spaza shops white suppliers flooded them with their wares. In other words for many of the captains of industry, and definitely not all, spaza shops were merely an outlet for their wares which would lead to their companies getting a bigger share of the market with increased revenues and profits at the end of the financial year. There is nothing wrong with this for spaza shops do need supplies. But one has to be honest about their true intentions.

Most major suppliers are now offering spaza shops unbelievable credit terms. Some of these suppliers have taken advantage of the fact that spaza shop owners do not have licences and are only too eager to get goods to sell. The prices they get these goods at are outrageous and allow them just that fraction of profit.

All in all, scores of spaza shops are being born and the suppliers are happily stocking them up and encouraging more to come in.

This is worrisome for the existence of these spaza shops is now being threatened.

Market

For how long will most of them survive? The size of the market is still what it was and is instead decreasing. Profit margins are getting narrower and the regular trader barely survives.

Predicitions by the Bureau of Economic Research are that consumer spending is set to decline next year because of price increases, declining income, taxes, high interest rates and stringent HP conditions. Although total private consumption was increasing in real terms, this was due to the fact that consumers were relying on a lot of credit to maintain declining standards of living.

With another increase in the bank rate anticipated by economists, the situation can only get worse.

Taxi

The spaza bubble may be about to burst.

Looking at the rivalry in the taxi industry there is no doubt that the spaza industry is headed in this direction. It was all glory and fame to the highest when taxi licences were issued right, left and centre. It was not explained that the more operators there are, the smaller the cake. Now, there are too many taxis, and “die poppe dans”.

About time our spaza shops took note of this, and learnt the ways of the world. Time to strategise for that eventuality.
New car sales make slight improvement

October car sales improved by 750, or 4.3 percent, to 18,122 units from the 17,372 units sold in September.

However, compared with the corresponding month of October 1988, there was a drop of 2,300 units, or 11.3 percent.

The National Association of Automobile Manufacturers (Naamsa) said yesterday the sales figure for January to October was 2.8 percent down from last year at 187,927 (193,408).

Total new vehicle sales were down 0.8 percent at 298,241 (300,738).

However, Naamsa said sales had been in line with general industry expectations.

Sales of light commercial vehicles and minibuses rose by 663 units, or 6.6 percent, to 10,587 from 9,924 in September.

Compared with October last year, light commercial vehicle sales improved by 4.9 percent.

Sales of medium and heavy trucks fell by 178 percent last month, or by 4.6 percent against October last year.

Naamsa said the new-car market was beginning to show signs of weakness and that various vehicle manufacturers had reported a fairly sharp drop in orders.

A further levelling off in passenger car sales in the months ahead could therefore be expected, it said.

The continuing strong sales performance of light commercial vehicles and minibuses could be attributed to the strong demand from the small business and corporate sectors and from the black taxi sector.

For the rest of 1989 and the first half of 1990, Naamsa expected slower growth in the economy, a decline in the level of aggregate domestic spending, higher inflation and lower levels of real disposable income.

As a result, new vehicle sales could be expected to weaken modestly and sales comparisons would probably be negative for most of next year, it said.

The organisation expected new car sales to fall to 221,000 in 1989, against 239,500 last year, light goods vehicles sales to move up to 116,000 and sales of medium and heavy commercial vehicles to fall. — Sapa.
SA Druggists in drive to increase market share

Finance Staff

In a concerted drive to gain market share South African Druggists has announced plans to build a R45 million manufacturing plant in Port Elizabeth.

News of the plant coincided with the release of SA Druggists interim results for the six months to end-September, which showed earnings up a mere 17 percent to R20.2 million (17.5 million).

The plant, which will specialise in the manufacture of injectables and intravenous solutions, is expected to come on stream in 1992 and benefit the group's earnings per share from 1993 onwards.

Managing director Tony Karis said that expansion would yield infrastructural advantages and allow the group to increase its stake in the local market.

Over the interim period SA Druggists turnover rose 25.5 percent to R452 million, which realised earnings a share of 14.31c, up 17 percent on the previous 12.23c.

An interim dividend of 4.75c (4c) was declared.

The results are considered by the board as satisfactory in a competitive trading environment, which was made more difficult through certain problems.

According to Mr Karis the pharmaceutical and wholesale divisions performed well, but the LPA distribution business was adversely affected by mechanical problems at its new warehouse.

Mr Karis said that several issues and capital outlays that affected the first half of the year would not impact on the second half.
Fixing the ailing price system

Wine producers, disturbed by stagnating sales, are pressing for major changes in the way wine prices are set. Changes under discussion by growers and wholesalers could mean lower prices for consumers in the long run.

KRW, the co-operative that represents producers, may announce a new price system as early as next month, with changes taking effect within a year. KRW is not considering anything as radical as abolishing the price system, and setting the market decide prices and production, but for the notoriously conservative KRW even to consider reforming its 70-year-old method underlines the problem.

The debate is largely two-sided. On one side are those who want KRW to scrap the setting of a minimum price for each grade of wine and, instead, set one minimum price. The other side wants to reduce the three grades to two.

KRW’s pricing system was designed to guarantee “a consistently stable income to the wine farmer,” according to the KRW compendium. But the system is failing. Some producers are surreptitiously undercutting minimum prices and, in the end, producers who abide by the rules are seeing profits drain away.

Stellenbosch Farmers’ Winery (SFW), which is the industry’s largest wholesaler and holds 40% of the country’s market for wine for consumption, acknowledges that it’s been hurt (Business September 15).

Small wholesalers and co-ops that market directly to retailers are “in some cases even undercutting the minimum producer price for good wine that exists for their own protection,” said SFW executive chairman Dave Marlow at the winery’s recent annual meeting. Undercutting is, however, very difficult to prove.

Marlow also pointed to the “ongoing pressure by primary producers to acquire more wholesale liquor licences.” He warned that “this would enable them to compete even more strongly on an unfair basis with companies such as SFW that are restricted by minimum producer prices, grape quotas and other regulatory measures.”

KRW acknowledges the dissatisfaction with its pricing system. CE Ritzema de la Bat notes in his current newsletter to producers that “ever more voices are being heard from producers that the (middle-price grade) should be scrapped.”

KRW sets prices and, in one case, a floor price for three broad grades of wine. This year the price of good wine was set at R76.94/l, the price of standard wine was set at R59.58/l, and a floor price for distilling wine was set at R27.89/l. This makes the price of good wine 175% greater than that of distilling wine. In 1980 it was 91% greater.

De la Bat notes: “In the proportion that the distilling wine price moves away from the good wine price, so the temptation for the producer to undermine the minimum good wine price becomes increasingly strong and the maintenance of a minimum price for good wine becomes more complicated.”

He cautions, however, that a single floor price for all wine could cause overproduction, losses and other destabilising effects if it is not accompanied by a system that ensures adequate prices for top quality wines.

This is a retreat from the KRW’s usual line that any price system reform would be destabilising.

Both Marlow and De la Bat acknowledge that urgent discussions on the price system are under way between KRW and the major wholesalers. But reform is not a simple matter because it will have a different impact on the various growing areas.

Different regions, different impact

Yields in the Stellenbosch area are around 10-15 t/ha while, in areas such as Worcester, they can be as high as 30 t, and even higher in the Olifants River area. Low-yield areas, which usually produce higher quality wine, would probably fare worse under a single-price system because they would be unlikely to achieve premiums sufficient to compensate for their lower volume.

Pressure to reform the price system would not have emerged if the wine market were healthy. The market’s high end is showing 9% annual growth but the segment accounts for only about 30m l of a total market of 260m/year. The medium- and standard-price wine market is not growing.

Industry re-examination

Putting wine sales back on the growth track is the industry’s major challenge. One effort in this direction is the Wine Foundation’s campaign to promote wine generically. There is a lack, however, of clarity about why people do not buy more wine. Is it because it’s too expensive or because it has the wrong image?

SFW thinks it’s a question of image. Marlow notes: “If we can give a good quality product, if we can give it image, people will want it. It is not a commodity business, it is about building brands.”

Marlow believes inferior products at the lower end of the market are debasing wine’s image. This, of course, is a good argument for the quality-wine producers to make because addressing this problem would require restraining the producers of cheap wine. They forget that if it were not for this cheap wine overall sales would be even lower.
Shedding the past

Beyond the centre stage of political talk-about-talks, society is undergoing change so profound that the future will be multicentral, whichever government comes to power. Indeed, preparing for “the new SA” seemed to be the central message at the annual convention of the Institute of Personnel Management, attended by more than 1 000 delegates at Sun City.

The clearest illustration of this silent revolution, being forged on the ground by millions of ordinary people, was set out by John Kane-Berman, director of the SA Institute of Race Relations.

Firstly, urbanisation. SA is reaching the stage where the urban population is overtaking the rural population in size for the first time, he said. Durban, for example, was now one of the fastest growing cities in the world, increasing by about 8% a year (see “City of the future”). At this rate, by the year 2000, the city will have as many people as London has today. While the current ratio of urban blacks to whites is roughly balanced, by 2000 blacks will outnumber whites in cities by three to one.

Secondly, a silent revolution is taking place in education. “Between 1955 and the year 2000 the increase in the number of African students will have, on present trends, no less than 40 000%.” Blacks currently account for about half the number of matric candidates; within a decade, 70% will be black.

This is changing the racial composition in higher education, Kane-Berman adds. In 1966, 11% of university students were black; in 1986 the figure was 40%. This is already having important consequences for the country’s manpower profile. Middle-level manpower, for instance, was 20% black in 1965; in 1985 it was 40% black.

Following from this, “the changing composition of our intellectual capital is the third component of the silent revolution.”

The fourth is the change in patterns of consumer spending. For example, blacks are responsible for 80% of all liquor consumption. In downtown Johannesburg, R7 out of every R10 is today spent by blacks (compared to R5 in 1979). In 1974, whites accounted for 75% of all vehicle registrations; by 1994 that proportion will have dropped to about half. The car hire company Avis recently opened its 101st depot in SA and its first in a black area, Soweto.

Related to consumer spending is the pattern of income distribution — Kane-Berman’s fifth component of the silent revolution. In 1960, whites accounted for 63% of all disposable income but by the year 2000 the white share will be down to 43%. Blacks’ 32% share of disposable income in 1970 is expected to rise to 57% at the turn of the century.

Housing is the sixth component. In 1982, 13% of building plans passed by local authorities were for black housing; last year the figure was 57%. One building society recently said that a quarter of all its home lending was now to blacks. Kane-Berman notes that growth of the building industry now depends largely on home building for blacks.

Then there are the black taxis. Kane-Berman quotes Clem Suter’s calculation that the investment in this sector is equivalent to that of two major gold mines — and employment generated by minibus taxis is as much as is provided by 10 gold mines. It is

Contd from page 49

also said that their daily petrol consumption is second only to that of government vehicles.

An aspect of the power of black taxis, says Kane-Berman, is the “grocery circuits” — they can influence which shopping centres are patronised. Most interestingly, this is also seen in areas like Pietersburg. The town council there recently refused to establish a taxi rank in the town. However, three major supermarkets are now competing to provide ranks next to their stores, because they want the busineess. taxis will bring from black townships in Lephalale.

“The supermarkets know something that the town council does not know, which is that their future depends on attracting black custom.”

Among the characteristics of this process, says Kane-Berman, is that changes taking place are, as with the rise of the black trade union movement, profound and not cosmetic.

Secondly, most of the changes have been accompanied by the steady erosion of apartheid — for example, in educational institutions. He thinks it is reasonable to predict that in the next few years white teacher-training colleges will be allowed more leeway in admitting people of other races, as technikons were at the beginning of this year. Universities and private schools already determine their own admissions policy.

The Group Areas Act (GAA) is another illustration of eroding apartheid. Estimates of the number of black people unlawfully resident in white areas vary between 100 000 and 250 000.

According to Kane-Berman, an important feature of the silent revolution is that “it is not something brought about by political elites” but by ordinary men and women. The best example is the way people simply and powerfully rendered the pass laws (repealed in 1986) unworkable by voting with their feet and forcing government to change the law to cater for the new reality. In the same way government has been forced to consider amending the GAA to cater for certain areas which have, in fact, already become mixed.
Achib to open branch in W Cape

JOHANNESBURG. — The African Council of Hawkers and Informal Businesses (Achib) is to open a branch in the Western Cape.

The organisation, which looks after the interests of hawkers, street shop owners and other informal businesses, already has 20,000 members represented by branches in the Transvaal, Orange Free State, parts of Natal and the Eastern Cape.

Achib was asked by the Black Sash and Mastilunde to move to the Western Cape in order to help hawkers and informal business. — Sapa
Shield ditches Success to get back on track

WHOLESALE and retail franchiser Shield Trading has shaken off the hangover left from its unhappy venture into direct trading through the unfortunately named Success chain.

The wisdom of sticking to its knitting is shown in strong interim figures to August 31.

At the year-end last February, the group posted a 28% increase in turnover to R45.2-million.

Christmas

With all the Success outlets hived off, the core business is now back on track. Turnover in the six months was 23% up at R248.6-million and taxed income jumped a remarkable 43.5% to R16.6-million.

Earnings a share jumped from 3.4c to 4.9c, not far short of the 5.5c for all of last year.

The second half is traditionally the better trading period when the group benefits from Christmas spending boosted by annual bonuses and the increased buying power that comes from year-end pay rises.

Chairman Theo Muller is confident that Shield will meet his prediction of R500-million turnover for the year and a return to the historic 40% annual earnings growth.

He says: "We are back to the business we know best. Our quick recovery is due to a number of factors. Financial management was particularly quick to pick up the disturbing signals from the Success venture and we were able to take drastic action to extricate ourselves quickly from a difficult position."

Mr Muller says the increased turnover in the past six months was particularly pleasing because the comparable previous half-year included the business of 10 Success stores, since been sold or franchised.

If allowance is made for this the core business increased its sales by 41.4% in the same time.

Strong

Group operating income increased by 33.5% from R17.7-million to nearly R23. million and pre-tax income moved from R11.6-million to R28.8-million.

Mr Muller can foresee no pitfalls. The group's cash position is strong, with interest earned in the latest six months up to R770 000 compared with R108 000 in the same time last year and R160 000 for the year.

"The fact that we can pay quickly does enable us to negotiate favourable terms with manufacturers."

The sector is also reasonably recession-proof, given its product mix and its exposure to the growing black market.

Talks with major groups about a partnership with Shield have been shelved for the time being at least.

"We were looking for diversification opportunities, but we were talking on the basis of our historic results.

We know, however, where we will be next February and we were not prepared to lower our price.

"In any event, we will not part with control."
R2,25m buys a peer's upper-crust mansion

By Charmain Naldoo

What kind of home does R2,25-million buy today? A mansion set on an acre of ground, says up-market estate agent Carmella Seeff.

Ukuthula is the Upper Constantia home of Lord Elborough-Cook and his wife.

The couple, who bought Ukuthula a year ago, now wish to live by the sea and are looking for a house in Clifton or Bantry Bay.

As far as Mrs Seeff knows, R2,4-million is the highest price ever asked in Upper Constantia.

She believes that if the asking price is realised, other Cape Town houses could be put on the market for a similar sum.

"Business in the top end of the market (R250 000 and more) is brisk. Prices are set to rise.

"Development possibilities in good areas in Cape Town are limited. House-buyers are caught between the mountains and the sea."

The three-year-old Fabian and Berman house, described as a modern Bauhaus home, comes complete with acres of lawn, floodlit tennis court, underfloor heating, a high-tech security system and a heated swimming pool.

There is a magnificent view of the mountain from every window. In the garden is a gamebo and indoors a bar and gymnasium.

Ukuthula has two sitting rooms, a formal dining room, four bedrooms each with its own bathroom and a guest flatlet.

Mrs Seeff says: "According to the Rode Report, house prices have risen by 25% since 1986 in the upper bracket. It is feasible that prices will rise even further in 1993."
City Lodge goes to Town

HOTEL entrepreneur Hans Enderle hit a milestone earlier this year when he completed the development of a 1,000-room hotel chain from scratch in only four years.

But there's no time to relax. He is launching a chain of "selected service" Town Lodge hotels which will complement the thriving City Lodge group.

The cost on current budgets will be about R140 million.

Franchise

City Lodge's seven hotels in main centres, including the four opened this year, are running at an average occupancy of more than 80% compared with an industry average of 57%.

At least 10 Town Lodges - they will trade a little below the City Lodges - will be built in the next five years, says Mr Enderle. The finance is in place.

They will fill some of the gap left by the closure of many one- and two-star hotels.

"The first Town Lodges will be built and operated by our group to prove the concept. But later there will be opportunities to franchise the concept."

The new chain and five more City Lodges planned for Cape Town, Durban, Pretoria and Johannesburg will add another 1,000 rooms to the group.

"Town Lodges will be small hotels in which personal service will make guests feel at home," says Mr Enderle. "They will meet the needs of business travellers, tourists and families in small towns, growth centres and country areas."

The group has bought a Town Lodge site at Nelspruit and is negotiating for land at Pietermaritzburg and Belville.

Other areas which have been earmarked are Kimberley, Newcastle, Welkom and George and the greenbelt areas of Cape Town, Durban and Johannesburg.

Showers

Town Lodges will have between 50 and 100 rooms and the tariff will be 25% to 50% lower than comparable full-service hotels.

Low tariffs will be made possible by careful design which will take up 30% less land than a City Lodge and the use of standard designs.

Rooms will have showers instead of baths. City Lodge market research showed that two-thirds of guests preferred showers.

Mr Enderle says: "We can build Town Lodge rooms for less than R30,000; compared with R80,000 for a City Lodge and R200,000 for a five-star hotel room."

By Ian Smith
Mr Transport sets up shop

MEET Mr Black Transport — that’s Douglas Mlambo from Dube, Soweto.

Mlambo’s business is a travel agency and his aim is to promote train tours among blacks. To achieve this, he has set up his own offices at the Johannesburg station where he has started a company, and works in conjunction with SA Transport Services.

In this business, he hopes to encourage blacks to get back to the trains and stay off roads during holiday journeys and Sats are right behind his idea.

This week the Director of Sats Passengers Services, Dr Charles Wright, handed over the keys to Mlambo’s plush offices at a glittering occasion in Johannesburg.

Mlambo will offer several tours for people of all racial groups and will also cater for student groups and educational tours. His services will also be available to all communities and any organisations needing his assistance and facilities for the planning of excursions to meet their needs.

His objectives, he says, are many and varied.

“I want to identify opportunities in the transport market country-wide and aid the development of travel packages for blacks.

The first tour from Johannesburg to Durban is planned for December 22 and 26 this year and he says tours to other parts of the country will be developed as the market grows.”

Mr Black Transport, Douglas Mlambo.
Focus Holdings boasts 13.2% turnover rise
Small increase in retail sales

EXPECTED real retail trade sales for November, at constant prices and seasonally-adjusted, show an increase of 1% compared with November last year and are 1.6% higher than in October this year, according to the Central Statistical Service (CSS). Retail trade sales at current prices are expected to total R6,906m this month, a 17.6% increase over November, 1988.
Rise in interest rates is expected

Don’t blow that 13th cheque public warned

By Jacqueline Myburgh

Consumer bodies have warned South Africans to cut down on unnecessary luxuries this Christmas, in anticipation of a further interest rate increase in the near future.

Reports that the country's major banks are calling on Reserve Bank governor Dr Chris Stals to raise the interest rate have led to speculation that it may go up by a full percentage point.

The chairman of the Consumer Council, Professor Leon Weyers, said in the short term such an increase would not only affect borrowers, but would also have an indirect influence on the price of commodities.

"In the longer term, we might bless the Minister for putting up the interest rate and thereby lowering inflation," he said.

"Consumer bodies are in a dilemma. We are always calling for inflation to be brought down, but when we take castor oil to bring it down, we criticise the castor oil."

Professor Weyers thought an increase over the festive season would be inopportune.

However, he suggested consumers should not overspend this Christmas in anticipation of the expected increase.

Mrs Lyn Morris, president of the Housewives League, said it was up to members of the public to make provision for such an eventuality and not to "blow" their 13th cheque on unnecessary luxuries.

"It's all very well saying 'help, help' when the interest rate is increased, but what have you done yourself to try to avoid financial problems?" she said.

She added that the last interest rate rise caught everyone by surprise, but we have had ample warning of the next one.

Mr George Fulton, of the Consumer Union, said a rate increase would obviously have negative effects on the consumer, but it was a medicine we should have taken before and not have had to take now.
Competition in SA unfair

THEO RAWANA

SUN CITY - Competition was healthy for an economy, but the problem in SA was that competition was not fair, Law Review Project director Prof Louise Tager said yesterday.

Addressing the Sabta AGM at Sun City, Tager said concern that in a free economy there would be over-trading stemmed from a misunderstanding of the nature of an economy.

"Without competition, business cannot grow; it becomes complacent; services suffer; prices remain high; and businesses just deteriorate. Without competition everyone is affected. Consumers are prejudiced and the economy is frozen - it never grows, because there is no incentive to grow. Competition benefits everyone."

"Tager said the economy was not a "fixed size" cake that had to be shared by more and more people.

"The economy is market related; it is capable of continuing growth and the more it is stimulated the more it grows. That is why we do not have to speak of the distribution of wealth. In fact, the distribution of wealth will not solve our problems."

"Wealth has to be created, and it will be created if we free the economy of the controls and permit it to grow and prosper," Tager said.

"But competition has to be fair and this is the main problem in SA. How do we ensure that there will be fair competition when the odds are at present so unevenly balanced, because whites have all the privileges."

"The playing fields have to be levelled before there can be free and fair competition in this country."

Tager had high praise for the black taxi industry under Sabta.
No high hopes for spending this year

CHARLOTTE MATHEWS

FURNITURE retailers are predicting a "reasonable" Christmas sales season on the whole in spite of high interest rates, tightened credit terms and rising prices.

Several retailers mentioned the possibility that the government would relax deposit and repayment period terms on certain items before Christmas, which, according to one retailer, "would give us a hell of a boost."

"It is impossible to say at this point if the present regulations will be relaxed," PTG executive director Pims Jordan said.

Ellerines chairman Eric Efferline thought Christmas turnover would be "a mixed bag."

Sales

"On the audio and TV side things are still very depressed but case goods are going reasonably well. It is not as bad as it could have been given the prevailing economic conditions," JD Group chairman David Sussman also forecast sales as "reasonable."

"Appliances are not too bad but hi-fi, TV and video are very depressed," he said.

Price Furn Joint MD Sid Trickett was fairly optimistic.

"I think we are going to see a strong swing towards furniture as opposed to appliances," he said.

He believed there had been greater demand for credit but it was being more discriminatively used.

Risen

"We have noticed that from the first trading day after Christmas to about January 10 we are doing 75% of our January turnover," Trickett added this Christmas was likely to be better than last year's because it compared with a low base. Last Christmas sales tailed off after an early buying season from August to October.

A spokesman from Morkels said bluntly: "It is going to be tough."

"Normally at this time of year the demand is for both furniture and appliances but buying appliances as Christmas gifts is over because appliances are now a major purchase."
WHILE all racially discriminatory legislation towards black business, apart from the Group Areas Act, has been abolished, legislation which impedes small - and especially black businesses - remains.

In its Quarterly Update the South African Institute of Race Relations says income tax collections over the past year are a clear indication of the extent to which recorded wealth generation in the black community remains limited.

The Update, compiled by researcher Elaine Cossor, says although total African income is rising faster than whites, income per white person is rising at a faster rate than individual African incomes. This is because collective African income is spread over more people when population figures are taken into account.

It says some commentators insist, however, that the figures are not an accurate guide to income distribution. They argue that a large portion of African income is not recorded by the tax authorities.

However, if estimates of the minibus taxi income - which are not currently taxed - are accurate, the black share of total income might not increase dramatically even if all black businesses were fully taxed. If fully taxing minibus taxis added R500 million to black taxable income, the black share would rise by only one percentage point - from 8 to 9 percent.

The Update says potential for the development of formal black business may lie in the privatization of assets such as the sorghum and beer industries. However, delays in carrying out the government's stated aim of furthering black business by this means are "indicative problems".

Managers

The limited management capabilities of black business people, given past and current disadvantages, may ensure that they are not given the major stake in business. It seems likely that these interests will stay under the Industrial Development Corporation's control until suitable black managers are trained specifically for the job.

Moves made towards deregulation in the sugar industry and in licensing through the Business Bill suggest that positive developments are possible in the near future, but the impact on material creation for the black population is uncertain.

As long as the black community continues to be disadvantaged through lack of access to skills and capital the positive impact of such legislation is limited. Moreover, its implementation may be a long way off.

According to the Update the Central Statistical Services' informal sector survey suggests that current estimates of black informal sector activity are overstated, a view endorsed by several researchers currently investigating this sector.

Interest

The informal sector continues to attract interest in the formal sector and there is growing evidence that it is not being seen as a threat but more as an opportunity to gain access to the black market.
Appointments

By JOSHUA RABOROKO

ADVOCATE Dikgang Moseneke has been appointed to the board of the African Bank.

He is a member of the Society of Advocates, the Black Lawyers Association and its Legal Education Centre, the study group on Law and Poverty of the Carnegie Enquiry into Poverty in South Africa and the Project Literacy organisation.

Mr Sipho Nkonyeni has been appointed vice-chairman of the African Bank Limited. He holds a Bachelor of Commerce degree, is a fellow of the Institute of Directors and an associate of the Institute of Credit Management and of the Institute of Marketing Management.

Fort Hare

Professor Wiseman Lumkile Nkhuwu has been appointed to the board of the African Bank Limited. He has been vice-principal of the University of Transkei since 1981, was a junior lecturer at Fort Hare University after completing his Bachelor of Commerce degree in 1971. He then commenced articles of clerkship and, having completed the Certificate in Theory of Accounting in 1976, he returned to Fort Hare.
interest rates debt costs close to R2,5m a year, about R1m more than combined pre-
interest profit since 1986.
It is not surprising that management con-
sultants called in to sort out the problems
have recommended a recapitalisation in a
number of steps to improve profitability.
However, there was some disension at the
AGM on November 3 as to whether the propo-
sals, which include raising R1,9m new
capital through a variable rate convertible
 preferring issue, will prove adequate.
The answer, ultimately, will depend on the
degree to which productivity ratios can be
improved. For example, taking 1986 as a
benchmark, the present asset base should
support sales in excess of R45m, 40% more
than actual 1989 sales. At a 10% margin,
such sales would yield a pre-interest profit of
R4,5m, while interest charges on the debt
total reduced by the rights issue would fall to
around R2m. On paper, therefore, and as-
suming remedial action to be effective for a
full year, a pre-tax profit target of R2,5m
would seem reasonable. This compares with
aggregate pre-tax profits of R48,000 during
the period 1982-1989.
Potentially disturbing is that management
apparently has visions of resuming dividend
payments at the end of this year. Unless a
turn-around is far more dramatic than now
seems likely, improving the financial struc-
ture should remain the priority. Dividends,
however, modest, should wait until this has
been accomplished. Having received only
one dividend so far this decade, another year
will surely make little difference to share-
holders.

Brian Thompson

Surprise warranted?
The general tone of the annual report sug-
gests a sense of surprise that TEJ has landed
itself in dire straits. But if the surprise is
genuine, it reflects more on management
than on the reasons for, or predictability of,
the circumstances which have led to the
present predicament.
It has been evident for years that the
group was over-extended and under-profi-
able. The final crunch in 1989 came with a
halving of operating margins and a doubling of
interest charges, thereby contributing to a
Retail chain Pick 'n Pay is aiming to establish itself as a significant player in the information technology market. The company is setting up office automation divisions in each of its 13 Hypermarkets throughout the country.

Pick 'n Pay director Aubrey Zelinsky tells the FM the new office automation divisions will be running by the end of the month. The divisions will market products such as fax machines, typewriters and telephone answering machines as well as PCs. Zelinsky says the company will market two brands of microcomputer. One of these, the Pacific range sourced from M&P subsidiary James Ralph, is imported from Hong Kong. The second supplier has yet to be appointed. "We are not importing at this stage, we are supporting the local market," he says.

The products will be targeted at home users and small businesses. Zelinsky says Pick 'n Pay has studied the potential market and experimented with retailing PCs at a Hypermarket in Cape Town and typewriters in Durban and Johannesburg. The range of products offered by the office automation divisions will probably be broadened early in the new year.
Coming into focus

Maybe motor industry planners do know more about the state of their business than economists. But not much.

The two groups had different ideas early this year on the outlook for new car sales in 1989. Industry analysts took the view that sales would fall short of last year's 230 500. Most predicted a dip of just under 10% to around 210 000. The most pessimistic suggested 205 000.

Economists, such as First National Bank's Cees Bruggeman, considered the industry unduly pessimistic and predicted sales might even rise. Peet Strydom, head of research planning at Sanlam's industrial investment arm, suggested the figure could go as high as 240 000.

With less than two months of the year to go, it looks like the total will fall between the predictions of the two groups — but slightly closer to the industry side. At the end of October, new car sales had reached 187 927.

The National Association of Automobile Manufacturers of SA, which compiles the figures, predicts this year's total will reach 221 000 — maybe. That was last week's estimate. Its quarterly business review, compiled a few days earlier but released this week, put the likely figure at 222 500.

The association was among those at the start of the year predicting a figure of around 210 000, only to reassess the situation when the market held up better than expected. In fact, it's only in the past two or three months that the market began displaying the decline predicted far earlier. The latest pair of conflicting figures demonstrates the uncertainty that's hung over the market for most of 1989.

The association, meanwhile, expects sales to dip to 211 700 in 1990.

A major reason for sales holding up for so long in 1989 has been the extended order backlog faced by manufacturers. Many companies haven't caught up after being taken unawares by strong demand last year.

It was this factor that caused Volkswagen MD Peter Searle to read the 1989 market better than most at the start of the year. He agreed with some others in the industry that demand would fall by about 10% but disagreed on what constituted that demand.

Pointing to long waiting lists for new cars, he said: "Sales didn't reflect demand, which was probably closer to 250 000." So he deducted his 10% from that figure and predicted a market of 225 000 for 1989.
By TOM HOOD
Business Editor

A CHAIN of Pick 'n Pay clothing shops could be Raymond Ackerman's latest venture — a development that would shake the country's retail clothing trade.

Market talk of Pick and Pay expanding into clothing was confirmed today by managing director Mr Hugh Herman, who said the company was investigating the possibility of opening specialist clothing stores.

"We will probably open one and see how it goes," he said. "If it is successful, we will probably open more."

"We are making a feasibility study, but it is premature to say we will open a chain of clothing stores."

The retail clothing market is largely in the hands of powerful chains sure to resist such a big incomer. But, given the famous Ackerman marketing and pricing touch, Pick 'n Pay and its highly professional management would present a serious challenge.

Mr Ackerman, currently overseas, hinted at the venture in September when he reported group turnover of R2 billion for six months.

He said the company planned to branch out into a new retailing field, but would not be taking anybody over.

"We are planning to go into another niche next year. We are very excited about it," he said.

Other retailers believe clothing would be a logical field of expansion. The group's hypermarkets already handle a variety of clothing and footwear.

The higher margins obtainable could offset the fierce competition in foods, the group's main business, where consumer resistance to price inflation is bringing margins under increasing pressure and leading to lower volumes in some shops.

Pick 'n Pay's track record of new ventures is one of the best, with sizeable profits now coming from its new Pantry Stores and Price Club cash-and-carry wholesalers, all of which are opening new stores this year.

The timing — in a downturn — could also suit the Ackerman team, which normally goes for prices in its marketing.

Pick 'n Pay is keeping mum for the moment about the sector of the market it will seek. But analysts speculate that the "Third World" market, involving large production volumes and lower costs, seemed the most obvious.

Mr Simon Jocum, chairman

(See Page 7)
Top marketing man tells how

A NEW book, "The Marketing Principle" by Robin Morris, was recently launched to the trade in Durban. Published by Butterworth Publishers and distributed nationally the book is aimed specifically at the Fast Moving Consumer Goods industry but does cater for all sectors of the market.

It is comprehensive and based on practical ideas and approaches rather than the theoretical and rhetorical.

Chapters cover the complete marketing mix - Advertising, Packaging, Promotions, Price, Distribution, etc. There are also individual chapters covering Trade Marketing, Retailing/wholesaling, The Black Market, Selling, Merchandising, and Management Styles.

Layman's language

Robin Morris has used everyday layman's language. The book flows from chapter to chapter in easy narrative style.

Says Morris: "The material for the book was based on actual campaigns that have worked successfully in the trade" Robin has spent the past 17 years in a sales/marketing/advertising capacity with companies like Nestle, Robertsons Spices, Coca-Cola and The BRD Ad Agency. He now runs his own promotional and advertising agency based in Durban.

"The Marketing Principle" is Morris's fifth book. His two fictional novels are currently on sale in the USA, France and South Africa.
Boksburg boycott called off

RESIDENTS of Reiger Park formally ended the year-long boycott of white businesses in Boksburg city last night.

The chairman of the Save Boksburg Committee, Mr Mohammed Navsa, said about 700 residents of Reiger Park had unanimously agreed to end the protest against petty-apartheid policies of the CP-controlled town council.

This dramatic move follows the announcement by State President Mr F W de Klerk that the Separate Amenities Act would be removed from the statute books.

Mr Navsa said residents would travel by bus and other means into the heart of Boksburg city today "to take the message to white Boksburg". He called on local businessmen "not to sit back and relax".

"It is expected of them to identify with our struggle for a nonracial, democratic South Africa," he said.

While residents called off the boycott, he said, they would continue "agitating for equal citizenship".

The drive into Boksburg city today will "symbolise and show the positive side of our buying power", Mr Navsa said. — Sapa.
New plea for easier terms

GIVE as a happy Christmas and a prosperous new year by easing HP restrictions, a delegation of retailers asked Deputy Finance Minister Org Marais this week.

Jack Cohen, chairman of the Radio and TV Manufactures' Association, says the meeting was the result of last week's Finance Department bungle in which easier HP terms were announced and then withdrawn.

"Mr Cohen says: "Constructive talks were held with Dr Marais. His department is referring the matter to a financial co-ordinating committee which will meet on Tuesday."

Before the meeting, angry retailers claimed they lost hundreds of thousands of rands because Government Gazette notices announcing easier HP terms were scrapped.

Hoping that the softened terms would mean a free-spending Christmas, they spent the weekend after Friday's announcement changing their TV and radio advertising. They also sent new pamphlets and catalogues to customers with the changed rates.

Jeff Austin, chairman of the Good Times Group, is sceptical that the Gazette notices were a mistake.

"It's obvious that the Reserve Bank was not consulted by Finance before the notices were published. The Department of Finance had to back down."

Reserve Bank Governor Chris Stals rejects the allegation, saying the setting of HP terms is not his responsibility.

Dr Stals says: "It's a Department of Finance affair. I was surprised when I heard the HP terms had been relaxed. I made inquiries and was told to ignore the notices because they were a result of an internal error - they were only proposals made at a lower level and had not been passed."

OK Banam furniture and appliances marketing director Arthur Solomon says: "As soon as the notices were gazetted, we got in touch with our PR companies and advertising agencies and instructed them to change newspaper, TV and radio advertisements, catalogues, pamphlets and leaflets.

"The first I heard of the retraction was on Tuesday morning."

"One weekend of work costs us hundreds of thousands of rands in labour, overtime, production, reprinting and advertising. We changed all advertising and promotional material to comply with the new legislation."

Mr Austin confirms the furniture industry spent "hundreds of thousands" on changing promotional and advertising material.

"We can move quickly. Now we're looking stupid because our catalogues have already been delivered. It hurts our credibility.

The delegation to Dr Marais included Furniture Traders Association president David Rees and executive director Frans Jordaan, Domestic Appliance Manufacturers of SA chairman Richard Ferrer and Mr Cohen."
Boksburg rejoices as the boycott eases

BY SANDILE MEMELE

BOKSBURG rejoiced yesterday when the Save Boksburg Committee lifted the 18-year-old consumer boycott of white-owned businesses.

The boycott, a protest against the reconstitution of petty apartheid by the CP-led town council last year, saw many shopowners battling for survival.

At a mass meeting after President FW de Klerk's statement this week that the government intends to scrap the Separate Amenities Act, residents decided to ease the boycott.

Yesterday Boksburg's streets were decorated with coloured and black-and-white signs, and traders and shoppers were celebrating with champagne.

Hundreds of people marched through the streets, chanting slogans and singing freedom songs. Buses and taxis - which provided free transport - braved the crowds.

"This marks a victory for black people who have persistently called for the scrapping of separate amenities. The community has resolved to come in thousands to celebrate their victory against the CP-led town," said committee publicity secretary Henry Jeffreys.

Jeffreys said the easing of the boycott did not end the fight against apartheid. He told City Press the next phase of protest would be aimed at forcing the opening of swimming pools to all.
Town boycott: example to the country

The year-long boycott of white-owned shops in Boksburg was a contributory factor to the Government's decision to scrap the Separate Amenities Act, say boycott organisers. Thousands of black shoppers returned to Boksburg's central business district on Saturdays to buy from the mostly white-owned shops; this was the end of the protest against the reintroduction of petty apartheid held on December 1 last year.

Reiger Park management committee chairman Mr Bert Jantjes believed the Boksburg boycott had been an example to the whole country.

"We had negotiations with Mr Chris Heunis, then Minister of Constitutional Development and Planning, in February this year, and he took the boycott of the town very seriously. He said he would not like to see the rest of the country treated the same way," Mr Jantjes said.

The boycott had influenced the Government to announce the scrapping of the Separate Amenities Act, Mr Jantjes said.

"Now we'll force the municipality to rescind its decision to introduce petty apartheid in Boksburg," said Mr Jantjes.

--- Staff Reporter
Retail sales likely to decline — ITC

PRETORIA — Retailers' hopes of another bumper Christmas period may have been dashed by the recent hike in the prime lending rates to 21%, Information Trust Corporation's (ITC) chairman Paul Edwards said yesterday.

Since mid-year, consumer spending had been slowing and was likely to slow further in the months ahead, Edwards said in a statement.

He warned that the level of debt default usually rose in the post-Christmas period — January and February.

“There is evidence of heavy borrowing to finance other debt commitments — a sort of rob-Peter-to-pay-Paul situation — and white consumers are unlikely to go out on a wild spending spree this Christmas,” Edwards said.

Central Statistical Service figures confirm the worsening plight of consumers. Although the number of civil judgments for debt increased by only 956 to 115,569 in the three months to end-August, the debt involved soared by R142m to R380m.

Edwards stressed disposable incomes were under heavy pressure and an important reason was the dramatic rise in home mortgage interest payment and continued high inflation.

There was likely to be slight Christmas growth over last year in food, but a decrease in real terms of between 2% and 5% in furniture and appliances could occur.

The clothing industry would benefit from consumers “trading down” from the more costly luxury gifts to more functional goods and growth could be around 3%.

Edwards said retailers were looking increasingly at black consumers to boost turnovers. Their salary increases had exceeded that of whites in recent years.

About the year ahead, Edwards said retailers already committed to high levels of stock would resort to heavy discounting, which could mean bargains to consumers.
The It's for tat in

Bargain car let down

BY SW MAKINORE

When a prospective

When a prospective

When a prospective
New informal sector group

By JOSHUA RABOROKO

A GROUP of small entrepreneurs who broke away from the African Council of Hawkers and Informal Businesses (Achib) have formed a new organisation aimed at educating and training the emerging informal sector.

The interim president of the Foundation for the African Informal Business Sector, Mr Ibrahim Phaladi, Matthews, said the aim was to promote street shop owners, street vendors, shoe repairers, panel beaters, dressmakers and other informal businesses in South Africa.

Willing

Matthews, who together with several other workers left Achib early in the year, said they were prepared to co-operate with other organisations that aimed at helping the informal sector to grow and contribute to the country’s mainstream economy.

Denied

He said they left Achib because of certain misunderstandings. The formation of the new body did not mean that they were enemies he said, adding, “we needed to form our own organisation to avoid conflict”.

However, Achib’s president Lawrence Mavundla has denied that there was conflict in his organisation.

Matthews said he was aware of the criticism levelled against blacks for forming new organisations from time to time, but said they found it necessary to form their own after reconciliatory talks failed.

Efficient

“Several accusations, including being called ‘position mongers’, were levelled at us after we left Achib. We have not been deterred by such talks because we are committed to economic empowerment. We do not want to stop this process,” he said.

He said that they wanted to assist in developing and stimulating a sound, efficient and balanced small business sector with the aim of maintaining it as one cornerstone of a free market economy and to assist in its growth.

He said the organisation would help hawkers create jobs, obtain finance and fight for their rights.

It would be launched next year, he said.
THE SA Perm is engaged in another row following claims by an East Rand man that a sum of R1 800 was fraudulently withdrawn from an autoteller machine in Pietersburg about two weeks ago.

Mr Joseph Machaka of Benoni said the money was withdrawn in six installments after his autoteller card was allegedly retained by a cash dispensing machine at the Maree Street, Pietersburg, branch of SA Perm on November 11.

Machaka said he had just withdrawn R120 in two transactions when the card was allegedly "swallowed" by the machine. He said he could not report the loss of the card at the time as the building society had closed for the day.

"I reported the loss of the card the following Monday. The tellers were adamant that my card was not swallowed by the machine. They gave me a statement which showed that R1 200 was withdrawn in three transactions of R400 the same day the card was swallowed."

**Record**

"There were two further withdrawals of R400 and R200 on the day I reported the missing card. I'm baffled because at no stage did I give the card to anyone," Machaka said.

A spokesperson for the building society in Johannesburg said there was no record that Machaka's card was retained by the autoteller machine.

She said according to the audit roll, the first withdrawal of R400 was made four minutes after Machaka's last transaction. Machaka was probably still there when this transaction was made.

**Robbed**

She said it was highly probable that a common swift switcher switched cards with Machaka after noting his personal identification number (PIN).

The SA Perm's spokesperson said there had been several incidents in which clients were robbed by common. She said the robberies were done so swiftly that they were difficult to notice.

She warned clients to guard themselves against these common.

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**Consumer Corner**

appears every Friday
Kagiso residents meet to plan stronger boycott

By VUSI GUNENE

RESIDENTS of Kagiso township on the East Rand are following the Mass Democratic Movement's call for the "rebuilding of people's structures" and rejecting their town council.

The Kagiso Interim Co-ordinating Committee (KICC) has called on residents to attend a meeting this weekend to discuss strategies of intensifying the rent boycott — now in its second month.

Residents have planned a march to the council offices on December 2 to deliver a memorandum demanding the suspension of the rent increases and the resignation of the town council.

For the past two months residents have been holding block, street and area committee meetings to discuss the proposed rent increases, which range from 50 to 150 percent.

According to a KICC representative, some of the residents have already received eviction notices from the council because of their refusal to pay rent.

"Our attempts to seek reasons for the increases have been met with inadequate answers and the community has engaged lawyers in a bid to resolve the matter," the representative said.

Residents argue that they have been paying for electricity bills since 1979, but have not as yet had any electricity installed in their homes.

"Since 1979 we have been paying R2.61 (per month) for electricity which to date has not been installed in our houses," said one resident, Annah Kgofela. "Instead, we are receiving letters from the council which says we must first pay R2,100 for electricity installation. We feel the we have already paid for the installation and in fact the council owes us," she said.

The mass meeting will be held at the Methodist Church in Kagiso on Sunday at 2.30pm.

Approached for comment, the town clerk's office said it was not aware of the rent boycott and declined to comment about the rent increase and the electricity levy.
Boycott victory

To shouts of "Viva Reiger Park!" members of the Save Boksburg Committee lifted glasses of champagne and revelled in the warm welcome at The Liquor Warehouse. "It's about time. I think it's great that they're back," says manageress Maria Caldeira.

Rightful place

With just five weekends before Christmas most Boksburg shopkeepers are relieved coloureds have called off a year-long consumer boycott after President F W de Klerk gave notice last week to abolish the Separate Amenities Act. "We're reclaiming our rightful place in

Boksburg," says Mohamed Navsa, boycott committee chairman. "Reiger Park did its share. They rightfully feel proud of being part of the mechanism that's bringing an end to separate amenities."

Property developer Joe Bentel plans to go ahead with the stagnated East Rand Mall project that seemed dead just a few days ago. The stigma of doing business in Boksburg is evaporating for multinationals, such as Colgate Palmolive, which is still trying to get rezoned into an adjoining town.

There is, however, some way to go. "Not for a minute should we assume it's over in Boksburg," says Philip Frankel, a Wits lecturer in political studies, who co-ordinated a survey of 300 residents and 50 shopkeepers in August for the American Chamber of Commerce.

"The majority of whites in Boksburg want separate facilities," he adds. "There's no way the CP is going to desegregate that pool. You can't force it. It's a question of sharing power at a local level. The CP won't sit back and let it happen."

Last November the newly elected CP majority on the town council voted to keep the lake area, town hall and other facilities for whites only. Reiger Park responded with a disciplined consumer boycott. Navsa estimates that 95% of the 55 000-strong community heeded the boycott in the early days and between 80% and 85% were still shopping in Benoni and Germiston this month.

Rightwing Boksburg councillors are defiant. "Yes, the boycott hurt," admits CP mayor Beyers de Klerk, but it didn't change his mind on the issue of desegregation. "We will fight every centimetre of the way in every legal way we can," he adds. "We will fight every millimetre of the way legally. We have to survive. It's a fight to the death. We are prepared to die."

Karl Hechter-Schultz, who has lived in the town for 75 years, says the rightwingers are obstinate. "They will try to dig their heels in." He brought a court case that succeeded in getting the lake road re-opened to all.

Mayor De Klerk says the Nationalists have sold him out along with every other white who believes race groups are best kept separate.

As long as the NP continues to waffle on how serious it is about abolishing separate amenities, the CP will substitute a myriad of municipal regulations, including admission fees.

Both sides are regrouping. Frankel believes whites in Boksburg have shifted "imperceptibly to the left," perhaps making it harder for the CP to move backwards. The business community has discovered the buying power of its coloured customers.

Another legacy of the boycott may be the spillover of militancy from the once staid, politically uninvolved Reiger Park to other coloured townships on the East Rand.
Government steps up deregulatory efforts

JOHANNESBURG. — Government yesterday stepped up its deregulatory efforts when Administration and Privatisation Minister Wim de Villiers recommended the introduction of a proclamation which largely removes the need to apply for trading licenses.

The proclamation will also do away with all restrictions on business hours during the week and on Saturdays.

De Villiers recommended to President F W de Klerk that changes contained in the draft Businesses Bill published earlier this year he brought into effect by proclamation.

Although the final decision on issuing a proclamation rests with De Klerk, this should be a mere formality.

De Villiers said that in terms of his recommendation to De Klerk it would no longer be necessary for most businesses in the Transvaal, OFS and Cape to renew trading licences for next year.

The only businesses unaffected by the new rules would be those like escort agencies and night clubs that were subjected to licensing on the grounds of public morals.

Because there was no provision for regional services council levies in Natal, currently valid licences in the province would still have to be renewed.

De Villiers said that all licences would, as in the past, be subject to review and suspension, but on more limited grounds than previously.

Applications for new licences during 1990 would also be subject to more limited grounds of refusal and review.

In Natal grounds for cancellation and refusal of licences would also be more limited.

De Villiers said he had taken note of objections to extending business hours by certain trade unions.

He invited those concerned with the protection of worker’s rights to inform him of their experience with the new regime.

“I trust that this proclamation will not be to the detriment of workers since the protection of worker’s rights is primarily a matter for our labour legislation. Should there be a further need I will also consult with my colleague the Minister of Manpower and with the National Manpower Commission,” he said.

The proclamation will apply until the Businesses Bill has been approved by Parliament and comes into effect at the beginning of 1991.

De Klerk is expected to issue the proclamation within the next few weeks.

Assocom legal manager Ken Warren last night welcomed the recommendations as a significant step in the deregulation process and recognition of changing shopping patterns among SA consumers.

However, he said Assocom felt the sensitive issue of Sunday trading should be addressed as a matter of urgency to take into account shopping needs of all in SA, particularly blacks who spend hours travelling to and from their place of work.

Trading hours should be relaxed further to accommodate them, Warren said.

He said he hoped the proclamation would be issued without delay as most businesses had already received license renewal notices. The proclamation would remove uncertainty whether they were liable to pay these or not.

Large chain stores, in particular, had expressed dismay at the delay, he said.
Accountants vote today on whether or not to advertise

TODAY thousands of chartered accountants (CA's) will be given the opportunity to decide on whether or not to advertise. The answer will be known after a vote at special meetings to be held at 11am.

The Council of the SA Institute of Chartered Accountants (Saica) has already come out strongly in favour of changing appropriate by-laws. But the decision has to be ratified by individual members voting in their respective provinces.

Saica president Paul Dreyer said last night: "We need a 75% majority in the Cape and two-thirds majority in the other provinces to vote in favour of this issue, either in person or by proxy."

After years of controversy regarding the advertising issue among CA's, today's meetings have been convened by the Societies of Chartered Accountants in the four provinces. The profession has come under pressure to make a decision from both commercial and governmental quarters.

Auditing — the mainstay of the accountant's income — has progressively produced less proportionate income as accountants have expanded into other areas, particularly tax advice and management consultancy. These areas of endeavour have non-accountant competitors who have long been free to advertise.

Governmental pressure follows in the wake of the policy decision to deregulate the economy. The professions are under pressure because of their "closed shops" — barriers to entry, fixed fees and exclusive rights to do certain kinds of work.

Leaders among CA's perceive that unless the profession takes steps to liberalise advertising rules, government may step in unilaterally and unilaterally advertising. This would mean that the decision would come from outside the profession, and that the profession would then lack power over the nature of the advertising.

The international consensus among CA's is that advertising should be in "good taste". When accountancy advertising was allowed in Australia an advertisement using Tarzan caused consternation. Roger Sinclair, of Wits' Department of Business Economics, says that advertising could dramatically change the profile of CA's.

"If CA's are to spend money on advertising," said Sinclair, "it is important to understand the limits of the medium."

Dreyer said: "We are concerned that many of our members will not bother to attend today's special meetings since they believe the decision in favour of advertising is a foregone conclusion."

"We want every one of our members to vote so that we can ascertain the true view of our membership as a whole."
Boksburg's CBD is opened to all races

PRETORIA — Boksburg's CBD was thrown open to all races after an announcement here yesterday by Planning and Provincial Affairs Minister Hermann Kriel.

He said a proclamation had been signed by President F W de Klerk declaring the CBD, other areas in the municipality and parts of Reiger Park as free trading areas.

Kriel said government hoped Boksburg's negative image locally and abroad was now something of the past.

Businessmen and the community had paid a high price for the image.

Government, he added, was confident investment confidence in Boksburg would now flourish and that a prosperous future awaited the town.

Kriel said the issue had been under consideration since 1986. But the necessary investigations and consultations had been completed recently.

Inputs had come from the previous and present town council, organised commerce and industry, individual businessmen, local MPs and other interest groups. It was against this background the decision to declare almost all the advertised areas as free trading areas was taken.

EDVITH BULBRING reports that Boksburg NP MP Sakkie Blanche said yesterday he was pleased and excited by the announcement.

He was grateful government had recognised that Boksburg residents had given government a mandate for reform.

Blanche said he hoped De Klerk would make the announcement declaring Windmill Park a free settlement area soon.

He believed the decision had already been made, but that De Klerk would include other areas when making the announcement.
Deregulation of shopping hours hailed

By PETER DENNEHY

SHOP managers and businessmen yesterday welcomed the impending January 1 deregulation of shop hours as a major step in a process that could revolutionise South African shopping patterns.

Few shops had yet made definite plans to extend their trading hours, although the new proclamation will give shops almost unlimited discretion on how long to remain open on weekdays and Saturdays.

Mr Serge Martinengo, acting managing director of Checkers, said yesterday that 67% of his stores were already trading in extended hours — some in the evenings, some on Saturday afternoons and some on Sundays.

‘I’m not sure whether the partitions we have to put up in our stores on Sundays to exclude certain goods from trade will also disappear from January 1,’ he said.

Mr Eddie Parfett, managing director of Truworths, said his group already had a dispensation allowing longer trading hours from mid-December to Christmas.

‘We will be taking advantage of this where there is demand, in the evenings, on Saturday afternoons and on the two Sundays prior to Christmas,’ he said.

Shopping patterns might change, he said, and his group would ‘be sensitive to the changes’.

Mr Johan Naudé of the Small Business Development Corporation said the expected proclamation ‘gives legal effect to the current situation, where the enforcement of shop hours regulations has basically ceased to exist’.

Mr Leon Grobler, personnel director of Edgars, said some of his stores countrywide would be trading late in the run-up to Christmas, as had happened for some years now.

‘I don’t believe that we are transgressing the law, we have an understanding that this is the custom,’ he said.

He had heard that some establishments were even considering trading on the December 16 public holiday, which falls on a Saturday this year, but Edgars would not, as it was a ‘sensitive issue’.

Mr Henry Shields, a director of the Greenmarket Square fleamarkets, said shops were being granted the same freedom of opening hours that fleamarketiers already enjoyed.

‘It is the consumer who benefits,’ he said.
Call for small-business tax concessions

GOVERNMENT had to consider introducing tax concessions for small business based on levels of inventories and debtors, said Len Walker of accounting firm Price Waterson at the weekend.

It should also look at the feasibility of tiered tax rebates on profits.

Walker was responding to last week's announcement by Deputy Finance Minister Org. Marais that company tax was to be reviewed, but he stressed that the small business dilemma needed to be urgently addressed.

If a company's turnover increased from 100 to 200 and debtors increased from 50 to 100, a tax allowance should be given on the outstanding debitor's position, Walker said.

THEO RAWANA

"A lot of small businesses only see paper profits and invariably have no money in the bank. Their lack of liquidity makes them sitting ducks for takeovers by bigger companies that have better cash flows."

In a developing country like SA, small business had to be stimulated through all possible means, including tax concessions, reduced red tape and other incentives, he said.

"It is also critical that small business proprietors regard bankers, lawyers and accountants as members of an advisory team to be used on a regular basis. All too frequently these specialists are only approached when the business is in dire straits."

Walker, whose Johannesburg-based company has had years of experience advising small businesses with cash flow problems, said small businesses needed tax concessions to improve their cash flows and enable them to make a greater contribution to the SA economy.

"The taxman has to find a way to ease the burden on small companies that are finding it extremely difficult to finance expansion with their after-tax income."

"Too many entrepreneurial enterprises, already battling with high interest rates, are building up loan accounts and struggling to pay the tax bills," he said.
Onus for change:
meets with business

From Mark恐, MD Nick Green at the Winning Way conference in Johannesburg yesterday concluded.

'The great acceleration of change over the past three years indicates the rate of reform in the next decade,' he said.

'Green maintained the initiative for this change should come from business because SA was shaped by social and economic factors and not by politics.

"The businessman cannot wait for FW de Klerk to show the flag," he said.

A.. (Mark...survey showed blacks wanted to see the initiative for political change coming from white, but he acknowledged businessmen pressing for reform would not have an easy task.

"Pick" of Fay-Chairman Raymond Ackerman told the conference technology would be the key to successful leadership.

He attributed the success of his own company to a process of learning and keeping abreast of consumer habits and retailing trends.
Dud cheque spree costing shops R20-m a week

By Michael Chester

The volume of dud bank cheques as the Christmas shopping spree moves towards its peak has reached an unprecedented R20 million a week, according to surveys into spending patterns.

A special "hot list" of culprits with a repeated record of scams, already bulging with more than 5000 swindle suspects, is growing by 3000 names a month.

The catalogue also follows culprits if they try to dodge creditors by switching banks to use new cheque book identities.

Mr David Rotin, managing director of a company which monitors the track records of individual cheque books and has compiled the "hot list" of persistent offenders, lists the Transvaal as the main culprit.

Natal comes next, with the Cape and Free State showing much cleaner records.

Johannesburg was hit hardest among individual towns and cities. But on a per capita basis it was Pretoria that emerged with the worst record of all.

Mr Rotin believes that a proportion of the scams are settled once the offenders have been traced.

But he fears many escape settlement because victims of cheque scams often find that high legal costs make it pointless to start litigation to recover their losses.

Among private consumers, most of the "rubber" cheques involved amounts between R100 and R300.

The highest casualty rates were found among supermarkets, clothing retailers and liquor stores.

"Certain retailers are encountering as much as R2 000-worth of dishonoured cheques a month and may be lucky if 60 per cent of them are ultimately settled," said Mr Rotin.

"There are numerous reasons for the tremendous increase in dishonoured cheques, not least the cash squeeze that goes with the economic slowdown and high inflation.

"Also, many South Africans simply refuse to curb their spending."

"Sometimes, blame rests on the granting of cheque book facilities to bank customers who may not be able to discipline themselves about current account limits.

"But perhaps the worst concern is the steady erosion of standards of morality in society as a whole.

"Not so many years ago, a dishonoured cheque was regarded as an awful disgrace. Nowadays, offenders see it as no real stigma at all, even a bit of a lark.

"It seems odd that a person can be sent to jail for stealing a loaf of bread, yet a person who carts off a whole trolley load of bread on a dud cheque can walk away scot-free."

"Often, dud cheques cause more losses than shoplifting."

Mr de Klerk said one of the aims of the changes was to "confirm the Cabinet as the highest policy-making and co-ordinating power". See Pages 3 and 35.
Maternity leave almost stops the music

Bogus estate agent chased by clients

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The Consumer

By MYAKAYISE EDOOM

Consumer

Mr Robert Mkhwanazi, an alleged bogus estate agent who is being sought by police in connection with allegations of fraud involving several hundreds of rand, has left behind him a trail of broken-hearted house-wreckers who are desperately trying to get their deposits back.

Mkhwanazi (30), managing director of Proper Homes, which sometimes traded as Amanda Properties, was arrested by police earlier this year. He made a false appearance in the Johannesburg Magistrate’s Court, but the case was provisionally withdrawn pending further police investigations.

Mkhwanazi, who lived at Mofolo North, was forced to file his home a few months ago when a group of people, some of whom are believed to be his victims, attacked the house and ripped window and door frames.

Police and scores of disgruntled clients are still trying to trace his whereabouts.

Deposit

This week a broken-hearted Mkhwanazi divorcée, Mrs Poppy Mathakang, described how she lost a deposit of R7 000 to Proper Homes after Mkhwanazi promised to sell her an existing house for R42 000 in Kagiso on the West Rand about two years ago.

“There were three of us who were interested in buying the house. Mkhwanazi told us he would sell the house to the highest bidder, so I paid him an amount of R7 000 as a deposit. Suddenly he told me the owner of the house was no longer willing. He, however, promised to sell the house to an insulti- er house,” Mathakang said.

She said she paid him a number of visits at his offices in Johannesburg, but each time she was given “unsatisfactory” explanations why he decided to go through.

“I finally demanded a refund. He did not hesitate to write out a cheque for R7 000. I deposited the cheque at a branch of the SA Post Office, which cleared it after 10 days. But the building society later discovered that it was a duplicate cheque. They then debited the money from my account,” she said.

Company

Mathakang said she later met Mkhwanazi when his case was provisionally withdrawn at the Johannesburg Magistrate’s Court. She said he told her a company called J W Finances was handling all his finances and would refund her the deposit.

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Mrs Poppy Mathakang...lost R7 000.
Brighter year seen for clothing industry

By Tom Hood

CAPE TOWN — This year will be a better-than-expected one for clothing manufacturers, says Mr Hennie van Zyl, executive director of the National Clothing Federation.

Continuing high levels of spending and increased incomes will give the clothing industry sales of about R3,2 billion — up 20 percent in money terms and 4.5 percent in volume on 1988, he says in his review for the year to end-September.

Employment in the industry peaked in mid-1982. Employment this year was only 85 percent of that peak, based on the three main areas of Western Cape, Durban and Transvaal.

In addition, the expected 1989 turnover in real terms will represent 80 percent of its 1981 peak. Production volume will also be only 80 percent of that peak, he estimates.

"But most disturbing is that real clothing sales per worker employed has declined to 85 percent of its 1981 peak."

Heavy government spending and increased taxation has not fully accounted for the decline since 1981. For example, personal disposable income per head was 86 percent of the 1981 level.

Another reason for the decline was the rise in imports — in 1981 imports were 5.4 percent of manufacturers' sales, rising to 8.4 percent in 1988 and 11.3 percent for the first quarter of 1989.

An analysis of retail clothing sales compared with income showed an unexpected trend — after recording a 1985 low, clothing sales as a percentage of remuneration and of current income started to rise from 1986 onwards.

These trends indicate that the future for clothing manufacturers is closely linked to disposable income and that factors such as interest rates play a minimal part.

Over the short to medium term, clothing manufacturers could face wide fluctuations in demand that would, at times, appear to bear little relationship to the general economy.

Looking at exports, Mr van Zyl claims new export incentives could make large clothing manufacturers bigger and drive small firms out of business, as only about 70.5 percent of the country's 1,300 garment manufacturers are reported to be in the export business.

The government has made its views on the exporting of clothing clear — it is prepared to put exporters at an advantageous position over those who do not export."

This has been done by allowing those who export more than 2.5 percent of their production to import duty-free fabric and clothing to 70 percent of their exports (provided local fabric was used in the exported garments or imported fabric on which full duty has been paid).
Car rentals still buoyant

The slowdown in the economy has not yet applied the brakes to the car rental industry, which continued to grow in real terms in the six months to end-September.

According to a survey by Pretoria University's Bureau for Financial Analysis, the number of rentals grew by 11.5 percent to 371,726 over this period while rentals days increased by 10.6 percent to 1,7 million. The rental companies' combined fleet total grew by a similar margin to 13,284.

Mr Tony Langley, chairman of the South African Vehicle Rental and Leasing Association (SAVRA- LA), noted that while the industry had continued to show positive growth, there were signs of a shift in rental patterns caused by the economic downturn.

"The BFI figures indicate that airport rentals grew by 12.5 percent which, given the total growth figure of 11.5 percent, means that downtown rentals increased at a lower rate. Airport rentals are largely related to business travel, while downtown rentals mainly represent the leisure and black markets. There has therefore been a relative decline in non-corporate rentals," Mr Langley said.

The fact that rental days grew by a marginally smaller rate than the number of rentals, indicated a slight shortening in rental durations, he added.

Average daily time and kilometre revenue increased by 31.2 percent to R64,93. Over the same period, however, the car rental companies' fleet holding costs — depreciation plus interest — escalated by 40 percent as a result of continuing steep rises in interest rates and the prices of new cars.
The expression of the concept

In conclusion, the meaning of the word "concept" is not

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Liquor

From Page 28

Capitalisation is another problem facing the township liquor store owner.

White liquor store owners, mainly Portuguese, who are reputed to control a huge share of the Johannesburg liquor trade, are forming syndicates with huge buying power. Until recently the brewers and distillers were integrated into the retail industry, and they had a keen edge in pricing.

Chris Kaut, marketing director of the Ohio Point of Sales computer company, says liquor stores which can move large volumes of liquor get discounts. For instance, for every 10 cases, the supplier will grant one case free, which usually works out to a 7.7 percent discount on the price.

Township bottle stores are solo operators save for one or two companies controlling at most four bottle stores. They are unable to match the buying power of the chain stores. Liquor stores" super market", they depend on crumbs coming their way.
FURNITURE retailers, particularly those dependent on sales of appliances, audio equipment and TVs, are unlikely to have the free-spending Christmas they were hoping for.

While furniture sales were expected to show real growth of 2-3%, appliance, audio and TV sales would probably show negative real growth of about 20% this festive season, Furniture Traders' Association executive director Frans Jordaan said yesterday.

He was responding to Finance Minister Barend du Plessis' assurances on Wednesday that import surcharges would be phased out and adjustments considered under the Credit Agreements (HF) Act when economic circumstances permitted.

Jordaan, who with other retailers in the troubled sector had hoped for a relaxation of the stringent measures before Christmas, said he was "certainly disappointed" by the delay.

"We just have to accept that we've tried everything possible to convince the authorities that our members have a problem... We've exhausted all avenues at our disposal, and we've been received sympathetically, but I don't think anything will happen until Budget time," he said.

Jordaan said retailers would be approaching the authorities with latest sales figures in hand to again state their case early in March.

September's figures showed that year-on-year growth at current prices for appliances was minus 14.1% and for TVs minus 11.5%. Audio equipment grew a nominal 7.3% — still negative growth when adjusted for inflation — after reflecting minus 12.1% growth in August.
(CC), Set for Life Insurance & Marketing, and its MD John Francis Drinkwater.

Drinkwater, the only member of the CC, was marketing a monthly, renewable, group insurance scheme through an “ever-growing network” of policyholders. Each, having paid an initial premium of R300 and fee of R15 for an agent’s manual, was allowed to market the same product. Policies were sold to groups of four — described by Drinkwater as “co-operatives.” Six “generations” of groups were needed to accumulate enough commission to provide an agent with the target R29 000 a month.

The committee concluded that statements in a Set for Life pamphlet, used with references in the manual to monthly earnings of R29 000, led potential participants to “confidently expect” earnings of this order.

It examined the validity of the claim by calculating the premium income needed for only one of the existing 1,972 policyholders to earn more than R29 000 a month, as well as the income required if all were to earn this sum.

With R25 of every R100 in monthly premium income going to underwriter Standard General and R30 to Set for Life, R45 was available for commissions. On this basis, the committee concluded:
- For only one agent to earn more than R29 000 a month, premium income of R346 000 a month would be needed. Of this, the underwriter would receive R136 500, while commissions would amount to R245 700 — including the amount of R29 000 for one person — and R163 800 would go to Set for Life. It would take 5,460 transactions to generate this income. To enable only one of these new policyholders to achieve earnings of R29 000, a further 29.8m sales would have to be made; and
- For existing 1,972 policyholders to earn R29 000 a month, a further 10.8m policies would have to be sold, to produce total monthly premium income of R4,1bn. For all the new policyholders to earn R29 000, a further 58.8m policies would have to be sold.

In a submission to the committee, Drinkwater argued:
- Participants do not risk loss, because they are paying for insurance cover “while at the same time (they) have the opportunity to earn an income”;
- Saturation is theoretical — no business has ever saturated a market;
- The scheme is notional — no business is more than a method of marketing life assurance; and
- No promises are made regarding commissions — the participant is merely made aware of the maximum he can earn. However, the committee found Set for Life’s promotional literature “deceives or is likely to deceive consumers” and that, “while participants in the initial stages of the scheme may indeed reap magnificent rewards, there is no prospect of this being sustainable in the long run.”

It decided that, because “potential earning of income is directly and mathematically linked to the number of additional participants,” the scheme is equivalent to a lottery. It found that the scheme “constitutes a harmful business practice” and recommended the minister (of Trade & Industry) declare it unlawful. It also recommended that Set for Life and Drinkwater should be prevented from at any time deriving income from a similar business.

Standard General MD Roberto Grandi says: “In August, even before Set for Life was investigated by the committee, we withdrew by cancelling the underlying policy. It was not in line with our philosophy.”
Predicting Christmas

All the forecasts are for a decline in Christmas sales in real terms. But, surprisingly, many retailers expect to do better. The new year, however, may be a different story.

The Assocom forecast, compiled in October, predicted a 13% growth in retail sales over last Christmas, which would mean a decline in real terms of more than 1%.

But, in the furniture and appliance trade, Assocom predicted even lower growth — only 10%. And that’s better than the industry’s current performance. Figures from the Retail Liaison Committee, which represents the major furniture retailers, show only 6%-8% growth in the second half of the year — 7%-9% down in real terms, observes Morkels’ strategic planning director Derek Russell.

Morkels’ sales are in line with those figures, he says. The severe hire-purchase restrictions on appliances have hit the chain hard and a high proportion of its customers are mortgage-bond holders, a group that’s buying less as interest rates soar.

Chains serving the black market are more optimistic because blacks are less likely to be weighted down with bond payments. Ellerines MD Eric Ellerine expects that business will be static or enjoy marginal growth.

Pretorius furniture division chairman Hymie Sibui says furniture wasn’t affected by the hire-purchase restrictions that were imposed on major appliances. He still expects to see some growth because the black market is predominantly a furniture market.

The most optimistic in the furniture sector is Rusturn MD Geoff Austin, who is expecting 19% growth on last year. “The upmarket cash businesses, such as Dion, are still doing well, as is the black market where we’re represented by Wanda-Fraser. The middle-income credit market is the most badly hit, though our Russells chain is beating the market here.”

In contrast to the furniture sector, clothing retailers are looking forward to growth of 15%-20%. According to Edgars group MD Vic Hammond: “There has been an erosion of sales profit in the group over the last eight weeks. But we’re hoping for 2%-3% real growth in the overall clothing sector and we’re hoping our growth will be 3%-4% percentage points above that.”

Stores with lower-priced merchandise will benefit from the same “buying down” that is helping clothing stores.

Clicks MD Trevor Honneysett says the chain’s mix of toiletries and lower-priced appliances usually performs well in tight times. “We aren’t in the credit business so we aren’t so affected by high interest rates.”

If some retailers expect a good Christmas, few expect a good 1990. Checkers acting MD Sergio Martinengo says there should be a fractional volume growth this Christmas but a much tougher 1990. And Edgars’ Hammond says he doesn’t expect any real growth for at least the first half of the year.
Challenges posed by small business

PEOPLE who tried to ensure SA's economy remained the preserve of large corporations without small-scale urban enterprises were living in a fool's paradise, said Small Business Development Corporation (SBDC) MD Ben Vosloo. Speaking at the launch of the publication, Informal Ways: A window of Informal Business in SA, Vosloo said the informal sector was now established in the cities and townships, in many forms of enterprise.

The great challenge this posed was how established firms and the legal norms that had come to govern business would adapt to the unstoppable impact of the informal sector in SA's economic life, Vosloo said.

The publication Informal Ways, written by Wits University's Prof Keith Bevan, gives an account of the informal sector and its significance in the SA economy. It is jointly sponsored by the SBDC and Avis Lease.
43 Jobless created 500 Jobs

6/20/1981

The New York Times
Menswear industry ‘over-traded’

By AUDREY D'ANGELO
Financial Editor

NEXT year will be one of the toughest ever faced by men's clothing retailers, and a number of smaller businesses will fold, predicts Danny Kahn, CE of the Cape Town-based Romen's chain.

But the chairman of the Menswear Group of SA, Stephen Parsonage, points out that the number of small menswear shops was drastically reduced in previous downturns. He believes that the survivors are professional enough to adapt to changing circumstances and stay in business.

Kahn, whose 13-store chain is believed to be the largest retailer of suits and shirts in SA, says the shake-out will benefit the man in the street who will find prices falling.

He says some retail mark-ups are as much as 120% or even 140% over the ex-factory price. He expects margins to drop to a more realistic 60% to 70%.

Warning that the industry is over-traded and will face a shake-out early in the new year, Kahn says: "A combination of higher interest rates and higher exit prices from the factories will force a number of the smaller and less efficient groups to close down. This is not necessarily a bad thing, because menswear retailing is over-traded and has been for a long time.

The public is paying for this over-trading and inefficiency with inflated retail prices. Instead of there being greater competition, the smaller operators, particularly, are simply raising their prices in a desperate bid to keep their heads above water."

The growing Romen's chain relies on high sales volumes with lower mark-ups for its profits. Kahn says the group's margins are often as low as 26% and it will be cutting prices in an aggressive drive to increase market share.

"Ours is a 'volume' business and as usual we have bought forward enormous amounts of stock. With intensified marketing and promotions we expect to sell at least 60,000 suits next year and 120,000 shirts.

"While other retailers will be pulling in their horns we shall be looking at continued expansion with stores in Cape Town, Durban, Pretoria and Johannesburg and a turnover of R20m by the end of the current financial year."

Parsonage says that ex-factory prices will, unavoidably, be higher in the coming year because of the rising cost of raw materials and labour.

"But everyone in the industry, from textile and yarn manufacturers through to the retailer, must be aware of consumer needs and do their best to contain margins."
Building
a thriving
business
from
scratch

By TOM HOOD
Business Editor

RETRENCHED from his job as a building labourer, Victor Mbauli decided he would not dip into his last pay packet and spend money on train and bus fares to try and find another job.

Instead, he ploughed his last few rands into buying stock for the tiny shop his wife ran in Khayelitsha's sprawling Site C.

Now, after four years of seven-day weeks – usually 15-hour days – the business has grown into the well-stocked Absuthu supermarket with proper tills, record books, fridges powered by his own generator, and nine employees.

Grown so well, moreover, that 34-year-old Mr Mbauli is moving into a new R75 000 house and thinking about buying a R150 000 business site in Khayelitsha.

That 649 m² business site, incidentally would cost him R200/m² – more than treble land prices in the more classy neighbourhood of Tokai (R65) and double those of good parts of Grassy Park (R85).

His housing site of about 150 m² costs R9 000 – at R60/m² slightly cheaper than Tokai.

He came to Cape Town from the Ciskei 16 years ago and worked with one building company most of the time.

Business began with R200 of stock – and his wife Nokuzo ran it from their shack.

They have been in Khayelitsha right from the beginning in 1985.

"I earned R65 a week and it was a big job to get the R200 together."

(See page 3)
Retailers see a soft landing

Retailers predict a subdued start to the new decade after a bumper "way-beyond-expectations" Christmas.

There is, however, no pessimism in the forecast for all of 1990. Most retailers expect sales and profit growth to outstrip inflation. They believe there will be a soft landing, as promised by the Government.

Inflation

Festive season spending, store owners say, was strong when it got off the ground in the week before December 25. Many food, furniture and clothing outlets romped home way ahead of budget.

Standard Bank's credit card division reports that it is fractionally below budget.

Card division assistant general manager Alistair Graham says there are indications — the final count has not been made — that retail sales were up by about 15%.

"Comparing purchases by cardholders this Christmas with last year, we found that the increase in sales was consistent with inflation."

New Checkers managing director Sipho Mntunzi says year-on-year growth was "more than we expected."

"We were up about 20% on last year. Even non-foods did well over Christmas. But the next quarter will see a dramatic tightening in business. I expect growth in the first quarter to be less than 18%. For the same time last year we experienced about 36% growth."

Confidence

Pick n Pay managing director Hugh Herman believes that the mood in SA has improved and there is greater confidence than before.

"But interest rates are still high and are likely to remain that way for a while. Taking all this into account, I'm not unhappy about the prospects for the first few months of 1990."

"It will be slower, but we will certainly not see a downturn in the economy."

OK Bazaars merchandise controller Norman Leibov says: "Everyone will be broke early next year and I expect no excitement for the first quarter."

"Although OK's figures for the holiday season are up on last year's, Mr Leibov predicts a slow start for the new decade."

"Things could improve later in the year — if interest rates come down and if there's an upturn in the gold price," he says.

Staggering

Edgars managing director George Beeton says his chain expects modest growth in the new year.

"We had an outstanding Christmas, way ahead of expectations. We will continue to go for increased market share next year."

Rustan's chief executive

By Charmain Naidoo

Geoff Austin also expects next year to be quiet.

"But we will see positive growth. Figures last year were staggering — year on year more than 30%."

"Although we have no final figures for December, I'm sure we will be 20% up on last year. I don't see the downswing that people talk about."

Mr Austin believes there will be a cooling off in early 1990.

"If interest rates fall in the second half of next year, sales will take off, especially durables.

Sales

January is traditionally a month for cut-price sales. Mr Austin says times have changed and sales today are generally not held to clear stock, but to generate business.

"In times of high inflation, a large stock count is not necessarily a bad thing. It's difficult to mark down high-tech items which will cost more in three months' time. It's better to hold them than to reduce the price."

Mr Austin says that January is "a quiet month for business."
Clusters show the way

Advertising and marketing by

Veronica Potter

MEDIA advertising rates are likely to rise by between 14% and 18% in the next few weeks, says ad agency FCB Response.

Anguish might be the emotional reaction, but the only rational course for marketers is to increase their media efficiency, says FCB chairman Brian Hopkins.

NEWSPRINT

"It's no use sniping at the media owners, especially on the print side. Newsprint costs go up by more than 1% every month. Salaries are up and petrol prices have rocketed. Some costs have to be passed on.

"However, it's unlikely that major advertisers will automatically increase their spend in line with inflation. Clients will look for smart buying and smart strategic planning."

Mr Hopkins believes that the answer on the media side is efficiency combined with strategic plans to exploit lifestyle characteristics in specific niche markets.

"In this scenario there is a ready-made targeting tool in the Delphi Lifestyle Segmentation Study. Delphi data can make marketers aware of areas of waste and windows of opportunity. It will provide a lifeline for marketers in the months ahead."

CLUSTERS

The Delphi study was carried out by the Durban-based Response Group. Nearly 70 000 families co-operated in the study, which uses lifestyle factors to split South Africa into 18 broadly similar residential "clusters". Lifestyle models for 5 800 suburbs were developed and assembled into the designated clusters, each with several sub-categories. It becomes evident that a marketing approach which succeeds in, for example, Young Suburbs, might need amending for Greenbelt Affluence, but would need reworking entirely for, say, Afrikaans Heartland. The payoff is greater impact and response.

In other words, Delphi enables marketers to direct an exactly tailored message in the most appropriate media to the lifestyle segments which have the most relevance for product positioning.

FCB Response's work, says Mr Hopkins, puts increasing emphasis on image and positioning — with the credibility of proven results as an added value.

Efficiency is one of his pet themes. He believes marketers can do far better by using sharper tools.

Mr Hopkins sketches a response scenario to prove his point: "Currently a 2% response is regarded as good. Let's assume the mailing, without Delphi's lifestyle targeting, is 25 000. That translates into 500 sales or positive leads.

"With the aid of Delphi, you could perhaps focus the message to an accurately targeted 12 000 and realistically expect an improved response rate. Even allowing for a conservative response of 3%, this still delivers 360 sales. So you contain costs AND increase your return.

"You save time too — a precious commodity."

A subsidiary benefit on the direct mail side is that the old hassles of negotiating for lists become a thing of the past. The lifestyle associations for suburbs around the country have been established.

PRESSURE

Media use is also improved. Another aspect of the study — Retail Vision — gives an accurate breakdown of the catchment areas feeding shopping centres nationwide. This means retailers have the opportunity to become highly efficient with their media selection.

Mr Hopkins says "The lifestyle approach is both accurate and appropriate in a wide range of planning scenarios. An efficiency increase like this is obviously attractive in today's inflationary environment."

"Putting pressure on media owners to keep rates down is reasonable. But it's also reasonable for our clients to expect greater efficiency on our part, especially when tools like Delphi are available to us. We have to look sharp — and use them."
Milly's loses more than its turnover

Milly's lost more than it turned over in the 13 months to July 1989.
The first results to be published in more than a year show that four of Milly's shops and a bakery incurred trading losses of R1.3-million. Another R1.2-million was reported as an extraordinary loss, bringing the total to R7.5-million. Turnover was only R7.2-million - less than in the previous 12 months.

Management at Milly's has changed several times since it was listed in September 1987. Original owners the Bruckhausen family were curious bookkeepers, reporting income of R151 000 in the year to June 1987 when a loss of R1.2-million was incurred.
The accumulated loss by June 1988 was R5.5-million, and by July 1989, R14.3-million.

Helm

Yet no action was taken against the Bruckhausens by shareholder Unidev. Unidev installed - indeed proudly, if its comments at the annual meeting are any indication - Mark Abromowitz and Dennis Marrock as joint managing directors in January 1989.

But by August they too were gone. So has last year's chairman Raymond Mallach and Unidev-appointed AJ Scott-Wilson. Now Rein Ehlers is at the helm after Milly's bought control of his Hyperette chain in a deal designed to make him the major shareholder.

On November 23 this year Milly's issued two announcements which contradict each other.

One, headed Statement of Facts, claims that before any acquisitions were announced, Unidev was the largest single shareholder in Milly's, owning 65.36% of the ordinary and 67.29% of the preference share capital.

The other announced the results of the standby offer to shareholders in October. "Acceptance of ordinary shares - 53.4% or 3.7-million shares; acceptance of 11.5% preference shares - 5,535 or 109,900 shares."

Audited

This implies that the most Milly could have owned in Milly's was 45.6% of the ordinary share capital. Yet the Statement of Facts says 65.36%.

The results to July carry two consolidated balance sheets, an audited version on July 31, and an unaudited pro-forma one at August 1, 1989. The August figures assumed that the proposed acquisitions would be approved at a general meeting.

July's figures do not depict Milly's as a going concern, with a deficit of R14.1-million and net current liabilities of nearly R11-million.

The August version gives shareholders' funds at R15.3-million compared with R4.4-million. Fixed assets jump from a few hundred thousand rand to R5.9-million. Net current liabilities decline to R1.5-million. But the August balance sheet introduces a new item - preference shares in subsidiaries of R11-million.

Mr. Ehlers says most of the three-year prefs are at variable rates of interest. They were issued to institutions by Milly's subsidiaries and he does not know who took them up, but it is definitely not Unidev.

Closure

It appears that Unidev converted its loans to Milly's into preference shares. But if Unidev does not hold the prefs, this cannot be the explanation.

Mr. Ehlers blames the poor trading results on previous management, and says the extraordinary loss of R1.2-million to July 1989 relates to the closure of the bakery division.

The R1.2-million premium paid on the Freshbake acquisition was written off in the 1988 accounts together with Milly's losses to Freshbake of R1.5-million.

Mr. Ehlers says 'today's Milly's is nothing like the group of four shops and a bakery which on average lost R1.6-million each. It now has 22 Hyperette stores and three Freshbake stores. The former Milly's is being turned into a Freshbake store, one has been sold and the other two original stores are managed by Hyperette.'

Milly's does not owe the bank a cent and its only debt is the preference 'shares.' Forecast earnings are 1,2c a share on 123-million shares.
market hit by bond hike

Lower end of

Property takes a pause
Work in progress includes First National Bank’s head office in the city and Old Mutual’s 1665 and 1689 projects, and the city council has also called for tenders for the development of property in Newtown.

But is Johannesburg moving fast enough? Anglo American Properties managing director Gerald Leitner says Johannesburg needs more action, particularly from the city council, if it is to keep pace with the dramatic growth of the PNP, which has left the inner city in the lurch.

**Retail**

"While we recognize there have been important developments in recent months, Johannesburg needs to move much more quickly towards its goal of expansion, expansion and revitalization," he says.

The decentralization trend continues as mainly white, white-collar workers move out of the CBD. Those companies that employ mainly black staff are still finding it hard to stay within the city limits because of the lack of infrastructure network — transport, easy shopping.

In the retail sector, urbanization has led to changes. Figures show that 25% of retail spending is now on food.

Some shoppers are moving out to the suburbs to shop at one-stop shopping centres and smaller malls. Development in Edenvale and Woodmead are being planned for Johannesburg’s southern suburbs called Southgate.

**Industrial**

The Government’s Physical Planning Act restricts the development of factories in the CBD. It offers incentives for the decentralization of manufacturing operations.

The latest figures show that about one-fifth of existing factories are in decentralized areas.

Wayne Wright, director of the Industrial leasing division of Mace Group (Transvaal), believes there is no shortage of companies looking for good, well-located industrial premises.

However, several "big players" have entered the market for properties ranging from 5000 to 20,000 square meters.

The multi-territory trend continues this year, with some large factories also being developed around the city.

Mr. Berkenz says that is where the growth is, and there is another important factor in the 1980s — a scaling down in operations to keep up with competition.

About $2.6 billion a year from insurance companies and pension funds is being poured into manufacturing, industrial premises and retail.

Most institutions, Mr. Berkenz says, see that the office part of their existing portfolios has performed well over the years.

"Most institutions don’t have the management and expertise to control retail centres and perceive that retailers have been overdeveloped in most areas.

This has been a good year for property investment trusts, with the index starting 1988 at 100, and now standing at 146, with a yield of 10.6%.

Say John Rayner, property analyst at Capalcon & Freeman: "The index is, however, still shy of its pre-crash high of 171.

"The recent strength of the rand has reinforced the reclassification of property trusts as fixed property, as opposed to its previous classification as equity for purposes of prudential investment guidelines regarding the excess prescribed assets requirement.

Life insurance companies and pension funds may now invest a maximum of 30% of total assets in property and 5% in equities, but combined may not exceed 85%.

"Essentially, financial institutions have increased their property exposure, leaving more investment funds for direct equity.

Mr. Rayner predicts that both property trusts and loan stock companies’ distribution growth for “at least the next two years” will reflect growth in excess of normal escalation.

Frank Kruger and Victor English property analyst Niki Vornas, director of the Board of Executors’ properties, points out that analysts and property professionals all term insurance and property syndicates as a report a modest capital performance of the property trust sector and other property-related equities over the last five years.

"In doing so, they have omitted a major factor from their analysis — the long-term aspect of property investments and the importance of timing.

When assessing property investment performance and equity, the commencing and the end of the period of comparison is very important.

Mr. Vornas’s research showed that the fixed property market peaked in June 1983 with prime office rentals in excess of R15.50/m² in the Johannesburg CBD, R17.25/m² in Parktown, R16.50/m² in Blockwood and R14.50/m² in Sandton.

**Remarkable**

Prime office rentals, he says, were generally escalating at an average of 10% a year.

The above assumptions were applied on a five-year lease signed during the second half of 1983, assuming that the escalator rate per annum was the cost at the end of the lease in 1988 was R23.30.

"However, in 1983 the prevailing prime office rentals averaged R22.20/m², 15% lower than the calculated terminal value of the 1983 base.

"On the other hand, during the same period, there was remarkable investment activity led mainly by long-term insurers, pension funds and governments in various property portfolios or property syndicates," says Mr. Vornas.
Retail rescue

By Don Robertson

WHOLESALE TRADER has launched a campaign to save the small grocery store.

Managing director Albert Koopman has asked grocery suppliers to restore the price differential traditionally extended to wholesalers and so finance a programme of training and establishing schemes for pensions, medical aid and insurance as well as setting up warehouses.

These are the major problems facing small grocery stores, particularly in black townships.

Because of market domination by retail chains, the price differential has disappeared. The big concerns continually demand lower prices from suppliers.

Mr Koopman says the retail chains have built shops close to townships, jeopardising the profitability of small traders.

The proliferation of taxis has made it easier for consumers to shop outside the townships, putting greater pressure on the small retailer.

"Add this to the fact that the small trader buys his stock at virtually the same price as the chain stores, that he has to bear the cost of transporting products to his shop, and that he does not have a large product mix, the skills or the muscle to cut prices, and you see why so many of them are going to the wall."

Mr Koopman wants grocery suppliers to restore the wholesale price differential, but instead of passing it to the retailer, the money should be used to help the small trader become more competitive.
Caution may put a damper on sales

By Michael Chester

Retailers are holding thumbs that black consumer buying power may be the key to reaching the R12,5 billion forecast made by big business for total shop sales in the Christmas spending spree.

The prediction of a R12,5 billion sales total over November and December, regarded as the Santa Claus season by the retail trade, was made by the Association of Chambers of Commerce and Industry in nationwide surveys ahead of the shopping stampede.

Assocom suggested overall spending would prove 13 percent higher than 1988 in cash terms, but down about 1 percent in volume when inflation was taken into account.

Midway in the two-month spending crescendo, the Information Trust Corporation, which concentrates on credit patterns, forecasts that the increase in Christmas spending will fall short of setting new records in real terms because of consumer caution about new sky-high interest rates on credit deals, often running close to 30 percent a year.

ITC chairman Mr Paul Edwards believes white consumers, already over-burdened by debt, will be more concerned about reducing their existing debt commitments than repeating the wild buying spree of 1988.

Retailers, he believes, are looking to the black consumer to boost sales turnover.

"Black salary increases have exceeded those of the white sector in recent years," he says. "They have over-borrowed relatively less than their white counterparts and have definite aspirations about improving the quality of their lifestyles."

**Momentum**

"There is no doubt that black spending power will provide a far more important role in generating consumer spending."

All in all, with sales counted by volume rather than rands shrunk by inflation, he foresees a slight increase in food sales, but decreases of between 2 percent and 5 percent in furniture and appliances sales.

Clothing stores, he believes, are likely to reap a 3 percent increase in overall sales from trends showing that consumers may steer away from more expensive luxury gifts and aim at more functional items.

Mr Edwards also alerts shoppers to expect special bargains to go on offer as many retailers lay out the temptation of big discounts to cut down on high levels of stocks.

But he sounds a warning to borrowers to be cautious about sliding into still heavier debt by relying on more credit and urges credit sources to ensure they exercise responsibility in vetting new credit applications.

"There's no need to put a total damper on the Christmas spirit, but shoppers need to exercise simple commonsense about their budgets if they want to avoid bad hangovers in the New Year."
New direction at Wooltru

While the inevitable slowdown in the economy has taken longer than expected, all indications are that it is close at hand, says chairman David Susman in Wooltru's 1989 annual report. It had to happen with such high inflation and interest rates, the government's costly tri-cameral parliament bureaucracy, the brutal apartheid policies of the Group Areas and Separate Amenities Acts — and poor black education, all adversely affecting the SA economy, lamented Mr Susman.

Post-apartheid SA is going to face more than enough challenges including the rebuilding of an economy broken by intensified isolation and deprivation.

Wooltru is consolidating and reinforcing the superb gains made during the last three years where sales and earnings have more than doubled. The group's character is interesting — a mix in cash trading from Woolworths and Makro and credit trading in fashion at Truworths and Topco allowing the group to withstand any slowdown.

The trend is also to foods considering that fashion represents less than 20 percent of sales. Some significant events took place during the past year. Mr Colin Hall was appointed CE replacing Mr Tony Williamson who was spending too much time overseas; Makro became a wholly-owned subsidiary and three new managing directors were appointed for Woolworths, Makro and the newly formed Speciality Retail Group (Truworths and Topco).

A leaner group structure has emerged allowing each business division improved decision making. An appropriate capital structure for each business has been agreed and the sustainable growth rates within these structures assessed, says Mr Hall. Cash flow characteristics have been analysed. Despite capex being high, borrowings for the third year running declined significantly.

The market rates Wooltru highly considering that its net asset value at end June 1989 was R999c a share compared with the current JSE price of R36.

Unfortunately the annual report gives no profit contribution from the three divisions — only sales are disclosed. Last year Mr Williamson was unhappy when I highlighted the massive R42,5 million goodwill paid for Makro. During the past year the balance of Makro was acquired, making goodwill a total of R59 million for the investment.

By not disclosing Makro's bottom line, it is difficult to comment on the R59 million goodwill payment. Management has decided to write off that sum against non distributable reserves arising from the revaluation of land and buildings.

It should have been written off as an extraordinary item in the income statement thereby reducing distributable reserves but this would have hurt the income statement numbers.

Sales rose to R21 billion (1988: R16,77 billion) with net income before tax R17,85 million (1988: R121,7 million). Interest expense increased to R24,6 million (1988: R192 million). Just who the R5,3 million (1988: R5,3 million) technical and advisory fees were paid to was not disclosed.

After tax, pre-dividend and insignificant extraordinary items, earnings were R94,1 million (1988: R68 million). Earnings per share were R2,69 (1988: R1,79) with the dividend upped to R1,12 (1988: 80 cents).

Woolworths' 76 stores and five franchise outlets produced sales of R1,63 billion (1988: R827 million). Pre-tax profits increased more than 45 percent despite margins being kept low.

The Speciality Retail group of Truworths and Topco opened a number of new speciality concepts within Truworths. Sales were R350 million (1988: R277 million) with profits up 60 percent. Topco alone had a 51 percent profit growth. Makro has its 14th consecutive year of profitable trading with record sales of R711 million (1988: R550 million). A sixth store was opened at Ottery in the Cape.

A R40 million capex programme was stated. The property division is significant, comprising 46 trading sites with a book value of R207 million, and its operating profits increased by nine percent. The profitability and gearing ratios all improved, especially the return of capital employed 48 percent (1988: 36 percent).


Strategic planning and strategic management has improved and the loopholes of investing cash resources in pre shares whereby the dividend was tax free had to be stopped at end-March 1989 when amending legislation forced repayment.

I agree with Mr Hall when he says Wooltru's a fine group and by giving him a free rein shareholders will not be disappointed — he has a superb base and management team to help him grow.
Link chain vies for photo market

JUST as sunny skies and Christmas braais are stalwarts of SA's traditional festive season, so is photography. Each year, retailers selling photographic equipment and accessories gear up for December buying and the January/February developing spree. Close on half of the industry's R200m a year turnover is done during these three months.

While specialist photographic stores have the tendency to concentrate on moving premium-priced equipment, chains like Clicks, CNA and OK Bazaars have stepped aggressively into the photo-finishing (developing and printing) field, at times offering free film or frames to consumers who choose to have them handle their films.

A quick telephone poll illustrated that, for the 1989 season, it will cost around R20, excluding GST, to process and print a 24-exposure colour film. Most stores canvassed said they did it within 24 hours.

Clicks in Alberton claims its price for developing and printing 24 shots amounts to R15.85, which includes a 30% discount, while CNA in Balfour Park shopping centre is asking R18.17. Both charge only for the prints the consumer elects to accept.

OK Bazaars in Creeta shopping centre says a 24-exposure spool costs about R20 (the factory calculates the actual cost) and supplies the consumer with a free spool when he or she collects the prints.

Despite offering no incentive other than quick service, a one-hour lab in Randburg charges R19.19 per 24-exposure film.

SA Druggists' Link chain of pharmacies is determined to recapture the share of business SA's pharmacies have lost during the past few years. This year it aims to improve its R10m (or 5%) share of the R200m retail photographic market to 10%—15% — by taking photography back to the pharmacy "where it belongs!"

The strategy to accomplish this was conceived by SA Druggists' wholesale photographic division GM Oscar Abramovitz and marketing manager Tim Sanders about 18 months ago, and the franchise within a franchise, Foto Link, was launched in June 1988.

There are now 400 Foto Link franchises. According to Abramovitz, there was a time when anybody wanting to buy a film or have a spool developed routinely popped into a local pharmacy.

But some pharmacists "burnt their fingers" by trying to move into high-tech equipment, while others just let the retail chains move into the gap left by the neglect of their photographic departments.

"However, SA Druggists realised camera, film and processing sales offered the pharmacist an excellent return on investment. It also knew that, if pharmacies returned to photography, they would tap into a market that was crying out for a non-technical approach to photography."

Foto Link franchisees avoid the high-tech end of the market and cater mainly for people who need simple cameras to capture family activities and outings. The product range includes Impact cameras and film. Impact bicolors and a range of branded cameras as well as frames and albums. The most expensive camera sells at around R160 while the range starts at about R50.

Special offers punt by the chains are designed to take business away from the one-hour labs which, although they cannot compete on a price basis, can satisfy the consumers' desire to see his shots as soon as possible.

Foto Link's answer to this was to sell the maxi print — which is 30% larger than standard prints and which often cannot be handled by one-hour labs — more cheaply than standard prints.

However, Abramovitz and franchisees, select their own pricing levels as long as the price they set is always lower than the price of the standard prints offered by the competition.

He has also set up an exchange programme which takes the problem of having faulty equipment out of the pharmacists' hands. Handling returns and repairs was a major drawback for pharmacists.

Now the pharmacist is authorised to exchange any Impact equipment which is under guarantee from his own stock and claim an immediate new replacement from his wholesaler.

For Foto Link to achieve its 15% target of the total market, SA Druggists has calculated that each of the 570 Link pharmacies must increase its photographic takings from the average of R50 a working day to R177. This means increasing developing and printing volumes from two to four a day, selling six instead of three films, and increasing camera sales and enlargements from R19 to R49 a day.

To boost pharmacies' efforts, SA Druggists has initiated motivation and housekeeping programmes, including visits to participating pharmacies by an anonymous consumer to upgrade the standards set.
Cape textile strike still on

CAPE TOWN — About 3 500 textile workers from six western Cape manufacturers were still on strike yesterday after the intermittent strike action, which followed a dispute over the industry's medical aid fund, was resumed last Friday.

A separate dispute over annual wage increases in the textile industry is expected to go into mediation today, while a third dispute called by the SA Clothing and Textile Workers' Union (Sactwu), has been relegated to the back-burner.

The prolonged dispute between Sactwu and the employers' representative, the Cape Province Textile Manufacturers' Association (CPTMA), began when the two parties failed to agree on proposed changes to the cotton and textile industries' medical aid fund.

The dispute took a new turn recently when the CPTMA cancelled an industrial council agreement with Sactwu which, it claimed, the union had breached by prejudicing one employer more than another in an overtime ban it had called.

In effect, the cancellation of the agreement nulified the industrial council. This meant that, in future, CPTMA members would have to conduct separate wage negotiations.

Sactwu rejected the cancellation, claiming that it constituted an unfair labour practice.

The CPTMA subsequently made itself available for further discussions on the future of the medical-aid fund and the industrial council agreement.

A further complication in the medical aid dispute is that a number of companies which were CPTMA members when the industrial council agreement was signed have subsequently resigned.

Sactwu still regards them as being bound by the agreement.

A spokesman for the CPTMA said the industry's labour affairs were in a state of upheaval but said he expected more clarity and direction early in the new year.

New body for quality controllers

THE 10 000 black quality controllers employed by commerce and industry are to fall under the protective wing of a new organisation, the Institute of Black Quality Management.

Institute director Henry Sambane says members of this "useful sector" of SA's labour force are often denied the opportunity to advance in their careers, and for this reason the Consumer Institute for Research and Promotion (CIRP) felt the need to establish this wing.

Sambane says research conducted by the institute shows that despite the fact that 60% of these potential quality engag.
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Institute director Henry Sambane says members of this "useful sector" of SA's labour force are often denied the opportunity to advance in their careers. For this reason, the Consumer Institute for Research and Promotion (CIRP) felt the need to establish this wing.

Sambane says research conducted by the institute shows that despite the fact that 60% of these potential quality engineers have more than 10 years' experience, they are denied the opportunity to expand in their chosen career. (30)

The CIRP will, among other things:

- Train and prepare future quality engineers;
- Organise courses for members and maintain a central library of books, documents and papers;
- Hold conferences and meetings for dissemination of information; and
- Organise awards for members.
Light vehicle sales set to dip next year

A MODEST decline is projected for new car and light commercial vehicle sales during 1989 compared with expected 1988 sales, National Association of Automobile Manufacturers of SA (Naamsa) president Spencer Sterling has said.

In Naamsa's annual report released yesterday he said: "During the course of the third quarter of 1989 signs appeared of a softer trend in manufacturers' new order intake. Nevertheless, current business conditions in the industry continue to be characterised by a relatively high level of outstanding orders and continuing strong demand by the corporate and car rental sectors. "This should serve to underpin demand for new motor vehicles in the short term."

Positive factors for the motor industry he identified included the high dependence on motor cars and commercial vehicles in SA and prospects of a dramatic rise in black ownership of motor vehicles.

Replacement demand pressure was mounting as the average age of the SA car population rose. Manufacturers had a high level of orders on hand with waiting lists stretching from six weeks to over a year for some models and there was enhanced demand for utility and commercial vehicles as a result of the deregulation of economic activities.

He also expected that Phase VI of the local content programme would lead to increased emphasis on exports of vehicle products and lead to economies of scale in production. The negative side of the programme was the uncertainty and forward planning complications it had created.

Negative factors facing the industry in the coming year were government's efforts to reduce the aggregate level of domestic expenditure.

Recent industrial action had also affected the industry, and, Sterling said, "the consequent stock shortages aggravated an already low industry built-up inventory position."

Accelerating domestic cost pressures experienced by vehicle manufacturers was well in excess of the average rate of inflation. Assembly operations had become more expensive as a result of the dramatic depreciation in the value of the rand.

"The prevailing high level of new vehicle prices represents the single greatest obstacle to the new vehicle market returning to the sales levels experienced during the early 1980's," Sterling said.

Since the end of 1988 a sharp decline in used car sales, generally accepted as a measure of individual as opposed to corporate purchases, had been identified.

Sharp increases in the cost of fuel in 1988 and 1989 would also have a depressing effect on sales.
Little growth seen in new car sales

By Sven Lünsche

The National Association of Automobile Manufacturers (Naamsa) predicts only minimal growth in new car sales over the next three years.

In its 1989 annual report it says the slower economic growth expected over the next few months will, in due course, have a negative impact on motor vehicle sales.

"But apart from the macro-economic factors, specific factors relating to the motor industry are also exerting pressures on manufacturers’ sales forecasts, it says.

These include the adverse impact on vehicle production as a result of industrial action, which has aggravated an already low built-up inventory position, and domestic cost increases well in excess of inflation.

Naamsa says that since the end of 1988 there has been a sharp decline in used-car sales, indicating that individual, as opposed to corporate purchases, are on the decline. However, the report says the declines in sales will be limited and eventually reversed towards 1992 as a result of three major factors:

● The high level of orders on hand, with waiting lists stretching from six weeks to over a year in the case of certain models.

● Strong replacement demand by the car rental industry and the corporate sector, underpinned by above-average earnings.

● Prospects of a dramatic rise in black ownership of vehicles against the background of sharp projected increases in their personal disposable incomes.

Weighing up these factors, Naamsa forecasts new car sales of 221,000 in 1989, followed over the three successive years by sales of 210,000, 219,000 and 228,000 respectively.

Total vehicle sales figures for the years 1989 to 1992 are predicted at 350,000, 335,000, 346,000 and 358,000 respectively.
Cash offer for a Picbel subsidiary

By AUDREY D'ANGELO
Financial Editor

The Picbel group has received a cash offer to buy out one of its companies, chairman Jan Pickard disclosed at the general meeting of Picardi Holdings (Pichold) yesterday.

He would give no other details. After the meeting he said that, in spite of rumours in the marketplace, there were no plans to dispose of Union Wine which is currently without an MD following the recent death of Rauch von Reenen.

All but two of the hotels in the company — those at De Aar and Jeffreys Bay — have been sold. Pickard said the remaining two hotels would also be sold, but the 53 bottle stores would be retained.

Four former executives of the Drop Inn liquor group, headed by MD Jacques Kempen, who resigned in October following a failed management buy-out, have now joined Picardi Hotels to run the bottle store chain.

Pickard said the four had an option to buy shares, but not to take over the company or the bottle stores. "Union Wine needs the bottle stores."

At the general meeting of Pichold, the chairman of the Shareholders Association of SA, Issy Goldberg, urged the directors to sell Union Wine in order to reduce the group's high level of debt.

Told by GM Jan Pickard junior that Union Wine had debts of R40m and a net asset value of R50m, Goldberg pointed out that such a sale could reduce the group's debt by R200m.

Goldberg and shareholder Max Florence praised the group's main operating company, Picapl, and its products but expressed concern at its high level of debt.

Goldberg said it was "common cause that interest rates are not going to drop dramatically in the coming year". The interest on the group's debt of more than R200m would be high and ways and means would have to be found to reduce the level of borrowing.

Jan Pickard junior said borrowings were locked into differing rates of interest which worked out at an average of 19%.

Chairman Jan Pickard said the group had been looking at ways to reduce borrowings for the past six months, and surplus stock holdings were being reduced.

Total debt would decrease but the interest bill would decline only in the second half of the year.

Pickard said the group's difficulties were due to SA's stop-start economy. Picapl had been "doing so well" until the government had suddenly clamped down on consumer spending.

He said the white goods factory was working to full capacity, with demand exceeding supply, and sales were profitable. The surplus stocks were of imported air conditioning and audio equipment.

The air conditioning equipment would sell quickly if there were a hot summer. Last year had been a poor one in the Transvaal, with little demand for air conditioning.

In answer to recommendations from Goldberg and Max Florence to sell a subsidiary company, Pickard said there were "problems with staff and people when you sell a company".

Jan Pickard junior said a company could live with a high level of debt if it were profitable. He said that Pichold and Picardi Beleggings (Picbel) had both had a high level of debt four years ago, of which they were now free.

- At the general meeting of Picardi Beleggings (Picbel), in which the Pickard family holds a 48.6% stake, Jan Pickard senior said shareholders included Sancel, Momentum Life and Santam.

Questioned by Goldberg about the founding of the Cape Investment Bank 18 months ago, and the investment of further funds in it since then, Pickard junior said it had been decided to diversify into a financial services company which would be independent of economic cycles.

It had been a wise decision, and the launch had been highly successful.
time to organise a syndicate to put in their own offer before tenders closed less than a month later.

After objecting to the way in which the sale is being handled, the association has been assured by House of Delegates Ministers' Council chairman J N Reddy that any offer they make will be considered sympathetically against the historical and political background of their move to the complex.

Investment needed

Nair says a syndicate of traders is likely to offer no more than the R1.2m cost, even though it is well below market value. He says substantial investment will be needed to bring the complex up to the standards expected in modern shopping malls. Several traders have put their own money into upgrading shops. Nair has spent R150 000 on infrastructure in his restaurant — the first in Cape Town to go nonracial.

"When I moved in there were only two power points in the whole place. I had to put in nearly 20 more and install three-phase electrical points for the kitchen. The ceiling was so high it was like a barn. I had to lower it. There was no direct access from the street so, when the complex was locked in the evening, patrons had no way of getting in or out. I had to put in a door." He says traders were happy in District Six and moved under protest. They feel the least the State can do is try to right past wrongs by giving them a reasonable crack at making their businesses work under acceptable conditions. Letting them buy the plaza at a knockdown price would be a start.

Nair believes opening District Six to all races, and the ability to let or sell shops regardless of race, will help revitalise the area. The plaza will benefit if a pleasant shopping environment is created.
SOWETO tycoon Richard Maponya told British TV viewers this week of his climb to success, telling millions how he challenged and beat the apartheid system.

And the 56-year-old retail magnate said he sees no threat in a "socialist ANC government" of the future.

"I do not believe they would nationalise. It has not worked in our neighbouring states, and it will not work here," said the businessman, a close friend of both Nelson Mandela and Oliver Tambo.

South Africa: Under the Skin was broadcast by the BBC on Tuesday night. It centred on Mr Maponya's Dallas-style life, with several homes, luxury cars, over 60 racehorses and a vast property and retail empire.

Viewers saw precious racehorse emblems on the bonnets of his cars. They are made by Asprey's, the gold and silver London jewellers used by the Queen.

Mr Maponya described how, when he bought his first store, Mr Mandela and Mr Tambo acted as his lawyers. He and his wife Marina said a recent meeting with Mr Mandela -- "our national leader" -- was the highlight in their lives.

"I am not ashamed to say I was a member of the ANC. The organisation articulates the aspirations of my people. That is why we say unless the ANC is unbanned, unless it plays a part in the political set-up of this country, there can never be a solution."

DEFIANT

Despite his fortune, Mr Maponya said he was still forced to live as a "squatter" inside his mansion in a white Johannesburg suburb.

He had a comfortable home in Soweto, but he bought the house to "test the water".

"Let them dare try to throw me out of here. All hell will break loose."

"Everybody knows that I live here. They haven't as yet interfered with us. As a South African I should be able to live wherever I like."

Mr Maponya said he was lured into business when, as a young teacher, he realised there was more money to be made.

His first job -- looking after the stock of a major department store -- was done so well that his white boss was promoted to managing director. But because of his colour, Mr Maponya did not climb the ladder with him.

"It was the most humiliating thing a man could encounter. Even if I was more able, more educated than a white man, they would still not let me oversee a white man."

By JEREMY BROOKS: London

30 Fortune

Critics in the programme accused him of using apartheid to create his fortune.

Mr Maponya replied: "I have not benefited from the apartheid system. I have got where I am today through hard work and hard work. It wasn't achieved because I was favoured - I tackled the bull by its horns."

"I said: 'This is the goal I want to reach. And I challenged whatever stood in my way.'"

He said it had taken him five years before he was eventually granted a licence to enter racing. Today he owned over 60 racehorses.

Referring to his jockeys' colours -- green, black and gold -- Mr Maponya said with a grin: "The ANC says they are their colours. But Belezi says they are Inkatha's colours. I say they are my colours."
Pictures of missing girls to appear on milk cartons

THE faces of six missing girls — five from Johannesburg, one from Durban — will soon appear on milk cartons in a new attempt to trace them.

The new concept, a joint project by Pick ‘n Pay, the South African Police, and NCD — the National Co-operative Dairies — will feature the faces of the missing children on milk cartons in the Transvaal and Natal.

“We are acting as a conduit between the police and the dairies. They give us all the details and we pass them on to NCD.”

“We expect the first batch of faces to appear in the last week of this month and the first week of January,” said Pick ‘n Pay marketing director Martin Rosen.

The dairies would appear on all 500ml and 1 litre cartons of milk supplied by NCD but that other dairies were welcome to participate.

“Milk is a basic domestic requirement — everybody buys it. This is a very meaningful way of reaching the community.”

“It’s a big decision to introduce totally new packaging but NCD fully supports the idea,” Mr Rosen said.

He said the same idea could be used on many other types of cartons.

“So far we have had no information on missing black children, but we’ve asked the police to let us have details,” Mr Rosen said.

Nobody at Pick ‘n Pay was claiming to have thought up the idea: “That’s not the point here. The important thing is the benefits to the missing children,” he said.
Consolidated Property & Finance (Conprop) will be listed in the property sector of the JSE four days before Christmas.

The business, established in 1976, has three divisions - property development, property investment and construction.

**Family**

Conprop has been involved in the completion of factories, offices and holiday flats, as well as revamping buildings.

After a private placing of 4-million shares at 150c, which chief executive Frank Torry says has been completed, there will be 18-million in issue. The Torry family controls the other 18-million shares.

Conprop is thus capitalised at R214-million — a premium to asset value of R25-million.

The funds raised will be used to repay debts and listing expenses totalling R4.8-million, leaving the company ungeared.

Mr Torry says timeshare and the leisure industry in general are in disrepute, and Conprop's listing is intended to restore credibility.

Management forecasts earnings of 34.9c a share for the year to February 1990, placing the company on 4.3 times forward earnings. It will declare a 10c dividend for the period to February 1990.

Mr Torry thinks the shares are undervalued at 190c, but believes initial investors in Conprop deserve a bonus. He thinks they will hang on to the shares if the price is at a premium to that paid.
Delistings and listing as Tradegro tidies up

By Julie Walker

FRASERS, Frascon and Interhold will be delisted and Smart Centre is to be quoted on the JSE in a tidying up of the capital and corporate structure of the Tradegro group.

The move follows the sale by Tradegro and Fraslers of their stakes in Rusturn, netting R144-million including dividends. Tradegro repaid its borrowings from the proceeds, and took the opportunity to reorganise.

Tradegro chief executive Donald Masson hopes that Tradegro and its companies will be afforded better market ratings after the simplification and streamlining of the complex group structure.

Kitty

He would like to have converted all his instruments into ordinary shares, but this would have taken all the cash raised from the sale of Rusturn, leaving nothing in the kitty.

Mr Masson says his group would lose credibility if it had to ask shareholders for more money all because it repaid debts not yet due. He prefers to keep the money accessible. In only 15 months after the restructure becomes effective, the outstanding capital instruments will be converted.

The restructure holds no surprises, with few opportunities to make a fast buck by buying underpriced instruments. Most share-price changes have already taken place in anticipation of the changes. The procedure is obvious, but the terminology cumbersome.

Frasers will be placed into voluntary liquidation and will distribute free to its members 84 Metro shares, eight Cannibels and 200 Smart Centres for every 100 Frasers.

Balance

Frasers shares are offered at R3.11, and the sum of its components — taking an estimate of Smart's value at below R9. Frascon is probably worth R4.50, trading at 465c. It was bid higher on Friday.

The balance of about R2 will be paid in two roughly equal dividends, one from capital liquidation and the other out of retained earnings.

Similarly, Frascon members will get 41 Metro shares, three Cashbuilds and 98 Smarts for every 100 held, as well as two dividends of about 48c each out of capital and retained earnings.

Before voluntary liquidation, Fraslers will redeem at par its 1.35-million 13.75% unsecured, convertible, irredeemable, subordinate debentures — which last traded at 75% of par — and 4.5-million 11.1% unsecured debentures, which last traded at 73%.

Frasers and Frascon will repay creditors of R3-million, and Smart Centre will recapitalise by R15.5-million.

DONALD MASSON... looking for a better rating to be recapitalised by R15.5-million.

Tradegro will redeem 7-million cumulative non-convertible participating prefs at 106c with the pref dividend calculated to the date of redemption. They are trading at 106c.

Schemes

Tradegro's 11.38-million variable rate compulsorily convertible cumulative prefs will be converted one for one on April 30. They are trading at 185c and the odds are 175c.

Barring unforeseen circumstances the 87-million convertible debentures, 40-million optionally convertible debentures and 132 810 7% A part prefs should be converted into ordinary shares by July 1991.

After the conversion of all these instruments there will be 185-million ordinary Tradegro shares in issue.

Top holding company Kimet will redeem its 56 369 7% part prefs at 185c — they last traded at 78c.

Interhold company Interhold will redeem its 6 394 7% part prefs at 55c — it last traded at 59c.

Schemes of arrangement will be proposed by Kimet between Interhold and the holders of its ordinary shares and the 15% UCSCS of 86c other than those in terms of which holders may receive a similar instrument in Kimet.

They will be offered 64 new Kimet instruments for every 100 Interhold. Interhold will become a wholly owned subsidiary of Kimet and its listing will be terminated.

Exchange

Kimet will buy 16.6-million CD's, 6.7-million OD's and 105 600 7% A prefs in Tradegro currently held by Sancerkorp in exchange for convertible debentures in Kimet. It will also change its name to Tradegro Investments.

Kimet will then have two listed instruments and Tradegro three until the convertible instruments become ordinary in July 1991.

Frasers and Frascon have declared dividends of 90c and 41c respectively, payable to members on 5 January. These payments form part of the cash to be repaid out of retained earnings by the companies.
Boksburg's ugly face

WITH the lifting of the black consumer boycott in the wake of President de Klerk's moves on open amenities, Boksburg looked set to revert to its old, low-profile self. Instead, it shows signs of developing into a running sore which will keep it well and truly in an unwelcome spotlight.

Recent clashes between right-wingers and coloured residents at Boksburg Lake were made even uglier by the presence of civic "leaders", including the baton-wielding mayor and the management committee chairman.

Far-rightists proclaim that desegregation will inevitably lead to racial strife. In Boksburg, they seem bent on ensuring that their prediction is fulfilled. Fortunately, a threatened confrontation on Saturday has been averted by the Save Boksburg Committee's decision not to hold another protest meeting at the lake.

While the anger, frustration and impatience of the Reiger Park people is understandable, their most sensible course might be to back off until Mr de Klerk fulfils his promise to scrap the Separate Amenities Act, thus removing the bigots' slender legal excuse to misbehave and laying them open to prosecution.

Island blues

ISLAND life is less idyllic than it sounds. British scientists have found that the limited space causes large mammals to shrink in size. On islands such as Malta, quarter-size elephants and 1m hippos evolved about 100,000 years ago. The theory doesn't seem to apply to humans, nor to the Comoros there, a mercenary adventurer named Bob Denard has inflated his stature way beyond anything it deserves.
RESIDENTS of Oukasie and the black residential areas surrounding Brits are boycotting white-owned businesses in protest against the town's refusal to allow them to stage a peaceful demonstration.

A spokesman for the Brits Working Committee said residents decided last week to go on an indefinite consumer boycott after an application for a peaceful march in Brits was turned down for the second time. The spokesman said the community's action was a means of showing that they rejected the Conservative Party-controlled administration in the area.

Residents wanted to march through the town before presenting a memorandum detailing their grievances to a Member of Parliament living in Brits.

He said it was also resolved at a meeting with Indian business people that prices be monitored to protect consumers from possible exploitation during the boycott.

The monitoring group comprises members of the Working Committee, Brits Council of Churches, Cosatu and community-based structures.

AN explosion occurred on the railway line between Bishop Lavis and Bonteheuwel Cape Province early yesterday morning.

Boycott over 'no' to march in Brits

By ALINAH DUBE
There's hope yet

For the Consumer

Watch out!

Corner

BY MIZEAISE

Consumer

GOOD NEWS FOR CANADIAN CONSUMER

Corner on the Scene

Consumer Watch

The price of food products in Canada has increased rapidly in recent months. This is due to the current economic conditions, including high inflation rates.

According to Statistics Canada, the Consumer Price Index rose by 6.1% in August 2022 compared to the same month in 2021. This is the highest annual increase in the index since March 2003.

Inflation is affecting all sectors of the economy, with food prices rising by 9.7% in August. This is the highest increase in food prices since 1981.

The high cost of food is having a significant impact on households across the country. Many families are struggling to make ends meet, and some are forced to cut back on other expenses to cover the cost of groceries.

The government has taken some steps to address this issue. For example, they have implemented a national food strategy to increase access to healthy and affordable food.

Consumer organizations and advocates have also called for increased support for vulnerable populations. Many are calling for a national food security strategy to ensure that all Canadians have access to affordable, healthy food.

In the meantime, consumers are urged to shop smartly and look for ways to reduce their food budget. This includes comparing prices, buying in bulk, and avoiding waste.

As the economy evolves, it is important to remain vigilant and stay informed about the trends affecting our lives. With the right information and strategies, we can navigate these challenging times.
A JOHANNESBURG furniture shop has agreed to cancel a balance of R1,256 owed by a man who passed away two months ago.

Initially, the Bree Street branch of Price and Pride had threatened to repossess a bedroom suite bought from them for R2,233.

A Soweto pensioner, Mrs. Elizabeth Dlamini, told Consumer Corner that her problems started after her son's death. She said a representative of the shop came to her home last week and threatened to repossess the goods if she did not pay the money.

Dlamini said: "Fearing that they would repossess the goods, I paid them R100 but they were not satisfied. They demanded the whole balance."

"I cannot understand why the shop is demanding the money from me because my son had taken an insurance policy in case he became disabled or died before paying the debt. Perhaps the shop is taking advantage of me because I am a pensioner."

A spokesman for the shop said there was a misunderstanding between the two parties. He said they had investigated Dlamini's case and decided to cancel the outstanding amount.

"The insurance company has agreed to pay the outstanding amount. We apologise for the inconvenience caused," he said.

The shop has also promised to repay the R100 paid by Dlamini.
Heading south

Looks can be deceptive. Sales of new vehicles are expected to generate R12.9bn in revenues for the SA motor industry this year — an impressive 28% improvement on last year. This suggests a strong market.

Looked at more closely, that increase is despite a 4% fall in unit sales. Sales of cars and commercial vehicles this year are expected to total 344,100, compared with 357,893 last year.

Calculations by the National Association of Automobile Manufacturers of SA and Econometrix show that sales revenues have grown by 163% since 1986 — while sales themselves have risen only 30%.

Over that period, assemblers' average revenue from each new car produced in SA has risen from R17,582 to R34,091. In the last year alone the figure has risen 33% from R25,679. The trend — largely the result of domestic inflation and the declining value of the rand — is likely to continue next year.

And the new Phase Six vehicle content programme, while expected to have a negligible impact on prices in its first years, could contribute to price increases later, according to industry officials.

It's no wonder the association notes in its annual report: "The prevailing high level of new vehicle prices represents the single greatest obstacle to the new vehicle market returning to the sales levels experienced during the early Eighties."

November's sales figures (see table), offer little hope of early recovery. Though car sales were up on October's 18,122, they fell 6.5% from November 1988. For January-November 1989, the year-on-year decline was a gentler 3.2%, but indications are that 1990 will see a further decline in unit sales.

Revenue increases in other sectors of the motor trade — though by no means modest — reflect nowhere near the growth displayed by assemblers over the last three years. Used vehicles are expected to generate R6.2bn this year, a 104% improvement on 1986. Auto workshop revenues will have risen 69% to R2.8bn and spares and accessories 79% to R5.2bn.

With the number of vehicles on SA's roads continuing to grow by leaps and bounds, none of the three sectors are likely to experience a fall-off in income any time soon. The association estimates that SA now has nearly 5,2m vehicles, an increase of more than 30% since the beginning of the decade.

Much of that growth has been the result of blacks entering the market in increasing numbers. Assemblers still dream of the day when they will become major buyers of new vehicles. So far, they have been active chiefly in the used-vehicle market, but the ownership rate among blacks remains low.

Though SA whites continue to boast one of the highest per capita car ownership figures in the world, the latest figure for all races — an average 11.4 people per car — places SA very much among the minor players.

Still, compared to China's average of 1.093 per car, SA still has a way to go before joining the motoring deadbeats.
Black buyers move into the driving seat

The black consumer is well on the way to winning the fight for buying power.

BRUCE ALLEN reports

BLACK consumers are emerging as the future driving force of the South African economy.

Witness advertising campaigns aimed at the black market and it's clear that businessmen are becoming aware of where the future profits lie.

A skills shortage combined with successful trade union wage bargaining has increased black spending power.

Political changes, like the repeal of influx control, has promoted urbanisation and led to massive demand for housing and other consumer goods.

On the wage side, black skilled or semi-skilled workers could expect to earn little more than half the wage of their white counterparts in 1981. By 1988 that figure had climbed to 70 percent.

In the gold mining industry, skilled miners now receive 4.9 times the earnings of their predominantly black semi-skilled and unskilled colleagues compared with 3.1 times in 1971.

On average, black per capita real personal disposable income (PDI) grew by 42 percent from 1970 to 1985. Over the same period the equivalent figure for whites was 6.5 percent.

Growth has subsequently slowed but the differential remains. Significantly, the large proportion of blacks in the total population implies that since their total PDI was lower than that for whites last year, the income differential between the groups remains high.

The Bureau for Market Research at the Unisa estimates that the average personal income in 1985 was R11 598 for whites while average black income was R2 414 — 20 percent of white income.

But the gap is closing. According to the Central Statistical Service wages for white workers decreased by 1.5 percent between June 1988 and June 1989. Over the same period, black workers benefited from an average 6.6 percent hike in wages.

As the table shows, the Bureau for Market Research reveals some interesting statistics for the years ahead.

Assuming a low GDP growth of two percent a year, black disposable income by the year 2000 will reach R53.6-billion. Whites will have R44.2-billion to spend.

Looking ahead, black consumers are also generally more positive in terms of economic outlook than whites. A survey conducted by Stellenbosch University's Bureau for Economic Research shows that while whites remain pessimistic, black consumers "anticipate a considerable improvement in the economy during the next 12 months".
Sales of new cars rose by 7.8% in November to 19,541 from 18,122 in October.

However, compared with the same month last year, sales were down by 6.5%, or 1,355 units.

Although sales in the second six months have held up better than expected, it is forecast that volumes will decline modestly in the first half of next year because of a slowing in the economy and a fall in consumer spending. Orders for new vehicles are declining.

Sales for the first 11 months were 207,468 against 214,394, suggesting that volumes for the year will total 220,000.

Strong demand from small businesses and the black taxi sector kept sales of light commercials at near October's levels. Sales were 10,478 in November compared with 10,587 in October. Sales for the year to date are 108,917 compared with 104,545 at this stage last year.

Medium commercial sales were 435 in November compared with 435 in the previous month, taking the total for the year to 4,191 against 5,324.

Heavy commercial and bus sales were up 15.1% to 912 in November from 806 in October. In the first 11 months, sales were 9,018 against 8,709.
men with the most...
Stores expect rise in Christmas sales

By Kaizer Nyatumba

With only a week to go before Christmas, major stores yesterday said they believed sales would be marginally better than last year, and felt their earlier optimism about a good Christmas was not unfounded.

Managers of supermarket chains contacted by The Star yesterday said that although Christmas shopping had started slowly, they believed the next few days would see thousands of people throughout the country rushing to the shops to do their last-minute shopping. This, they said, meant there was a good chance of this year's Christmas sales being much better than last year's.

WORRYING FACTOR

The managers said by yesterday sales were already better than last year's sales around the same time, and they saw no reason why the present trend might change in the last few days.

However, the financial director of Dion Stores, Mr Mannie Chaimowitz, said the worrying factor was that people did not buy expensive items such as television sets and videos as expected, but purchased lower-priced items.

Mr Aubrey Zelinsky, merchandise director of Pick 'n Pay, said their stores were "exceptionally busy" and their sales were 15 percent higher than last year's by the same time. He said for them Christmas shopping began in earnest last Friday, and many people rushed to their stores last Saturday.

"Although this year Christmas shopping started later, I think it's going to be a good Christmas," he said.
Nafcoc undergoes restructuring

By Jabulani Shikakhane

The National African Federated Chambers of Commerce and Industry (Nafcoc) will gradually phase out its present structure of regional chambers affiliated to the federation in favour of specialist national business organisations categorised according to different economic market segments.

Nafcoc's restructuring follows a major study, sponsored by the US Agency for International Development (USAID), aimed at achieving a greater measure of organisational effectiveness, financial independence, efficiency in administration and increased representative-ness of the black business community.

Among recommendations were the restructuring of Nafcoc to enable the organisation to affiliate and give representation to other specialist business organisations; adoption of sound financial and management systems to strengthen administrative capacity; and a major fund-raising drive to ensure the financial independence of Nafcoc.

The first step towards a new look Nafcoc was taken last week when nine independent taxi associations, including the Southern Africa Long Distance Taxi Association (Salta) and the Busato (Black Union of South African Taxi Operators), formed a new national transport body affiliated to Nafcoc.

Others were Nataco, Matlosana Taxi Operators, Majelahoko of Parys, Federated International Taxi Organisation (FITO), the Vati Taxi Owners Federation, Majabatho Taxi Association and the Alexander Midrand and Sandton Taxi Association (Amata).

The Nafcoc transport wing should have close to 40 000 members, with Salta, Busato and FITO accounting for a very large share.

With an increasing number of associations splitting from affiliates of the Southern Africa Black and Taxi Association (Sabta), Nafcoc is expected to consolidate them into what might potentially be another massive black transport association in South Africa.

"Finer details of its workings have not been worked out, but it is understood the new Nafcoc transport wing will concentrate on lobbying the authorities, negotiating discounts and generally acting on matters of national interest. Affiliates will continue with their day to day affairs."

The president of Nafcoc, Dr Samuel Motsuenyane said the unity of the nine transport bodies was a significant event in the history of black business.

"This must be seen as an imaginative and innovative development of black people for their benefit under black leadership."
Grocery sector shows R17.8bn in turnover

ACHMED KAREEM

GROCERY retail and wholesale sectors had a total turnover of R17.8bn this year, Grocery Manufacturers' Association (GMA) executive director Jeremy Hele said.

Retail and wholesale groceries had remained buoyant during 1989, reflecting a 20% growth in value terms.

Hele said it was difficult to predict what next year's sales would be.

If one looked at the figures for 1988 when total turnover was R10bn and compared it to the R17.8bn for 1989 this would indicate a growth of around 20% again dependent on inflation.

A recent business information services census survey on behalf of GMA had shown the major increases in business were in the bottom end of the market.

"The three big chains are experiencing assaults on their market share, both by each other and, most, evidently, by voluntary groups in the regional chains," Hele said.

Only 18% of manufactured grocery products were scanned at the till despite all goods being source-coded.

GMA membership had grown satisfactorily by 8% to 91 operating companies, of which 55 were subsidiaries of nine holding groups.

"As the membership grows to encompass more of the industry, we may expect the rate of recruitment to slow down somewhat," Hele said.

Hele welcomed the improved consultative mechanism established with the Health department and anticipated that the resultant legislation should "provide fewer headaches" for consumers, manufacturers and government.

As the GMA's representative on the Food, Legislative Advisory Group, he had been requested to convene specialist working groups to consolidate submissions on the new labelling legislation, and also on proposed simplified regulations on emulsifiers, stabilisers, and thickeners.

"With the changing face of South Africa, with our own perestroika, will come economic freedom for more people, and the ensuing opportunities which this will offer," Hele said.
New car sales may drop

SYLVIA DU PLESSIS

INDICATIONS were that new vehicle sales for 1989 would be in the region of 224 000 units compared to the 230 500 units for 1988, says Nissan SA Marketing MD Stephanus Loubsor.

If this proved to be the case it would be a "very good showing indeed" in the context of a declining economy, he said in a statement yesterday.

"Taking a slightly longer view we expect that a number of fleet owners have crossed the threshold of the economic life of a portion of their fleets and this will support some demand in the market, particularly in the commercial vehicle markets."

On the heavy commercial side there had be an "interesting" growth trend in specific areas, probably because of more confidence in the agricultural sector.

"Generally, the motor industry expects a lean period for the first six months of the year, after which the indications are that interest rates could ease, which will stimulate sales."
Trend seen towards buying on credit

CONSUMERS had less money to spend this festive season than last, but continued to buy furniture and white goods on credit, retailers said yesterday.

OK Bazaars Furniture and Appliances MD Arthur Solomon said sales had dropped substantially during November and December but this was in line with expectations.

The higher deposits and shorter repayment periods, in effect since August, were responsible for the slump.

"The consumer has become more choosy, particularly with regard to white goods, and is struggling to find deposits," Solomon said.

OK sales had shown a "Christmas-on-Christmas growth of about 10% in real terms". The consumer was not getting into the same credit difficulties as last year, he added.

A spokesman for Affiliated Furniture Companies Ltd (Afoel) said expensive furniture was not selling as well as it had last year but Christmas trends were difficult for manufacturers' to gauge because orders were placed by retailers in September.

Tony Factor, owner and MD of Tony Factor's, reported a "phenomenal growth in furniture sales of 5% which he attributed to the increasing number of fairly prosperous young people looking for competitively priced furniture. White goods were up by only 2% in money terms but had shrunk slightly in real terms."

Factor said: "People are shopping on credit, and wisely so because the increase in prices will outstrip finance charges in the next two years."

"We expect a 50% increase in furniture prices during the coming two years."

Amrel MD Stan Berger said the whole furniture trade was doing well.

The trade had reached its low point last year and was now on an upward trend.

"Money is short at the moment but the consumer believes inflation makes it cheaper to buy now than to save his money," Berger said.

A Beares spokesman said people were buying on HP rather than paying cash.

He said the higher mortgage rates were responsible for this trend.
Consumers cut back on the luxury shopping lists

LUXURY items, hard hit by import surcharges and more stringent HP requirements, are not on most consumers' shopping lists this Christmas, retailers said yesterday.

OK marketing director (furniture and appliances) Arthur Solomon said these goods had taken a knock over the two-month festive season.

Sales of hi-fi's, TVs and microwaves purchased during this period had been only fair compared to 1988, growing 10% in rand terms, he said.

Prices

This represents a slump of about 5% in real terms.

"VCR sales are down 10% in units, or 20% down in rand terms, because consumers need a 30% deposit and have only 12 months to pay. Also, prices have escalated because of the weak rand and the import surcharge," he said.

"This is unfortunate, but consumers are hard-pressed to find the unrealistic deposits they have to fork out."

Solomon said it had been a late Christmas generally because consumers were now more dependent on their bonuses.

"But we're hoping for a last minute rush, and expect that Saturday will be our biggest trading day of the year."

He said that small appliances and music software - CD-related in particular - had taken off substantially.

"We did not anticipate a boom Christmas, so our stock levels in the new year will be reasonable, with no major excesses."

Milstern sales director Andre du Toit said VCR turnover had remained steady but TV sales were down over last year due to market saturation.

"There are some 5-million TVs in SA homes already. But what is gratifying is that sales of video cameras - far from saturation - have been extremely buoyant, so I'm not really disappoint- ed," he said.

He said that he, too, was expecting a last-minute rush on all goods and did not anticipate excess levels of these stock in the new year.

Pick 'n Pay merchandise director Aubrey Zelinsky said that while computer games aimed at children had done exceptionally well, sales of big ticket items were slightly down in real terms over those of last year.

Oversupply

"Higher interest rates have taken effect at the top end of the market. Also, sales of TVs and microwaves in particular have been quite high over the past eighteen months and there is a slight oversupply in the market."

"But I'm very happy with sales of these items under the circumstances."

The annual Christmas spending spree had started later than usual because schools in the Transvaal had closed a week later this year, he said.
Franchising could help bridge the gap

CHARLOTTE MATHEWS

FRANCHISING could and should play a major role in bridging the gap between big business and the informal sector, Kessel Feinstein (KF) partner Graeme Victor said in the latest issue of The Bottom Line.

"Most successful franchises are businesses where a high degree of personal service to the customer is important, for instance, retailing, fast food or quick printing, and they require the personal presence and commitment of the franchisee at the point of sale," Victor said.

For big business the system offered the advantage that a large injection of capital was not needed to achieve rapid growth as each outlet used the financial resources of the individual franchisee.

"Franchisees would be more motivated and eager to minimise costs while maximising sales than a manager."

The parent company did not hold the responsibility for the assets of the trading outlet, which were owned by the franchisee.

But among the disadvantages Victor identified were that the franchisee could become too independent, or that some franchisees were not alive to the opportunities of the business.

There could also be problems in enforcing standards consistent with the parent company's image, or poor communication between the two parties.

Victor said the overall aim of franchising business should be to simplify control and not to rescue an ailing business.

"Another objective must be to provide franchisees with a back-up service and information which no single trader in a business with highly aggressive, low margin competitors could ever hope or expect to match."
Govt drops shop hour curbs
By ANTHONY JOHNSON
SOUTH AFRICANS will be allowed to shop around the clock from today.
The move towards 24-hour shopping, which should boost last-minute Christmas sales, has been approved by a proclamation appearing in a special edition of the Government Gazette today.
The latest government effort to speed up its deregulation programme lifts trading-hour restrictions from Monday to Saturday on all business except liquor outlets, escort agencies and nightclubs.
However, existing Sunday trading hours and restrictions will remain in force.
The latest step, which was originally slated for implementation only next year, also removes the need for most traders to renew their trading licences from 1990. Administration and Privatisation Ministry spokesman Mr Friskie Odendaal said last night.
The proclamation has the effect of immediately implementing most of the provisions of the draft Business Bill published for comment in April.
The proclamation has two major objectives: Curbing government control of and interference in business and simplifying the large variety of regulations applying to traders.
When the changes were mooted earlier this year they were generally welcomed by the private sector as a significant part of the deregulation process.
However Assocom's legal manager, Mr Ken Warren, said the sensitive issue of Sunday trading should be addressed as a matter of urgency to take into account the shopping needs of all in South Africa, particularly black people who spent many hours commuting to and from their places of work.
WORKING capital is the source of funds available for the everyday running of your business. Without it any business will undoubtably fail within a short time. This column explains how to manage your working capital in a manner which can help ensure the survival and possible expansion of your business.

Components. Working capital is made up of current assets: cash on hand, cash in the bank, debtors and stock.

From this is subtracted all current liabilities, which include: a bank overdraft, trade creditors and other short term liabilities such as taxation and lease or hire purchase instalments.

Cash management. Cash flow can be controlled by giving attention to the following elements:

- Ensuring debtors comply with payment terms.
- Tightening debtors terms of payment.
- Taking full advantage of credit terms made available by suppliers and negotiating more favourable terms with them.
- Keeping stock levels as low as practically possible.
- Monitoring capital expenditure.
- Having additional short-term finance available for crisis.
- Not distributing after tax profits in the form of dividends or drawings unless the working capital needs of the business can bear the outflow of funds.
- Investing excess short-term funds in more profitable short-term investments.
- Insist on prompt payment by indicating on invoices that you are a small business and your survival depends on it.
- Preparing short and long-term cash flow forecasts and monitoring these against actual performance.
- Banking receipts promptly.

Credit control. This means controlling debtors:
- Insisting on trade references for new customers and doing credit checks.
- Allocating credit limits to your debtors.
- Invoicing promptly and specifying the terms of payment, such as 30 days from invoice.
- Having documented proof of delivery on hand.
- Re-evaluating credit terms once a debtor is paying late.
- Setting out statements as soon as possible after month end.
- Making sure invoices, and statements are accurate and easy to understand. Errors and confusion regarding these give the customer excuses to delay payment.
- Giving discounts for prompt payment.
- Ensuring debtors promptly comply with payment terms.
- Charging interest on overdue accounts - do not become a cheap source of finance.

Taking stock. Stock control is complex. This is merely a simple guide that is applicable to most business. The subject will be dealt with more fully in a subsequent column.

- Keep stock holdings down to a minimum level. Excessive stock levels tie up much-needed cash in non-interest earning investments. In addition stocks cost money to hold in the form of warehouse insurance and costs of obsolescence.
- Forecast sales.
- Determine lead and delivery times from suppliers.
- Establish what risks may arise from stock shortages.
- Determine possible seasonal fluctuations in demand or supply.
- Attempt to identify changing sales patterns.
- All stock movement and their cost prices should be controlled and accurately recorded to ensure that:
- Records properly reflect stock on hand and movement to enable management to set appropriate re-order levels and selling prices.
- All movements of stock are invoiced at the correct prices.
-Obsolete and redundant sales are identified.
- You know which items move fast and which move slowly.

Creditors. Use your own creditors to aid the cash position of your business by:
- Establishing favourable terms of payment with them. This includes obtaining the best discounts for early payment.
- Paying strictly in accordance with terms and claiming maximum discounts.
- Taxation. Use professional help to ensure that your business:
- Claims all expenses and maximum allowances to reduce that tax liability as much as is legally possible.
- Pays the lowest amount of provision tax legally possible.
- Claims the outstanding debtors allowance in its monthly/annual GST returns.
- Is the right type of legal entity for your circumstances - company, close corporation or partnership.

Checklist. Finally, here is a checklist of the sort of basic requirements needed for proper working capital control:
- Keep up to date and accurate books of accounts.
- Have a competent bookkeeper prepare the following on a monthly basis - cash flow forecast for three months, income statement, balance sheet, debtors age analysis.
- Keep on good terms with your bank, suppliers and customers - if you anticipate delays in payment to your customers, inform them in advance; don’t issue bad cheques. If you anticipate problems in collecting cash, inform your bank manager in advance.
- Keep a close eye on possible bad debts and do not overtrade.
Business Cheered by F/W Talks

Opinions for closer links with government

December 28 1989
New Game for Weil

CLIVE Weil will not be pushing trolleys around in TV advertisements for Game Discount World when he returns from leave to take up the top job with the Durban-based store group.

Mr Weil (44), who yesterday was appointed executive chairman of both Game and of Prefcor's import-export arm, Prefport, will not be making his home in Durban.

"We see a lot of growth potential for Game in the Transvaal and it will be important to have Clive in Johannesburg," said Terry Rosenberg, chairman of Prefcor, the retail chain's holding company.

Mr Weil joined Prefcor at the beginning of last month after his surprise resignation as MD of Checkers, where he had gained instant recognition for his starring role in the "trolley for trolley" TV advertisements.

When he left Checkers Mr Weil cited deeply personal reasons for doing so.

Prefcor executives said Mr Weil would not be getting the same type of exposure in his new role at Game.

Mr Rosenberg said although the Game job had not been in mind for Mr Weil when he joined Prefcor, "the idea came up through the strong meeting of minds that has taken place between us since Clive joined".
Glitter Palace survives despite boycotts

The men behind Sun City, Sol Kerzner and Lucas Mangope.

"South Africa would incur the wrath of the censorship board, steeped in the country's Calvinistic traditions. Amid the glitz, there are echoes of sophistication, in the grounds and lobby of a five-star hotel, in breathtaking gardens and aviaries containing exotic birds. Jewel in the Sun City crown is the golf course and country club, venue of the world's richest golf tournament where baboons and poisonous snakes sometimes constitute as much of a problem as the tormenting bunkers and water hazards. The whole resort nestles in spectacular bush scenery, beside an artificial lake for water sports. An adjoining game park, set in the crater of an extinct volcano, reinforces the image of the ultimate get-away-from-it-all playground."

We have to try that little bit harder, go just that little bit over the top," said Ian Heron, who has recently stepped down as chief executive of Sun International, the leisure group which operates Sun City. "That means we have to push all the time for new ideas, new concepts, new crowd-pullers. But we manage, and that is why we are the top resort in Africa," he said.

Shakeup

Heron resigned just days after being interviewed in the middle of a major boardroom shakeup at Sun International. But the new management is unlikely to want to alter the Sun City recipe for success.

Heron said plans were afoot to double the size of Sun City, making it a world leader in the leisure industry. His resignation is unlikely to change these plans.

SOUTH Africa's capital of flash, flash and racetrack continues to hit the jackpot despite a decade of apartheid pressure, an impossible location and disapproval from the country's puritans.

Sun City, also known as Sin City, Apartheid's Playground or Las Vegas-on-the-Vaal, celebrates its 10th birthday this month with ambitious expansion plans to keep its place as one of the principal leisure resorts in the southern hemisphere. Situated in a quasi-independent tribal homeland two hours' drive along bad roads from Johannesburg and Pretoria, Sun City provides a glittering escape for its almost exclusively white clientele.

Poverty

The brutal neon-lit complex, set incongruously amid the grinding poverty of Bophuthatswana tribal lands, offers many dubious delights, such as gambling and soft porn films, which are forbidden in South Africa proper.

Gambling is provided in one of the largest casinos outside the United States, its dim and dingy interior in stark contrast to the African sun outside.

Revue bars, cinemas and theatres cater for the soft porn market of films, topless cabaret and maids strippers.

The homeland's censorship laws, although restrictive by the norms of many countries, allow such spectacles which in the 24-hour glitter palace survives despite all that the apartheid lobby, backed by a 1980 UN resolution urging a cultural and sports boycott of South Africa, can throw at it.

After attracting top world acts such as Frank Sinatra, Liza Minnelli and Cliff Richard, overseas talent dried up as the UN's resolution began to take effect.

"The cultural boycott certainly hurt us so we had to go out and find something else to fill the venues," Heron said.

The masses have been held with top local stars, offshore entertainment spectacles and topless, high-kicking dancing girls decked in feather boas and strategically placed sequins.

Occasionally a major foreign act still ignores the message of the assault hit I Ain't Gonna Play Sun City cut in 1985 by Artists United Against Apartheid, a group of 44 stars which included Bruce Springsteen, Bob Dylan and Pat Benatar.

Queen

These sanctions-busters, including British rock band Queen and American singers Laura Branigan and Irene Cara, are always given huge billings and are an automatic success with a South African public starved of overseas talent.

The sports boycott means that the cream of the world's golfing talent think twice about accepting an invitation to play for the million-dollar first prize in the Sun City Million Dollar Challenge.

This year, Scotland's Sandy Lane won his household name in the Million Dollar field. Other superstars, including Greg Norman, Severiano Ballesteros and Bernhard Langer stayed away.
Romens tops in sales of menswear

Financial Editor

CAPE Town-based Romens sells more menswear than any other chain — but makes a profit of only 6,5c in every R1 of turnover, chairman Danny Kahn said at the AGM yesterday.

In answer to questions by the Chairman of the Shareholders Association of SA, Issie Goldberg, Kahn said the chain sold R50 000 worth of menswear a day, or R1,5m worth a month.

Confirming that it kept margins low, relying on volume of sales for its profits, Kahn said he thought 11% or 12% “a fair margin to operate on.”

In answer to further questions, he said some rival chains operated on margins of 100% or more.

But, he emphasized: “We are not discounters. We just don’t have as high a mark-up as some others.”

Goldberg advised the company to make sure staff understood how tight the margins were and therefore how important it was to achieve high productivity.

He congratulated the directors on ploughing back profits into expansion, for the long-term good of the company, rather than paying dividends and increasing their borrowings at a high rate of interest.

But he suggested that stock holdings were too high and should be reduced.

GM Sid Hurwitz explained that the company had to have high levels of stock because it had to be available on call to the franchise operations, which paid within 30 days.

Kahn forecast a turnover of R20m in the current year, compared with R13,4m in the year to June, 1989, in which earnings were 6,56c a share.

He said that as the economy grew tougher, people became more selective in their buying.

“More people come into our shops, after looking around, and very few walk out without buying. I am very optimistic.”
Industrial rentals ‘too low’

By Tom Hood

Manufacturing production volumes slowed slightly this year but are still at levels last seen in the 1981 gold boom, says Mr Derek Stuart-Findlay, property services manager at Old Mutual.

The use of production capacity is running at well above 84 percent, which is close to theoretical full capacity, after reaching a low point of 77 percent in mid-1986 and 83 percent last year, he says in a review of industrial rentals.

Overtime hours worked are still at their highest levels since 1982, although the trend is slightly lower than it was at the end of last year.

These factors, coupled with no upturn in the building of factories, has boosted rentals this year — up 20 percent in Cape Town and Pretoria, between 20 and 40 percent in Johannesburg and between 40 and 50 percent in Durban.

However, in some cases industrial rentals only recently moved to higher levels than they were in 1983. Rentals actually dropped between 1982 and 1987.

Old Mutual, one of the country’s largest owners of industrial property with about one million sq m of rentable area, has a vacancy factor of only two percent compared with 21 percent two years ago.

By any standards, this is an incredible turnaround and this performance has been repeated all over the country by other property owners,” says Mr Stuart-Findlay.

“Although we are delighted to be in this position, in some ways it is an embarrassment. In the property market a three percent vacancy factor is considered to indicate a fully let position. Here we are sitting on less than that and this indicates only one thing — industrial rentals are still too low.”

Rentals of at least R8 sq m were needed to produce a realistic return on current building costs but only in selected areas was R8 being paid — generally for small areas below 1500 sq m.

Mr Findlay said he believed industrial companies could afford to pay higher rentals even though the economy was expected to slow down.

Since 1986 earnings of industrial companies quoted on the JSE have almost trebled while rents have lagged far behind. In addition company margins improved.

“Perhaps a reason for this lag in rentals was the lingering memory of those enormous 500 000 to 600 000 sq m of vacant space only a few years ago in the Transvaal. There were few people around in those days who would have dared to forecast the extent of the turnaround in the industrial property market.”
Cashworths: JSE in historic intervention

By AUDREY D'ANGELO
Financial Editor

ONE of the most dramatic and significant company meetings in 1986 will be on Friday, January 12, when share
holders in Cashworths Fashion Holdings will vote on whether to buy 13 subsidiaries of Management Services
Corporation (Manserv) for R12.2m in cash.

For the first time, the Johannesburg Stock Exchange (JSE) has intervened by applying “moral suasion” to the controlling shareholders, who have agreed to vote only half their shares.

This means that if all or nearly all, the majority shareholders vote together, they can throw the proposal out if they wish. The controlling shareholders have 8.5m shares and minority shareholders 6.5m.

Stressing that the JSE had “no legal right to intervene,” Richard Connellan, Deputy GM (listing and meetings), said that it had, however, decided to use moral suasion.

“We were concerned about a situation in which a consortium controlled two companies—one a cash shell with solid cash assets and the other where the assets were intangible—and proposed to reverse the company with the intangible assets into the cash shell.

“We were not happy about this. We convinced the controlling shareholders, just through moral suasion, to reduce the number of shares they will vote at the meeting.

“They agreed in principle to cut the number of shares that will be voted at the meeting.

“Connellan said that, hopefully, this would set a precedent against controlling shareholders doing what they liked regardless of the wishes of the minorities.

“Although all shareholders have, of course, the legal right to vote in any way they like.”

Cashworths is an old established Cape Town company which was listed in the Development Capital Market sector of the JSE in 1937, after a private placing to raise R4.5m at R1 a share.

Control was bought by the MAP consortium of businessmen early this year, for an estimated JSE share, when the fashion retail and manufacturing group was in serious difficulties.

The consortium sold all Cashworths’ assets, leaving it with profits of R10.2m after all its debts had been paid.

The meeting on January 12 will be in Johannesburg. The chairman of the Shareholders Association of SA, Issie Goldberg, will be there and has urged shareholders who cannot attend to appoint them as proxy.

Discussing the merits of the proposal, Goldberg described it yesterday as “unique in the annals of the JSE,” and said it had “aroused tremendous indignation in many of Cashworths shareholders.

“In essence,” he said, “the deal comprises the purchase by Cashworths of 13 subsidiaries of Manserv—of which six are dormant companies—for a cash payment of R12.2m. This payment will effectively demote Cashworths of its total cash holdings of R10.2m and involve Cashworths in raising an interest bearing loan of a further R2m to consummate the transaction.”

Goldberg said there were many features which made the proposition interesting.

“There is close continuity between the members controlling each of the companies, and the only major amount of cash in either company belongs to Cashworths.”

He pointed out that the consortium had, in effect, rescued Cashworths when it bought control. “It is to the credit of the new controllers that they skillfully turned the nett assets to account by selling them off for cash.”

After payment of debts, each Cashworth’s share had a nett asset value of 65c.

Goldberg said that virtually the same consortium had recently acquired control of Manserv, with some subsidiaries which had “a poor history of profits.”

This injection into Cashworth’s would “reduce the nett asset value of Cashworth’s shares considerably.”

Goldberg said the Shareholders Association had asked the JSE to “use whatever influence they could to create a voting situation” that would give minorities in Cashworths an opportunity to decide what would happen.

Without “the splendid intervention of the JSE” and the co-operation of the Cashworths board, the meeting would have been a mere formality.

Goldberg said that minority shareholders adamantly opposed to the deal should fill their proxies “against.” Others should give him a blank proxy vote to enable him to “possibly negotiate a better deal for shareholders.”

He will be available on weekdays between 11am and 12.30 pm at 45 1240.
Festive season spending was down
Retailers agree: It was a very happy Christmas

EXTENDED shopping hours boosted this year's Christmas sales way past most retailers' expectations.

Eastgate shopping centre manager Dave Kavanagh said late-night and Sunday shopping had been largely responsible for stores in the centre experiencing a 20% to 35% increase in sales compared with last year's Christmas period.

He said more than 250,000 shoppers flocked to Eastgate on Friday, Saturday and Sunday of the Christmas weekend.

The number of people who visited Eastgate in the pre-Christmas period this year rose by 30%, with about two million shoppers visiting the centre in December alone.

Dions, CE Jamie Els said the late closure of schools had reduced the Christmas sales period to a week.

He said sales — particularly of large ticket items — had only kicked off last Monday. Until then, TV sales, for example, were predicted to drop 25%, but eventually matched last year's figures.

Drop Inn Discount Liquors GM Sam Berk said the chain, which includes Benny Goldberg's, expected to beat budgets after being taken by surprise by the volume of sales over Christmas.

Sales in the week before Christmas increased 30% in real terms compared with the year before. December's figures were expected to be up 20%.

Although Benny Goldberg's in Johannesburg experienced brisk business, the most impressive swell in trade was experienced at the 17 Drop Inn stores in the Cape. Sales were still soaring this week, Berk said.

Checkers MD Sergio Martinengo said Christmas sales had surpassed expectations.

SALES SOAR

More than R100m was spent at Checkers stores in the week before Christmas, an 8% increase in real terms over the previous year, he said. Sales growth for December as a whole was expected to be about 14%.

Westgate centre manager Dave Treleven said sales in the centre over the Christmas period were up 20% on December 1988. Real growth was about 7%.

Treleven said about 1.5-million people were expected visit Westgate in December. He agreed longer shopping hours had a positive impact.

Pick'n Pay GM Hugh Herman said shopping patterns showed the definite appeal of later hours and weekend shopping.

Trade in the week before Christmas had been very strong and overall sales better than the previous Christmas.

He could not give exact figures but said the percentage growth in sales over Christmas this year was higher than the average percentage growth over the year as a whole.

Woolworths operations director Simon Susman said the store experienced a satisfactory Christmas with all departments trading well. He declined to give further details.

Varsity Sports manager Issy Naryansky said sales at all branches had been good.

He said shoppers had been more discerning than in previous years.

No comment was available from CNA, Morkels, OK and Joshua Doore.
Retailers got a full stocking

EARLY indications from most Cape Town retailers reflect an increase estimated in the region of 20% on 1988 Christmas season sales. This is again ascribed to the influx of up-country visitors to the Mother City.

Ascomco has put sales over the festive season at R12.5 billion which is a 13% rise on last year’s sales.

Brackenfell Hypermarket manager Steve MacDonald said one of the strongest trends he had noticed during this year’s trading was an increasing swing to clothing being given as gifts.

However, Pick’n Pay general manager Raymond Murray said there had been “a definite decline in the sale of luxury food articles”.

“In many cases the increase in interest rates had tightened the belt of the consumer,” Murray said.

MacDonald explained: “Clothing has become an essential item, and unlike previous seasons people selected useful items. In the past clothing was seldom bought as gifts except for the odd knick-knack.”

He added that toys, as is traditionally the case, also constituted a big part of his sales.

MacDonald pointed out that the Christmas rush had started much later this year, due to the late arrival of up-country visitors to Cape Town. This was caused by the shortened Transvaal school vacation.

Another trend was that people “were swinging to do-it-yourself and fixing their homes themselves”, said Gardenia hardware store manager Martin van der Riet.

He added that his store’s sales shot up by 30-35% compared to sales in the same period last year.

Pick’n Pay’s Murray says the recently announced extended trading hours had “without doubt” caused the South African consumer to become much like their European and American counterparts in that the company had seen an increase in weekend shopping.

The demand for compact disc players in the R1 000 and above price range constituted about 80% of his trade, said Peter Callow, manager of a specialist hi-fi shop.

In the week before Christmas he had sold 25 CD players, but sales of other sound equipment were no better than last year, December, Callow said.

MacDonald noticed the same trend: “This year we did not have the expected boom in hi-fi equipment. At best sales were on a par with last year.”

Many retailers said credit cards, sales were flourishing. First National Bank general manager Jimmy McKenzie confirmed this.

Pick’n Pay general manager, foods, Alan Baxter, said: “I think the figures show a 20% increase in the giant retailer’s sales compared to last year.

Expectations

The company saw a general increase in sales since September, Baxter said, adding that consumers seemed to have a little more confidence in the economy.

Garlick’s general manager Graham Jones said Christmas sales in some of Garlick’s departments had exceeded the company’s expectations.

“We are happy with our trading. At this stage it appears as if we are
double figures on trading last year.”

Gardena jewellery shop owner Lynn Lichtstein tells a different story. She is convinced that the current economic situation had affected her business. Sales did not show the expected surge and were roughly on par with last year’s results.

Unlike the majority of shop owners she believes that her disappointing results could be due to a decline in the number of up-country visitors in the Cape this year.

She points out that last year’s floods in Natal had caused thousands of holidaymakers to cancel their traditional South Coast holidays and to head for the Cape instead.
Business Report

Blacks to hold ‘80% of income’ in SA

From FIONA FOURIE

JOHANNESBURG:—Blacks will hold 80% of the disposable income in SA by the turn of the century, according to the latest edition of Black Enterprise.

It says according to estimates based on a Central Statistical Services (CSS) report 84.1% of the economically active population would be black by that time.

Co-ordinating this potential economic power is the recently-formed Foundation for African Business and Consumer Services (Fabcos) which seeks to pool black manpower and resources.

It has a total membership of approximately 1.2 million people.

The South African Black Taxi Association (Saba) is one of the principal members of this organisation which also consists of hawkers, taverners, traders and professionals.

This is the factor which lifts Fabcos from the ranks of other black business associations with the same purpose, according to the magazine.

The report says Fabcos will create from the belief that political power is meaningless without economic power for blacks to back it up.

Fabcos is seeking to unite “disparate groups” among black businessmen against the obstacles of “historical corporate interests of neo-colonial wealth and self-interest”, the article said.

The informal sector accounts for 30% of the GNP and the majority of Fabcos membership.

Between 3.5 and 4 million jobs were presently provided by the informal sector, according to recent estimates by the Small Business Development Corporation.

Harnessing this power could pave the way for “a wave of black economic empowerment”, the article said.

The concept of the Black Rand was crucial to Fabcos’ success.

This refers to the policy of encouraging blacks to buy from blacks, instead of continuing their reliance on white banks, retailers and professionals.

This concept could be extended to the principle that the rand must be made to go further.

For instance, Saba members own shares in their own service stations and taverners in their own liquor depots.

A survey by the Bureau for Economic Research at Stellenbosch University indicates blacks have sensed an imminent change in their economic fortunes and are considerably more optimistic than whites that the SA economy will improve next year.

Whites anticipate a no-change situation in the economy, or even a deterioration, according to the survey carried out in full in Black Enterprise.

The income of blacks grew by 3% between 1973 and 1985 while white income grew by only 15%, the CSS report showed.

Projections of this figure indicated a 50% earnings growth for blacks between 1986 and 2000 against 10% for whites.

Black Enterprise says political trends such as the repeal of influx control are “also playing a part” in bringing blacks into the mainstream of the economy.
FML heads for R300m in 1990

FULL maintenance leasing sales could exceed R300-million in 1990, says Fleetlease Contracts managing director David Owens.

Mr Owens says there has been a rapid growth in the FML market.

"At the beginning of this decade FML was a terminology which occasionally drifted across from abroad."

Iceberg

"In the mid-1980s FML emerged in SA. The market grew quickly and sales this year came close to the total for the preceding nine years."

He believes that growth so far has been only the tip of the iceberg which will become increasingly visible in the Nineties. By the middle of the decade, annual FML business could exceed R1.2-billion.

However, Mr Owens warns fleet owners against a trend developing in FML. He says many owners are considering the leasing of a used vehicle or a secondary lease of a fleet car.

The problems associated with this trend include two- or three-year-old vehicles being offered at higher prices than new ones, higher maintenance costs and demotivation of staff.

"Rising vehicle costs and, at times, poor availability are factors promoting this trend. Any agreement which allows the depreciation curve to level off more slowly should have financial merit.

"This is particularly so if the vehicle life can be extended to facilitate its sale in the wider but lower-price five-to-seven-year-old market."

Protected

Mr Owens warns that the used-vehicle option poses potential problems which have not been considered by some parties offering such a service.

For example, some advertisements offer two-to-three-year-old vehicles for a further lease at higher prices than reputable suppliers can provide a new vehicle.

"The customer must also ensure that he is adequately protected from higher costs of maintenance and the less tangible but vital cost of vehicle downtime because of more frequent repairs."

Mr Owens says companies considering the savings to be had in leasing a used vehicle should obtain comparative prices from a reputable supplier of new cars or trucks.
Shake-out ahead

THE long-awaited shake-out in the men's clothing retailers field is on the way.

That is the belief of Danny Kahn, chief executive of the JSE-listed Romen's clothing chain.

The sector has attracted warnings of severe over-trading for some years and profit margins are traditionally high.

But a combination of higher interest rates and increased prices from manufacturers will force some small and less efficient operations to close.

"This will not necessarily be a bad thing for the ordinary man," says Mr Kahn. "It could bring down the inflated margins in an inefficient and over-traded industry."

"Instead of greater competition, bringing down prices, many smaller operators have been forced to lift their prices in a desperate effort to keep afloat."

Mr Kahn says it is common for many retailers to add between 130% and 140% to factory prices.

"The survivors will be the more efficient and competitive operators and I see margins falling to a more realistic 60% to 70%."

He backs a call by the chairman of the Cape Clothing Manufacturers Association, Simon Jocum, for manufacturers and retailers to reduce prices next year.

The 13-store Romen's chain claims to be SA's biggest retailer of suits and shirts.

High turnover and low prices are a key part of the group's drive to expand its market, which last year took 40 000 suits and 120 000 shirts.

"Ours is a volume business," says Mr Kahn. "With intensified marketing and promotion we expect to sell at least 60 000 suits and 120 000 shirts next year."
COMMERCE - GENERAL

1990

JANUARY - MARCH
Wholesale trade sales, expected to reach R9.2bn in November, will show a 6.9% fall in real terms on last November in the face of economic slowdown and inventory depletion.

According to the Central Statistical Service, wholesale sales plus diamonds excluded, to be R8.1bn, up 9.6% on last November's R7.3bn.

Seasonally adjusted November sales, excluding diamonds, show no growth in real terms on October, but are 0.8% higher at current prices. Statistics show that real sales for the three months to October fell 1.7% from the previous three months.
Investor confidence maintains Clicks' JSE momentum

Clicks Stores recorded a new 1989 high on the JSE recently which indicated that investors expected the retail chain to produce satisfactory figures for the year to end-February.

Clicks share price continued to gain momentum and is significantly above the February low of 580c.

The recent price action of the share suggested investors were confident Clicks experienced a reasonable holiday trading period.

Management indicated that although activity for most of December was below expectations, a sudden thrust towards the end of the month helped boost turnover figures.

Consequently, Clicks has achieved sales growth of 29% for the first 10 months of the current financial year.

MD Trevor Honeysett said trading activity during the holiday period in Natal and Transvaal was satisfactory.

Good position

However, it was disappointing in the Western Cape.

The December holiday period is the major unknown factor that retailers traditionally have to contend with. With high interest rates and the accompanying economic slowdown, retailers had to adopt a cautious attitude in determining stock levels for the holidays.

But Clicks is in an enviable position as the group has traditionally stocked a wide variety of basic items which can be classified as necessities rather than luxuries.

ANALYSIS: STEPHEN RICHTER

It stocks no items which require refrigeration and sells strictly on a cash basis.

With this philosophy translating into lower prices at the till, Clicks is gaining wider acceptance in the marketplace.

The group has aggressively expanded the number of outlets during the past year and there are currently 100 Clicks and 33 Diskom branches in operation.

This represents an increase of 25% or 27 stores from the number of outlets in operation at end-February, 1989.

By comparison, the group has opened an average of only 10 stores a year during the past four years.

This bodes well for the future as Clicks enters new markets and gains increasing exposure within the marketplace. Many retailers are hesitant to open new outlets because of the high start-up costs and financing charges. It is possible that Clicks could wrestle market share away from the other retailers.

It appears that turnover could reach R450m for the current financial year, accompanied by EPS of 8.6c. Assuming dividend cover of 2.35 times earnings, that translates into a forward earnings and dividend yield of 9.7% and 4,1% respectively based on a price of 875c.

At first glance, Clicks appears fairly valued compared with the average industrial share which trades on an historic 10.8% earnings yield and dividend yield of 3.5%. But Clicks would appear to offer superior growth potential compared with most industrial counters.

To further support the view that the share could out-perform the average industrial counter during the next few years, one must look at accompanying relative strength chart of Clicks compared with the JSE industrial index.

Although the relative strength ratio remains bearish, this indicator has now fallen to levels which existed at the beginning of the decade. If this ratio can hold current levels and reverse direction, then it is possible that Clicks could out-perform the average industrial share through 1994.
More retailers prepare to move in on financial services sector

The international retail trade is wooing a more sophisticated market by offering a wider range of services, including financial services, according to an article in the latest issue of the Nixdorf magazine Dialog. (3)

The dividing line between trade and financial sectors has become less distinct as both sectors attempt to expand their customer base, attracted by unused cash in the savings accounts of the average citizen.

The article quotes the example of Sears Roebuck & Co, one of the leading department stores in America. The store offers loans, insurance policies and even bonds, and derives half of its turnover from these services.

The article quotes management consultant Volker Dolle who identifies three phases in the service development of a trading company. The first phase is to identify target markets for self-service goods and offer mail order facilities in a store.

The second phase is to develop a satellite market system, the division of self-service department stores into merchandise category modules and collation of information at the central shop. 4/11/90

The third phase is to offer information to customers showing the location of departments and articles to prevent customers from wasting time searching rather than buying.

The next step, according to Dolle, is electronic shopping.

A system introduced by West German retailer Massa allows the customer to select and compare items and services at a customer service centre (CSC) at the push of a button and by entering their address, they can items delivered to their homes.
Consumers will dictate hours

SYLVIA DU PLESSIS and CHARLOTTE MATHEWS

Retailers considering an extension of their trading hours would allow themselves to be persuaded by consumer demand, spokesmen from some of the larger chains said yesterday.

While many took advantage in December of government's decision to allow extended trading hours during the week and on Saturdays, those contacted said they had no immediate plans to maintain those hours.

Checkers MD Sergio Martinengo said: "Our trading hours are already pretty long, but if we find the need to extend them in certain areas, such as Hillbrow, we'll certainly do it. It depends on what consumers want," he said.

"Extended hours would entail a big increase in overheads, including overtime pay and slightly higher shrinkage due to less control."

Pick n Pay food merchandise director Stan Summers said the group had no fixed policy regarding shopping hours. It varied from region to region.

Checkers operations director Ben le Roux said 85% of stores had extended trading hours on Saturdays and Sundays. Some stores had rejected the idea.

Le Roux said stores were manned during extra hours by casual staff with a minimum of supervision from permanent management.

Disa-Movie chairman Brian Cunningham said the change in regulation was "not likely to have any affect on video outlets, most of which had rental rights for Sundays and traded late seven days a week."

However, the group's Top Tec electronics chain had a "superb" December, showing a 47% increase in sales, half of which could probably be attributed to later trading hours, he said.
SA WHOLESALERS celebrated a "double" Christmas after better-than-expected retail trade sales, but some of the major players in the industry — hit hard by tighter economic conditions — were treading cautiously into the new year.

Metro marketing director Andrew Bester said yesterday the wholesale giant usually experienced Christmas fever in October and November, when retailers filled their trolleys for the festive season shopping spree.

"Sales during this period were good, but December — usually a fill-in month for retailers — was outstanding and definitely above expectations due to their restocking," he said. He would not disclose figures.

"However, 1989 generally was not a brilliant year. Sales were hard to come by, and we had to fight hard to maintain market share in the face of the econom-

SYLVIA DU PLESSIS

ic slowdown.

"Our attitude is one of caution. We're not going into a recession, but more of a slowdown. So while we're not going overboard, we are also not expecting the bottom to drop out of the market."

Schild trade marketing director Bill Snyders said December sales were well ahead on the corresponding period in 1988 — in some instances by as much as 45% — after October and November sales which improved between 40% and 45%.

"December sales were generally better than expected, particularly on basic food items. However, an inability to deliver goods during this period affected sales in certain areas. This was mainly due to the Sats strike and major manufacturers being out of stock."

According to Snyders, the "double" Christmas could be attributed to small retailers having to restock because of increased consumer demand.

"Our wholesale outlets also offered highly competitive prices across-the-board, thus encouraging retailers to buy in additional stock."

Snyders did not believe sales in the industry had peaked because of deregulation or because more informal traders were entering the market.

"The first quarter of 1990 was extremely tough, but during the latter half of the year sales were generally very good. We are entering 1990 with confidence and are optimistic that our business will grow despite the expected slowdown in the economy."

"But the general mood in the industry remains one of caution, due mainly to high interest rates and labour unrest, which we believe will impact more and more on the bottom line."

No comment was available from Makro or Tridor Cash and Carry.
Beyond 1990

In early October, Midas reported only 3.3% EPS growth in its half-year to end-August after 27% higher operating profit was decimated by a 46% increase in interest charges. This compared with EPS increases of 94% and 76% in the previous two full years. Within a week, the share dropped from 1 400c, on a yield of 2.5%, to 1 200c. By the time Von Looper’s resignation was announced on December 7, it had declined to 825c; it now trades at 630c, yielding 5.6%.

The results apparently did not contribute to Von Looper’s decision, which he says was motivated by a desire to adopt a less pressured lifestyle and spend more time with his family. He has bought a wine farm in the Cape but will continue living in Johannesburg. He says he plans to build up a Midas franchise he owns in Blackheath and acquire a few more Midas franchises. He does not envisage building a large business but says time may change his mind.

Von Looper, 47, says he had worked for Midas for 22 “happy, powerful” years, seven of them as CEO, in which a strong team had been built, “but sometimes there has to be an end.”

He says there was no division with his superiors. He gave short notice to allow Sarel de Vos, his deputy for the past five years, to take over as acting CEO without delay. Midas financial director Graham Walker affirms that Von Looper’s resignation was for personal reasons only and asserts that the team he left behind will produce a strong follow-up.

Walker believes the share has declined primarily because the replacement parts industry was battered last year. He says in late-1988 and late-1989, interest rates were expected and retailers raised stocks considerably. Higher interest rates in early 1989 prompted them to destock, resulting in lower demand for Midas.

Worsening the situation, sales of parts have been quiet, though it was expected they...
Cecil Nurse Leaves Physiotherapy Stable for Central Office Nurses

COMPANIES

30
Consumer Spending Heads for Soft Landing

Outlook for 1990

Martine Hickman

Industrial Analyst

MAX POLAK & FREEMAN

Max Polak & Freeman

The next year will see a slowdown in sales of existing homes and retail sales, which will continue to decline into next year. The overall economy is expected to slow down as consumers become more cautious about their spending.

The graph below shows the percentage change in consumer spending over the past few years. Despite the downward trend, spending remains relatively stable compared to previous years. However, the pace of spending is expected to slow further in the coming months as consumers adjust to the current economic conditions.

In conclusion, the outlook for 1990 is not optimistic. The economy is expected to continue to struggle, and consumers will be more cautious about their spending. This will have a ripple effect on the overall economy, affecting both businesses and individuals.
Everyone's Guide to CCs

The introduction of close corporations — a South African concept — has revolutionised emergent business.

Until 1986 the options for entrepreneurs who planned to go into business were simple: they either traded on their own account — as a sole trader or in partnership — or through a private company.

Then came the close corporation (CC) which sits as a type of halfway house between the trader on his own account and a private company. Thousands have been registered since the legislation was introduced on January 2, 1986.


The CC was designed to make it easier for individuals to go into business. There is almost no formality and basically the individual is the business.

With a company there is a total division between the business, which is owned by the company, and the company itself, which is owned by the shareholders.

The legal rights of a company and its shareholders are complex, and the Companies Act is a massive tome.

The CC has a separate legal existence, like a company, but the formalities have been reduced considerably.

There are other important differences. A company may not, for instance, lend money to a shareholder to buy his shares in the company. But a CC may lend money to a member for the purchase of his interest in the CC. However, if a member repays the loan by working for the CC the capital receipt becomes a revenue receipt subject to full income tax.

These and other considerations in the formation of a CC are covered fully in Everyone's Guide to Close Corporations.

The 194-page book costs R15, including postage and GST.

Orders, with payment made out to Everyone's Guide to Close Corporations, should be sent to Private Bag X3, Benmore 2010.
residents toyi-toyi in the streets after police teargassed a meeting held in solidarity with Death Row prisoners.

did not commit, he spent 18 months on Death Row before being released after the court upheld his appeal against the conviction. 100 years ago our ancestors moved to from Stutterheim, the Ciskei became independent, we were told to say no to Ciskei incorporation. I asked us to vote for him, we refused and people who wanted to co-operate with the village.”

Mambukwe explained the community also refused to have the headman system introduced.

“The residents were scared they would have additional taxes and we wanted democratic structures, so we formed a residents’ association instead,” he said.

When a nationwide consumer boycott was launched to protest against the Labour Relations Amendment Act in September last year, Ku busie and other villages and townships around Stutterheim followed the call.

Residents formed the Stutterheim Co-ordinating Committee.

SCC executive member Fezile Siziba said a group of community leaders met Stutterheim business owners and the municipality, and handed them a list of national and local demands.

“Included in the local demands were an end to the harassment of residents, the scrapping of the system whereby we have to pay for the use of grazing land, the upgrading of the communities, the re-establishment of workers’ committees during the stay-away over the elections, an improvement in health services, and the scrapping of rent increases.”

Residents in the village and Mlungisi township held meetings to discuss the problems in November after local demands were not met.

“We decided to start another consumer boycott until the municipality met our demands, which are very reasonable,” said SCC executive member Yongana Gxowa.

The Stutterheim community started a consumer boycott of white businesses on November 15.

According to Gxowa, the boycott was nearly 100 percent successful from the start as all the residents supported it.

“The conditions in which all the residents are living are appalling, therefore it affects everybody.”

Residents claim the success of the boycott has led to an increase in police harassment.

“A meeting held in Kusbuse on Christmas Day in solidarity with Death Row prisoners was broken up by police firing tear gas,” one resident said.

Police also took Mambukwe away for questioning, but released him shortly afterwards.

“She is young congress members have been arrested on a charge of murder and are sitting in jail. We believe their being sentenced for a murder they did not commit is another form of intimidation,” one resident said.

Residents said they decided to defend themselves against police action.

Trenches have been dug and throughout the village burnt tyres and barricades showed how residents tried to keep police out of the area.

The white community has been thrown into an uproar over the boycott. Some are frightened, others angry, while others blame the municipality.

Some businessmen have had to close shop after a drastic drop in turnover.

The manager of Pep Stores said her turnover had only been one quarter of the normal Christmas season, but she had not yet been forced to re-trench staff.

The manager of a furniture shop, who asked not to be named, said it was “high time the problems are sorted out”.

“I am not badly affected. The wages here are so low few blacks can afford to buy new furniture. But if I was black, I would also boycott,” he said.

He added that many of his fellow whites in Stutterheim are “still living in the old days”.

“They think they can still tell the black man what they want to. This should no longer be the case, but it is happening here in Stutterheim.”

“As far as I am concerned, the municipality has caused this problem and they need to solve it. When I was approached by the municipality for a donation for shops threatened with closure, I refused because they are to blame.”

The assistant manager at the clothing store said her shop had also been badly affected.

“We have not yet re-trenched workers, but they have had a drastic cut in working hours. Something needs to be done.”

She started crying as she said there seems to be no way white people in Stutterheim can “get through to township residents”.

Some whites in the town are blaming the church for the boycott, and say the Anglican bishop of Grahamstown, Bishop David Russell, is the instigator.

The chancellor of the Grahamstown Cathedral dismissed the allegations and said Russell’s involvement was in line with the church’s concern for the suffering.

Residents have also started burning tyres and barricades, and will start burning, after a house in the town burnt down.

Police have not yet established if arson was the cause.

Town clerk Jimmy Joubert said he had not been present at any of the meetings between the community and the municipality and the only person able to speak on the matter, the mayor, was on holiday.

The acting police liaison officer for the Border Region, Lt Col van der Wyver, confirmed Mambukwe had been held for questioning and tear gas had been fired in different times in Kusbuse.

At the moment there seems to be no solution to the problems facing the both business people and the black community.
COUNTRY TOWN MAY DROP RACE BAR

By MEGAN POWER

RUSTIC Dundee may soon become the first northern Natal town to open its central business district to all races and establish a free settlement area.

Acting town clerk Mr Arnold Van Wyk confirmed that a request from the Northern Natal Chamber of Commerce and Industry to open the CBD and look into the establishment of an open residential area had been placed on the council's agenda and would be discussed at the end of the month.

"I don't foresee any problems," he said.

At the end of last year the chamber canvassed businessmen operating in the town's main streets, most of whom are Indian or white, on the proposals.

Said the president of the chamber, Mr Dave Durham: "We surveyed just under 150 people. Over 80 percent supported an open CBD and 88 percent supported an open residential area."

"The council has been involved in setting up a complete town plan. They've asked their planners to look for an area for free settlement but they haven't decided on it yet."

"We recommended that the area between Glencoe and Dundee was suitable for an open area. For some time now these two municipalities have been discussing ways of amalgamating," he said.

"There are some people who have expressed some very conservative views. Those who objected did so on the grounds of cultural differences," Mr Durham said.
A sting in apartheid's tail for black traders

by Kerry Swift

who has been a consultant to a major wholesaler group for the past 10 years

that accounts for R16-billion in turnover a year and a tidy R4-billion in pre-tax income.

But these are only the retailers we know of. There are also an estimated 900,000 hawkers and informal traders, or spaza, traders who together account for a further R4-billion to R6-billion in turnover a year, depending on which source you have your statistics. The vast majority of these traders are black.

Irony

More than R24-billion flows through the hands of independent and informal traders each year. Roughly half that amount is generated by black shopkeepers and R12-billion a year is not small potatoes in anyone's book, particularly as the Receiver is unlikely to get his full share of the loot.

There is no doubt that black middle class of which there are emerging in South Africa from beneath the apartheid blanket, but as the last vestiges of apartheid are threatened, so is the black middle class, the majority of which are retailers who have never experienced the cut and thrust of real competition.

The irony is that they have been protected from competition by legislation such as the Group Areas Act. In short, the capital-intensive, highly skilled and aggressive white-owned retail chains which dominate the rest of the retail sector have been kept out of black areas. In this sense apartheid has created a shield around black retailers which has kept the real competition at bay.

For their part, the big retail chains are eagerly awaiting the golden moment when the Group Areas Act is consigned to the scrapheap. The white retail market is oversupplied and expansion into South Africa's neighbouring states is blunted by ideological barriers and logistical constraints. The black domestic market is thus the natural target of the retail giants and gives them the opportunity the "Big Four" - Checkers, OK Bazaars, Pick n Pay and Spar - will be in like the proverbial Flynn.

When you talk frankly to independent black retailers about their prospects in the coming decade, liberal predictions of the abolition of the Group Areas Act are treated with more than superficial skepticism. The prospect of real competition from the retail giants at source is not a subterfuge for the black small guys in the townships like to talk about openly.

Behind the scenes, however, it is the topic of fierce debate and considerable concern. They argue that for years black traders were denied access to capital and high-volume shopping areas in the cities. They were restricted to the economic wilderness of the towns and towns of apartheid. They became small corner grocers not through choice, but because they had no other option.

Most remained small, unsophisticated and unprofessional because they had no option, because they were victims of apartheid. And all the while, they say, the fat cats got fatter and more powerful until they dominated the retail market, making it impossible for black entrepreneurs to compete on equal terms.

It would be a sad day if independent black retailers were to fall victim to the Group Areas Act for a second time.

Opportunities

There may indeed be a case for protection once the liberation goes, but it is unlikely to find support from a white government committed to deregulation and free enterprise after 40 odd years of regulation and economic self-interest.

And while it is undoubtedly true that black retailers have been victims of apartheid and that some were disadvantaged by the Group Areas Act, it is also true that they have had ample time and opportunities to get their act together. At least one major wholesaler offers comprehensive training for independent and voluntary membership of retail franchisees which give the small guys all the benefits of bulk buying, advertising and promotion, but to date a paltry 1,000 stores have taken that route.

The reason is simple. The vast majority of black retailers cannot meet the minimum criteria laid down for membership of these franchise chains: their operating standards are simply too low to qualify. In many cases it is not apartheid that has held them back, it is apartheid that has allowed them to survive. It is the same with competition which they would not have lasted a week.

Negotiate

It would seem that a large number of these retailers - starved of any serious competition - have simply hidden behind group areas, growing fat and lazy as they wallowed in their captive markets, and are now running scared and looking for protection - the relief of all mediocrity. It is time for these traders to take a long, hard look at themselves and the market and start to get together, probably through a body like Naspro, and sit down with representatives of the major retail chains and the Government to work out some kind of deal that will be in everybody's best interest.

Because in all of this the primary focus of the retail industry - which surely must be to serve the consumer - appears to be to have been entirely forgotten. And that the consumer is little used to retailers in the '90s is quite clear. Last sight of the consumer at your own peril for the decade of consumerism has dawned.
Bergers retail group is very much underrated.

THE retailers and wholesalers sector has been particularly strong recently, which has resulted in certain blue chip counters establishing new yearly highs. But investors continue to ignore other promising retailing companies which have strong growth potential and Bergers is a case in point.

Bergers was established in 1934 and concentrates on satisfying the needs of the middle income consumer through an established chain of stores located in rural areas throughout the country. The group also operates in Namibia, Ciskei, Transkei, Venda, Bophuthatswana, Swaziland, Lesotho and Botswana.

The group sells its merchandise on an exclusively cash basis, and since Bergers operates outside the urban areas, it has no direct major competitor.

To compete against stores offering credit, Bergers is required to offer similar merchandise at lower prices. In addition, the group has developed an impressive infrastructure for lay-by sales.

This strategy has paid off handsomely for the group as December sales advanced by an impressive 43% over the previous year. Consequently, this performance virtually guarantees that turnover growth for the year ended December 1989 will at least match the 26% increase recorded at the interim stage.

A major reason for Bergers fine performance has been the expansion programme which increased the number of stores in operation to 207 on December 31, 1989, compared with 179 outlets at the end of the previous year. According to chairman and MD Howard Mauerberger, the group expects to have roughly 225 stores in operation by the end of 1990.

In addition to the extra trading space, Bergers introduced shoes to its merchandise range in October 1989. Mauerberger says that this new product range has experienced impressive sales growth and he expects shoes to account for up to 25% of group turnover in the near future.

Bergers is currently showing sales growth of more than both the official inflation rate and the CSS clothing index.

It appears that management has firmly established the group within its chosen niche. Bergers has no plans to expand its business into the upper income groups.

Earnings for the six months ended June 1989 increased to 7.4c from 4.9c during the corresponding period of the previous year. Consequently, taking into account the successful December trading period, Bergers can earn at least 26c for financial 1989, accompanied by a dividend of 13c.

This places the share on a forward earnings and dividend yield of 22.4% and 10.4% respectively, based on its recent price of 135c. Given Bergers fine track record and growth potential, the share appears extremely undervalued at current levels.
Summer Spending

Binge has hangover

3,000 bad debts added each month

By Michael Carter
Announcement on Sprintex expected

Companies

[Image of a car]
Food prices shoot up by 12 percent at chain stores

THE SA Housewives' League says food prices increased by an average of 12.1 percent in a 12-month period from December 1988.

The league said they discovered this in a survey conducted at three giant supermarkets in Roodepoort to compare prices between last year's festive season and December 1988.

Survey

The survey was conducted at Pick 'n Pay, OK and Checkers supermarkets.

The total cost of 107 items from the list of branded goods and 28 items from the shopping basket (including eggs, cheese, milk and bread) together with the price a kilogram of seven cuts of beef and two of pork, totalled:

* Pick 'n Pay - R596.04 in December 1989 compared with R522.42 in December 1988. This was a price increase of 14.1 percent.
* OK - R598.57 in 1989 compared to R536.89 in 1988. This was a price increase of 11.5 percent.
* Checkers - R593.59 in 1989 compared to R537.10 in 1988, an increase of 10.5 percent.

The league discovered that, of the goods surveyed, Pick 'n Pay was the most expensive supermarket while Checkers was the cheapest.

"The price taken was for the cheapest brand available when the survey was conducted. The list of branded goods was very comprehensive and included frozen vegetables, tinned foods, baby products, cleaning items and personal care goods, such as toothpaste and shampoo.

Difficult

"Regrettably the league did not survey fruit and vegetables as we found that a true comparison was difficult due to availability, grades, quality and sizes."

The league said the meat prices used, were the price a kilogram of cuts found in the stores from fillet steak to brisket as well as chops and legs of lamb and pork.
Cutting its cloth

Most of the disappointments of 1988, when annualised earnings and dividends fell 10% short of prospectus forecasts, and turnover 13% short, were overcome in a year of considerable growth: but the cost was strained finances, which decided the directors to pass the dividend and retain funds to contain current borrowings (there are no long-term borrowings) and strengthen the capital base.

Romens also did not make the hoped-for early 1989 promotion from DCM to main board. Executive director Sid Hurwitz says such a move would be premature, given the company's stage of development and tight financial ratios. (30)

Several new stores were opened. Chairman Danny Kahn's annual statement says the total has reached 13, including the first three outside the Cape, in Vereeniging, Bloemfontein and Windhoek. The aim for the end of this year is 20 stores with turnover of R20m. Longer-term, the group wants to become the largest national retail men's wear chain. Hurwitz claims it is already the biggest for up-market suits and shirts.

Considering that annualised turnover rose 79%, a 50% rise in year-end stocks is evidence of considerable financial discipline.

Activities: Operates a (mainly franchised) retail men's clothing chain.

Control: The directors hold 73.2%, including 52.3% non-beneficially through Maranay Investments.

Chairman: D M Kahn; managing director: D J Marks.

Capital structure: 13.375m ords of NPV. Market capitalisation: R6.1m.


Financial: Year to June 30.

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<td>0.88</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>3.5</td>
<td>3.2</td>
<td>4.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>nil</td>
<td>nil</td>
<td>2.25</td>
<td>nil</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>1</td>
<td>4</td>
<td>14</td>
<td>20</td>
</tr>
</tbody>
</table>

* 16 months unannualised.

Debtor and creditors were also kept under control. However, net borrowings in the past two financial periods have risen by R5.4m, justifying the dividend policy. Kahn says in future "all dividends will be viewed in the same way... Never will short-term gains be made at the expense of long-term growth."

Neither Kahn nor MD David Marks make specific forecasts for the current year. The economy will be difficult but they both seem broadly optimistic. At the AGM it was said that December 1989 turnover was almost 50% up on 1988, which suggests that the target for the year is within reach.

The share has not seen the 1987 prelisting issue price of 40c for two years. It has traded within a narrow range, of which it is now near the top — and almost double net worth. However prudent the decision not to pay a dividend may be it is unlikely to do anything for the rating but, if the group can handle the strains of the present phase of rapid expansion, this could change.  

Michael Clulow
Garlick's stores sold

By TREVOR WALKER

Garlick's Stores has began to redeploy property assets and has sold its Port Elizabeth and East London stores for an undisclosed amount, and will be closing down these outlets, chairman Mr Jack Garlick said.

He said: "We are retailers and are not in the property business. Nevertheless we will retain ownership of the Cape Town and Durban properties.

As to whether the company might consider a lease-back scheme in order to free the money it has invested in property, he said: "We have no need to do this at the moment, but while we are slightly overgeared as a result of the refurbishing programme in Cape Town and Johannesburg, we nevertheless have a substantial investment in property."

Bought out

Garlick, which was owned by Garcon, was bought by a consortium, J.W. Retail Holdings.

As a result of the deal, which was sanctioned by the Supreme Court, all shareholders were bought out and the listing of Garlick was terminated on the Johannesburg Stock Exchange.

Garcon was subsequently sold off and renamed by the new owners.

Garlick Stores is now owned by two family trusts and the major players are Mr Jack Garlick, Mr Noel Boyce and Graham Leach.

Mr Garlick said the Cape Town store had been completely refurbished and as the stores in East London and Port Elizabeth were very badly positioned for an up-market operation such as Garlick, it was decided to close them down.

"In fact we should have closed the Port Elizabeth store years ago."

He said there was definitely a place for a Garlick type store in this country and Press comment on the closure of J. S. S. departmental stores in New York such as Bloomingdales did not mean that the days of these stores were over.

More opened

More departmental stores were opened every year in the US than those closed, but it was only the high profile closures that made the news.

He said store location was the key to success and in cities where retail demand moved out of the Central Business Districts (CBD) into the suburbs then the retail stores had to follow this trend.

Cape Town and Durban still experienced strong CBD retail demand and Garlicks would continue to cater for this.

Garlicks will open a store in the new Methven Park shopping complex in Pretoria in May this year and it is a clear insight into the new competitive strategy that has been adopted by the company.
Revamped Garlicks sheds ‘old maid’ tag

GARLICKS, SA’s oldest family-owned retail group, is slimming down and shedding its “old maid” image.

Joint managing directors Jack Garlick and Noel Boyce this week squashed talk of trouble in the organisation after the group closed two stores and announced it would shut two more.

Garlicks closed shops in Port Elizabeth and Paarl, selling the land in Paarl. Another Port Elizabeth store will be shut along with one in East London. The sites of both have been sold.

Takeover

Mr Garlick says it is part of a strategy set out by the company after Jano Retail Holdings prevailed in a contested bid for the company and took over in a R140-million deal at the end of 1998.

“A survey we did shortly before Jano acquired the organisation showed that customers regarding Garlicks as a second-choice shop. “We realised we would have to restructure and change our image. Part of our strategy was to re-deploy underperforming assets.” That’s why we closed the PE, East London and Paarl shops. “A further move to rationalise administration is almost complete, with the exception of the accounting section. The goal is to consolidate the accounting branches in a single Cape Town office. The programme should be complete by April 1999.

Garlicks has underperformed other retailers on the JRS for a long time. Mr Garlick says research showed that a major reason was that it was "a jack of all trades and a master of none".

"We decided to re-focus the business and move away from its ‘old maid’ image. We did this primarily in merchandise and decor.

"We have largely completed rationalising our product lines and have moved out of supermarketing and children’s clothing where we could not compete. "The Cape Town store has been refurbished, the ground floor of the Coriton Centre branch has been renovated and we will finish the upgrading of the Rosebank (Johan-
PRETORIA — Wage rises will be neutralised by escalating living costs, with Pick 'n Pay expecting costs to increase by at least 15%.

Pick 'n Pay's Peter Dodson said: "We'll be fortunate if the price hikes are kept as low as 15% taking into account the big increases in related costs."

The Stellenbosch Bureau of Economic Research projected price rises in the public service sector — excluding the exception of teachers, police and nurses — to fall below the inflation rate.

Dodson said there were about 400 companies producing food in SA and all had to contend with rising costs.

Price negotiations with suppliers started towards the end of last year.

"In the negotiations we fight tooth and nail to keep suppliers' prices as low as possible," Dodson said.

GERALD REILLY

"The coming increases would apply to virtually all supermarket goods, including toiletries," Dodson said.

Checkers MD Seijo Martinez said he did not expect price hikes, to be introduced early in February, to rise above 12%.

Grocery Manufacturers Association of SA CEO Jeremy Hele said manufacturers like all other enterprises, had to contend with a barrage of cost rises.

These had to be recovered in the prices negotiated with the big retailers.

According to sources, further bread price increases are virtually certain from April. The 1989-90 R115m bread subsidy would run out at the close of the financial year and even if government decided not to phase out the subsidy, inflation would necessitate another price adjustment.
Help the small man: call

AFRICAN Bank chairman Dr Sam Motsuenyane has appealed to the private sector to become more involved in helping to develop small businesses, particularly in providing capital, contractual opportunities and business education.

In his annual report, Motsuenyane says lack of capital and management skills are two factors which contribute to the failure of a large number of small businesses.

The difficult business climate during the year, particularly because of high interest rates, placed extreme demands on small business ventures.

He says the bank has improved its performance considerably following problems created by the reduction of staff at a senior level.

Motsuenyane said that besides specific provisions to cover known losses, the bank maintains a general provision for doubtful debts to cover unidentified losses inherent in the advances portfolio, particularly in the retail division.

Capital

Referring to the bank’s capital requirements, he says the current capital structure of the bank, particularly the 750 000 16 percent and 3 750 000 8 percent cumulative redeemable shares, compels the bank to pay out a large proportion of its taxed profits to the holders of these shares.

This works heavily against ordinary share-holders.

The bank’s profits are still not enough to enable it to fund growth internally and therefore it must attract outside capital.

Motsuenyane was pleased that during the past year the bank increased its ordinary share capital, although moderately.
WCII rejects idea of single municipality

Organised commerce and industry has come out against the concept of creating a single municipality for Soweto and Johannesburg.

The concept, seen by DP leader Ian Davidson as one of the priorities for the 1990s, is being backed by the Soweto People's Delegation.

Witwatersrand Chamber of Commerce and Industry president Aubrey Pitt says a single municipality will make little business sense.

The Development Bank estimates the amount of money disposed of by Sowetans in Johannesburg is between R750m and R800m, while it is estimated 70% of all turnover in the CBD is derived from black customers.

"Soweto has a totally insufficient tax base and that which is there cannot be collected. Johannesburg has the tax base which Sowetans are heavily subsidising," Davidson says.

But Pitt believes a single municipality would be a burden on Johannesburg.

A remedy would be financial assistance to Soweto by Johannesburg and the encouragement of business in Soweto to create a more adequate rate base.

Central government should also step in with financial assistance, Pitt says.

He says the Central Witwatersrand RSC went a long way to redress the financial problems by channelling money made in the CBD back to Soweto.

The WCII's objection to uniting the municipalities is an economic one and is not based on political considerations, Pitt says.

Davidson says there needs to be a recognition that Soweto and Johannesburg are a single integrated urban economy. Soweto does not have an economic base, its infrastructure has broken down and the Soweto City council owes R800m and is bankrupt, he says.

A short-term solution is the creation of a single tax base, Davidson says.

However, he recognises the uniting of both municipalities would be disastrous for Johannesburg unless central government gives financial assistance.

The rechanneling of money to Soweto from business through the RSC is a small portion compared with Soweto's contribution to the city, he says.
Brits boycott a failure, say white traders

By Stan Hlophe

The consumer boycott called by the Brits Working Committee was a failure, say local businessmen who claim that white traders recorded good turnovers last month.

The boycott, called by the committee, was intended as a way to obtain permission for a peaceful protest march in the northern Transvaal town.

The committee is waiting for the outcome of a third application for permission to stage a peaceful protest march.

The action, which began on December 7 after a second application for a march in Brits was refused, was originally meant to end on January 7.

Residents wanted freedom to march through the town to present to the authorities a list of demands including the opening of buses to all races.

BADLY ORGANISED

A Brits meat-market spokesman said: "The consumer boycott was not effective at all. As far as we are concerned, it was business as usual and in December our sales were a record high."

A take-away food outlet owner, who refused to be named, felt the call was not heeded because it was not well organised.

"We are happy with the sales and never noticed any boycott action. There was a rumour that there was going to be one, but as you can see, people are coming and going as usual."

A spares shop assistant said business had been good and there was no sign it would deteriorate.

Another businessman said black customers could not afford to boycott Brits because that would mean they would have to travel about 40 km to shop elsewhere.

A chicken outlet manager said business was satisfactory.
Carmakers cash in on rocketing prices

By Sven Lünsche
Rampant car price increases helped South Africa's seven motor manufacturers boost turnover by almost 25 percent last year.

With the release of 1989 vehicle sales figures by the National Association of Automobile Manufacturers (Naamsa) yesterday, analysts estimate industry's turnover jumped from R10.6 billion in 1988 to R13.2 billion last year.

The major contribution to the improvement was the steep rise in car prices although total unit sales over the year declined by 4,258 units to 353,320.

Econometrix analyst Tony Twine estimates that the Consumer Price Index for the motor sector rose 26 percent last year, while the price of an average car surged from about R29,500 to over R34,000.

Manufacturers' profits thus rose significantly.

While most manufacturers do not provide details of financial performance, analysts, using an average profit margin of about 5.5 percent of turnover, estimate that makers netted R650 million in 1989 — as much as 20 percent more than the previous year. However, the picture looks less optimistic this year.

For one, unit sales are expected to show a more significant decline than in 1989.

Fourth-quarter new car sales in 1989 were down 8.6 percent from fourth-quarter sales in 1988, while the annual fall in 1989 sales, compared with 1988, was only 3.5 percent.

Naamsa estimates that total vehicle sales could decline by over 5 percent to about 335,000 units, while new car sales could fall from last year's 222,351 to 210,000 units this year.

"Prevailing high financing costs, the economic slowdown and a fall in domestic spending are all expected to impact adversely on the industry's short-to-medium-term prospects," it says.

The view is supported by recent Bureau of Economic Research (BER) figures, which show that spending on motor vehicles is likely to drop by 11 percent this year.

Continued strong demand by the corporate sector could help limit the decline to reasonable levels, but most dealers are already carrying adequate stock in contrast to last year's backlog of orders.

Cost pressures on the manufacturers are also likely to surge.

"The overhead contribution per unit rises alarmingly when the market is in a downturn, impacting directly on profit margins," says Mr. Twine, who adds that labour costs in particular could once again exceed inflation.

Imported cost pressures are likely to be more moderate, particularly for Japanese parts, but could increase in terms of the Deutschemark and sterling.

The industry is once again expected to make up for this shortfall by raising prices, but the scope of the increases is limited.

Mr. Twine estimates that prices could rise by up to 18 percent this year, while Naamsa forecasts increases of 12 to 14 percent, if the rand remains stable.

Naamsa's figures show that new car sales for the whole of 1989 amounted to 222,351 units, a drop of 3.5 percent compared to sales in 1988.

This figure exceeded earlier expectations and forecasts, largely because of buoyant corporate demand.

However, an indication of the downward trend was provided by monthly new car sales in December, which at 14,884 units hit their lowest level in two and a half years.

While car sales are traditionally lower in December, the figure was 8.1 percent down on December 1988 and a massive 24 percent down on November sales.

The new light commercial vehicle and minibus sector remained relatively strong last year, with sales rising on an annual basis by 4.4 percent to 117,135 units.

Sales of heavy trucks and buses rose one percent to 9,665, while medium commercial vehicle sales slumped by about 20 percent to 4,469.
Drop in car sales to a 31-month low

NEW car sales during December 1989 dropped to the lowest monthly level in two-and-a-half years.

December sales fell 8,1% compared with December 1988 and 23,8% compared with November 1988, the National Association of Automobile Manufactures of SA (NaamSA) said yesterday.

Sales during the month dropped to 14 884 units from 19 540 units in November, the lowest sales since May 1987 when 14 012 units were sold. Compared with December 1988, sales declined by 1 312 units.

A NaamSA spokesman said while vehicle sales were traditionally lower in December due to fewer trading days and corporations closing over the holiday period, the large percentage drop was indicative of a downward trend in sales.

However, new car sales for 1989 exceeded earlier forecasts with annual car sales totalling 222 351 units, a decline of 3,5% when compared with sales during 1988.

The new light commercial (LCV) and minibus vehicle sector — still buoyed by the black taxi market — remained strong during 1989 with sales rising by 4,4% to 117 155 units when compared with 1988.

During December 1989, sales of new LCV’s and minibuses dropped by 21,6% to 8 217 units from 10 479 units recorded in November. However, when compared with December 1988, LCV sales improved 7,4%.

New medium and heavy truck and bus sales during 1989 were as expected with overall heavy trucks sales rising a modest 2,1%.

Car sales

1% when compared with 1988.

Medium commercial vehicle sales remained weak and fell by 20,4% during 1989 compared with 1988. Medium and heavy truck sales declined sharply by 34,3% and 29% respectively during December when compared with November, NaamSA said.

NaamSA said the annual sales figure tended to camouflage recent weaknesses in the new car and heavy commercial vehicle markets.

By way of example, 1989 fourth quarter sales fell 8,6% compared with the fourth quarter of 1988, while annualised sales in 1989 only fell 3,5%, said NaamSA.

A similar negative trend was evident in the heavy commercial sales market.

Aside from LCV’s and minibuses, the overall sales trend was negative. Prevailing high financing costs, the slow downturn of the economy and a fall in aggregate domestic spending were expected to impact adversely.

Given a degree of exchange rate stability, average vehicle price rises of between 12% and 14% were projected for 1990.
Small business is losing out

BLACK entrepreneurs manufacturing school uniforms from industrial parks or in the backyards of their homes in the townships are on the brink of collapse because of competition from white and Indian manufacturers.

According to several black uniform manufacturers white and Indian operators have entered into agreements with black schools, sometimes with the tacit approval of officials. They supply uniforms to these schools and the school officials get donations for the schools or personal presents.

The Department of Education and Training said it did not have any policy on the purchasing of school uniforms by pupils. Mr Richard Chermis, public relations officer, said: “This is entirely a matter for individual schools.”

He said if proof could be produced that any official accepted bribes the matter should be reported to the police. Departmental action would be taken once the courts had found the culprits guilty.

The plight of backyard manufacturers has been worsened by the fact that fledgling business and her staff of eight.

The first batch was produced and parents were excited with the uniforms and the prices charged. She then placed an additional order and after being pushed around, material of inferior quality was sent. Parents returned the uniforms as they were not what they wanted or expected. She has now reduced her staff to one person and her reputation is in tatters. Remarkably, a trader from outside Kwa Thema is now selling the uniforms in the required quality, the cloth Mhlambi used to make the first batch of uniforms.

Another operator, Mr. Samir Odada, who manufactures tunics and track suits from a garage in Kwa-Thema, says she lost out on a contract to sell uniforms for a local school. On investigating she found that traders from town had given the teachers donations and they now had the rights to make and sell the uniforms.

She maintains that it is unfair for town operators to monopolise the uniform business and push the township manufacturer out, instead these town operations should getting into contracts with blacks who would then sew some of their products.

Mrs. Elizabeth Nkabinde, of Residenza in the Vaal Triangle, says her 12 year-old school uniform manufacturing business was ailing because she was not getting support from local schools. She puts the blame on school authorities.

“When I started my business in 1978 I was optimistic and advertised myself at various schools, but gave up hope when teachers refused to support my venture,” she said.

Mr. G. Cachalia, manager of Snipper Uniform Manufacturing Company, one of the biggest school uniform manufacturers in the PWV area, said his company had been in operation for the past 30 years and was supported by schools in black areas.

“While we are prepared to plough part of the money we make back into the townships, we will not stoop as low as to bribe people to buy our products.”

The managing director of Sales House, Mr. Donald Etheridge, who also spoke on behalf of the Edgars Group, said they were prepared to contract small business people to manufacture school uniforms for them, but added, “on condition that they produced the high quality our customers want.”
The landed cost of diesel increases.

Namasa adjusts figures.

There was a hike in December. The dump in new car sales in December was worse.

The figure for November was $8.00 a litre. The figure for December was $8.50 a litre.

The National Association of Automobile Dealers has increased its prices.

The figures for November to December were $0.25 a litre. Since September, the increase has been consistent.

The trend for diesel figures:

- December: $8.50 a litre
- November: $8.00 a litre
HEDDE REPORTS

NEW SYNDICATE OF TASSLEKS

Market's Greystones are Addressing Peter Art DJER

While Greystones, despite immigration, the cent of town of Stellieux, despite immigration, the

EASY DAVIN: A consumer body's of residents in the

GRATFONAS.

SOUTH FEATURES
Decisions, decisions ...

President F W de Klerk told a distinguished business audience in Johannesburg on Monday night that decisions taken in this country over the next few years would have a profound influence on its history. Our interpretation of that was as an invitation to businessmen to participate in those decisions and that he was assuming — as would we — that they would wish to do so.

What is puzzling, therefore, is the apparent procrastination that is taking place over the appointment of office bearers to, and the director-general of, the newly formed SA Chamber of Business.

The very body that should be contributing an unequivocal business view to the formation of public policy at a critical time has been drifting rudderless. There is an unfortunate hiatus at the precise time that the men of affairs who have created this joint chamber — by merging the Federated Chamber of Industries and Association of Chambers of Commerce — need to be decisive.

The stumbling block appears to be a reluctance to choose for the post of director-general between the chief executives of the constituent chambers, as this might suggest the supremacy of one chamber over the other. As the smaller partner, the FCI's susceptibilities are well-known — and certainly need to be taken into account. But not to the extent that business involvement in critical policy-making is prejudiced or delayed.

The founding fathers have tried to avoid the awkward decision by inviting applications from outside for the position. Some have been received but we understand none sufficient to eclipse the main contenders — the FCI's chief executive Ron Heywood, a retired businessman, and Raymond Parsons, a highly respected economist with many years of experience heading Assocom, by far the more professional of the two organisations.

To us the choice is obvious. So we hope that next week the decision will not again be postponed.
Toy wholesalers merge

SYLVIA DU PLESSIS

TWO Johannesburg-based toy and novelty stationery wholesalers - Print-Ad Products and Regal Trading - have merged with effect from January 1 to create a company with a combined annual turnover of between R6m and R7m.

Former Print-Ad MD and chairman of the new company, Barney Rogers, said yesterday the motivation for the merger was that both companies were involved in the same business and complemented each other. One's strength was in sales and the other's in management.

The new company - known as Regal Trading, incorporating Print-Ad Products - supplied a range of retailers countrywide. These included Redwoods, Dion and CNA, and it was hoped to expand business further with the larger groups, he said.

He added that management planned to expand novelty stationery sales, currently 50% of its product mix, to about 60% in view of the fact that toy sales were seasonal.

Turnover was expected to grow to about R8,5m by 1991.

Former Regal Trading MD Dave Ginsberg and former Print-Ad director Barry Rogers have been appointed joint MDs of the new venture.
SASWITCH (30)

Retailers’ UDI

Saswitch has temporarily shovled plans that would have allowed retailers to use its automatic teller machine (ATM) network to provide financial services.

Technical specifications were drafted more than two years ago to enable retailers to debit their customers’ banking accounts at the point-of-sale. But, says Saswitch chairman Brian Kemmey, a more important priority now is to improve the efficiency of the ATM network. FIM (9/1/90)

The Saswitch decision is unlikely to come as a surprise to the large retail chains — many of which have already started implementing their own financial services systems. Demands on the Saswitch automatic teller sharing network have risen steeply in the past few years: since it went into operation in 1985 the number of ATM transactions Saswitch routes between financial institutions each month has grown from 350 000 to 6m.

Saswitch has replaced its central computers, rewritten a large amount of software and is now improving communications links with its members, says Kemmey. Nearly 4 000 ATMs, belonging to 15 financial institutions, are linked to the network. Saswitch was founded and is controlled by the banks and building societies, many of which are unhappy about what they see as attempts by retailers to muscle into the financial services market.

Kemmey declines to reveal when Saswitch decided to postpone the introduction of retailers to its network but it is understood to have been late last year. “Saswitch is not

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ready to launch electronic funds transfer at point-of-sale. It is a very expensive thing to do nationally,” he says.

The ability to debit customers’ banking accounts at point-of-sale is very attractive to the large retail groups. It allows them to check out customers more quickly, reduces the amount of cash they have to hold at the stores, speeds payments and, in some cases, enables them to make a profit on the transaction.

Pick ‘n Pay has spent R20m in the past three years setting up a retail switching network similar to Saswitch. Called PayNet, it will enable all of Pick ‘n Pay’s hypermarkets and stores to provide a variety of financial services in co-operation with participating banks and building societies. Pick ‘n Pay’s stores will be able to use PayNet to debit banking accounts at the till, verify cheques, debit credit cards and dispense cash to customers.

Financial director Chris Hurst says eight stores have been connected to PayNet and, by the end of April, all of the group’s 26 outlets in the western Cape will be on line. The company plans to have every Pick ‘n Pay outlet hooked up by next year. The cost of setting up the network is expected to reach R40m.

PayNet was designed by the EFT Company which comprises some of the original developers of Saswitch. Three building societies — United, Allied and the NBS — have hooked up to the PayNet network and Hurst hopes some of the banks will join the service soon. A stumbling block is believed to be the reluctance of some of the financial institutions to pay Pick ‘n Pay transaction fees for the PayNet service.

Pick ‘n Pay rival, Checkers, has also implemented electronic funds transfer facilities at some of its stores. Checkers has adopted a much less ambitious approach than Pick ‘n Pay. Checkers GM systems, Orlando da Silva, says nine of its stores are able to debit customer banking accounts at point-of-sale. This service is now available only to customers that bank with Standard Bank.

Unlike Pick ‘n Pay, Checkers has not set up a central switching service but has put in place less costly direct communications links with Standard Bank. Whereas PayNet operates like Saswitch and reroutes transactions, the Checkers system is a point-to-point service similar to the MultiNet network.

Da Silva hopes to link the Checkers service to other financial institutions this year. Its initial partner, when it started investigating the service in 1985, was First National Bank (then Barclays).
Sales of durable goods could slump dramatically this year as the financial situation of consumers worsens in the wake of an expected decline in disposable income.

Sales have already tapered off over the last few months, with most retailers reporting lower Christmas sales than in 1989. Figure provided last month by Central Statistical Services showed that retail sales for November and December at 1985 prices were expected to fall 1.5 percent, compared with the same period in 1988.

On this basis, sales for the year as a whole would still be up 2.4 percent, compared with the preceding year, but in a declining trend. (January 1990)

A report released today by the Bureau for Economic Research at Fisk University (BER) states that total private consumption expenditure (PCE) will rise by only 0.3 percent this year, after increasing 1.3 percent in 1989 and 4.3 percent in 1988.

The BER forecasts total PCE, at 1985 prices of just under $100 billion, this year. Particularly hard hit will be spending on durable goods. After rising by 12 percent in 1988, spending on such goods fell 0.4 percent last year and is expected to slump 1.3 percent to $123.6 billion this year.

The BER expects spending on nondurables to rise by 1.8 percent to $214.6 billion this year, while nondurable goods expenditure should continue to grow by about two percent to $86.2 billion (see chart). — .

The share of durable goods spending to total PCE has slipped consistently since spending on durable goods peaked in 1988, when it was 13.8 percent of PCE, and the BER expects this figure to drop to 9.3 percent this year — 1.4 percentage points below the 1988 figure.

While we expect that tax relief will be announced in the March Budget, this will probably be restricted to provisions for bracket creeping.
Milly's trading profitably after restructure

By AUDREY D'ANGELO
Financial Editor

THE restructured Milly's group might be "the embryonic stage" of a company which would give serious competition to Pick n Pay and Checkers, the chairman of the Shareholders Association of SA, Iray Goldberg, suggested at the general meeting yesterday.

Earlier in the meeting Goldberg questioned a forecast that the group — to be renamed Hyperette Stores — would achieve earnings of 1.2c a share on a turnover of R56m in the current financial year.

He commented that it was "almost magical" that a group which had been technically insolvent at the beginning of the year, before being restructured, should now be trading profitably after restructuring.

But Milly's new chairman, Hein Ehlers, said "the old Milly's business has virtually ceased to exist" and, in its new form, had no interest-bearing debt except R200 000 worth of leasing repayments and its current trading position.

Ehlers explained that the group had a bank overdraft facility which swung from deficit to credit in the course of a month.

Discussing the restructuring, Ehlers said that he was now the major shareholder owning 51% of the company with Unidev owning 34%.

The company now consisted of 27 convenience shops in strategic locations. Of these, the majority were Hyperettes and four were branches of the Breadbasket, the upmarket delicatessen chain which proved successful in Johannesburg and was recently bought by Milly's.

The branch of Milly's in the Gardens could be highly profitable under its existing name and customers had asked that there should be no change.

"The company is trading profitably now and will achieve the profit forecast for the year of 1.2c a share," Goldberg said that, on a projected turnover of R56m, this implied better profit margins than the big chains.

But Milly's had assessed tax losses in the region of R17m which meant "a tax-free ride for the next three to four years".

Approving Ehlers' statement that the company would have "a conservative policy" on dividends, in the interests of building up the business, Goldberg said he envisaged it "growing into a company with a turnover of R100m and earnings of 4c or 5c a share in a few years' time."

"It must only expand within the parameters of no interest-bearing loan."

Ehlers said after the meeting that the Breadbasket in Sea Point — the first in the Cape — had been trading ahead of expectations. It was possible that another might be opened in the Constantia area, but only when it had been seen how the Sea Point branch traded outside the holiday season.

Negotiations were in progress for more Hyperette sites, but he was "not in a hurry to open more stores".
POLICE this week swooped on a tiny Eastern Cape village and arrested 214 residents in a pre-dawn raid.

Kubusie residents started a consumer boycott of white-owned businesses in Stutterheim two months ago to pressure authorities into upgrading their community. Several shops have had to closed after a drastic drop in turnover.

Early on Tuesday morning police in several vehicles, supported by a helicopter, entered the village.

They distributed pamphlets in which they wished people a good morning and apologised for previous police mistakes.

According to residents, they then started to round up all the young males and took them to a makeshift camp surrounded by barbed wire.

From there they were taken to Stutterheim, three kilometres away, where they were photographed and fingerprinted.

While the people were standing beside a bridge, a busload of policemen pulled up above them and started firing teargas.

A reporter visiting Kubusie, Vuyo Bikitsha, said he was standing next to the people and had not heard any warning to disperse.

"After the police shot about six or seven teargas rounds, the people ran away."

He said he then left the area and was followed by the police.

"A Capt Potgieter, who was in charge, told us we would have to leave as it had been declared an operational area."

Bikitsha then drove to Stutterheim police station with another journalist, where they laid a charge against the police for shooting at them.

In a statement, SAP regional commissioner Maj-Gen MJ Rust said the police had "conducted a full-scale crime prevention operation in Kubusie."

"Several serious cases of unrest occurred during 1989 in Kubusie and there is at present at escalation of incidents."

"Leaflets explaining the necessity for the operation were distributed among residents of the township." — ANA
Lessons to be learnt from past failures

Managers and executives associated with the black business sector see the 1990s as a decade of opportunities, ranging from developing the informal sector to building a black "Sanlam" or "Anglo".

The rise of the informal sector (hawkers) has gained prominence in the 1980s. This sector's contribution to the country's gross domestic product (GDP) has been estimated at between 12 and 40 percent.

The informal sector's role may be underestimated, but those who argue in favour of it stick to their guns. For instance, Mafuto, managing director of the National Bank, says the informal sector is alive and well and growing much faster than the formal sector.

Hetherington says there is hope that the government will put in place measures that will help black businesses.

However, without bigger wages in the formal sector, the informal sector will be restricted.

The 1980s also saw a growth in sanctions as a form of pressure on the government. The International Monetary Fund (IMF) has imposed sanctions for different reasons, some for non-payment of foreign debt, but others because they provide political leverage.

However, black businesses have developed a thick skin to handle pressures on exports and external trade.

The "US Congress Comprehensive Sanctions" Bill passed in 1996 has opened up opportunities for ambitious black businesses interested in exports. US markets, once white corporations were there, are now open.

The government has been working to invigorate the informal sector to help black businesses.

In the 1990s, the Informal Sector will be key to the development of black businesses. Black businesses have been deprived of opportunities, but the 1990s offer hope.

For the past two decades, black businesses were isolated from the mainstream economy due to sanctions against South Africa. The opening up of the 1990s offers opportunities for black businesses to develop.

The Informal Sector is growing, and the government is working to invigorate it.

However, managers and executives need to be careful, as the government's policies are not always clear.

The 1990s offer hope for black businesses, but they need to be cautious and strategic in their approach.
Motors gloomy

By Don Robertson

The sharp fall in vehicle sales in December has blighted motor-industry hopes. Manufacturers now forecast a lean first six months in 1990 after expecting sales to decline only modestly.

They had hoped sales would hold up on the strength of corporate and car-hire requirements. Light commercials, including mini-buses, were expected to benefit from buying by small entrepreneurs and farmers.

However, the fall in average monthly sales in the third quarter of last year, particularly for cars and heavy commercials, has prompted a reassessment of forecasts.

Average monthly new-car sales were sharply down in the last quarter of 1989.

Sales of cars in December were a dismal 13 873 units — the lowest for more than 30 months and a fall of 29% on November’s 19 910. Sales for the year were 222 251 compared with 230 500 in 1988.

Light commercial sales were 8 217 in December compared with 10 479 in November, a decline of 21.6%. Sales for the year were 112 155 against 112 197. Medium commercial volumes were 263 in December compared with 423 in the previous month for an annual total of 4 474 (6 820).

Sales of heavy commercials were 560 last month against 912 in November. Annual sales were up at 9 676 from 9 575.

High interest rates, the slowdown in the economy and reduced consumer spending did the damage. But the news is not all bad.

London gold fixings

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<tr>
<td>Friday</td>
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Relative exchange-rate stability will mean that prices rise this year will be between 10% and 14% compared with an expected inflation rate of 15%.

The rand’s world value

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<thead>
<tr>
<th>Currency</th>
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<th>19/1/89</th>
<th>15/1/89</th>
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Trade weighted average of rand, % change against 1974 base: -30.767

Domestic interest rates

**MONEY MARKET**

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<tr>
<th>Interest</th>
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<tr>
<td>Prime overdraft rate</td>
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<tr>
<td>All-in yield of frost acceptance credits</td>
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**CAPITAL MARKET**

**SECONDARY MARKET RATES ON MOST TRADED STOCKS**

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Best sections this week

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<th>D/Y</th>
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<tr>
<td>Printing &amp; Publishing</td>
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<tr>
<td>Pharm &amp; Medical</td>
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<tr>
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Overall market this week

(Ordinary Shares Only)

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<th>Value traded</th>
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<th>Down</th>
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<th>Number traded</th>
<th>New highs</th>
<th>New lows</th>
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<td>143</td>
<td>30</td>
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<td></td>
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<td>26</td>
<td>103</td>
<td>197</td>
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JSE Actuaries Index

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Doubts surface over black rights to buy property

Johannesburg set to become free trade area

Municipal Reporter

The whole of Johannesburg is expected soon to become a free trade area after a decision by the city's management committee, but doubts were raised yesterday whether the decision would legally entitle blacks to buy property in white group areas.

On Monday night the committee, acting on a Government request, decided to ask for council approval at next week's meeting for blacks to trade or own business premises anywhere in the city.

Since February 1968, Johannesburg's CBD bounded by Noord Street and the motorways has been open to all races for trading, commercial, professional, educational and religious purposes.

If approved by the council, this would be extended to the entire municipal trading area.

And, said the management committee chairman, Mr Jan Burger, "quite a number of residential areas were now being considered for free settlement status.

The latest move puts Johannesburg ahead of every other municipality in South Africa, said National Party chief whip Mr Rein Kruger.

However, Democratic Party city councillor Mr Clive Gilbert accused the ruling National Party of ignorance of the law, challenging Mr Kruger to withdraw his claim that this meant blacks could own property in white group areas.

Estate agent Mr Gilbert said free trade areas allowed blacks to rent but not buy business property and he personally had handled numerous cases where purchase by blacks had been lost.

"All this means is the scrapping of the permit system and the need to do business shielded by nominees."

Residential areas

Democratic Party council leader Mr Ian Davidson welcomed the move, saying it was an indictment of the National Party council that the initiative had come from the Government.

"It is to be hoped on council initiative the next move will be to desegregate all residential areas throughout the city," he said.

Mr Burger did not expect a rush for business premises as many blacks had been trading in white areas since the turn of the century.

Mr Kruger said the most immediate outcome would be to cut red tape, but since the main pressure was on the CBD, prices were unlikely to rise substantially in the satellite areas.

The Conservative Party in the city council said it was opposed to the opening of trading areas.

The Central Business District Association welcomed the move, but chairman Mr Nigel Mandy cautioned that it would be necessary to introduce some transitional arrangements in "black" areas within council jurisdiction.

This should merely be a move to provide interim protection for disadvantaged black businessmen who had been restricted to their own areas.

"We do not want to wipe out much of the entrepreneurial class that has been built up under adverse conditions," he said.

He predicted the latest decision would lead to the scrapping of apartheid in residential areas.

"There is some merit in the controversial free settlement areas as the transitional process leading to the opening of all residential areas, with Lenasia and Soweto remaining largely Indian and black towns.

"Then we need to see an end to the Separate Amenities Act where the only criterion will be to keep the place clean, finally getting away from race," Mr Mandy said.

Generally, moves to desegregate had reflected realities as they had been introduced when desegregation was already a fait accompli, Mr Mandy said.
Retailers hold their breath for Budget

SYLVIA DU PLESSIS

Finalised December figures for sales of audio equipment are likely to be higher than expected, but retailers are anxiously awaiting details of government's Budget before raising their hopes for a more prosperous 1990 generally.

Furniture Traders' Association (FTA) executive director FJans Jordaan said yesterday that December sales figures — due out at the end of the month — would probably reflect real growth of between 2% and 3% for the furniture sector. This was in line with the association's forecasts.

But while sales of appliances and TVs were likely to have remained poor, retailers were expected to report "still negative but slightly better" growth in sales of audio equipment, he said. The FTA's initial forecast was for negative real growth of 20%.

"However, whether the better-than-expected Christmas sales trend will continue into 1990 depends a lot on the March Budget. If the stringent regulations affecting the industry are relaxed, then I'll be much more hopeful."

Review

Jordaan said representatives from the FTA, the Radio and TV Manufacturers Association and the SA Domestic Appliance Manufacturers Association would still be meeting Finance Department authorities on March 6 to discuss a possible easing of curbs on durables spending.

"We'll review the situation with the latest data in hand and this will be passed on to Finance Minister Barnard du Plessis.

"There are so many other things, such as the economy generally, that need to be taken into account, but we're hopeful and optimistic that the matter will be addressed to our satisfaction.

"If current HP deposit levels are lowered to acceptable levels and surcharges are reduced, prices will be more attractive and we'll see positive growth in the appliance, audio equipment and TV industry for the rest of the year.

"In the meantime, it's difficult to make forecasts when we don't know where we stand."

Du Plessis gave the assurance in November that import surcharges would be phased out and adjustments considered under the Credit Agreements (HP) Act when economic circumstances permitted.
Retail grocers set to earn R20bn turnover

OVERALL turnover for the retail grocery sector is set to reach an estimated R20bn compared with last year’s R17bn.

A leading analyst yesterday said the 15% rate of increase was expected to keep the sector in a “comfortable” position throughout 1990.

The continued urbanisation of the black population was one of the main factors lending support to the market.

“The sudden flock of black people to the towns after the abolition of influx control in 1989 caused a dramatic growth in the grocery retail market.”

The analyst, who did not wish to be named, said the R20bn projected for this year also compared favourably with the R14.8bn of 1989.

However, the figure showed little real growth but was simply marginally greater than the national inflation rate.

“Although this does not look impressive, it will keep the market on a comfortable footing.”

He said another factor that would maintain the market’s buoyancy was a possible end to disinvestment brought about by a change in the political climate within SA.

This would boost the grocery retail sector’s annual turnover as the average person’s buying power would be enhanced, he said.

Checkers MD Sergio Martinengo said the figure of R20bn for 1990 was realistic.

Taking into consideration a 15% inflation rate, this figure correlated with his estimate of a 1.5% real growth.

“Although at present we have a negative economy in SA, there is a lot of positive feeling which we can attribute to the recent political changes taking place. This positive feeling can only serve to promote the grocery retail market and the economy as a whole,” he said.

A further boost for the market was deregulation which would create a situation in which more jobs would be made available, thereby increasing SA’s buying potential.

This would further minimise the effect on the grocery retail market of recent retrenchments of members of the military and Sats.

OK Bazaars marketing director Mervyn Kraitzick expected little real growth in the market. He said the market in 1990 would be much the same size as last year, but OK Bazaars’s portion would undergo substantial real growth in the new year.
The National African Federated Chambers of Commerce will take part in the second Bitex Industrial Trade Show in Botswana from April 25 to 28.

The organisation has called on all competent black industrialists and manufacturers to take part. The Nafcoc delegation will be led by a senior official from the organisation.

Nafcoc's public affairs manager, Mr Gabriel Mokgoko, said 14 spaces had been allocated for black companies. This is the first time black entrepreneurs in the country will take part in a market in an independent African country.

"It is the first foot forward. The potential of our manufacturers will never be known until their innovation is exposed," Mokgoko said.

Botswana, a member of the South African Customs Union, will give participants an opportunity to exhibit their wares and interact with buyers, visitors and businessmen from other southern Africa markets.

"Those of our exhibitors who have already subscribed are eager to grab the opportunity and show the best that comes from black hands," he said.

The promotion of black industrialists in neighbouring countries is one of Nafcoc's major programmes for 1990. "In 1988 visits were paid by Nafcoc executives to various African countries. Contact was made with their chambers of commerce to pave the way for future business relationships.

According to Nafcoc, inquiries from blacks into the import/export business are overwhelming, with the result that workshops will be conducted throughout the country from March 1990 to assist interested persons understand the challenges and opportunities of this virtually unexplored business.

Those interested in the Bitex trade show should phone Khomotso Baloyi at (01214) 3204/5.
Mashold earnings look set to rise

SYLVIA DU PLESSIS

DIRECT mail order group Mashold is likely to produce earnings of 33.5c (25.6c) a share during the current financial year to February, according to Frankel, Kruger, Vinderine retail analyst Alona Jonker.

Should it be able to reduce debt levels, continuing good growth in earnings levels is expected, she says.

Earnings growth for the group "should remain in excess of 20% until 1992, when earnings could reach 53.5c a share", as its tax rate is expected to remain low during the next three years because of export allowances and remaining tax losses.

"Improved economic conditions and lower interest rates should add to earnings growth during 1992."

The retail and wholesale-listed group's customer base of more than 3-million is relatively unaffected by economic downswings.

Jonker forecasts an increase in turnover of about 40% (31.9%) during the current year.

Pre-tax profit looks set to rise to R8.2m (R6.2m) translating into attributable earnings of R5.5m (R5.1m), from which total dividends of 15c (12c) will be declared.

Jonker says while the group operates in a growing market with very little competition, the share is to be recommended for portfolios requiring smaller holdings, as tradability is relatively low.

"Mas Holdings we regard as offering a better opportunity than (holding company) Mascon," she says.

Market speculation is that the group, which last month warned shareholders to exercise caution in dealing in their shares, is set to buy into struggling competitor Springtex and take over its assessed losses.
Better economy may boost sentiment towards Focus Holdings' shares
Opening of city trading is welcomed

NEIL YORKE SMITH

REPRESENTATIVES of black and white business groups have welcomed the move to open Johannesburg as a free trade area.

However, the move was long overdue and should be viewed as only a small step towards general freedom in deciding where to trade and live, they said.

Anglo director and president of the new SA Chamber of Business Les Boyd said yesterday he welcomed the move as yet another step towards the complete normalisation of our society.

Boyd said it was unlikely any dramatic changes would immediately result.

“Business is not an overnight phenomenon, rather it tends to develop and evolve,” he said.

“I see the move as the kind of evolutionary change which is needed to optimise business development in this country,”

Top black businessman and Nafocu founder Richard Maponya also welcomed the move. “Trade should be free for any entrepreneur wherever he can make a profit,” he said.

Maponya said it had taken a long time to make the decision. “Before, we were living under abnormal conditions where one trading party was protected and the other prejudiced.”

“I believe the move will contribute to the spirit of the new SA of which the state president has spoken,” he added.

“It is right that people of all colours should at least have a hope that they will also have a slice of the economic cake,” Maponya said.

Johannesburg CBD Association founder-chairman Nigel Mandy said the opening of facilities was always welcome.

“I stress, though, that this depends on how other things are relaxed,” he added.

“The opening of free trade areas does not in any way detract from the group areas problem, where blacks have to ‘trek’ back to Soweto every night to live,” Mandy said.

African Business Publications MD Sy Kutemela said it made little sense to open some areas but not go all the way.

“Also, other constraints besides non-free trading areas have restricted black businessmen,” he said.

“These include problems which have become entrenched like lack of capital and reduced competitiveness which resulted from apartheid business laws,” he added.

“Blacks do not need the hassles of petty laws and prejudices which many problems could be solved by government’s throwing everything open to trade and residence,” he said.
CLAREMONT 26/1/90

How to get there?

Clarentom, the largest business sub-centre in the western Cape after the Cape Town CBD, is on the brink of another investment boom. All that stands between it and an estimated R225m in new capital development funds is the question of improved access to the area.

This emerges from a recent memo sent by Sapoa to the Cape Town City Council. The memo seeks to break the impasse which has developed around Claremont's transport and access problems. The issue comes down to a difference of opinion between the council and the Provincial Roads Engineer on how best to alleviate the area's traffic congestion.

An issue is whether Claremont needs an elaborate bypass system — as a scheme announced back in 1968 suggested — or the so-called R40m Relief Road Scheme first announced in 1988 by the council. Sapoa and the council favour the latter, but the engineer is apparently unhappy with some of the city planners' assumptions.

Sapoa says: "We don't profess to have the answers to the planning problems posed either by the engineer or the City Planner; nevertheless, we do wish to see them resolved in the interests of Claremont." It continues: "The continued delay in reaching a solution cannot but harm the viability and strength of Cape Town's second most important centre and rate base."

According to Sapoa's calculations, Claremont CBD — present developed commercial floor area: 400 000 m² — is worth about R700m. And, taking account of projects already under construction, Claremont CBD contributes approximately R10,5m in rates to the city (1979 valuation). Sapoa believes that if the R225m developments do come on stream, the rates contribution would increase a further R3m a year. This, it points out, would help alleviate the low ratio of commercial to residential property in Cape Town — a major reason for the city having such high rates.

The memo notes the "significant and growing imbalance in expenditure by the private sector on the provision of developed floor space in this CBD on the one hand, and the almost complete lack of expenditure by the city on infrastructure on the other." It goes on to "demand that the city affirm its confidence in Claremont by undertaking to bear its share in maintaining this CBD."

Sapoa's efforts have not been in vain. Council and province, subject to certain formalities, have agreed to appoint consultant engineers to investigate the matter. Their report should be ready by the middle of the year.
Anyone hoping that, with the change of control in August, Fleishmans had entered a new and more placid era, has so far been disappointed. Since then the company has belatedly announced miserable results for the year to end-June. The proposed deal, whatever its nature, with Spareco — which is being cobbled together by Lysnat (the controlling shareholder of both groups) — seems to have bogged down.

However, this is not to say that there has been a total lack of action. Beneath the surface things seem to be seething, with a succession of financial advisers. As far as sponsoring brokers are concerned, Davis, Borkum, Hare and Lowenthal (which brought both Fleishmans and Spareco to the market) have been replaced by Simpson, McKenzie and Frankel, Kruger (with a brief appearance by Irish & Co). Colfax is in the most recent announcement as corporate consultants, whereas Senbank acted as merchant banker to the change of control.

All this probably means something — just what will no doubt become clear in due course.

Point is that Fleishmans has been plagued by various disagreements almost since it was listed. So there is the suspicion that the group’s performance might have been better had there been less in-fighting and more attention to actually running the business.

The track record to date, viewed against the company’s own forecasts, is unimpressive. In 1988, the first full year after the listing, saw earnings fall more than a cent short of the 17c prospectus forecast due, apparently, to the acquisition with effect from September 1987 of Eddie’s Motor Spares. This was followed in 1989 by less-than-impressive unchanged earnings of 15.9c on a 22% sales increase — the latter despite an increase from 24 to 34 in the number of outlets whereas the market had at one stage been looking for EPS of around 25c.

Investor disapproval is reflected in the slump in the share price to 70c, which is 20c below the price at which control changed in August (though this was subject to adjustment depending on profits), and even 5c below the minimum offer for which minority shareholders are still waiting. A comparison with the 190c price, at which shares were issued ahead of the 1987 listing, is simply depressing.

What happens next? On paper, a tie-up between Fleishmans and Spareco looks a good idea, particularly as sales of motor spares and accessories should gain additional muscle as the new vehicle market softens. This, in turn, would suggest that shareholders should stay with the company in hopes of better things to come. But like any company in any industry, to fly it is going to need a pilot — recovery is not going to take place until the market is satisfied the new controlling shareholders have a cohesive plan for the future.

Brian Thompson
the relative importance of these two factors. However, assuming these wrinkles have been ironed out, the attributable profit target — based even on the existing asset base — should not be difficult to achieve. One then hopes that similar progress will continue in 1991 and beyond which, barring a further increase in capital, should reflect in substantially higher earnings.

For the moment, it looks as if both Sunpak and pyramid Sunvest will pay 11c for 1990 (up 1c), giving forward yields of 6.9% for Sunpak (160c) and 7.5% for the illogically cheaper (146c) Sunvest.

### Sanlie's Nussbaum ...

**dropping the catch**

in the latter half of the year. However, the situation is far from serious. The group has a stronger balance sheet, with the current ratio up to 2.43 (1.77). The tax rate, at 59% (49%), rose due to disallowed items of expenditure and exempt income; it should fall this year.

Since year-end an extensive expansion has been undertaken at a cost of nearly R32m, payable in cash and by issue of shares and debentures. Acquisitions included AMD Agencies and FS Consumer products for R6.3m, which should strengthen Sanlie's position in the DIY market. The directors believe the acquisitions will not affect the balance sheet in the short-term but synergistic benefits should be significant.

Though the share is close to its 12-month low, prospects for a price recovery are high.
stolen rights
to citizens
of Jo’burg

Johannesburg’s Management Committee is to be congratulated on its recent proposal that the entire municipal area should become an open trading area.

If all goes well this recommendation should be approved by the full City Council next Tuesday, after which the Government’s permission under Section 19 of the Group Areas Act should be a mere formality.

The “open trading” proclamation now sought would allow persons who are not white to own shops and also – very importantly – to carry on commercial, professional, educational and religious activities anywhere within the municipal area, provided that the premises in question are zoned appropriately under the municipal town planning scheme, and subject to the normal laws governing nuisance and improper behaviour.

Persons who are not white have always been allowed to shop in “white” areas, and to work there in subordinate positions.

Black staff and customers are numerous, so the ban on ownership has had minimal effect in reducing the numbers of other races present. It can be explained by a selfish and short-sighted desire to maintain white privilege.

Group Areas proclamations of the 1950s included virtually all significant businesses and industrial premises in “white” group areas, where ownership or occupation by persons of other race groups was prohibited.

Fortunately this unjust restriction is now in the process of being overcome by free market pressures in a society whose diverse peoples are all bound together in a symbiotic relationship.

From the late 1970s onwards the process of bending, stretching and avoiding previously rigid laws gained momentum, particularly in Johannesburg’s central business district and the other major metropolitan cores.

A long-standing battle was won on February 21 1988 when the factual situation developing in Johannesburg’s Central Business District was legitimised by an open trading proclamation under Section 19.

The result has demonstrated in a highly satisfactory manner that allowing people to come together is much better than trying to force them apart.

The City Council took the process further last year with the opening of municipal facilities and swimming pools.

Hopefully its application for a permit to deregulate the city’s bus service will be granted by the local Road Transportation Board next week.

Righting objections to relaxation of discriminatory measures may be classified under several headings, viz.

That whites are being crowded out.

But the fact is that more than three-quarters of the population of this metropolis are not white.

That proportion is enlarging even as their skills and aspirations increase and their cultural differences diminish in an urban environment. Complaints about declining standards ought to be met by improved city housekeeping and management, and (where necessary) by the enlargement of shared facilities not by race-based prohibitions.

That established white privileges are being removed.

But the right to own property and to run a business or to conduct a profession ought never to have been removed from people of other races.

Therefore we are not considering a removal of white rights, but rather a restoration of stolen rights to persons of other races.

That non-whites open businesses in white areas, and perhaps settle there, it would unjustly affect the whites’ own community and cultural life.

This is accompanied by a pious assertion that the motivation is not in any way racist.

Let us pose a simple test:Assuming that both are worthy and well-behaved people, which would be more acceptable:

• A Portuguese-speaking Roman Catholic recent immigrant, or an African-speaking Dutch Reformed Church member who happens to be coloured? And what are the implications of the presence of many black persons every day in every street?

• That persons of other groups should concentrate on building up the economies of their own separate areas.

But many activities require multifaceted participation, and are best situated in areas which are presently regarded as white.

A businessman should be free to establish his business in the most advantageous locality. Just as in the case of a white, that will often be some subordinate business node.

However, it should be added that black shopping enterprises can be expected to continue to be directed largely towards opportunities in the townships, where the openings are many and the competition not yet established.

In a situation which has been distorted for historical reasons, a good case could be made for protecting black entrepreneurs in the townships from the immediate blasts of strong white and Indian competition during a transitional period.

That is a matter for the communities of Soweto and the other black towns to decide for themselves, but the case for opening the white areas is in my view, unanswerable.

That this is the thin edge of the wedge for removal of residential restrictions.

But the authorities are coming to realise that, especially in the large cities, residential restrictions are eroding under irresistible demographic pressures.

That is a separate issue, which will probably be addressed by the incremental proclamation of free settlement areas as a prelude to repeal of the Act. Eventually the creation of maintenance of ethnic or cultural enclaves must come to be done through natural social processes, not by discriminatory laws.

It is right and proper that Johannesburg should take the lead in this matter. If other more conservative local governments hesitate to face up to emerging realities, they will doom themselves to increasing human conflict and economic stagnation.
Trade may be open to all
Drop 'n Drive speeds delivery

ROLLTAINER distribution is a relatively new concept in SA, but it has paid off for three big retailers.

About 18 months ago, Checkers introduced a limited rolltainer delivery service to 13 stores. It has expanded rapidly, OK and Pick 'n Pay jumping on the bandwagon. A total of 58 stores and 15 major suppliers now use the system.

Soaring

Called Drop 'n Drive, the service came about mainly as a result of soaring delivery costs. The current cost of an eight-ton, fixed-body, closed delivery truck is about R180,000.

A survey by KKN Chep, reported in Supermarket & Retail, found that about 75% of vehicles were delivering under 25% of their capacity and only 4% of vehicles were full.

On average, there were 37 deliveries to each store every day. Such deliveries can comprise between 560 and 660 cartons. This means that each truck on the delivery system can potentially deliver between 2,500 and 3,000 cartons.

According to the GKN Chep survey, most trucks averaged about 600 cartons a day.

The system has various other benefits. One is that stock can be kept to a minimum through more frequent deliveries to stores.

The major obstacle at present is administrative because most stores do not have the capacity to double their ordering frequency. However, as more and more stores use computers, this will become possible.

Shelf-stock-only delivery is another bonus which will develop from the rolltainer concept. Stores take the rolltainer direct to the shelf for which the merchandise is destined without handling a carton.

Lift

Physical obstacles, such as being unable to get the rolltainer from receiving to the shop floor and not being able to order frequently enough, are hindering development.

However, the problem can be solved by merely installing a goods lift.

Drop 'n Drive has about 735 rolltainers in service and uses between two and three trucks a day, depending on demand.
Market abuzz with Morkels MBO talk

SYLVIA DU PLESSIS (30)

THE market is buzzing with talk that Federale Volksbeleggings-owned Morkels is set to follow Rushmehr with a management buyout (MBO), following a cautionary announcement last week.

Market and industry sources said an MBO would be logical because Morkels had an "exceptionally strong" management team and, being smaller in size, would find it easier to organise.

Sources also said if control was transferred to management, the move was not likely to have been initiated by Fedvolks.

On Friday Morkels MD Carl Jansen would not confirm that a change of control would take place, adding it would be premature to comment until talks were concluded in mid-February.

Fedvolks consumer durables division chairman Neville Organ also declined to comment on the speculation.

Morkels logged a 29% "drop in" tax-adjusted income to R27m (R43m) in the six months to September.

Jansen said the drop was due not only to market forces but strategic renewal too.

We have invested a lot of money in new technologies and human resources, for example, and we can't turn the tap off when the market goes sour.

"This strategic programme has collided with the economic downturn so, in a sense, we've been hit by a double whammy."
BID TO RE-CREATE

Historic 14th St

Indian traders ready to return

By Shirley Moser

(30) Nov. 11, 1949

The Star-Tribune
Group aims to renovate buildings

By Winnie Graham

A black property consortium plans to lease and upgrade rundown buildings in the Johannesburg CBD and in Joubert Park and Hillbrow and then let the flats to blacks at market-related rentals.

The first building to be leased by Khuhheka Investments is Manhattan Court, where renovations are already underway.

The project is seen a forerunner to developing and marketing the buildings to mainly black sectional title owners once this is legally possible.

The managing director of Khuhheka Investments, Mr Stan Khuhheka, yesterday appealed to the authorities to assist in making orderly and decent black residential accommodation possible in the CBD by removing legal impediments.

He said his consortium believed legal black home leasing and ownership in urban Johannesburg was the only solution to the "sickening problems" facing tenants in these areas.

He added: "Buildings are overcrowded, services are breaking down, rents are not being paid, people are being put on the street and property owners' investments are being destroyed. At the same time tenants are being manipulated and exploited not only by greedy lessors but also by the very people who purport to act in tenants' interests."
Lower stock levels could help reduce Reggies debt

ANALYSIS

STEFAN RICHTER

THE continuing decline of Redwoods Holdings (Reggies) share price indicates growing investor dissatisfaction with this group's performance since its JSE debut in July 1987.

The share price has fallen to a recent low of 19c from its 1987 peak of 150c. Reggies closed yesterday at 23c.

Waltons held a controlling stake in Reggies prior to the toy retailer's JSE listing, and continues to retain this stake. Investors feel Waltons' superior earnings growth record justified a premium rating for Reggies shortly after making its JSE debut.

After all, Waltons management team is highly regarded in the investment community, and Reggies was expected to produce impressive growth figures. Indeed, in the first year after its listing, Reggies exceeded all expectations as the group earned 6.1c for the 12 months ended February 1988, compared to EPS of 3.3c for the previous financial year.

This 1988 performance was well up on the expected 4.1c, as indicated in the prospectus, and justified the premium rating of the share. At its peak of 150c, Reggies had risen 200% above its original offer price of 50c.

Action

But when investor confidence was severely shaken after the October 1987 crash, Reggies' share price suffered. Reggies failed to respond to the strong rebound in industrial share prices that followed.

The market action of the share was indicating that there was potential trouble brewing for the company, and one of the first disappointments came in the interim report covering the six months ended August 27, 1988.

The prospectus clearly indicated that the group intended paying an interim and final dividend in respect of each six months financial period. But in the August 1988 interim statement, the directors informed shareholders that no dividend would be forthcoming.

While the directors did discuss the interim dividend in the interim report, they did not inform shareholders that financial 1989 results could be disappointing. This may have played a major role in the prevalent loss of investor confidence toward Reggies.

It appears that management did not adequately prepare for the abnormally high interest rates and reduction in consumer discretionary spending that has plagued many SA companies during the past year.

These problems caused Reggies' financial 1989 earnings to fall marginally to 5.1c from 6.1c earned during the previous year. But the conditions worsened in the latest interim period, as after-tax income dropped nearly 90% to R18 000 from R193 000.

Waltons director Alan Muirhead has since replaced Bernard Akai as MD.

Muirhead stresses that stocks will be lowered to manageable levels, which should help reduce the debt burden on Reggies. Management's job was made easier by the fact that Reggies experienced a decent December trading period.

On Reggies manufacturing front, Muirhead says one factory has been closed while the other appears to have turned the corner.
Morkels’ buyout closer?

By yesterday, it was odds on that the deal behind last week’s cautionary statement from Morkels was a management buyout (MBO) rather than a move out of Fedvolks into another branch of the Sankorp giant.

Those who were prepared to speculate on a possible MBO price were pitching at around 127c a share.

The market was playing it much more cautiously — yesterday the share price moved up 5c to 90c where it is just 5c below the 12-month high of 95c and well up from the 12-month low of 70c.

The 127c represents an historic (and possibly prospective) price/earnings rating of 5.4 times which looks expensive against the sector average of 3.5 times, even allowing for a control premium.

It is comfortably covered by the group’s net asset value, which at end-March 1989 was 123c a share. This nav does not include the R21.8 million of deferred tax in the group’s balance sheet.

The end-March 1990 nav figure could be in the region of 138-139c.

On balance analysis appear to be reasonably enthusiastic about the prospect of an MBO at Morkels. This is despite the fairly grim short-term prospects for the group — in the six months to end-September higher overheads, increased interest charges and steeper tax charges knocked earnings from R14.3 million (at the previous interim) to R2.7 million.

Performance in the second half is expected to be stronger as it will not be as strong as 1989. Analysts are predicting that the full year figures could be similar to those reported for financial 1989.

In part, the warmth of the response to the idea of a Morkels MBO can be attributed to last year’s efforts by Rusfurn and its advisers Finansbank and stockbrokers, Frankel, Kroger. This combined team spent several hectic weeks persuading institutions of the long-term attractions of investing in the furniture, household industry and of funding the R222 million Rusfurn MBO.

It was an awesome task in view of the general perception that there is little prospect for earnings growth from this sector for the next few years.

This time around, although the short-term prospects for Rusfurn are brighter than Morkels, the institutions are likely to be more responsive because they are more familiar with the situation.

The departure of Morkels from the Fedvolks group does not have the same strategic implications for Fedvolks that Rusfurn’s departure had for Tradegro.

Rusfurn was a far more logical part of the Tradegro portfolio than Morkels is of the Fedvolks’ portfolio.

Since Morkels’ re-listing at 97c a share back in March 1987, analysts have been speculating on when the apparently ill-fitting Morkels would be moved out of Fedvolks. This in turn led to speculation about a Morkels MBO or a move over to Sankorp stable-mate, Tradegro. (Two years ago it was rumoured that Rusfurn management was being encouraged to buy Morkels at 200c a share.)

Now Morkels management team will be looking for around R50 million — assuming the speculated 127c a share is reasonably accurate.

None of the management at either Morkels or its 75 percent holding company Fedvolks was available to comment on the cautionary. Morkels chairman Mr Neville Organ indicated that an announcement would be made towards the end of February but gave no indication as to what was on the cards.

Lower tax rate lifts CMI profit

Finance Staff

Consolidated Metallurgical Industries (CMI), helped by a lower tax rate, increased its attributable income in the six months to December by 5.1 percent to R46.3 million.

Turnover fell 9.4 percent to R128.6 million.

An unchanged dividend of 35c has been declared out of earnings of 107c (101c) a share.

The lower tax rate follows the spending of R29.9 million on upgrading ferrochrome production from 150,000 tons to 200,000 tons a year.

The company will spend R30.2 million (R60.7 million) this year.

It reports a worldwide reduction in demand for ferrochrome as a result of a drop in stainless steel usage.

Attributable income this year is expected to be less than that of last year.

Selling prices have declined and are unlikely to improve in the short term.

Sales volume are also expected to be below last year’s second half figures.

30

Diagonal
Street

ANN CROTTY
THE inordinate concentration of wealth and economic power in the hands of a few is unhealthy and has resulted in South Africa in the construction of the small business sector.

This was said in a joint statement released by the African National Congress national executive and a 21-man delegation of the National African Federated Chamber of Commerce (Nafcoc), who met in Lusaka at the weekend.

The Nafcoc delegation was led by president Mr Sam Motsepenyane, and the ANC by secretary-general Alfred Nzo.

In the statement the organisations said the consultations covered the current political situation in South Africa, the crisis of apartheid, the South African economic crisis and its impact on our people, and the role of the black business community in the struggle to dismantle apartheid and minority rule in South Africa.

The two delegations stressed that President F W de Klerk's Government had neither the will nor the capacity to effect meaningful change in South Africa.

They agreed to act in concert with other democratic organisations to expand and broaden the front of anti-apartheid forces, and to remain in regular contact.
Vryheid opens the curtains on trading

DURBAN — Vryheid Town Council has decided that its central business district should be opened to all races, and application will be made to the Group Areas Board as soon as possible.

The decision of the nine-member council was opposed only by Mr Eben Kruger, who stood for the Conservative Party in the municipal election.

The decision was taken on the recommendation of the finance committee and had the support of the chambers of commerce and industry and Afrikaanse Sakekamer.

The council will talk next Tuesday with representatives of the House of Delegates about the development of the proposed Indian residential area.

Vryheid has been closed for a long time to Indian residential occupation in terms of a 1927 law, but it was repealed a few years ago and the council then approved the development of an Indian suburb.
Move is intrusion — CP

Trade and race bars to fall in Jo’burg, Pretoria

By Shirley Woodgate,
Municipal Reporter

The two major Transvaal cities, Johannesburg and Pretoria, yesterday took far-reaching decisions which will lead to the partial scrapping of apartheid in their municipal areas.

In Johannesburg a recommendation by the management committee that the entire city be declared a free trade area was approved at last night’s council meeting. Only the four Conservative Party members opposed the move.

It was announced that the Lenasia and South West management committees had also decided to accept free trade areas.

Pretoria City Council voted by 22 votes to 19 after a heated debate to open the municipal bus service, all municipal libraries, the City Hall and Skilpad Hall, the Hillcrest Swimming Pool and angling facilities at the Rietvlei Dam to all races.

The city council has also decided to recommend to the Department of Constitutional Development and Planning that the major part of the city’s central business district as well as a number of suburban areas be investigated as free trade areas.

Johannesburg deputy management committee chairman Mrs Marietta Marx said: “We are moving towards a discrimination-free city. But it is not in our hands to abolish the Group Areas Act.”

Mrs Marx said her ideal was freedom of choice for everyone in South Africa.

“The ideal is a free society where people can function on a competitive basis.”

Earlier in the debate, the Democratic Party council leader, Mr Ian Davidson, recalled that his party had been dubbed “screaming liberals” when it had urged the scrapping of apartheid. Urging the scrapping of the Group Areas Act, he said all that was really being obtained was an exemption from the Act.

Mr Jacques Theron, leader of the CP, labelled the move an “intrusion by Government into municipal affairs, a purely political decision”.

The chairman of Pretoria’s management committee, Mr James Leach, called on all Pretoria residents “to approach the opening of facilities with great responsibility.”
JOHANNESBURG and Pretoria have taken far-reaching decisions which will lead to the partial scrapping of apartheid in their municipal areas.

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**Abolish**

In Pretoria on the same night, the council voted by 22 votes to 19 to open the municipal bus service, all municipal libraries, the City Hall and Stelpad Hall, the Hillcrest swimming pool and angling facilities at the Rietvlei Dam to all races.

The city council also decided to recommend to the Department of Constitutional Development and Planning that most of the city’s central business district as well as a number of suburban areas be investigated as free trade areas. It said it did not object to the principle of establishing a free settlement area on a "regional" basis inside or outside its area of jurisdiction.

Johannesburg deputy management committee chairman Mrs Marietta Marx said: “We are moving towards a discrimination-free city. But it is not in our hands to abolish the Group Areas Act. It would be wonderful to stand up and say it had been scrapped," she added.

Marx said her ideal was freedom of choice for everyone in South Africa.

The chairman of Pretoria’s management committee, Mr James Leach, called on all Pretoria residents to "approach the opening of facilities with great responsibility”.

**Resistance**

In a heated debate, during which each of the 19 CP councillors spoke out against the new steps, CP council leader Mr Paul Fouche warned that his party would "call the Afrikaans Volk to passive resistance”.

Fouche said thousands of CP supporters would turn up at a special city council meeting he had requested - expected to be held on February 15.

Brigadier Jackson van Zyl (CP) warned that white bus drivers would resign in great numbers.
Two chambers of commerce form merger

By Joshua Raboroko

TWO major affiliates of the National African Federated Chamber of Commerce have in principle agreed to merge and form one regional chamber in the western Transvaal.

The Western Transvaal African Chamber of Commerce (Wetaco) and the Bophuthatswana Chamber of Commerce met in Klerksdorp at the weekend to examine the process for the merger of the two regions.

A third regional chamber, the Northern Cape African Chamber of Commerce, has also expressed interest in joining the group, but no decision has been reached.

The amalgamating chambers have agreed to the name Bophirima Chamber of Commerce and Industries, which was the name that covered the whole of the western area before it was fragmented by the formation of the state of Bophuthatswana.

A spokesman for the merging groups said: "The whole of Europe is amalgamating to form one major economic block to take advantage of the latent power within itself, for the benefit of Europe. "We too in our small world are fortifying our ranks, unifying our resources, consolidating our power, closing ranks and preparing for the ushering in of an economic order in which we will have a visible role to play."

The move to unite has been described by the management of Natco as "positive at this time, and should trigger the minds of some of the chambers in similar circumstances to re-examine their geographic locations and relationships with their neighbouring chambers."

A Natco spokesman said: "We are aware that there are major, strategic development plans for the western Transvaal, which is endowed with enormous mineral resources. "The year 2000 will see enormous residential and business opportunities developing, linking all the three mineral-rich regions into one major economic block in the west. "We do not intend to remain distant observers or bystanders when this drama unfolds."

...
Pretoria CBD decision cautiously welcomed

PRETORIA — Organised commerce in Pretoria has welcomed the opening up of the CBD as a free trading area, although care, it was stressed, would have to be taken in its implementation.

Pretoria Chamber of Commerce CEO Alec de Beer said the move was in line with the free trade principle enshrined in the constitution.

It would be important, too, in improving SA's tarnished image abroad as Pretoria was seen as a representative of the entire country.

However, he added the opening would not bring overnight changes. For one thing, rentals in the CBD were high, which would discourage a flood of new traders.

Pretoria Sakekamer chairman Japie Jacobs said the Sakekamer supported the decision providing it led to a stimulation of trade in the CBD.

The CP has challenged the NP to hold a referendum among Pretoria whites to test whether the council's decision had the support of the majority.

CP leader in the council Paul Fouche said in a statement the NP-controlled council had robbed whites in the city of an important part of their community life.

Meeting

Fouche said the CP planned to organise a public meeting in the Pretoria City Hall on February 15 at which voters could speak out against the council's decision.

DP planning deputy spokesman Tony Leon said in Cape Town it was encouraging that the Pretoria City Council had put its toe in the "desegregation waters", Sapa reports.

However it was critical that they dealt with the remaining areas of segregation in the city's sports and recreation facilities.

Political scientist Willem Klevnans said the majority of Pretoria's whites were in shock following the council's decision.

Klevnans, who attended most of the

Permission

Open buses would be the main source of friction. Already bus drivers had threatened to resign and other had asserted no black would set foot in their buses.

The current R17m a year loss on the service would probably worsen with more whites using their cars.

Durban mayor Derrick Watterson is to take immediate steps to have the entire city declared a free trade area, Sapa reports.

Watterson said it was "jolly well time" that Durban followed Johannesburg and Pretoria in opening its greater city area to traders of all races.

Durban took the lead four years ago by declaring the central business district a free trade area, but black businessmen wishing to establish themselves outside the CBD had to still apply to the Group Areas Board for permission to trade.

The Port Elizabeth City Council applied to government in 1985 for all the city's business areas to be declared free trade areas. But government only allowed certain areas within the city's municipal area to be opened. Administration director Carl Fischer said yesterday.

The Queenstown town council on Thursday night unanimously agreed that the town should be declared a free trade area.
Pricefurn lists its first decline in profits since JSE debut

Directors of Durban-based Pricefurn are forecasting negative growth in full-year income after a decline in earnings for the first time since the group was listed in 1987.

Attributable income for the six months to December has dropped to R401,000 from R774,000 during the six months to December.

This translates into weighted earnings of 40,01c a share — compared to 8,46c a share in the previous period, and put the 10c a share for the previous financial year well out of reach.

The group, a retailer of appliances, furniture and other consumer durables, increased turnover to R44,5m (R31,5m). But operating income fell to R1,4m (R1,6m), and the interest bill rose more than fourfold to R483,000.

In a statement accompanying the results, directors say: "Trading conditions remain difficult and it is anticipated that income for the year will remain below that of the previous year."

Pricefurn MD Sid Treickeit was not available for comment yesterday, but industry sources said the group had expanded at a time when interest rates were increasing and consumer demand was tapering off. Like its competitors, it has also been hit by import surcharges and HP restrictions.

The group posted a 67% rise in turnover to R69,4m in the year to end-June, after expanding from 11 to 15 stores in Natal and the Transvaal. However, the cost of establishing these stores trimmed growth in attributable income to R1,2m, from which dividends of 4,5c were declared.
finance. They will be loath to have a rights offer. The share opened at above 250c, but has declined to 55c.

The other listed granite producers all roughly trebled their prices between early 1988 and early 1989. Since then Kudu has followed Aurora as the second worst performer; after peaking at 440c in February last year, it has declined to 210c. Marlin peaked at 800c, also in February, remained between 750c and 800c until September, then plunged to its current 415c. This price presages lower earnings in its half-year ending December.

Keeley rose to 1 250c in April and has since declined moderately to 1 000c. It is well protected by earnings from coloured granites and non-granite activities and is the only producer likely to increase earnings in its current year. However, Bright points out that because only 40% of granite producers' earnings are made in June-December and all listed companies besides Keeley are June year-end, interim results will appear low compared with other producers' last full years. Keeley's year ends in February, and its earnings accrue more evenly through the year.

Bright says granite shares have declined partly because of the softening market, but also because they are seen as pure rand hedges vulnerable to the rand's strength. Almost all their production is exported. But, he says, the markets for most grades and colours is still strong compared with those for most base metals and minerals. Also, because successful granite producers have a much higher operating margin than base minerals operators, they are much less geared to changes in the exchange rate.

Still, with the softness in the market likely to endure for a few years at least, Bright does not foresee an immediate recovery for the sector. He believes Aurora may be a highly speculative buy for a recovery.

**Waltons' Roberts needs to cut debt**

will concentrate on restoring profitability.

Meanwhile, another Waltons acquisition, Ozalid, also has not been performing well. Waltons paid R45m cash for Ozalid and, as a result, its gearing rose to levels which were clearly excessive. The former deputy MD Denys Jackson has been appointed MD and Waltons is demanding rationalisation and productivity improvements. At the end of January, 108 employees will have left the company.

Yet another poor performer was Lithosaver Systems, of which Waltons bought 30% in 1987. EPS in the 1989 year dropped to 8.3c (17.3c). Waltons does not have outright control here, so it is seeking to bring about changes by persuasion rather than direct intervention.

Roberts contends that Waltons' core business is still performing well and that earnings from this source will be significantly improved. And it remains a prime objective to reduce gearing. The FM has been told that the group is on track to achieve its target of reducing gearing to (a still-high) 100% in the current year and this has been done without disposing of assets. Roberts expects profits will show much the same growth rate as the...
Free trade unrelated to Acts, says Burger

The proclamation of the whole of Johannesburg as a free trade area was totally unrelated to any moves under the Group Areas and Separate Amenities Acts, said management committee chairman Mr. Fan Burger.

"They are entirely separate issues and one has nothing to do with the other. This council can only act on the two latter, Acts if requested to do so by the central Government," he said.

The management committee decision to act on free trade areas was preceded by representations by black businessmen who claimed the opening of the CBD in 1986 was "not much use to them in practice," he said.

Their point was that they were not generally looking to go into upmarket establishments in expensive areas such as the CBD.

"What they were interested in was the corner-cage-type business, concentrated along suburban Putco routes such as in Booyens or Opfirtorn."

The object is to allow them to trade but not live there and suburbs where they have the right to trade does not have to be within a free settlement area.

There is confusion about whether traders may live on their business premises. But this does not follow at all. In fact the existing ordinance lays down that a place of business cannot be used as a residence and the council can take action against transgressions," said Mr. Burger.
Block reports 20.7% increase in its growth.

...
Bitter row over future of 14th St

Indian traders this week reacted to city council plans to declare the whole of Johannesgberg a free trade area by announcing they would immediately try to revive the once-popular shopping strip along 14th Street in Pageview.

Right-wing whites living in the area reacted by staging a protest in the street, which is set to become the scene of a bitter struggle between the two groups, one believing it has a historical right to the area, the other claiming it is a white group area, writes Municipal Reporter Shirley Woodgate.

Mr Otto Hamman, spokesman for the white residents, says:

We reject plans to recreate the 14th Street shops and believe the present Indian tenants are illegally in this area which is a whites-only suburb under the Group Areas Act.

We accept that races should be separate, but blacks were allowed to move into Doornfontein, Mayfair and Hillbrow 10 years ago and we were hounded out to Vrededorp, Pageview and Jan Hofmeyr.

Now they want to uproot us again by allowing the Indians to move into this place.

—Minister Mr Roel Meyer (the Deputy Minister of Constitutional Development and National Education) has given us undertakings and if he does not stick to them he must take the consequences. Last Sunday Indians tried to move into 17th Street and we put them out without violence. Feelings are running high and I am being forced to curb the antagonism.

We now insist that our councillor Mr Jan van Blerk stops avoiding us and calls a public meeting to thrash out our problems.

Traders Mr Rashid Bulbulia and Mohamed Nana say:

We are not invading a white area but maintaining historic links with land demarcated for Malays before the turn of the century by President Paul Kruger.

Pageview was traditionally a mixed suburb with more "blacks" residing between 17th and 26th streets than anywhere else. It was only in 1934 when the Government started removing people under the Slums Act and in 1956 when they pushed out "blacks" under the Group Areas Act that the situation changed.

Finally in 1976 the traders were unwillingly pushed into the Oriental Plaza and the 14th Street shops were demolished. In 1982, after 15 000 people of colour had been moved, the first 200 whites moved in.

A revival of the colourful shopping strip would improve the quality of life in the area and create activity.

We accept that some people prefer to live with their own kind but this should be a free choice and not regulated by law.
Economic steps

Right moves, says Assocom chief

OWN CORRESPONDENT

DURBAN — The president of Assocom, Mr Brian Kurz, said in Maritzburg yesterday that in response to the need for a major economic overhaul of the country, recent actions taken by State President Frans W. van der Merwe and other members of the Cabinet had been positive. After holding discussions with Mr van der Merwe and other members of the Cabinet, he said that the Cabinet had created a strong Cabinet structure and that sound business principles were now being used. Mr Kurz was addressing the Rotary Club of Maritzburg.

Sophisticated systems

Dr Wim de Villiers, the new Minister of Administration and Privatisation, had impressed Mr Kurz with his steps to analyse State expenditure. Dr de Villiers is promoting the introduction of more sophisticated and performance-oriented financial management systems in Government departments.

In the past, the Government provided services regardless of the cost and this had led to unnecessary high capital investment. For instance, telephones were installed in the country to the extent that 50 percent were only used for an average of two calls a day. A "real effort" was being made to consolidate Government expenditure into one budget, said Mr Kurz.

"The resolve of the Governor of the Reserve Bank, Dr Caspar Stals, to contain inflation will ensure the perpetuation of an era of positive real interest rates and he has convinced the markets that he means business. He is determined to hit hard at inflation with policies of positive real interest rates," he said.

"All these facts have positive indicators and have had a positive effect on Assocom's business confidence index ... over the last two months." Mr Kurz said there had been serious misdirections in the past, and while First World people in South Africa had charged down the dynamic path of progress, they had left many Third World people behind.

"In Maritzburg and elsewhere we have sophisticated business operating in the city centre and a high standard of living in many upper crust suburbs, yet only a kilometre or two away many people do not even have a tap for clean water," said Mr Kurz.

"Probably more than half of our population has no strong sense of patriotism or sincere national pride," he said.

"Organised business's vision for South Africa is to promote a common destiny for all of South Africa's people and an upholding of standards for all through a vibrant free market economy and political and constitutional reform," said Mr Kurz.
Problems at Tradegro

Tradegro has not yet attained the levels of profitability desired and the focus will continue to be placed on improving margins, controlling operating expenses, shrinkage and reaching targeted returns on assets invested, says chief executive Donald Masson in the annual report.

A breakdown shows the supermarket chains — Checkers, Metro and Jazz — produced R6 billion in sales, but only R1.68 billion in pre-interest profit.

Cashbuild produced R1.2 billion in sales, but R145 million in pre-interest profit.

Together, Metro and Rusforn produced almost 70 percent of pre-tax profits. After year-end Rusforn left the group and so its 37.5 percent pre-tax profit contribution will be sorely missed in 1999.

The R166 million tax loss and R159 million in sales allowances available at end-June 1989 are really saving Tradegro’s income statement from embarrassment as the effective tax rate was considerably lower than the 59 percent standard rate.


It is puzzling why management is waiting until July 1991 before the convertible debenture and pref shares (total R218 million) are transferred into equity. If they had done this two years ago the bottom line would have been far more respectable.

The truth of the matter is that Checkers is still ailing — sales of around R2.75 billion (1988: R2.5 billion) and operating profit before interest of only R25 million (1988: R18 million).

Compared with Pick ’n Pay and OK, Checkers results, Checkers is lagging far behind.

It was also unlike to demotivate Clive Weil by interfering with his salary and bonus package at his departure was inopportune.

Jazz also has its problems, with its net income declining 61 percent and forcing it to merge with Metro Cash & Carry after year-end.

Clothing stores Smart Centre and Stuttafords/Greaternans seem out of place in this predominantly supermarkets grocery group.


But after deducting total interest of R94 million (1988: R61 million), minorities profit share of R69 million (1988: R46 million), tax of R35 million (1988: R30 million) and insignificant associated company losses, the bottom line was a low R48 million (1988: R27 million).

Adding on the extraordinary gain of R3 million (1988: R15 million) made the bottom line R49 million (1988: R42 million) — a little over 0.5 percent of sales — what a pitance!

Earnings per share were 30.2c.
ME Stores faces a hard uphill battle

CHARLOTTE MATHEWS

AFTER a poor trading year in April 1989 and a change of control, ME Stores MD Bob Gray admitted in the group's annual report it is unlikely group profits will rise dramatically in the current year.

"But with our efforts going into organically developing our resources, it is my firm conviction that ME will continue to grow and contribute substantially to the growth of the industry overall," he said.

The report has been delayed by arrangements related to the change of control. ME Stores retails outdoor and leisure equipment. In the year under review the group had two divisions. Camp and Climb sells camping and mountaineering equipment and ME Stores sells a range of merchandise.

The group, which is listed in the DCM sector of the JSE, posted a loss of R76 million for the year to April.

According to the directors, this resulted from lower demand for arms and ammunition, increased competition and lower margins.

In May the group announced control had passed to Darien Investments, headed by Unidev group accountant Warwick Stevens in a private capacity.

The group has subsequently negotiated the purchase of the stock of water sports retailers Quarterdeck and Boating Centre. Gray said further differentiation of merchandise would help improve the group's position. Granting management more authority at branch level would help to reduce expenses at head office, Gray said.
FIGURES for December sales of appliances and TVs released yesterday indicated retailers were steering clear of these commodities, Furniture Traders Association (FTA) executive director Frans Jordaan said yesterday. B12190 B12190.

Jordaan said year-on-year sales of these items reflected negative real growth of 5% over the previous December, against 9% real growth for furniture and virtual standstill growth for audio equipment.

While overall sales in December were "reasonable" — total sales grew about 2% in real terms — retailers affiliated to the FTA were avoiding commodities for which consumer demand had dampened.

"I'm very happy with the 8% real growth in furniture sales, but I would be delighted if other items showed real growth too," Jordaan said.

He said the discrepancy between furniture sales and sales of appliances and TVs showed furniture was "scoring at the cost of something".

"The only logical conclusion I can arrive at is that retailers are now concentrating on furniture. This is a trend which has been emerging over the past five months and it is also the reason why sales of these items have outdone the inflation rate.

"Appliances and TVs are affected by tight HP terms and import surcharges which force prices up beyond the reach of many consumers, so it would appear many retailers are no longer encouraging sales of these."

"We want to keep local manufacturers and distributors in business, so a more even spread would be better. "But my outlook is positive — we're definitely hoping for relief in the near future," he said.

Radio and TV Manufacturers Association and SA Domestic Appliance Manufacturers Association chairmen were not available for comment yesterday.
OK’s move to upmarket stores lifts its JSE image

The JSE retailers and wholesalers sector has been performing extremely well recently as many blue-chip companies such as Wooltru and Edgars have moved into new high territory.

OK Bazaars has lagged behind for most of the year, but last week the share suddenly attracted strong buying interest and jumped to a new year-high.

In fact, OK is now trading at its highest level since 1987, having yesterday reached the 2000c peak of that year. Further supporting the share, on Thursday and Friday last week combined turnover easily exceeded OK’s average monthly volume during the past year, of 31,000 shares.

The group’s performance relative to the JSE industrial index has been extremely poor in the past as OK has been viewed by investors as offering little growth potential. But that perception is now changing.

It appears during the past few years management has spent much effort in modernising stores, competing aggressively with Checkers and Pick ‘n Pay and making a greater effort to cater for all income groups. This may reduce its extreme cyclicality of earnings.

The last time SA suffered from extremely high interest rates, in 1985, OK’s earnings fell to 10c, from 18c in 1984, and the dividend was cut to 6c from 10c. Because dividend cover is relatively thin, directors are forced to cut the payout when earnings take a severe tumble.

Investors were worried that the current economic downturn, accompanied by high interest rates, would have a similar affect on the OK during financial 1990, as well as subsequent growth. But it seems the group will turn in a respectable performance despite the economic slowdown.

During the half-year ended September 1989, turnover rose by 15.8% and was just shy of R2bn, while attributable earnings increased by a similar percentage to R7.8m (R6.7m). In the interim report management indicated it has “set itself the task of maintaining the present rate of growth in earnings”.

OK’s willingness to stand up to its competitors would help to explain the group’s respectable earnings figures for the current financial year. OK traditionally relied on the lower-to-middle income groups for most of its business. During times of strong economic growth, OK’s bottom line benefited, but when conditions became tough it was often the middle-to-lower income groups who were the first to reduce spending.

The group is pumping a substantial amount of funds into the refurbishment of its stores. It appears that the combination of a more modern image for the traditional OK store, along with the relatively young Hyperama chain, aimed primarily at the middle-to-upper income groups, is helping the group to maintain and, in certain instances, gain market share.

OK has finally realized that competitive pressures require a more aggressive pricing policy. Consequently, the group is perceived to be advertising more regularly, which is also improving its image among shoppers.

During financial 1989 non-food items accounted for 40.7% of total sales — almost three percentage points higher than the 37.6% contribution made two years previously.

Once conditions improve, OK should perform quite well, as non-food items normally carry a higher margin than food products. At present, the high interest charges are causing consumers to delay purchases of durables such as appliances and furniture. But as interest rates ease, demand for these products should increase.

OK is in an enviable position because it is well represented in the homelands and black areas. Black spending power is expected to increase substantially in years to come, and OK’s bottom line should benefit as the demand among blacks for durables and semi-durables, carrying higher margins, swells.

Based on historical figures, the share provides a dividend yield just short of 6.0%, which compares to the 3.1% return for the retailers and wholesalers sector. Assuming OK has a respectable second-half performance, financial 1990 earnings could rise to roughly 220c, with a dividend of 10c. Investors purchasing OK at current levels would be receiving a dividend return which is nearly double that of the average within the sector.

The accompanying graph tells a very favourable story, as OK’s performance, relative to the industrial index, may have turned around finally. After more than six months of consolidation, this ratio appears to have broken out into a new bullion trend. This will be confirmed if OK’s share price can break through the significant overhead resistance at about 2000c.

Sources close to the company say it appears OK’s generous dividend is now attracting overseas buying-interest, and this could help explain its recent share price rise.
Car industry shrinking

From 20 manufacturers operating in the motor industry employing some 48,000 people in 1982, there are now only seven passenger vehicle manufacturers who employ just over 31,000 people, says Wesbank managing director Peter Thompson.

Speaking at the SA Guild of Motoring Journalists and Wesbank Car of the Year Award last night, Mr Thompson said that the recession in the Eighties was one of the longest and harshest in the industry's history.

"Naamsa was quoted at that time as saying that the motor manufacturers had probably lost all the profits they ever made in their lifetimes."

"Perhaps the most encouraging sign as we enter the 1990s is that nearly all the manufacturers say they will be able to keep price increases below the inflation rate. The question of affordability is undoubtedly going to be one of the most important issues of the 1990s", Mr Thompson said. — Sapa.
McCarthy stands up to strains

By Ann Crotty

McCarthy's results for the six months to December indicate that the group is bearing up reasonably well under pressure from softer consumer demand and tighter credit facilities.

Earnings per share were up 16 percent to 34c (29.4c) and an interim dividend of 7.5c (6.6c) has been declared.

Turnover rose 24 percent to R1.4 billion (R1.2 billion), but operating margins reflect the difficult trading conditions.

Margins were squeezed from 3.98 percent to 3.73 percent as operating profit increased 16 percent to R54.1 million from R46.3 million.

Interest payments were up 55 percent to R5.3 million (R2.1 million), reflecting higher interest rates and higher levels of working capital.

Larger inventories had to be carried, compared with previous years' stock levels, which were kept tight by the severe shortage of vehicles.

Pre-tax profit increased 11 percent to R49.5 million.

The increase in tax was held at six percent, leaving attributable earnings showing a 16 percent advance to R29 million (R25 million).

The directors refer to the steps taken to dampen demand. "These measures have progressively slowed demand and we expect this trend to continue in the short term."

"The group will therefore do well to repeat the first six months' earnings in the second half of the year."
Heavy festive bill

Pretoria Bureau

It cost more to eat in December than ever before, statistics released by the Central Statistical Service (CSS) indicated yesterday.

Just about every commodity went up... from jams to bananas, chops to cereals.

The average retail prices of grain products compared with November's prices showed a 10.7 percent rise in cake flour and a whopping 14.6 percent jump in the cost of breakfast cereals.

December was also an expensive month for meat lovers.

Rump steak went up 2.1 percent, boned topside 2.7 percent, chuck 1.7 percent, leg of lamb 2.7 percent, shoulder of lamb 3.7 percent and half a lamb 7 percent.

Bacon went up 8.6 percent in December and margarine (2.2 percent) and eggs (2.3 percent) also contributed to the price rises.

In November and December there were "relatively large increases" in the prices of vegetables, the CSS said.

Lettuce cost 50 percent more than in October and green beans were up 5 percent, tomatoes 18.4 percent, carrots 10.9 percent and pumpkin 7.9 percent.

The retail prices of fruit and fruit products showed relatively large increases - apples (8.3 percent), oranges (11.8 percent), bananas (28.9 percent) and guavas (7.7 percent).
SBDC Rates

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By Joshua

Rasoiko

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September 8/21/90

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result of Assocom’s merger with the Federated Chamber of Industries (FCI), will have the services of both the former Assocom CEO, Raymond Parsons, who has been appointed director-general, and former FCI boss Ron Haywood. Haywood has agreed to serve under Parsons, something many observers predicted wouldn’t happen.

“The chamber is very much bigger than either of us,” Haywood says.

The national chamber may have common premises but a common philosophy will take longer to develop. The appointments of the heads of the new chamber’s committees reflects an uneasy blend of protectionists, who favour government-sponsored export drives, and free-marketeers, who insist such intervention is counterproductive.

There are 12 chairmen: six from Assocom and six from FCI. The vice-chairmanships, where appropriate, will go to representatives of the other camp.

Among the free-marketeers, Johannesburg Consolidated Industries economist Ronnie Bethlehem will chair the general economic affairs committee and Anglo economist Aubrey Dickman will handle energy and water affairs.

Two well-known supporters of government intervention, though, will also hold key positions. Paul Hatty of Barlow Rand, who is responsible for forming a national policy for stainless steel, is in charge of the industrial affairs committee. Stanley Shigman, the outgoing executive director of the Textile Federation, will chair the committee on the board of trade and customs affairs.

The next moves should be at the local level. Most local chambers are still separate and the mergers promise to be tortuous. So far Johannesburg is the only region with a single chamber. The southern Transvaal branch of FCI has merged with the Witwatersrand Chamber of Commerce & Industry, to form the Johannesburg Chamber of Commerce & Industry.

It won’t be so easy elsewhere. From a practical point of view, it’s difficult to merge more than 200 chambers of commerce with just eight chambers of industry.

Natal Chamber of Industries president Brian Wallatt says there are still 90-odd chambers of commerce in Natal with no combined body at provincial level. “They will have to form at least a co-ordinating body before they can talk to us. Our local branches are working with chambers of commerce where they can.”

Wallett says his Natal chamber will adopt a wait-and-see approach. Reflecting the sentiments of many chambers in both camps, he says “it’s very difficult to give up autonomy after 70 years.”

The Northern Transvaal Chamber of Industries in Pretoria jealously guards its autonomy, perhaps more than most. It didn’t even contribute to the FCI manufacturing survey. Says chamber president Reuben Rutwitz: “We will maintain our autonomy and we’re not bound by any decisions at national level. We will continue to represent industrial interests, though we’ll work with chambers of commerce on matters of common interest.”

At the other end of the scale, the Midland Chamber of Industry in Port Elizabeth and the city’s chamber of commerce have already informally discussed a merger. Two years ago the Midland chamber considered leaving FCI and joining Assocom. Midland chamber president Brian Rayner says there is a considerable common membership between the two chambers and, at the very least, co-operation will be formalised.
bookshops.

“We had an absolutely wonderful Christmas,” says Stephen Johnson, marketing director of the Literary Group, which owns four Exclusive outlets, the Bookworm and a number of academic bookshops.

Johnson says Literary had 40% growth in sales revenue in December compared with the same period in 1988.

“With people not having the money for stoves, fridges and video recorders, it appears that books, once again, are seen as valuable and lasting gifts.”

A good feed

Booksellers are a trifle defensive about the prices they charge, pointing out that the weak rand takes its toll on imports of books.

“People forget how much they pay for a pair of shoes or a good meal,” says Tony Osborne, manager of Shuter & Shooter in Maritzburg.

On the hardback fiction side, Foucault’s Pendulum by Umberto Eco (author of The Name of the Rose) topped the lists. On the nonfiction list, John Platter’s 1990 South African Wine Guide was the clear favourite after the bird guide.


“I suppose people are more interested in the century than they are in 3 m years of history,” Osborne muses.

The success of the R195, 5 kg Chronicle surprised the publishers more than anyone. “Eighteen months ago we took a big risk and imported 36 copies,” says Richard Harding, Longman’s agency manager. “In the last quarter we sold 1 000 copies. People are mad about it. It’s sold out now. We’re waiting for stock from the UK.”

Stephen Hawking’s A Brief History of Time, Tom Wolfe’s Bonfire of the Vanities and Paul Johnson’s Intellectuals remain popular purchases long after their original release dates.

A new author broke through this year on the local market with a popular critique of architecture, A Vision of Britain. The reviews were generally good and sales are steady — but no one is recommending that Prince Charles should give up his regular job.

Maureen Sullivan

Who sold what

Book dealers are still congratulating themselves on a job well done over Christmas.


“A lot of families woke up with books in their Christmas stockings. For R50 you can get a decent present.”

There’s always one book that dominates the Christmas wish list. This year’s star was The Complete Book of Southern African Birds, a long-awaited glossy tome published by Struik Winchester, which advertised it as “the publishing event of the decade.”

Even though it didn’t appear in the shops until December 15, it quickly muscled its way to the top of the best-seller list despite a retail price of R195.

“People said that it wouldn’t sell because it’s too heavy and too expensive,” says Struik’s Laura van Nickerk. “We proved them wrong.” The book has sold out its first printing of 10 000 copies and a reprint is due in September.

Beyond the paperback best-sellers, which get prominence at CNA, most books are sold by only a few other good bookshops. All had a good turnover.

Exclusive Books in Hyde Park, Sandton, sold 220 copies of the bird book, which helped it rack up more than R1m in sales in December — more than 25 000 books (about 15% of sales came from magazines and stationery). That’s a record for general interest
FREE-TRADE AREAS

Letting everyone in

When the Johannesburg City Council opened its CBD as a free-trade area in 1986, some whites predicted that it would be swamped by blacks looking to open businesses. It didn’t happen.

Now the Conservative Party is saying the demise of the Group Areas Act is near after the council voted last week to open the entire city to trading by all races. Abolishing group areas might be the one measure that would spur black business the most, but the CP can rest easy — it’s probably a long way off.

The council’s sweeping move surprised some black business leaders who thought only a few areas of the city that were de facto open would be granted free-trade status.

Instead, blacks, coloureds and Indians can finally step out from beyond white nominees and have their business ownership acknowledged. They can also now buy or lease business property anywhere in the city.

“From a business point of view it’s important,” says Louise Tager of the Law Review Project. “Johannesburg has taken the lead.”

Durban may follow: the management committee is examining the possibility of extending the free-trade area from the narrowly defined CBD to the rest of the city. Cape Town, too, has an open trading area that has included much of the city for years. Though the move was belated, the Pretoria CBD was included — among libraries and buses — in the amenities thrown open by the council in a 13-hour meeting last week.

But will blacks move into the free-trade zones while group areas, which will prevent them from legally living anywhere near their businesses, remains intact? As long as the Act exists, black shopkeepers won’t be entitled to enjoy the privileges of their white counterparts and live where they work.

The opening of the Johannesburg CBD did not create a rush by blacks because they either couldn’t afford the high downtown rents or they just didn’t feel it was worthwhile to run a business so far from home.

“To think that black businessmen would just jump from Soweto or a backyard business to the CBD was unrealistic,” Tager says.

Blacks still had to deal with the red tape that remained even after the CBD was opened. The now-repealed law that made it illegal for blacks to own a second business within 32 km of their first business tied the hands of entrepreneurs who wanted to expand into the newly opened marketplace. As did onerous licensing conditions, set trading hours and myriad municipal regulations that emergent businesses had to comply with — now all largely done away with.

The difference with opening the entire city is that blacks now have a wider choice. As a next step, Tager would like to see free-trade areas extended to every city, as well as farmland.

While the most obviously racist legislation hindering black businesses — such as influx control — has been repealed or amended, there are still large stumbling blocks for would-be entrepreneurs. Limited access to financing and other obstacles to free competition will continue to stifle black business.

Says Tager: “It will take some time for the playing fields to level out.”
over the world. It's very competitive."

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**Business reaction**

The predictably optimistic business reaction to President FW de Klerk's speech on Friday has been tempered with more cautious views.

While the long-term outlook has improved markedly business leaders say stability, economic reform and real negotiations are preconditions for breaking out the champagne.

"Business has a pivotal role in ensuring the president's initiatives are followed through to a successful conclusion," says Johannesburg Consolidated Industries CE Murray Hofmeyr.

He adds that future political and economic systems will be vital in influencing foreign investors to return.

"SA business must continue to argue the case for moving away from the obsession among some white South Africans with groups and group rights. They must also insist with equal forcefulness on the need to ensure that the process of wealth distribution is achieved through sound economic measures and not on the basis of reward and punishment."

Ron Haywood, Deputy Director-General of the SA Chamber of Business, says the improved foreign climate could encourage overseas companies already invested in SA to proceed with expansion plans. But, while new investment will undoubtedly be a longer-term option, of more immediate concern is re-opening export markets.

"The door is now open for serious negotiations. The world will be watching and stability will be a major factor in investment decisions," he says. Haywood remains convinced economic mismanagement played a major role in the disinvestment of many US companies.

"We have been perceived as a risk area. In addition, the Sullivan Principles and US tax legislation made it too costly for many companies to stay in SA."

Wayne Mitchell, executive director of the American Chamber of Commerce, maintains De Klerk's speech has created "an aura of optimism" among US businesses still in the country.

He speculates that President George Bush may now be in a position to lift some restrictions, such as the suspension of SA Airways' US landing rights and the double-taxation legislation.

New US investment would benefit blacks. Mitchell says that with about 160 US companies left in SA (141 have pulled out since 1986), the current value of American investment stands at about $1.6bn.

Since 1976, US companies have contributed about $700m to social responsibility programmes benefiting blacks. Last year the remaining US companies invested $83m — about 12% of their total payroll.

"Once all restrictions are lifted the debate can focus on reality, including the best use of SA's limited resources, and the ANC's views on nationalisation and the redistribution of wealth," says Anglo American executive Michael Spicer.

"We will have to look at the examples of eastern Europe and African economies to see which way SA should go. We must prevent the mirror image of 40 years of statism by ensuring that government does not degenerate into part of a future SA as this deleterious example has cost us dearly in lost economic opportunities."

Nonracial corridors

He is encouraged by the "pragmatism" of Sam Nujoma's Swapo government in Namibia, where ideological rhetoric has now made way for a level-headed approach to economic issues.

"The example of Botswana seems to carry more weight now than the disastrous one-party socialist experience of Zambia," Spicer says.

Mike Clark, CE of a soon-to-be-listed venture capital firm, New Company Investment, says SA's capital-rich financial institutions can help to "democratise" the often misunderstood free enterprise system by making more of their capital available to small entrepreneurs with lots of enthusiasm, bright ideas but no capital.

George Negota, acting president of the Black Management Forum, says the business world must "declare its corridors nonracial and ensure that blacks are also placed in decision-making positions." He calls for a united front of black business and political interests to meet the challenge set by De Klerk.

SA Chamber of Business president Leslie Boyd says that with eastern Europe now opening up to massive Western investment, care should be taken to ensure that the investment climate remains attractive and competitive. "This means that we need the right economic policies."

Pick 'n Pay chairman Raymond Ackerman says the business sector must continue with its effective, behind-the-scenes role of influencing opinion here and abroad.

"There is still pressure for sanctions, which means there is still a lot of work to do."

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If you can’t re-use it, then don’t use it

Although certain products may be ozone-friendly, they are not necessarily environment-friendly, says Henk Coetzee of the ecology group Earth Life.

"An insect repellent aerosol may be ozone-friendly but its contents may contain harmful ingredients which get washed into the ground water or sewage systems and contaminate the water supplies. Most cleaners, like air fresheners, have chemical odours added, and these often cause allergies."

Furthermore, cans are not biodegradable and contribute to the pollution problem. Some plastic containers, while not biodegradable, can at least be re-used.

In Coetzee’s view plastic packaging presents a big problem: "Many of our goods are over-packaged as a marketing ploy. There has to be an emphasis on recycling and looking at alternative energy resources to coal, which is causing the greenhouse effect — a more serious problem than the threat to the ozone layer."

Pick ‘n Pay has embarked on a major environmental campaign and is planning to bring out a range of "green" products in about three months’ time. These will be available in almost every type of merchandise sold by Pick ‘n Pay stores.

The chain has also embarked on a recycling campaign of glass and plastic, and glass recycling bins have been installed in nearby supermarkets and hypermarkets country-wide.

Pick ‘n Pay brings out a bi-monthly called Environment Update, containing news about recent efforts to preserve the environment.
Cape Town's not just a dump by the sea

AFTER years of pessimism about the socio-economic future of Cape Town, some economists are now painting the future in glowing colours.

In the 1980s Cape Town experienced a population explosion that had its economists and planners scurrying for cover. After 50 years of economic decline relative to the rest of the country, it looked as if the city could never find jobs for the hundreds of thousands of new residents who had scaled the walls of influx control.

Still more people poured in after the pass laws were scrapped, in the depths of the post-Rubicon depression. Many feared that Khayelitsha would be nothing but a huge, untapped, explosive reservoir of labour. Worse still, in spite of the existence of Khayelitsha, informal settlements continued to grow from Fish Hoek to Brackenfell.

Yet local economists talking to a conference this week on "Development in the Western Cape", were remarkably optimistic about the economic future of the region.

If one looks at the central business district and the inner suburbs — the view visitors often get — Cape Town still appears a comfortable, smallish city. An aerial view of the Cape Flats, however, tells a different story: that of a sprawling metropolis.

Wolfgang Thomas, regional general manager of the Small Business Development Corporation, estimates that in 1990 the population of metropolitan Cape Town is about three million. In 1995 it will be about half a million larger, and by the year 2000 more than four million people will fall within the city's functional boundaries.

Projections like these led a Cape Town City Council investigation into regional economic trends to conclude that the region could not absorb the growing population and that unemployment would rocket. By 2000 two-thirds of a million Capetonians would be looking for jobs, guessed the 1987 study.

Thomas, in a dizzily upbeat presentation to the conference organised by the Regional Development Association, argued that the City Council projection was totally wrong.

The problem was that the model contained static assumptions about the economy and took no account of the informal sector.

Though Thomas projects an even higher population figure, he suggests that of the half a million people out of formal work, only about 200 000 people would be "genuinely" unemployed.

Aside from making a (rather large) allowance for the informal sector, Thomas argues that the growth prospects for Cape Town are good, particularly when compared with the rest of the country.

When Cape Town slipped from being the economic centre of the country early this century, the reason was the massive production of precious metals in the Transvaal. Now, as South Africa's gold production slips, and as the world market in raw and semi-processed minerals slumps, Cape Town goes steaming on while the heart of the country bleeds.

In a related presentation to the conference, Wesgro executive director, David Bridgman, noted that according to the most recent figures available, while South Africa had an annual growth rate of 0.01 percent between 1981 and 1984, Cape Town scored a steady 2.8 percent.

Cape Town's appeal for business is obvious. It is attractive to tourists and middle-class professionals. It has a strong educational base, a relatively large, relatively skilled, and low-paid manufacturing labour force, a growing number of unskilled workers and an adequate physical infrastructure.

Growth can be expected in construction, in the tourism industry, and in manufacturing, particularly those sectors where value added is a major component of the product (high-tech, high-fashion products).

These are all expected to be growth sectors in South Africa in the 1990s.

Though there is nothing wrong with a little boosterism, Wolfgang Thomas' figures seem inordinate optimism. There is little evidence in past trends to suggest a 25 percent increase in manufacturing, construction and tourism employment by 1995, and the factor by which he reduces unemployment through accounting for the informal sector seems too large. Planners and social workers point to the terrible poverty in many townships and on the fringes of the metropolitan region. And Cape Town's black education system is in a complete shambles.

Yet it does seem as if Cape Town's position as the economic laggard among South Africa's major centres might already be a thing of the past. Whether this indicates the city's strength, or the weakness of the rest of the country, is less clear.

VWILL BLACK TOWNSHIPS OPEN TRADE TO WHITES?

CHRIS MOREY

The mayor of Soweto, Mr. Sipho Muthebile, told reporters that the council has decided to open the townships to all races for trade, as a step towards reconciliation and maintaining the status quo.

"It is the decision of the council to open the townships to all races for trade," Mr. Muthebile said. "This is a step towards ensuring that all residents have equal access to economic opportunities, regardless of race."
the biggest market

Local development saves cash

Corporations are

Car buyers' guide
Exporting components is Samcor achievement

Samcor has got it together. Since the traumatic merger of the two troubled car makers 10 years ago in 1974, despite the fact that the two troubled car makers had a combined 15 years., Samcor still has been able to achieve a 20% increase in exports.

As MD Spencer Sterling says, being able to design and develop new cars locally is one thing, but exporting vehicles and engines is something entirely different. "We have achieved this, and now we need to invest in the new Mazda 626, a compromise between what we need and what we can afford to invest in." Sterling believes that, because of the need to rationalize the entire motor industry, component suppliers will be forced to merge and establish new plants in the region. The company has already announced that it will be investing in a new plant in the region.

Most local manufacturers are likely to ship their assembly line to the factory is in the factory. This is the company that was involved in the development of the new Mazda 626. Sterling also believes that the company is capable of producing a better quality of car than its competitors.

The company recently installed a new head-up display for its new model, and the company is planning to invest in a new plant in the region.

A significant development under way is the upgrade of its 3J locally made engine. While details are still under wraps, Samcor is expected to announce more about it towards the end of the year. The upgraded 3J version is likely to be fitted to the Sapphire 2ELX manual and automatic models and possibly also the 3JS and 3GLS models. Yet another major investment being unannounced is an investment in a new plant at the Silverton operation in Pretoria, which is expected to produce ultra-performance cars or offer more variants than its competitors.

"But," says Sterling, "it is in the business of providing high quality, value-for-money products." With vehicle prices continuing to outpace inflation, most people want reliable cars that represent real value, and they want high-quality, efficient vehicles at an affordable price.

New Lexus to beat the best

A NEW Toyota range of luxury cars, aimed at giving BMW and Mercedes a run for their money, have been unveiled in Japan and are being considering for the SA market.

They will be available as a special import later this year after Toyota SA has bought a few models and carefully studied them for local conditions. Called the Lexus, the range has received rave reviews in the US since being launched last September. Before the Lexus prototype was developed, a few Toyota Japan engineering teams were assigned to the project.

Each identified the best world automaker in a specific engineering field - and set out to beat it. Toyota Marketing SA MD Brad Pretorius says the company has taken care of everything from technology, expertise and design excellence to build this car.

"There are plenty of smaller cars which, in terms of comfort, quietness, efficiency and performance, come close to the Lexus," he says. "But, our cars are in another class."

While all the major manufacturers are now launching luxury cars, Toyota has taken the lead in bringing out a car that is truly luxurious and sophisticated. The new Lexus is a true luxury car, and it is expected to revolutionize the luxury car market.

"When you do a checklist of the features, the top-end Corolla walks all the way up," Pretorius says. "And when you do a checklist of the top-end Corolla, you will see that it is as sophisticated as the Lexus."

But, as financial pressures fuel the buy-down trend, demand for top-of-the-line standards and specifications in smaller cars will increase. Toyota's high-tech Lexus ... leads a bid for the world's luxury car market.
New car sales were up 1.7% in December compared to the same month of 1990.

December sales were 304,700, compared to 297,600 a year ago.

Total new car sales for 1991 were 10.1 million units, compared to 10.0 million in 1990.

December sales of light trucks were 225,800, compared to 222,800 in December 1990.

Light truck sales for 1991 were 2.7 million units, compared to 2.5 million in 1990.

Light truck sales were up 3.7% in December compared to the same month of 1990.

December sales of passenger cars were 88,900, compared to 99,900 in December 1990.

Passenger car sales for 1991 were 7.4 million units, compared to 7.5 million in 1990.

Passenger car sales were down 2.5% in December compared to the same month of 1990.
Price hikes likely to be lower than in previous years

For the first time since 1987, car price increases are in line with inflation. However, forecasts are mixed as the auto industry recovers from the recession last year, and inflationary pressures remain. Car prices are expected to increase by around 5% in 1989, with some models expected to rise by as much as 10%.

One factor contributing to this is the increase in raw material costs, particularly in the US. The industry is also facing increased competition from imports, particularly from Japan.

President of the National Automobile Dealers Association, Mr. Michael Thompson, said that while car prices are expected to rise, inflation is likely to remain in line with the increase in car prices. He said that the industry is working hard to keep prices in line with inflation.

The Bureau of Economic Analysis believes that car prices will increase by 5% in 1989, with the consumer price index (CPI) expected to rise by around 3%. This is in line with the expectations of most economists.

However, some experts believe that car prices may rise by as much as 8% due to increased demand and limited supply. This could lead to a decrease in sales, as consumers may be priced out of the market.

The government is expected to keep interest rates low to encourage consumer spending, and this is likely to boost the demand for cars. However, the effect on car prices remains to be seen.

Overall, the industry is expected to recover from the recession last year, with sales increasing and production levels returning to normal. This is likely to lead to increased competition for the consumer, and as a result, car prices will remain in line with inflation.
Credit squeeze hits new car sales

The government's stringent fiscal and monetary policies continued to have a negative impact on the new vehicle sales, and distinctly weaker new car sales have been discernible since the middle of last year.

Issuing the new vehicle sales figures for January, Naamsa says the sales figures for January are in line with industry expectations.

After the poor sales recorded in December there has been a slight improvement, with new car sales rising by 2,377 or 17.1 percent to 16,252 (13,875) and new light commercial and minibus sales rising by 1,014 or 12.3 percent to 9,231 from December's 8,217.

Heavy truck sales fell 15.3 percent in January to 559 (660) but medium commercial vehicles showed a sharp rise of 38.9 percent to 393 from a low December base of 283.

Naamsa says demand for light commercial vehicles and minibus type vehicles remained buoyant.
Business confidence on the up

THE favourable interpretation of political developments by industrialists has led to a rise in SA business confidence. The SA Chamber of Business's (SACB) index of expected sales for the next 12 months has increased from 118 in November to 128 in January.

The organisation attributes the rise to positive perceptions of political events as there has been little change in economic fundamentals.

It says there are clear signs that the manufacturing sector expects to show positive real growth during 1990. All regions are optimistic that both sales and production will be higher in 1990, but the Maritzburg and East London regions are relatively more optimistic than the Transvaal, Durban and Port Elizabeth regions.

Maritzburg's confidence stems from a favourable outlook from engineering companies, while East London's can be ascribed to good export performance by the canning industry in particular, spin-offs from industrial expansion in the Ciskei and strong demand for textiles.

Confidence levels in the Maritzburg and Durban regions remain sensitive to developments in the power struggle between Inkatha and the UDP/Cossat.

The Index of Manufacturing Activity, which reflects expected orders, rose from 90 in November to 113 in January, passing the 100 neutral border between optimism and pessimism.

However, lower level of activity in December results in a fairly strong seasonal impact in January, so these figures cannot be interpreted as a change in trend, says the SACB.
**Metropolitan subsidiary to fund cottage industries**

**Financial Staff**

METROPOLITAN LIFE has formed a new subsidiary—Metpol Investment Enterprises (MIE)—which will plough back some of the funds raised from its target markets into helping to start viable new businesses.

MIE's newly appointed MD, Francois Jooste, explained that the money would be used to help start cottage industries and find outlets for their products.

The new project would be a mixture of venture capital and social responsibility. His company would try to match the skills of the informal and semi-formal sector with product needs in the formal sector.

Francois Jooste

Jooste emphasised that "profit expectations by policy holders would not be sacrificed". A statement issued by Metropolitan Life yesterday said: "By investing some of the funds mobilised from these communities in this way, Metropolitan will profitably contribute to their economic development, generating employment opportunities and developing markets for its insurance products. "Investments will be made in conjunction with existing development agencies and will be partially managed by MIE.

"MIE will function as a separate investment subsidiary but within the Metropolitan Group. It will operate from Metropolitan's head office in Cape Town and will make use of certain of its administrative services."
Honesty must be S.A.'s building block

By Josuha Abohoko

policy, says SAB chief

Sabo (1974)

Honesty must be S.A.'s building block

Sabo (1974)
UNUSUAL WARNING FROM MIDAS

MIDAS directors took the unusual step of calling a press conference yesterday to warn shareholders that earnings for the year to February, to be published in April, would be substantially lower than forecast.

Midas is a distributor of automotive parts and accessories through franchises and customers, including chain stores.

For the year to February 1989 earnings of 118.6c a share were declared, representing a 84% improvement over the previous year's 61.2c.

"Subsequently trading conditions started to lag behind budget," chairman Derek Riley said.

"We made an acquisition which we hoped would increase earnings a share." But the acquisition would in fact affect EPS negatively.

"We announced in October that we would be making an acquisition and this would have positively affected EPS. Negotiations were terminated.

"In November the marketing agreement with Spareco was ended, and the impact of this has been greater than anticipated."

The company had also faced a higher interest burden in 1989.

Corrective

Riley was unable to put an exact figure on the reduction in EPS as the accounts were still being audited.

He said corrective action had been under way for several months. Stock had been reduced and it was anticipated that interest charges would be cut down.

Midas was trimming its customer network so it could give better service and have a more focused customer base.

This would lead to a rationalisation of deliveries, which had become more costly with diminished order sizes.

Management had also rationalised warehouses and the number of people employed by the company nationally had been reduced to 1 000 from around 1 200 by retrenchment and natural attrition.

Inventory control had been improved and steps taken to get total assets "more tightly in hand".

He believed the automotive parts industry was a good one but had been generally overrated. Midas had grown during the past few years as it was gaining market share, not because the market was growing at an equivalent rate. "The industry is partly contra-cyclical, but is not immune to a downturn."
Retail sector improves

A recent rerating of blue chips in the retail sector, driven primarily by changing political and financial perceptions, has helped narrow the gap between the JSE's retail and wholesale index and its industrial index.

But there is little chance of the former outperforming the latter this year, analysts believe.

The index — constituents represent important shares in the sector and are revised in January and monitored over the year — has moved up sharply since October, peaking at 2,507 last week. It dipped this week with the industrial index, following Nelson Mandela's statements on sanctions and nationalisation, to close yesterday at 2,491.

Constituents currently include Woolies, Edgars, Pick 'n Pay, Pepkor, Foschini, Metro, CNA, Waltons, OK Bazaars and Clicks.

Analysts said yesterday political factors in recent months had helped change perceptions, but several of these shares had hit new highs recently in anticipation of good 1991 financial results. The market tends to anticipate results by about a year.

Woolies ordinaries, for example, climbed from R52.25 in March 1990, peaked at R59 last week and closed at R49 yesterday, while Edgars ordinaries grew from R16.50 last April to R39 last week, closing at R37 yesterday.

However, retail shares had "had their run", and were now probably fully priced and likely to consolidate at these levels, analysts said.

Thereafter, there was a chance the retail index could outperform the industrial index, especially if the economic downturn was "out of the way".
SHOPRITE Holdings' share price has failed to keep pace with the strong performance of the JSE industrial index. But judging by the group's impressive track record and future growth potential, its share price has considerable upside potential in the years ahead.

Shoprite operates supermarkets which are mainly located in the Western Cape, but the group is also gaining market share in the Transvaal and Orange regions. Shoprite conducts its business exclusively on a cash basis and caters primarily for the lower to middle income groups.

At first glance, the accompanying relative strength graph indicates that the group's recent performance has been unsatisfactory. The chart measures Shoprite's relative performance against the JSE industrial index for the past two years. The trend has been negative. But it appears that this indicator is forming a "double bottom" at the same level as the 1987 low which could indicate that Shoprite's relative performance against industrials is on the verge of changing direction.

Fundamentally speaking, Shoprite has attained an excellent track record as earnings increased at an annual compounded growth rate of 36% for the five-year period ended February, 1989. Judging by the latest interim figures, this growth record should remain.

Earnings for the six months ended August, 1989, jumped by 36% to R12,5m a share, compared with R9,5m for the corresponding period of the previous year. These results were achieved on a 32% increase in turnover to R290m, while operating profit rose to R5,8m from R4,6m.

With Shoprite less than one month away from the end of the current financial year, MD Wellwood Bason is reluctant to reveal specific turnover figures achieved during the 11-month period ended January. But he does indicate that management is "very satisfied with our turnover for the period to date".

Bason says that the group was adequately stocked during the December trading period. Turnover mix is dominated by food products which account for 80% of sales. Management is satisfied with this product mix which is described as being near-perfect for the locality and customer profile of existing stores.

At present, Shoprite operates 46 outlets which represents a gain of seven stores from end-February, 1989. The group intends adding approximately five or six stores per annum depending upon the availability of suitable sites and manpower. In addition, each store will only proceed once management establishes that it can produce satisfactory profits and good growth potential.

It appears that a major reason for Shoprite's success is its "cash only" policy which offers the customer value for money. No credit facilities to customers are envisaged, other than through certified buying co-ops, with whom the group currently deals.

With interest rates at abnormally high levels, Shoprite is in an enviable position as the group's interest bearing debt at the interim stage was R682,000. During the most recent interim period, interest payments amounted to a mere R49,000 (R50,000).

For the past five financial years, interest payments never exceeded R350,000 with the exception of 1988, when the group shelled out R375,000 for finance charges. In the latest year, the group generated operating profit of R10,4m, while interest payments were only R31,000.

Assuming Shoprite's bottom-line grew at a slightly slower pace than during the previous five-year period, EPS for the current financial year could reach 38c, accompanied by a 13c dividend. This would place the share on a forward earnings and dividend yield of 11.5% and 5.9% respectively, which represents good value when compared to the average 7.2% earnings yield and 2.9% dividend yield for the retailers and wholesalers sector.
Bidcorp growth rating ‘excellent’

Sylvia Du Plessis

INVESTMENT holding company Bidcorp has excellent growth prospects and investment in this share is recommended, says Frankel, Kruger, Vinderink retail analyst Aloma Jonker.

Jonker says in a report on the group that investment will ensure full participation in future developments, which might include the listing of wholly owned food, crockery, cutlery, glassware and linen supplier Cater Plus.

Bidcorp, a retail and wholesale-listed group, also has a 60% investment in Curries, which in turn holds 55% of Afcom. Afcom holds 70% of Afpac.

Jonker says Cater Plus’s contribution to Bidcorp’s earnings in financial 1990 could amount to 6%, compared to Curries’ 16% and Afcom’s 17%. Cosmetic distributor Justine, in which Bidcorp acquired 90% during the current year, could contribute 4%.

According to Jonker, Bidcorp’s 1989 earnings of 92c a share will probably grow by 30% to 115.6c in 1990, by 28.4% to 157.6c in 1991 and by 27.5% to 187.6c in 1992. This forecast includes Afcom for the current financial year, but subsequent forecasts do not take into account further acquisitions.

Enhancing

Afcom holding company Curries—to be renamed Bidvest and to become the holding company for Bidcorp’s industrial distribution interests—has the highest rating in the group and is also the most tradeable, she says.

‘Further diversification into other industrial companies could take place through Curries, thus enhancing its growth prospects. Due to its more direct holding in Afcom, earnings growth could outperform Bidcorp from 1991.’

Of Afcom, whose sole investment is its 70% holding in Afpac, Jonker says 1989 earnings will remain at 1988’s level, but good growth forecast from 1991 is likely to be achieved by improving efficiencies and thus increasing the pre-interest margin in Afpac.

Afpac is recommended if a direct entry into the light packaging industry is preferred.

‘Improved margins from 1991 should ensure good earnings growth, while the low labour intensity of the factories should minimise the occurrence of strike action and undue stoppage.’

‘Afpac also provides very lucrative ancillary products to the packaging market and has a captive market in many respects. It is thus considered a good investment,’ she says.
RAM HARI SUNKER

Check the markets

The Checkers executive team acquires a new face in the form of Ram Hari Sunker. He moves from Cape Town next month to become group merchandising and marketing director. Hari Sunker, who replaces John Williams, will decide on the goods that go into the stores and their prices — a vital component of the competitive edge Checkers hopes to achieve.

Born in Durban, Hari Sunker describes himself as a total retailer. Even his leisure reading is linked to the business.

Hari Sunker has been with Checkers for 20 years. He worked his way up from the ranks to assistant manager and then to branch manager. He managed four stores in Durban and had a spell as manager of the old Sandton City Checkers in 1979. He was previously Cape divisional director.

"Checkers is a good company to work for," he says, "and retailing is a dynamic industry where products, suppliers and customer demand are always changing."

Checkers itself is experiencing significant change. Hari Sunker will supervise the decentralising of its buying operation — a benefit arch-rival Pick 'n Pay has enjoyed for years.

Checkers is also looking at setting up central distribution centres. At present, suppliers deliver small case loads to the back of individual stores and drivers often hang around for hours. It's the most notorious form of inefficiency in the business.

Hari Sunker is a fervent believer in deregulation. He says restrictions on Sunday shopping should be scrapped, along with laws which prevent supermarkets from stocking beer and spirits or from running in-store pharmacies: "One stop shopping is the norm all over the world, so it's bound to come to SA."

It's hard to get Hari Sunker off the subject of supermarkets, but he admits to enjoying fishing — though now that he's in Johannesburg, the most fish he's likely to see are frozen ones at the Checkers counters.
RAM HARISUNKER

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The Checkers executive team acquires a new face in the form of Ram Harisunker. He moves from Cape Town next month to become group merchandising and marketing director. Harisunker, who replaces John Williams, will decide on the goods that go into the stores and their prices — a vital component of the competitive edge Checkers hopes to achieve.

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The serious business of matching big and small, black and white

The MatchMakers project is no charity — it suits the interests of both small and large business. HILARY ANDERSSON reports

As April approaches black businessmen, white businessmen and members of the American consulate’s commerce department prepare for the week of handshakes at Natsrec known as MatchMakers.

This year the tone of the project, which began in 1986 as an attempt to channel the social conscience of large white companies to help small black businesses get off the ground, is undergoing a subtle change.

The days of kindly MatchMaker seeking out and guiding in black businesses to charitable white patrons are fading. The new approach holds that no one really appreciates handouts, but that a leg-up at the right time can be invaluable.

Sellers exhibit their products, while the keen-eyed buyers from companies such as Anglo-American, Gencor and Rand Mines scrutinise potential investments.

This change serves as a mark of success for a project which from the beginning refused to see itself as a charitable enterprise, insisting from the start on payment of a substantial fee for each stall.

An 18-year-old Mozambican, Edward Makuna, who walked from Maputo to Johannesburg without a cent to his name, but with a striking talent for crafting hardwood furniture, is going to display his wares at MatchMakers this year.

He complains of the difficulty of getting business to come into Soweto — “people are too afraid”. Getting out of the township to do business, he believes, is likely to serve him well.

The exposure that MatchMakers can offer a young company has proved invaluable for many, such as Lucia Mthiba of Ludo Curtains, Alexandra. She describes MatchMakers as “a window for my business”.

As a result of her exhibition at MatchMakers ’88 shops such as Biggie Best and Barristers Interiors in Sandton and Rosebank now sell her wares.

White companies are making leaps, too. Instead of gratifying acting conservativeness, as the cynical might expect, they speak of their pleasure in doing business with the people who often make up 90 percent of their market.

Perhaps more importantly trying out new and untested businesses has proven to be an even greater advantage for them.

Anglo-American sees MatchMakers as a reservoir of talent and an opportunity to build up a directory of business contacts. For that reason it will participate again this year.

Anglo also takes the long-term view that if it is in the interests of the country’s future to support a project that exposes the talents of small black businesses, it is in its interests, too.

The success of MatchMakers is borne out by similar projects in Cape Working Mozambican craftsman Edward Makuna

Town and Pietermaritzburg, organised in both cities by progressive-minded chambers of commerce, although Johannesburg’s chamber of commerce was not interested.

USAID will give MatchMakers $30 000 (R130 000) this year, helping the project to expand with the recently formed MatchMaker Services, a non-profit company formed to provide all-round services for both buyers and sellers, and to build on the co-operation between big businesses and emerging entrepreneurs.

Among other things, the new company will offer, for a fee, both a marketing service, and training in basic marketing principles.

Working Mozambican craftsman Edward Makuna

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The acceptable face of nationalisation? planned expansion in the state-owned energy industry, and on public enterprises operating in steel and other metal industries, and the Korean government set unusually strict conditions on foreign investment. In recent decades, the Indian economy has achieved steady growth on a diet of widespread state intervention.

Perhaps the ANC will nationalise some enterprises when they come to power, perhaps they won’t.

Perhaps the government of a new South Africa will find more subtle and efficient ways of guiding economic growth and the redistribution of wealth?

Undoubtedly, the ANC needs to think carefully about economic policy — much more carefully than when the prospects of power were faint. In the meantime, why shouldn’t Nelson Mandela reassert the desire of his supporters, as expressed in the Freedom Charter, for decisive intervention in the economy on their behalf?
### JANUARY VEHICLE SALES

#### CARS

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<tr>
<td>January 1990</td>
<td>16,262</td>
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<tr>
<td>December 1989 to January 1990</td>
<td>13,876</td>
<td>Growth 17.1%</td>
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#### LIGHT COMMERCIAL VEHICLES

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<tr>
<td>January 1990</td>
<td>9,231</td>
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<tr>
<td>December 1989 (8,217) to January 1990</td>
<td>7,442</td>
<td>Growth 24%</td>
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#### MEDIUM COMMERCIAL VEHICLES

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<td>January 1990</td>
<td>393</td>
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<td>December 1989 (283) to January 1990</td>
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#### HEAVY COMMERCIAL VEHICLES

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<td>January 1990</td>
<td>569</td>
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<td>December 1989 (600) to January 1990</td>
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<td>Decline 8.1%</td>
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#### COMBINED SALES

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<td>January 1990</td>
<td>26,435</td>
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<td>December 1989 (23,035) to January 1990</td>
<td>24,886</td>
<td>Growth 7.5%</td>
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<th>Decline/Growth</th>
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<tbody>
<tr>
<td>January 1990</td>
<td>16,262</td>
<td></td>
</tr>
<tr>
<td>December 1989 (13,876) to January 1990</td>
<td>16,313</td>
<td>Decline 0.4%</td>
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Hard-working light commercial vehicles have a new load to carry: the hopes of vehicle manufacturers. While sales of new cars, trucks and buses are slowing down, manufacturers expect light-commercial demand to remain strong.

Industry officials say January sales figure for growth.

Other factors include demand by business for replacement vehicles and the preference of more families to save money by buying a bakkie as a second vehicle rather than a car.

Naamsa notes: "Except for light commercials, unit sales comparisons will remain negative for at least the first half of 1990."
Cathings and his rebels evade protests outside their Sanction Hotel.

Mr. Going's letter, which was read to the meeting, stated that the protesters had Montgomery County officials concerned about the possible consequences of the demonstrations. The protesters, who numbered about 50, gathered outside the Sanction Hotel, where Cathings and his rebels were staying, and chanted slogans and held signs.

The protesters were demanding Cathings' release and expressing their support for the rebels. They accused Cathings of being a tyrant and of suppressing the rebels' rights. The protesters were angry about Cathings' decision to use military force against the rebels.

Cathings' supporters, however, praised him for his actions. They said that the protesters were disrupting the peace and that Cathings was acting within his rights.

The meeting was held in a small room at the County Courthouse. Several members of the audience expressed their concern about the situation.

John Smith, a member of the protesters, said, "We're not here to cause trouble. We just want to express our support for the rebels and to demand Cathings' release."

Mr. Going, however, said, "The protesters are disrupting the peace and must be dealt with.

The meeting adjourned without a decision being made about the protesters' demands.
Arms dealers report increase in gun sales over the past few days.

By Helen Grange

Arms dealers countrywide have experienced a "noticeable" increase in gun sales over the past few days — and at least one retailer has doubled his normal turnover.

"One Witwatersrand arms retailer (who wished to remain unnamed) said that sales of hand guns and shotguns had soared in the last two weeks.

"Judging from the buyers I spoke to, people are nervous about the unrest in and around town. They claim blacks are rioting and some are uncontrolled," the retailer said.

"They appear to be purchasing guns for protection rather than political motives."

He added: "I also think that after Mr Mandela's statements, people are unsure of the future. I know a lot of people who are seriously contemplating leaving the country. I feel that Mr Mandela has done little to allay white fears."

Mr Alexander Holmes, managing director of Roy Swaydin and Associates, arms and ammunition retailers, said he had noticed a "slight" increase in sales, but "not as many as during 1966 coming up to the Soweto Day anniversary."

"The current political situation has made people more aware and some, particularly Afrikaans people, more nervous. But I don't think people are buying out of panic," said Mr Holmes.

Guns and ammunition sales have been high in Natal, South Africa's worst unrest area.

VIOLENCE

A spokesman for Kings Sports in Durban said there had been a noticeable increase in gun and ammunition sales in the last couple of days.

"Ninety percent of our buyers are Indian or black and I believe that it is because of the escalating violence and faction fighting in this area."

Mr Fred Tatlos, managing director of Suburban Guns in Cape Town, confirmed he was supplying an increased number of hand guns and shotguns to the Transvaal and Natal.
To Failures in Business
Poor Management Leads to Failures in Business

Sowetan Business

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Sowetan Friday February 16 1990

In Response to Mununzi's Comments

Those were a few facts of the small business environment. In our country, there are many thousands of small businesses, the kind of small businesses that aren't supported in any meaningful way by the government. Small business in South Africa is a different world.
Nafcoc and Fabcos slam hooliganism

by SANDILE MEMELA

black business — which has been the prime target of hooliganism during uprisings in the township — was welcomed Nelson Mandela's concern over mindless violence" during the rally at the FNB Stadium this week.

National African Federated Chamber of Commerce and Industry (Nafcoc) public affairs director Gabriel Mokgoko said its organisation supported the views expressed by Mandela. "We are wholly supportive of the statement made by Comrade Mandela in which he expressed concern at widespread crime, destruction of property and the need for education in the course of the struggle for freedom," said Mokgoko.

Director of the political desk for the Foundation for African Business and Consumer Services (Fabcos), Tebello Radebe, said black business has been a victim of violence.
Gertie's a girl who's always on the go

Sultry Gertrude Mnguni, 23, from Thokoza is a busy girl. She's a full-time model and when she's not doing that she's found doing aerobics or dancing. If she can't be found at all she's probably travelling. Gertrude's ambition is to be a fashion designer and open her own modelling school.

By SAMKELA KUMALO

AN organisation that cares for the disabled is appealing for funds to enable them to continue their work.

The Isowagva People's Organisation urgently needs funds to send 19 disabled children to school and R3 million to build a school, workshop and recreational centre on land donated by the local town council.

PPO chairman Peter Mabusa said many children would not be able to attend school this year if help was not forthcoming.

"Our problem is that we do not have money to pay the children's transport. Last year we were assisted by a white businessman.

"At the beginning of the year he said he had problems and would not be able to assist us for some time.

"The previous year we were also subsidised by a local black businessman, but since his death we have run into trouble.

"We have since approached a number of businessmen, but there has been no response."

Mabusa said many of the parents and relatives did not seem keen to provide for their children.

By LULAMA LUTY

BUSINESSWOMEN have been oppressed by both society and government for years but are becoming a force to be reckoned with in the economic system.

In a bid to correct shortcomings, the Executive Women's Club of Southern Africa founded the Businesswomen of the Year competition in 1982.

EWC president Jennifer Kinghorn said there were many South African women who were making a significant contribution to their profession and to industry that deserve recognition.

"We are no cash prizes for the winner. As a reward for her achievement, she gets invitations to address public and business forums and this exposure is an incentive to her business."

Women can submit personal nominations and do not need to be nominated. The closing date is April 27 and the awards ceremony will be held at Carlton Hotel on August 29.

More information and application forms can be obtained from EWC at (011) 887-0809 and (021) 438-9831.

Picture: BONGANI MNGUNI
The redistribution of country’s wealth

Business must have open options on
Uncertainty as Morkels issues results

Sylvia Du Plessis

Morkels has released nine-month trading results at a time when main shareholder Federale Volksbeleggings (FVB) has issued a cautionary notice to shareholders. 810-11/17/90

Management says Morkels is in the midst of negotiations, the purpose of which will only be disclosed in the next two to three weeks.

Results indicate that Morkels is still reeling from the impact of HP curbs, import surcharges and spiralling interest rates. And management says there is scant chance of any significant improvement during the final quarter.

The group, comprising both the "two-year guarantee" furniture stores and the Totalsports chain, has posted a 32% slide in taxed profits to R4,8m (R7m).

This translates into earnings of 12c (17,7c) a share, following a meagre 6% growth in turnover to R154,9m and a 28% hike in interest to R3m.

MD Carl Jansen said on Friday cash-driven Totalsports had generated sales of R15,6m, up 55,6% on 1988's R10,1m and well ahead of sportswear and apparel market growth of 24,8%.

However, dampened consumer spending had hampered growth in the group's 83 credit-based furniture stores, where turnover amounted to R153m - only 24% higher than the R126m of a year ago and well below a market growth of 33,9%.

"On the furniture side we're chafing against the handcuffs of credit restrictions and import surcharges," he said.

"Our fortunes traditionally have been tied to the financial well-being of the thick middle of the consumer market. The disposable income of this group has been the most acutely crimped by high interest rates and continuing rampant inflation."

He said the 'crippling' surcharge on imported electrical goods had led to price escalations on these items - historically Morkels's major source of revenue - thereby placing many of them beyond the consumer's reach.

Looking beyond the short-term prospect of depressed trading conditions, Jansen said Morkels' investment in its strategic plan to develop the group's business had continued unabated.

"We see the new trading year as a fresh platform to return to the previous high levels of turnover, profitability and market share gains," he said.

Morkels, of which 88% of 40-million shares are tightly held by Fedvolks (50-million) and financial institutions, is currently involved in talks for an MBO of some kind following a cautionary.

Jansen said the purpose of these negotiations would be disclosed within two or three weeks.
Despite signs of a downturn...

Wooltru group lifts earnings

BY AUDREY D'ANGELO
Financial Editor

ALTHOUGH there have been very definite signs of a downturn, business is still good for the Wooltru group, its CEO and deputy director, Colin Hall, said at the weekend.

Sales in the first seven weeks of 1999 had been 27% higher than in the same period last year.

The group lifted pre-tax income for the six months to December 31 by 49% to R124.2m (R83.6m), and earnings a share level by 39% to 181c (139.9c) — comfortably ahead of inflation.

Net income after tax was R85m compared with R64m in the same period in 1998.

The tax bill rose by 44% to R61.2m (R42.5m) and the interest bill to R18.6m (R12.8m).

Sales were 27% higher at R1360m (R1068m). And the interim dividend is 64c (47c), a rise of 36%, with unchanged cover of 2.8 times.

Hall said Woolworths had performed particularly well on the sales front for the period, which covered 26 trading weeks, showing an increase of 31%.

Both Makro and the Specialty Retail Group, comprising the Truworths and Topics fashion chains and several niche market specialty stores, had lifted turnover by 23%.

All three operating companies had achieved better margins with improvements in productivity.

Loans and investments had been raised to R106m (R38.4m) largely as a result of a R80m investment in preference shares.

Hall said there were definite signs of a downturn in the economy but, in increasingly competitive conditions, the group had increased its market share.

"People have less spending power and you have to offer them better goods, with careful attention to pricing and the shopping mix. You cannot achieve an increase in turnover unless you have earned it."

He thought it would be difficult to surpass the sales figures for February and March last year, which were particularly buoyant months.

"Nevertheless, we expect our results for the year to reflect a satisfactory increase, bearing in mind that the latter half will comprise a trading period of 27 weeks."

The group had brought in stocks of winter fashions earlier than usual because "we find that if we are not among the first to show high fashion for winter, opportunities are lost."
Soweto wholesale plan
WILSON ZWANE

In a bid to offer their customers competitive prices, Soweto shopkeepers want to embark on a wholesale buying operation.

Soweto Shopkeepers Association PRO Lucas Nkosi said the retailers were prepared to pool their resources and build a wholesale company through which black retailers could buy competitively in bulk.

"The problem is that as individual shopkeepers the volume of goods we move is significantly less than that of big retail outlets. That, in turn, means discounts we get from the suppliers are substantially smaller than those big retailers can profit from."

Funds

"It is thus difficult for us to offer competitive prices. Some wholesalers charge prices that are no lower than those charged by big retailers like Checkers," Nkosi said.

The Soweto retailers planned to raise the funds themselves for the wholesale operation.

Nkosi declined to put figures on the size of the market served by the Soweto retailers, but said it was "a very big market."

In its latest edition, the Black Enterprise magazine reported that the Soweto Shopkeepers Association had about 500 members, all of whom were retailers.
Wooltrru continues to outperform sector

LESLIE LAMBERT

CAPE TOWN — Retail and wholesale group Wooltrru continued to outgrow the retail sector in flagging economic conditions during the six months to December 1989, with taxed earnings up 37% to R63mn during the interim period.

Sales grew by 27% to R1.36bn, with Woolworths — the flagship which has been regaining its former glory over the past two years — contributing 31% growth during the 26-week trading period.

The speciality stores, including Truworths and Topps, and the more recently acquired Makro, each grew 23%.

Unleaved operating income was boosted 40% to R124.2mn. After a hefty tax bill which grew by 44% to R61.2mn, marginally increased interest payments of R19.6mn, bottom-line profits translated into 18.1c a share, 35% higher than the previous interim eps of 13.5c.

An interim dividend of 64c (47c) was declared, payable next month. It was 38% up on the same period last year.

Wooltrru deputy chairman and chief executive Colin Hall attributed the continued growth trend to ongoing gains in market share and better productivity as reflected in the improved margins of all the operating companies. He reported that group sales for the first seven weeks of the second half were 27% ahead of the same period last year.

"Loans and investments" were raised from R58.4mn to R106mn, largely as a result of a R60mn investment in preference shares. Long and short-term borrowings both increased marginally during the interim period, but, as Hall pointed out, cash resources were still plentiful.

"On future prospects, he warned it might not be possible to maintain the growth trend but he expected the results for the year to reflect a satisfactory increase."
Federale sells 74.9% stake in Morkels

FEDERALE Volksbeggings is selling its 74.9% holding in Morkels for R28.6m to a management-led consortium backed by an undisclosed West German individual with effect from April 1.

The announcement follows speculation to this effect after the furniture and sports-goods retailer issued a warning to shareholders on January 25 to exercise caution in dealing in their shares.

In terms of the deal, the consortium will buy Federale’s 30-million ordinary shares for 95c each.

However, the disposal is with dividend of an estimated R1.2m, so the consortium is effectively buying the shares for 91c each.

A similar offer will be made to minority shareholders.

Federale domestic consumer goods division chairman Neville Organ said last night the sale — for a “fair” price in view of Morkels’ recent performance — would tighten his group’s focus on its domestic consumer goods interests, which include Continental China, Tek Corporation and Teljoy.

Federale’s policy was to concentrate its investments in companies which had a substantial market share, he said.

“Morkels has a comparatively small share of the furniture and electrical retail goods market which is at present quite volatile and exposed to a high degree of government intervention in the form of credit restrictions on HP sales.”

Morkels MD Carl Jansen, in Johannesburg to confer with staff, said the consortium planned to issue a formal statement “in due course”.

“Our priority is to bring all our staff who have a vital stake in the business as shareholders as well as employees into the picture and this is being done throughout the country this week.”

Morkels, hit by HP curbs, import surcharges and interest rates, posted earnings for the nine months to December of 12c (17.7c) a share, but Jansen said then he saw the new trading year as a “fresh platform” to return to previous high levels of turnover, profitability and market share gains.

The shares peaked at 95c earlier this month ahead of the announcement from a low of 70c in November, but closed unchanged yesterday at 90c.
JOHANNESBURG: The economic down-draught held turnover of the Morkels Group's furniture stores for the nine months to December 31 to R130m, 2.4% lower than the R133m achieved a year ago, and well down on the market growth of 13.9%, the company's quarterly results showed.

The Total Sports arm of the group, now with 18 stores nationwide, generated a turnover of R15.8m, up 53.6% on 1988's R10.5m and well ahead of the sports goods and apparel market growth of 24.8%.

The group's unaudited turnover of R154.9m for the nine-month trading period was up 6% on 1988's R146.04m.

Operating profit was confined to R12.6m, 24% down on 1988's R16.5m.

After interest of R2m (R4.4m) and full provision of deferred taxation of R4.8m (R7m), the bottom line of R4.8m was 31% down on the R7.07m of 1988.

Net asset value improved from 120c to 130c and interest-bearing debt from 51c to 52c.

Earnings per share stood at 12c compared with last year's 17.7c.

The nine-month trading results have been released at a time when Morkels' main shareholder Fe-derale Volksbeleg- gings (FVB) has issued a cautionary notice to shareholders and Morkels is in the midst of negotiations, the purpose of which will only be disclosed in the next two to three weeks.

Morkels' MD Carl Jansen said there was scant opportunity for any significant change in the final quarter.

He said Morkels was planning six new stores a year and Total Sports aimed to have a national network of 40 to 50 stores within the next three years.

Sapa.
Assaulted labourer dies; farmer fined

Own Correspondent

A Piet Retief farmer has been fined R100 for assaulting a paralysed farm worker who later died.

Mr. Xaba (37) died on Wilhelm Herman-Rabe's farm on August 18 last year, the morning after he had been assaulted for staying away from work.

Mr. Xaba died of subdural haemorrhage of the brain and a ruptured spleen.

Piet Retief regional magistrate, Mr. J.D.Jacquire found Rabe guilty of common assault but acquitted him of causing Mr. Xaba's death.

The case, which had been pending for six months, was finalised on February 12, the only day the court sat.

The magistrate accepted the evidence of Rabe's two black employees who said the farmer assaulted Mr. Xaba with an electric cord.

The magistrate ruled that Rabe had given him only a few blows which could not have caused the haemorrhage and ruptured spleen.

NOT PAID

He dismissed evidence that Mr. Xaba was thrown to the ground several times and trampled upon.

Mr. Xaba's eldest daughter Lizeth, who was present during the assault, was not called as a witness.

Mr. Xaba, his wife Dorcas and his six children were staying on the farm where he was employed as a wood sorter.

He was not paid because he and his family lived free of charge on Rabe's farm.

Mr. Xaba was paralysed a few weeks earlier after he was run over by a tractor on his previous employer's farm.

Mrs. Xaba, a former domestic worker in Piet Retief, had to leave Rabe's farm after her husband's death.

Now unemployed, she lives in a shack with her children, the youngest nine months old.

She survives on hand-outs from the Piet Retief church community.

Her husband did not receive any compensation after he had been injured by the tractor.
Cashbuild raises taxed profit 42.8%

SYLVIA DU PLESSIS

CASHBUILD, helped by healthy performances from its new stores and repositioned Bay 'n Build outlets, has reported a 37% rise in attributable income to R3m (R2.2m) for the 27 weeks to December.

Earnings for the retail-listed Travigro subsidiary, which operates in the building materials distribution market, improved to 14c a share from the 13.4c posted in the corresponding 20 weeks. An interim dividend of 4c (3c) has been declared.

This follows turnover growth of 33.2% to R161m and taxed profit 49.8% up at R3.8m — largely due to the group's strong performance in the rural market and in particular the TBVC states.

MD Gerald Haumant said yesterday the seven stores opened last year and the repositioned Bay 'n Build retail chain contributed to higher sales, while established stores showed 3% real growth after an inflation rate of 26% in the building materials market.

Cashbuild's overall performance was "particularly gratifying" given that the building materials industry was traditionally amongst the first and the hardest hit by rising interest rates, he said.

"The strong rural market is being supported by two good rainy seasons and an increase in the net disposable incomes of migrant workers. Sales in these areas are largely to smaller merchants.

"In contrast the urban market, essentially a builders' market, has borne the brunt of high interest rates."

Haumant said conditions in this market were expected to improve in the second half as builders switched more to cash purchases.

"The group's balanced exposure to both the urban and rural building materials markets was expected to ensure "consistently good results in an otherwise cyclical industry."

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[Chart showing share price performance with dates and prices]

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[Graph showing share price, daily close in cents, with dates: Jan 24, Mar 2, Apr 19, May 30, Sep 1, Nov 3, Dec 19, 20, 29]
Retail trade sales ‘moving sideways’

Retail trade sales were holding up well and were unlikely to drop to the levels of the previous economic downswing, economists said yesterday.

They were responding to Central Statistical Service’s expected figures for February, which show seasonally-adjusted real retail trade sales will grow by 0.3% from January, but will not reflect a noticeable year-on-year change.

Rand Merchant Bank economist Rudolf Gouws said the 0.2% did not indicate an increase “for practical purposes”, but it confirmed retail sales were moving sideways and were not in the same decline as in the 1994/95 downswing.

“Sales are just about flat in real terms, so in per capita terms they are declining by about 2.5%. This is not nearly as severe as in 1994/95. And when viewed against other indicators such as wholesale sales, which are moving down, retail sales are holding up fairly well,” he said.

Gouws said he expected a small decline throughout 1996 — the Budget was unlikely to be stimulatory — and into the first quarter of 1997.

“By that time interest rates will have come off a little and some of the conditions might be in place for a general economic upswing,” he said.

Nedcor economist Edward Osborne said the 0.2% rise over January was “statistically insignificant”, indicating retail trade sales had stagnated.

Sales were unlikely to drop sub-

SYLVIA DU PLESSIS

stantially in the short-term because salary and wage increases had been largely “in step” with the CPI, but what happened thereafter depended on whether civil servants were awarded the 20% salary increase they were asking.

“There’s a possibility the finance minister will keep this announcement for the Budget in March, but there’s also talk he won’t award this increase, in which case there could be a notable drop in retail turnover.

“In short, sales are likely to remain static up until March, but could be influenced downward, depending on the Budget,” he said.

Recession

Trust Bank’s Nick Barnardt said the downturn in the economy and in domestic spending would become more apparent as the year progressed.

“A year-on-year growth rate of zero would be regarded as a recession in any other economy. While sales are expected to grow by 0.2% over January, the population is also 2.5% bigger than it was last year this time,” he said.

“The real economy’s performance has taken a long time to reach the financial environment. This downturn will not be as severe as the last one, but will gather momentum and become more visible, with the cycle reaching its nadir early next year.”
BRIAN Joffe’s fast-expanding Bidcorp empire has turned in a strong performance for the half-year to December, with earnings more than doubling to 45.4c (20.8c) a share.

Interim dividends of 15c (nil), covered 3.03 times, have been declared.

The share yesterday responded to the results, which include figures from wholly-owned Cater Plus, 60%-held Bidvest (formerly Curries) and 51%-held Afcom, by firming 6c to 716c after sliding to a low of 625c during the October crash.

Attributable income during the period under review grew to R44.4m (R1.1m) on turnover of R177m (R38m), with the highest contribution to earnings coming from Cater Plus (70%).

Afcom — acquired via Bidvest with effect from July 1, 1989, and holding company of packaging equipment manufacturer Alpac — generated 16%, interest on Bidvest’s R28m cash 18% and 50%-owned cosmetic distributor Jus-
Metro overcomes the strains of Jazz

SYLVIA DU PLESSIS

TRADEGRO subsidiary Metro-Group has upped earnings by 17.4% to 23.6c (20.1c) a share for the half-year to December despite a lacklustre performance from Jazz.

Dividends of 10.5c (9c) have been declared.

MD Tony McDermott said yesterday Jazz, which became a wholly-owned subsidiary during the six months, had produced disappointing results due mainly to below-budget sales and costs incurred in the closure of non-viable units.

Turnover from this division, in which Metro previously held a 62.3% stake, climbed only 2.4% to R123.7m, while operating profit plummetted 41% to R4.3m.

Metro’s core wholesaling business, on the other hand, extended its steady growth pattern, contributing 88% of turnover and operating profit.

The group increased interim turnover by 6.7% to R1,7bn, largely due to a 9.8% rise in sales from this division, but operating profit climbed by only 6.5% to R73.9m (R55.6m).

Interest of R3.5m (R7.6m), coupled with taxation of R13.3m (R12.8m) whittled growth in attributable income to R15.2m (R13.9m).

However, McDermott said net borrowings of R57.5m (R49m) were in line with management expectations and interest costs had remained within budget.

On prospects, he said he reaffirmed confident earnings would continue to show satisfactory growth, given stable operating conditions.

"Opportunities being opened as a result of the process of change underway in SA and southern Africa as a whole reinforces the correctness of the decision taken in 1989 to extend our network of cash and carry wholesaling outlets to Mozambique and Zaire, where stores will be operational during 1999," he said.

Directors were confident that corrective action being taken, while costly, would yield benefits for the group in the period ahead.

Metro shares closed unchanged at 49c yesterday, having peaked at 550c towards the end of January.
Younger men lured to private sector – Louw

Young policemen leave the police force because they are able to get much more competitive salaries in the private sector, says Mr Pierre Louw, former police liaison officer for the Witwatersrand.

Although Mr Louw would not comment on his reason for leaving the force for a position in private enterprise “in view of my loyalty to the police”, he said a restructuring of salaries was necessary to maintain an effective, motivated police force.

“This is of great importance for the mainstay of police personnel. A loyal police force can only come about with the betterment of conditions.

“...The police force is ideal for a young man to hone his personality and improve his skills. But there comes a time when the opportunities in the private sector are greater and many look to greener pastures,” said Mr Louw.

The Police Commissioner, General Johan van der Merwe, said recently that Law and Order Minister Mr Adriaan Vlok and police chiefs were pushing for more pay for policemen this year to curb an average of 11 men leaving every day.
Business to meet black leaders

By Drew Forrest

"In the light of "recent major and economic developments", the SA Chamber of Business is to stage a series of meetings with black leaders, including ANC leader Mr. Nelson Mandela.

The chamber also intends incorporating Inkatha, homeland leaders, black business bodies such as Nafcoc, and trade unions in the talks.

"Chambo" president Mr. Leslie Boyd said the meetings, to focus on constitutional and economic matters, would take place in the next few months.

The chamber's legal adviser, Mr. Ken Warren, said business wanted to see a dispensation which promoted the free enterprise ethic.
Retail giant OK Bazaars is turning corner analysts

Sylvia Du Plessis

TWO analysts — Frankel Kruger's Alorna Jonker and Ed Horn, Rudolph's Sid Vianello — predict earnings for retail giant OK Bazaars of 27c and 28c a share respectively for the 1991 financial year.

Both agree that while it will report negative real earnings growth during the current year to March — Jonker forecasts 11% growth to 217c and Vianello 7.5% growth to 218c over 1989's 105c — indications are that its fortunes are turning around.

In a report on the SAB-controlled group, Jonker says it could even outperform competitor Pick 'n Pay in growth terms in 1991.

She says the share shows value up to 2.000c on anticipated good growth from 1991, and while the price could weaken on disappointing final results for the current year, this should be seen as an opportunity to buy in.

Her forecast of 27c a share for 1991 is based on turnover — excluding sales of leased operations and finance charges — of R4.9bn, representing growth of 15% over her R3.9bn forecast for 1990 (1989: R3.4bn).

According to Jonker, dividends will rise from 1989's 105c to 108c in 1990 and 117c in 1991, with cover increasing from 1.9 times to 2 times from this year in line with the group's 50% payout policy.

She points out that although OK is set to show higher earnings growth in 1991, its vulnerability in terms of cashflow adds risk. However, better efficiencies and growth from 1991 could improve this situation.

Evidence

Vianello says OK represents a strong recovery prospect and the possibility of significant dividend growth, with the share representing excellent value up to 1.750c per share.

He says there is for the first time strong evidence to suggest the group is finally "turning the corner", especially as regards asset and debt management.

New stores, in particular, have been located close to its traditional customer base and are generating higher turnovers and efficiencies than existing outlets, while product ranges reflect improved merchandise assortments and the prospect of better margins.

OK will continue to suffer for some time from poor labour efficiency in its older stores, and rental charges will continue to absorb a disproportionately large percentage of gross profits, but improved prospects for 1991 and lower interest rates will boost earnings growth. He forecasts earnings of 266c in 1991 based on turnover of R5.1bn — a 10.3% rise over expected turnover of R4.5bn in 1990.

Dividends, 103c a share in 1989, could grow 6.8% to 110c (covered 1.9 times) in 1990 and by 27.3% to 140c (covered 2.2 times) in 1991, he says.

But he warns that because of its large debt and low profit margins, the group will remain a volatile performer and should, at this stage at least, be treated as primarily a medium-term jobbing situation, relying on the interest rate cycle to maximise profitability.
ME STORES

New regime

Activities: Retail outdoor and leisure equipment.

Control: Darien Investments holds 70%.

Chairman: W E C Stevens; MD: R W Gray.

Capital structure: 7.6m 15s. Market capitalisation: R1.5m.

Share market: Price: 20c. 12-month high, 24c; low, 10c. Trading volume last quarter, 233 000 shares.

Year to Apr 90

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ME Stores has only one way to go, upwards. Under previous management the company was on a hiding to nothing.

The involvement of Warwick Stevens, Under's group accountant and his brother, continue p106

Barry, who controlled the Quarterdeck specialist boating retailer, should introduce better management.

They bought 70% of ME through their private company, Darien Investments, and have offered minorities 23.7c for each of their shares. If Darien's total stake exceeds 85% ME might move to delist, says MD Bob Gray, though he would prefer minorities not to accept and for ME to retain its JSE listing.

Last year's collapse into the red appeared to be worsening when a R212 000 loss was reported at the half-way stage. But Gray says the interim loss was largely the cost of getting rid of previous management.

It also reflected the seasonal nature of ME's business.

Quarterdeck has sold its stock to ME, which should boost ME's sales and profit in the 1990-91 financial year. Gray hopes ME will break even this year even though interest income will fall. He believes ME can be brought to profitability with improved management in some branches and, most important, with application of a new accounting system and pushing head office staff out to the shops.

The offer to minorities expires on March 2. After that minority shareholders will be paid out at net worth if management decides to push through a delisting. The option is to hang on in hopes of a profit recovery.

Teague Payne
for an even better rate." He also comments bullishly on SRG which, he says, is "unusually short of stock, simply because of good consumer off-take, and is poised to produce good results for the remainder of the year."

Floor space was increased during the six months by only 1.5%, so productivity improvements were achieved.

While stocks jumped 40%, management reckons the total working capital showed little increase. Susman explains that stocks rose as a result of a change in policy. In the past, Woolworths has tended to keep stock at minimal levels, with the result that goods were often sold out. The new policy is to ensure goods are continuously available.

In the first seven weeks of the second half, group sales are maintaining the 27% growth rate. Susman says there are no signs of this trend abating and he is looking for full-year results similar to the interim. Bearing in mind that there are 27 weeks (26) in this half, and assuming margins are maintained, EPS for the full year is likely to be around 370c on a dividend cover of 2.4 times a total payout of 155c would be likely.

At R48, the prospective p/e would be 13 times, compared with the present historical p/e of 17.8, while the prospective yield would be 3.2% against the historical 2.3%. Analysts think 3.2% is not an unreasonable yield for a share of this calibre and that the current price is justified — always provided that expectations are met.

Gerald Hirschon

Woolworth's results for the six months to December help to explain the 172% rise in the share price since January last year.

Group sales showed hefty real growth, with a 27% advance to R1,36bn, and the profit performance was even stronger with net income before tax climbing 40% to R124,2m. The effective tax rate was marginally higher and that left attributable income up by 37%.

According to chairman David Susman, the group is now enjoying some of the benefits of its R300m capital programme over the past five years. The spending was used to refurbish and change the image of the stores, install new fixtures and equipment and make use of new information technology.

The strongest sales growth was seen in the Woolworths chain where turnover was up 31%. Speciality Retail Group (SRG), which includes the fashion chain Truworths, and wholesaler Makro each produced sales increases of 23%.

Susman reckons Woolworths has gained market share, especially in the food and fashion sectors. He claims that more quality-conscious black buyers are shopping at these stores and there is large growth potential in this market which can be achieved without changing merchandise standards, styles or patterns.

Makro operates through only six outlets and is budgeting turnover at about R850m this year. Susman says that when the group bought Makro it was trading at a margin of 1.5%. Last year the margin was 2.2% and this year MD Mark Lamberti "is shooting
Business must be more competitive

says Barlow's Hall

Trabild looking for 30% growth

Business Times Reporter

TRABILD, the Lautium-based wholesaler and retailer of fabrics, curtains and light fittings, is emerging as one of the better recent listings with earnings up 78% in the year to December.

Thanks to acquisitions and strong organic growth, sales rose by 84% to R1,7-million, and operating income by 89% to R1,5-million. Taxed profit more than doubled to R2,3-million. Earnings a share were up 28% to 2,3c (1989: 1,5c) and a maiden dividend of 3c has been declared.

Chairman Hayaz Tayob is looking for 30% earnings growth in the current year.

The five-year taxed profit record is R17 000, R23 000, R66 000, R1,4-million and now R2,3-million.

Mr Tayob says: "The secret of our success is that we are traders. We buy and sell well."

"Our financial resources have been well deployed. They were used to buy Wolman and Royal Collection and in the establishment of showrooms in Cape Town, Durban and Sandton. The time has come, he says, for consolidation."

"We will maintain emphasis on strict financial controls and monitoring of working capital to improve margins in our drive to grow earnings by 30%."

Secret
Trailers on profit path 25/4/90

SALES of all types of commercial trailers are expected to top R300-million this year — a 3% not increase over 1989.

Heared Fruehauf Trailers deputy managing director John Hoare says the buoyancy will continue through the first half of the year, but is expected to slow after June.

Mr Hoare says 1989 was a boom year for the trailer industry in spite of continuous interest-rate increases.

"High interest rates have traditionally put the brakes on trailer sales. However, it seems the industry is becoming immune to interest-rate rises."

The estimated R300-million will come from the sales of about 3,000 trailers. Included in the figure is revenue from the sales of parts and repairs.
Trade with Africa is booming.
Informal sector rejects restrictive economic system

Own Correspondent

JOHANNESBURG. — The informal sector yesterday rejected an economic system which did not encourage free trade.

Responding to ANC hints that sections of a future SA economy may be "nationalised", many black entrepreneurs were non-committal and said they wished to study the matter further.

However, African Council for Hawkers president Lawrence Mavundla said his council was in favour of free trade because it made people more competent through competition.

"We have fought against laws preventing us from operating freely as the informal sector — a clear indication that we are committed to freedom in trade — and we do not want to go back to where we came from," Mavundla added.

Other businessmen, among them, the SA Black Taxi Association (SABTA), were non-committal.

SABTA's projects co-ordinator Tebelo Radebe said on Friday that the issue had not been sufficiently discussed by SABTA's members.

"We understand the reasons for Nelson Mandela and the ANC's call for nationalisation but we do not want to debate the matter in the press before meeting with various political groups," Radebe said.

Black Management Forum's Johannesburg Branch chairman Lot Ndlouv said although the forum had not met to discuss the issue, it was in favour of an open and fair economic system from which the majority of the people would benefit and which would work for the country.

"If the majority of the people opt for nationalisation the BMF will fall in line with them," Ndlouv said.

Richard Maponya, a black businessman, was quoted last week by a Johannesburg newspaper saying the ANC's nationalisation policy was the organisation's bargaining strategy, a trump card, to take to the negotiating table and with which it hoped to win concessions.

Maponya was also quoted as saying that he did not believe the ANC would make the same mistakes as SA's neighbouring countries.

Nelson Mandela issued statements shortly after his release reaffirming the ANC's adherence to a "nationalisation" policy.

However, when concern reigned in the business world Mandela compromised saying the issue would be negotiated with all interested parties.
Trabild group forecasts 30% more earnings

SYLVIA DU PLESSIS

DIRECTORS of specialist retailers and wholesaler Trabild Group Holdings are forecasting 30% growth in earnings for the current year.

Their confidence comes after earnings for the year to December 1999 climbed 78% to 9.3c (8.4c) a share.

The textile, lighting and hardware group — listed in December 1999 — had higher sales in all divisions, acquisitions of complementary businesses and a rights offer.

This helped boost taxed profits by 119% to R3m on turnover growth of 94% to R47.7m. A maiden dividend of 3c has been declared.

Chairman Rianz Tayob said at the weekend R4.2m raised in a rights offer during this period had funded growth.

Reliance

Wolman and Co was acquired from Anglovaal subsidiary Universal Knitters and Weavers with effect from March 1 last year.

Wholesaler Royal Collection, acquired on July 1, and also allied to the existing businesses of the group, was expected to continue making a significant contribution to earnings in the coming year.

Tayob said a small light manufacturing plant acquired by the Trabild's Venus Lighting division during the year would further reduce this division's reliance on imports.

Turnover in this business had almost doubled since the acquisition, and local growth potential and future potential for exports in the division were "extremely promising".

Looking to the future, he said the current year would be characterised by organic growth and a necessary period of consolidation.

Given a stable socio-political environment, he said, earnings growth in the region of 30% could be expected.
Emerge into new peak despite economy
Backed by overseas investor

Management buys out 75% in Morkels

By ARI JACOBSON

MARKET rumours of a Management Buyout (MBO) in the Federale stable have rung true with the sale of its 75% stake in furniture retailer Morkels for R28.5m to a consortium led by its management and backed by an overseas investor.

Federale’s domestic consumer goods chairman Neville Organ, while not wishing to name the overseas party, said it represented capital inflows which was much needed in this country.

From Federale’s viewpoint, the disposal of Morkels was aimed at tightening the focus of the group’s domestic consumer goods interests, said Organ.

“Morkels has a comparatively small share of the furniture and electrical retail goods market, which is quite volatile and exposed to a high degree of government intervention through credit restrictions on hire-purchase sales.”

These restrictions battered Morkels performance in the nine months to end-December with turnover up a mere 2.4% at R139m compared with R133m for the same period last year.

Poor margins saw operating profit fall 24% to R12.6m (R16.5m) with the trend continuing as bottom-line profits plummeted 33% to R4.8m (R7m).

Morkels MD Carl Jansen said at the time there was little opportunity for recovery in the final quarter.

He added: “Morkels was a profitable business which had climbed several peaks over the past few years.”

Market sources said the MBO was a logical step for an exceptionally strong management team. This was backed-up by Organ, who said the furniture retail industry was well served by companies with strong management participation.

In terms of the agreement, Federale will sell its 20 000 000 ordinary shares for R5c a share.

The disposal is cum-dividend and the consortium will receive the final Morkels dividend for the financial year to end-March — about 4c a share.

The consortium agreed to make a similar offer to the minority shareholders.

The disposal will have no significant effect on the earnings or net asset value a share of Federale.
Business confidence index unchanged

By Jabulani Sikhakhane

Business confidence remained unchanged in February, despite some of the most important political developments seen in decades.

The South African Chamber of Business (SACB) index for February remained intact at 95.9 — the same level as in the period December 1989/January 1990.

The SACB says confidence remained unchanged when concerns about SA's political and economic future came to the fore.

In the same month, the debate over the merits of nationalisation and redistribution of wealth gained momentum and the fickle link between the present and expectations for the future was emphasised, the SACB says.

Among the positive factors were upward trends in the dollar price of gold and the rand/sterling exchange rate.

Others were the recovery in the JSE overall market index, a fractional increase in real retail sales and the higher volume of manufacturing production.

But a slight increase in the consumers' price index and the Bankers' Acceptance rate, a decline in the number of new cars sold and a fall in the number of building plans passed were among some negative influences.

The fall in the value of exports when the January figure is compared with December's was another factor.

The SACB says the skittish reaction of overseas investors to various political pronouncements, together with the sharp falls experienced in recent days, have served to stress the underlying instability of world financial markets and the persistent international economic imbalances which exist.

The SACB says the uncertainty created by such instability, both locally and internationally, is likely to inhibit a large-scale inflow of foreign funds into SA until there are clearer indications of the political and economic directions it will follow.

However, there are increasing signs that international creditors are willing to roll over portions of SA's foreign debt.

Coupled with the promising trade balance in January, this suggests SA will be able to meet its obligations.

It says the Budget, to be tabled on March 14, will be crucial in determining economic performance in the months ahead and will also influence business perceptions and market sentiment.
Nafcoc to investigate nationalisation

The African National Congress has asked the National African Federated Chamber of Commerce to conduct an in-depth investigation into the nationalisation of business in South Africa.

In a statement yesterday, Nafcoc president Dr Sam Motsuenyane said the ANC made the request at a meeting in Lusaka between Nafcoc and members of the ANC's executive committee.

The meeting had discussed the ANC's stated aim of nationalising mines, financial institutions and large corporations.

He said Nafcoc would call on major South African businesses to attend a conference in May to discuss the issue.

At the meeting in Lusaka it had been agreed that any policy of nationalisation would be carefully applied and all facts surrounding the issues would have to be considered.

"Nafcoc has been asked by the ANC to play a major role in compiling these facts," Dr Motsuenyane said.

"While nationalisation will not necessarily solve all our socio-economic and political issues, it can undoubtedly serve as a vehicle to provide an answer to some of them," he said.

Alternative methods of redistributing wealth had to be examined, including the persuasion of companies to "hew off portions of their productive assets and pass these over to the disadvantaged black majority in order to hasten black economic participation and empowerment".

One viable alternative, he said, was concerted action programmes by government and the private sector to facilitate black economic participation.

He added: "Nafcoc and the ANC share the concept of a mixed economy in South Africa, and one that represents a realistic acceptance of the situation that must prevail in the future." — Sapa.
WALTER Sisulu shook the JSE on Friday by telling a Wits Business School breakfast that the ANC would not budge on its nationalisation policy. The veteran ANC leader delivered a hard-hitting speech about post-apartheid SA to more than 500 businessmen and bankers, including Reserve Bank Governor Chris Stals, Anglo American outgoing chairman Gavin Rety and JSE president Tony Norton.

Mr Sisulu reiterated ANC policy of nationalising "monopoly banks, mining houses and financial institutions". Businessmen were disappointed that their warnings had gone unheard by the ANC.

Central

Mr Sisulu said "creative nationalisation" was central to the ANC's economic policy. Asked whether the ANC had considered any options to nationalisation in the face of foreign investor jitters, Mr Sisulu said it had not. The main objective of ANC policy was to uplift the economy with "righteous injustice". Nationalisation was the best method to do so. "But we will not adopt a mechanical approach to nationalisation, rather we will be creative within given circumstances. The aim is to rid SA of present inequalities in terms of wealth."

"Sometimes one must go to war to secure peace. We realise that in the short term nationalisation may discourage foreign investment, but believe that in the long term it is the only solution." A democratic SA would have to pursue an activist economic programme. Business would have to play a major role in funding the State's requirements for the redistribution of income.

Mr Sisulu listed some ways to achieve a mixed economy: ○ Curbs on monopoly power through legislation and dismemberment of some key conglomerates to bring industry and its development closer to the workforce. ○ Greater diffusion of power in industry through the spread of ownership by share ownership schemes. ○ Recapturisation of privatised concerns, not only to maintain the industrial and service infrastructure, but to facilitate wealth redistribution.

Mr Sisulu said the ANC had not yet seen anything approaching a fundamental re-casting of policies either by business or the Government. "This explains why our people suspect that the main concern of both Government and business is not the dismantling of the key structures of apartheid, but rather the winning of international acceptability through the removal of anti-apartheid sanctions and boycotts."

He stressed that the business community had to recognize that old ways of resolving crises could not work.

Mr Sisulu called on businessmen to put aside their fears and work with the ANC. "Together, we can forge a vibrant, prosperous SA."
Chin up, consumers

Nelson Mandela's repeated insistence on nationalisation may have hurt investor sentiment and the rand but it appears to have had little impact on local consumer confidence.

Purchases of durables, such as furniture and household appliances, are usually an accurate barometer of consumer sentiment. But Rusfern's (see Fox) retail outlets had no ill effects in the wake of Mandela's Cape Town speech. Says financial director Merwyn Gerszt: "Business did take fright and, there was a hiccup in consumer confidence, but it lasted only a week, then everything recovered."

However, Dion MD Jannie Els describes the post Mandela release period as "a blood letting for us."

He adds: "Those who buy on credit and place only their 10% deposits at risk are still buying. But the more sophisticated consum-

er with cash, whom we regard as our target market, is adopting a more cautious attitude. Sales to them have dropped by 15%. Hopefully, this will be a short-term situation."

Frans Jordaan, executive director of the Furniture Traders' Association, says only one member attributed a drop in sales last month to the Mandela release. "Like most of my members, I feel the Mandela factor is of no great significance. February is normally a bad month and there is never a shortage of people prepared to advance reasons, real or imagined, to explain their poor performances."

Domestic Appliance Manufacturers' Association of SA chairman Richard Fererer says his members are more concerned with what will be the effects of the March 14 Budget. They feel measures taken by government to cool the economy, such as higher interest rates and more stringent HP conditions, affect their fortunes more than Mandela's views.

It's these factors, more than Mandela, that are hurting car sales, particularly used cars, says National Association of Automobile Manufacturers of SA executive director Nico Vermoulen. "The downswing in our fortunes started in the middle of last year and had nothing to do with Mandela."

National Association of Home Builders' executive director Johan Grotsius says there are plenty of home alterations taking place and very little work has been cancelled. He's looking forward to an "acceleration caused by improvements in the economy."

Two signals emerge from the International Home-moving industry. SA Furniture and Warehousemen's Association chairman Brian Goldie has noticed a significant increase in inquiries from people thinking about emigrating.

But past-chairman David Bradford disagrees. "The exodus we thought Mandela's views would provoke hasn't happened. Many potential customers told us they are reconsidering their decisions to move overseas because they see the country becoming more stable. Of interest is the number of South Africans who now want us to move them back again."
to dividends reaching 16c a share this year and rising by inflation plus 3% in the next two years, with dividends covered at least 3.5 times. Earnings of 55c a share were forecast for the current year, though 3.5 times 16c is actually 56c.

Even though the subsequent purchase of the Furniture Fair chain in the western Cape added the equivalent of 50c a share to pro forma 1989 earnings, this was a stiff target. But the latest interim, reporting 6-month earnings in excess of those for the whole previous year, suggests it's in reach.

CE Geoff Austin now says the target is a compound growth rate in EPS of 50% a year for five years from the June 1987 listing, or earnings of 95c a share by the year to June 1992. That will require only more modest growth in 1991 and 1992.

Comparable turnover in the latest period grew 23% (37% including Furniture Fair), so margins improved. Austin says that, contrary to some perceptions, total furniture sales in December were 20% up on the previous year, but the improvement came at the top and bottom — the middle was squeezed. Rusfur benefited from its broad spread.

Confirmation for part of this view comes from the poor results at Morkels (now itself the subject of a buy-out) and for another part from the recent strength in the share price of Ellerine, which sells largely to the black market.

Cash sales fell from 42% of the total to 38% — still high by industry standards — but the policy of building up provisions against debtors continued and these are now almost 20% of the book. However, the group makes no provision for deferred tax, which though an acceptable policy affects the quality of reported earnings compared to some others in the sector.

Despite the excellence of these results, earnings in the invariably less profitable second half will still have to grow 50% to meet the 55c annual forecast.

The buy-out was at then NAV of 140c a share (since trimmed by the Furniture Fair acquisition but pushed up to 147c by retained earnings). The share is still 140c, at which the forward p/e is 2.55 and prospective yield 11.4%. Spending on consumer durables may slacken, but there's no reason to doubt that an entrepreneurially driven Rusfur should continue to outperform the sector. While current tough economic conditions continue a rerating may be difficult to achieve, but if Austin and his team consistently come up with the goods it should be only a matter of time.

Michael Cowley
Small business 'can help'  

PRETORIA — Current economic inequality would be a potent source of political instability in SA if it were allowed to persist, Small Business Development Corporation director Ben Vosloo warned here yesterday.

Speaking at a Pretoria University international conference on economic development in a changing socio-political environment, he said the informal sector had a vital role to play in improving the socio-economic prospects for millions of South Africans.

The current environment was marred with high unemployment, skill shortages, high population growth, shortages of foreign capital and housing and retarded rural development. He said as much as 46% of SA's total economic activity went unrecorded.

This would include a large amount of understated economic activity for tax purposes.

It also suggested, however, the informal sector or the second economy was much more significant than most people realised, he said.

GERALD REILLY

This led to major distortions and inaccuracies in official statistics and distorted perceptions of economic reality.

Vosloo said although progress had been made there was still too much regulation, a taxation system unresponsive to the value of hard work and innovation and unnecessary bureaucracy.

However, it was not all government's fault, he said.

Retailers sought to fend off competition from the informal sector and whole sectors of the economy were rife with uncompetitive practices, from blatant cartels to more subtle restrictive practices.

Vosloo stressed there was a need for a specialist agency with government financial backing to make capital available for promising small businesses.

He said excessive government growth had to be cut back and a tax system provided which would encourage equity investment.
Curnow earnings show decline of 34% 
CURNOW felt the effects of the economic slowdown as earnings for the 12 months ended December 31 declined by 34% to 4,2c.

The dividend was also lowered to 1,75c (3,6c).

The group is a distributor of automotive paints and refinishing products to panelbeaters and the DIY market. Turnover advanced to R33,5m (R27,5m), but operating profit declined to R2,2m (R2,7m).

The directors indicate the streamlining activities of the group have taken longer than expected, explaining the disappointing profit performance.

IMF says gold bear market is over 
WASHINGTON — The International Monetary Fund (IMF) said the "moderate" $9,15 per ounce decline in the market price for gold last year, and other developments, suggest the two-year gold bear market has come to an end.

The IMF review of gold market developments over the past several years was published in the current issue of the IMF Survey. The report did not quote the views of any IMF officials, but attributed most of the comments about price trends to unidentified "market analysts".

Last year, the report said, the $9,15 per ounce decline in the price of gold in the London market was moderate compared "with the much sharper decline of $75,35 an ounce in 1988 and $95,50 an ounce in 1987".

After noting the gold prices averaged $410 an ounce in the London market at the close of 1989, the IMF report said some analysts were estimating that the market price for bullion could reach $450 an ounce in 1990.

The IMF itself is sitting on 103-million ounces of gold, subscribed earlier by member countries. But it neither buys nor sells gold.

The report said market analysts are forecasting higher gold prices in 1990 because, "in their view, lingering concerns over accelerating inflation, uncertainties over developments in Eastern Europe, and indications of an increase in demand for gold for investment purposes will continue to provide some support for gold prices". AP-DJ.
IS THIS MAN A KILLER?

He saw victim hacked with broad ax, but refused to die.

ATTENTION!
George Beeton has been named heir-apparent at Edgars as Vic. Hammond prepares to retire at the end of the year.

Mr Beeton, until now managing director of the Edgars chain, becomes group managing director from April 1.

He steps into big shoes - just as Mr Hammond did when he took over from Adrian Bellamy seven years ago.

Mr Hammond's record is outstanding.

Mr Hammond will step down at the end of December. Until then, he will be executive deputy chairman and chief executive officer.

John Bellis will take over from Mr Beeton as boss of the Edgars chain. Don Etheridge, managing director of Sales House, becomes MD of Jet Stores. He will retain responsibility for the Zimbabwean operations of Sales House and Express Stores.

Ian Thomson, merchandise director of Sales House, becomes managing director of Sales House.

Darryl Cousins, managing director of Jet Stores, becomes group general man-
Traders flare at CP council’s No to Chinese

By TRISH BEAVER

THIS Springs business community is fuming about a city council refusal to accept an influx of skilled Chinese immigrants from Hong Kong that would have pumped a potential $1.1 million into the local economy.

The resounding refusal by the management committee of the CP-controlled council came despite the docketing of Conservative council chairman, Mr. Gert Farnen, who was an outspoken supporter of the plan.

A six-to-four rejection by the council, which would have brought 20 families to Springs, cost the area at least $1 million to cash into the area - less enraged Springs busi-

nessmen.

Angry independent councillor Mr. Theo Sladen spoke out against the council decision in both the council and the council’s No to Chinese.

"It would be insane to turn down this type of investment," said an embattled Mr. Sladen. "It would be beneficial to all the people of Springs.”

The proposal outlines the immigration of about 300 Hong Kong Chinese families to a particular area in Springs.

Assets

Each family would bring with it liquid assets worth at least $2 million, of which 20 percent would be invested in farms, 20 percent invested in establishing license agreements and the remainder 30 percent used to establish commercial or businesses or invest in other commercial enterprises.

Mr. Sladen pointed out that there had already been some interest in developing industrial land outside Springs and that it would be fairly easy to turn away this type of investment merely because of racial prejudice.

Springs businessmen were also furious that the meeting was held in camera. They believe that a meeting of this importance to the economy of the area should be open to all.

Mr. Dick Goss, manager of the Springs Chamber of Commerce, said reports on the meeting could be open to the public and the issue needed to be decided.

"When the issue of Hong Kong is brought back to the rest of China, there will be an endless demand for skilled people wanting to escape the consequences of communism," he said. "Why shouldn’t South Africans benefit from these skills?"

"It is not as if they are penniless refugees from some backward country. They are educated and skilled and they also need an outlet for their council to reject this proposal."

Drugs

"Drugs in the area is a problem."

Mr. Stan Smith, public relations officer for the Springs municipality, believes that the rejection was not on racial grounds.

He said: "The feeling was that the council opposed the proposal due to fears of a drug trade developing along with it and the arrival of Chinese people living in white areas in Springs with no problem. The council didn’t oppose any plans for any Chinese period to set up businesses.

Council chairman Mr. Far-

In the area.

"It is up to the members of the council to vote as they wish. I do not think I was蹙tering the CP stand.”

The range also sparkles in La Chanson, Sauvignon (Méthode Champenoise) and Chardonnay (Méthos
Farm killing adds to strife in East Cape

BY BILL KNIEGE

SIMMERING unrest in the Eastern Cape has spilled over into murder and violence, and several towns have been crippled by black consumer boycotts. Many Border businesses have been forced to close down as municipalities grapple with political and social problems.

On Friday, East London farmer Mr Ivan Moes, 55, was found stabbed to death in his bathroom — the sixth attack on farmers in the region within a fortnight and the second murder.

In nearby Gisel with unrest seething,

In the Peddie region a youth was shot dead this week and Gisel police jamb-bakked villagers to coerce them into attending the homeland's Heroes Day celebrations.

A state of emergency has been declared in many districts and defiant Xhosas are openly destroying their membership cards of President Lennox Sebe's ruling Ciskei National Independence Party.

Stabbed

In Mdantsane, where at least 10 people were shot dead after the release of ANC leader Nelson Mandela, a staff strike has crippled the hospital and widespread looting of shops has caused losses of millions of rand.

Across the border in South Africa Mr Sydney Moorcroft, brother of Democratic Party MP Mr Errol Moorcroft, was the fifth victim of a spate of violent attacks on farmers in the Stutterheim district.

Said Mr Moorcroft, who was stabbed in the stomach: “We all know what's behind it. It's nothing but blacks wanting to seize power.”

But Stutterheim's Mayor Nico Ferreira said he felt widespread unemployment and hunger had sparked the boycott, which has devastated businesses reliant on black custom.

Fourteen ventures have closed since September.

Mr Ferreira estimated annual white spending power in the area at R8 million and that of blacks at R3 million.

In nearby Cathcart, the black consumer boycott has continued in violence.

Community leader Mr Kenneth Sigidi said a white man who allegedly tried to force blacks to break the boycott was set upon and his van was burnt after he fled.

Mr Sigidi said his telephone had been disconnected in an effort to isolate the boycott leadership.

TENSIONS

A letter addressed to Cathcart residents was distributed at a meeting on Friday to discuss ways of breaking the boycott.

It read: “We would like to prevent as much violence as possible from going into the township and thus force blacks to stop boycotting.

“This can be effected by either being your own servant or putting them onto short-time and reducing their salaries appropriately. This can be done on the understanding that they will be re-employed when the boycott is over.”

Mr Sigidi said racial tensions were so great that outside mediation would be needed to restore peace.

Said the deputy mayor of Komga, Mr Ivan Hutchings: “They have all asked exactly the same in all the towns. They started with complaints about sewerage disposal but as soon as one addresses the problem they raise something else.

“Community leaders demanded a high school but when they were told a Std 8 class could open next year and a Std 9 class the next that wasn't good enough. They had to have the whole thing now.”
Businessmen, ANC discuss economy

By Robin Drew, The Star's Africa News Service

HARARE — Prominent South African businessmen spent a day and a half in Harare at the weekend locked in discussions behind closed doors with a delegation of leading ANC officials.

In a joint statement, the two groups said they had noted the following broad issues:

- The urgent need to address economic inequality and poverty.
- A thorough ongoing process of human resource development.
- The need for a speedy process to dismantle apartheid.
- The need to create a political and economic environment which will encourage both local and international investment in a post-apartheid South Africa in order to ensure rapid economic development for the benefit of all South Africans.

The statement said it was agreed that a continuing dialogue should be encouraged to address the main issues identified.

The discussions covered the nature of the South African economy, including the declining industrial base, the question of confidence in the economy, issues of poverty and inequality and the role of business in political and economic transformation.

The businessmen, representing major corporations, are members of the Consultative Business Movement, who support transformation to an effective and just political economy in a non-racial democracy in South Africa.

The agenda included a presentation by the ANC of its view of the economy.
the House of Commons.

The Speaker, Mr. Deputy Speaker and the Deputy Speaker were in the Chair.

The House adjourned at 8.00 p.m.

Tuesday 6 March 1990
Bid to forge unity

By JOSHDUB RADOROKO

In an attempt to forge unity among black Soweto business people, a meeting of all traders associations is to be held at the Funda Centre tomorrow at 2 pm.

Convenor Mr Sam Noge said the Greater Soweto Chamber of Commerce and Industries (GSCCI), the Orlando Traders Association (OTA), the Diep/Meadow Chamber of Commerce, the Dobsonville Chamber of Commerce (DCC) and the Soweto Independent Shop-keepers Association (Sinosi), have been invited.

Noge, who is treasurer of GSCCI, said the meeting was important because unity was needed among the black business people who must speak in one voice in opposing apartheid.

There was no need for many associations to exist.
Tradegro's interim dividend up 25%

Sylvia Du Plessis

Good performances from most of the Tradegro stable's companies have allowed the retailer-wholesaler to lift earnings to 78c a share from a corresponding 59c in the six months to December.

The comparable figure of 59c excludes Rusfun's contribution, because the furniture group was disposed of with effect from July 1. (see 31 July)

Directors have declared an interim dividend 25% higher at 6c (5c) a share, after taking into account the mismatch of income arising from the disposal.

Tighter management at operating level boosted operating profit by 20.6% to R23.3m (R18.9m) to buy the bottom line, which reflected a 59.6% increase in attributable profit to R14.4m. This compares with profit of R8.6m in

Tradegro dividend

1988, excluding the substantial R27.7m posted by Rusfun. It was achieved in spite of Tradegro paying interest on its borrowings for the four months to October.

Because it received the proceeds from the Rusfun disposal at the end of October, it had the benefits of this for only two months of the period under review.

Tradegro MD Donald Masson said all companies other than Stuttafords/Greatermans and Jazz — now a wholly-owned Metro subsidiary — had recorded rises in pre-tax profits.

Soon-to-be-listed Smart Centre turned in its best performance, with pre-tax profits increasing 47.2% to R12.5m. This was followed closely by Cashbuild, which raised profits at this level by 38% to R9.9m.

Checkers performed "in line with budget and expectation", improving profits by 29% to R19m, while wholesaler Metro — boosted by its core business' performance — posted a similar rise to R22m. Jazz, hit by consumer boycotts and fierce competition, posted profits 91% lower at R400 000.

Pre-tax profits for Coreprop declined by 0.9% to R3.3m. Stuttafords/Greatermans reported a 0.8% drop to R2m due to start-up costs of its new Westgate store.

According to Ed Hern, Rudolph analyst Sid Vianello, Checkers had "on the face of it" improved its operating margins, but included in its pre-tax profit would have been interest received on its cash deposits. "If you strip my estimate of this interest out of Checkers' pre-tax profit, then profitability may not have increased at the same rate of sales, in which case trading margins declined during this period. This would mean Checkers has been buying market share at the expense of margins."

In view of this, he doubted if it would meet its forecast margin of 2% by 1991.

Tradegro's shares closed unchanged at 17 35c yesterday.
Retail future 'lies with blacks'

THE future of the retail property industry lies with the black market, yet of all market sectors this is probably the least accessible to the white entrepreneur, says retail property specialist Penny Clemson.

"This market, even in rural areas, is more sophisticated than is often believed," she said.

There was also a high level of suspicion by black businessmen who felt they had often been taken for a ride by white business fly-by-nights.

In spite of these difficulties Clemson is turning her increasingly towards this sector.

Success:

"I have become involved in a loose association with a number of professionals in the property industry.

"We are investigating the retail opportunities offered by country towns and black areas, with a view to putting together small shopping centres."

Developments such as these are a far cry from some of Penny Clemson Property's past success stories.

She has been involved in all aspects of the retail industry, from planning new centres to revitalising older ones. Last year she worked with J H Isaacs in leasing space created by tensions to Rosebank Mall.

"In this development, it is necessary to achieve a delicate balance between new retailers who have not been in business before and the well established companies.

"We aimed to create an exciting shopping venue with relatively few chain stores and no conventional main anchor tenant. This is a common trend in neighbourhood shopping centres."

However, the trend presented some significant problems.

"It is easy to speak of centres without a conventional anchor — yet supermarkets and chain stores give a centre credibility."

"In the Mall, the cinemas served as main anchor — and I believe it is largely due to them that the centre is as successful as it is. While the smaller tenants do not have the staff to stay open late, people come to have a meal and see a movie, and then spend time window-shopping."

While working on this contract, she was also involved in letting a large portion of Maritzburg's Seigro Centre, aimed primarily at the urban black market and tenanted mainly by Indian family businesses.

Here the OK Bazaars had been established as a main tenant. When it relocated across the road it left a large gap, with the threat that the centre's clientele would also move.

Clemson's role was to improve the tenant mix and positioning of various stores, and let the space.

"The retail market is a very specialised one. It is probably more sensitive to the individual needs of each tenant than any other facet of the property industry, including residential property," she said.

"Every shop has to be in exactly the right position relative to its market and its competition, or it will fail."

It was important to recognise the needs of different markets.

Trust

"In the more upmarket areas, entertainment for the whole family is taking over as the single most important factor. A centre that fails to make shopping fun fails all round.

"But in areas where transport is a problem and where the family car cannot be taken for granted, the main issue is convenience," she said.

"The market presents many challenges — in gaining trust, designing creatively to meet the customers' needs, and producing a quality product at a price people can afford."
Business is urged to negotiate new economic deal

CAPE TOWN — SA businessmen were urged yesterday by Pick 'n Pay chairman Raymond Ackerman to negotiate a new package with government to ensure that redistribution of wealth was achieved without damaging to the economy.

Speaking at a Cape Times/Seeff Property Organisation breakfast meeting, Ackerman said a free market economy was the only way of achieving the growth needed to begin fulfilling the aspirations of most South Africans.

He said economic growth of about 7% a year would, for example, achieve 100% growth in wealth creation in SA over 10 years, he said.

Ackerman presented a four-point plan which he felt would help to bring about more equality in the workplace. Besides promoting on merit and establishing employee share schemes, businessmen could negotiate with government for better housing, education and social conditions for their employees.

His plan also included persuading black leaders to apply moderation in economic decision-making and encouraging international countries to review sanctions policies.

"Nationalisation will not happen as long as we South African businessmen make our contribution to a stronger, more equitable economy," he said.

Ackerman said Pick 'n Pay had invested between R60m and R70m in housing schemes and education and expanded the membership of its employee share scheme from 2 000 to about 5 000 last year.

It had also started buying some of its produce from small businesses and the informal sector.

Ackerman said that in discussions with President F W De Klerk he had recommended the diversion of more funds into black housing, education and social upliftment and had encouraged the board of a US food company, which had recently visited SA, to recommend a review of US sanctions legislation.

Meanwhile, Sapa reports from London that an SA diplomat told Exton College's Political Society that removing or hampering the free enterprise system in SA now would soon lead to a repetition of the economic and social catastrophes of Eastern Europe.

Minister at the SA Embassy in London Justus de Goede said in his address, released by the embassy, that nationalisation of SA's mines would lead inevitably to investment in this sector being cut off.

"It would also erase a third of the market capitalisation value on the JSE."

He said up to six million people from neighbouring states depended on the SA economy.

"He said that SA, under whatever dispensation, would have to provide the moving force for regional economic survival."
Toy manufacturer Michi Hugo (centre) has been chosen Entrepreneur of the Month by the Small Business Development Corporation in the Western Cape. With her are George Magee (left), to whom she subcontracts work, Zambezi Sopangiza (right) and other members of the Yag-yag team.

A FORMER high school teacher, Michi Hugo, is now a successful toy manufacturer who has been chosen Entrepreneur of the Month by the Small Business Development Corporation (SBDC) in the Western Cape.

Part of her success is due to the fact that she subcontracts work out to other small business people in order to be able to meet all her customers' requirements without having to employ a large staff.

Michi decided in August 1993 to start her own business although, she confesses, she had very little in the way of funds, no workshop or tools and no business plan.

But, recognising a gap in the marketplace, she took a short course in pre-school education to give her insight into the type of products needed. Then she began looking for suitable premises.

She also acquired a silent partner in businessman Henry Wiggins, who works for a Stellenbosch company. He contributed a dormant company, Yag-yag Toys (Pty), and administrative support.

Production began in a 31 m² unit at the SBDC's industrial complex at Blackheath. The only equipment was an unfinished workbench, a few old woodworking tools and a pile of reject wood.

Michi says business began "painfully slowly", making simple wooden puzzles for toyshops in the area.

But five months later her big break came when the Yag-yag puzzles were seen by a representative of the Human Sciences Research Council (HSRC).

Acting on behalf of Coca-Cola, which was involved in a community project for underprivileged black children, the HSRC gave Yag-yag its first major contract worth more than R100 000.

It involved producing 320 toy boxes with puzzles, peg boards, cloth balls, wheelbarrows and fantasy boards with toy houses, cars and trees.

Michi subcontracted some of this work to other small businesses, most of them in the Blackheath hive. The toy boxes were produced by a carpenter, the balls by an upholsterer and screen-printing by an outside contractor.

The HSRC gave a further order, worth R300 000, in January and others are in the pipeline.

Subcontracting is still a big element in the business although Yag-yag is continually increasing its own capabilities.
Prefcor takes joint control of Garlicks

SYLVIA DU PLESSIS

DURBAN-based retail chain Prefcor has gained joint control of Garlicks with immediate effect.

The move came after it bought the Garlicks Family Trust's 50% interest in the upmarket departmental store's controlling company, Jano Retail Holdings (JRH).

The transaction, for an undisclosed sum, follows negotiations between Prefcor and coal mining group Kangra, which has held the remaining 50% interest in JRH since December 1988. The two will have joint control of Garlicks.

In terms of the deal – the culmination of three months of negotiations – Garlicks' management team is to be strengthened and financially restructured.

Prefcor chairman Terry Rosenberg, who is to sit on the newly constituted board, said yesterday department stores had a future in SA in spite of arguments to the contrary.

While Prefcor had played a role in the further development of Garlicks “as an exciting shopping experience”, these would be finalised once management was consulted.

Other new board members include Prefcor executive director Clive Weil (former Checkers MD) and Beares executive chairman Bynie Sibul (former Dion MD).

Kangra's chairman (and current Garlicks director) Graham Beck and financial director Allister Rogan will take up board positions, while Garlicks joint MD Jack Garlick will stay as non-executive director. Joint MD Noel Boyce will act as a consultant during the changeover.
THE spillover effect of the consumer boycott of the Boksburg CBD and the opening of an OK Hyperama meant lower than anticipated returns for Hyprop Investments, the JSE-listed variable loan stock property company.

Total earnings a combined unit in the year to end-December increased 8% over the annualized 1998 figure because the rental contribution from the East Rand complex — which houses Pick n Pay — were lower than expected. However, Hyprop’s Peter Bohrmann says Pick n Pay anticipates sound turnover growth in 1999 so rental income from this source should increase.

Rental and interest income increased 30.5% to R16.9m. A final distribution of 30.75c a combined unit was declared giving a total of 56.75c a unit for the year.
Checkers finds going gets tougher

Sylvia du Plessis

Checkers will meet its forecast of a R30m bottom line in the current year to June, but the going will be tougher than initially expected.

Long-term margins will not grow at the expected rate, according to MD Sergio Martinengo.

He said yesterday sales during the six-months to December had shown month-on-month real growth of about 7%. However, management had noticed a "tremendous" decline in the economy since January and sales projections since then had not been up to expectations.

"The supermarket industry has been hit last and competition is very tough now because people are downgrading on what they buy. The corollary is that this will filter down to the bottom line in the current year.

"While we haven't revised our R30m forecast downward — and we're still very much on track to meet our projected R47m by 1991 — the indications of the economic climate are that it will be difficult for us to come up with this."

Management had met on Tuesday to redefine its marketing strategies. He declined to elaborate, but said a new advertising campaign would "break" by mid-April.

"Our current strategy has been quite successful, but we have to keep abreast of developments or we might slip up," he said.

Checkers, announcing halfway results with parent Tradegeo this week, posted sales 21% higher at R1,583m (R1,383m). Pre-tax profits were 28.9% up at R92m (R71m), indicating margins at this level of 0.57% (0.43%) — still far off the 2% Martinengo was originally hoping to reach by 1991.

He said the downward trend in sales since January would continue until mid-year, but a revival in the market was likely from July-August.

Checkers would "get close" to a 1% margin by year-end. While he was happy with its market share growth and interim stage performance, the 2% margin projected for 1991 would be shifted a year ahead.
City family sells stake in Garlicks

By AUDREY D'ANGELO
Financial Editor

THE Garlick Family Trust has disposed of its stake in the department store group to Durban-based Prefcor — better known as Beares — for an undisclosed amount.

But a director, Allister Rogan, said yesterday that it would be business as usual for Garlicks with no drastic changes at the Adderley Street store which has been part of Cape Town life for more than a century.

"The store will have the same target market and Cape Town people will not notice much difference."

Garlicks was the subject of a bitter takeover battle in 1988 after two directors, Jack Garlick and Noel Boyce, offered R38m for it. They offered R12 a share and offered to redeem the 1m preference shares at R2 each.

A Johannesburg-based consortium tried to obtain control by buying pyramid company Garlicks Consolidated (Garcon).

Finally, after the dispute reached the Supreme Court, Garlicks was bought by the Jano consortium, which included coal mining magnate Graham Beck, Jack Garlick and Noel Boyce, for R42m.

The company was delisted from the JSE. Garcon was later sold, as a cash shell, to Unidev.

Yesterday Beck's Kangra group issued a statement that, in co-operation with Prefcor, it had acquired 100% of Garlicks controlling company, Jano Retail Holdings, from the Garlick Family Trust.

The statement said Kangra previously held 50% of Jano.

Kangra, like Jano, is an unlisted company and company spokesmen refused to give any details of the purchase price.

The new board of Garlicks includes former Checkers MD Clive Well, who successfully turned the supermarket chain round and is now a director of Prefcor.

Other members of the new board are Prefcor chairman Terry Rosenberg, Hymie Sibul, Graham Beck, Allister Rogan and Ken Geeling. Jack Garlick will remain a non-executive director.

A spokesman for Prefcor said the management team would be strengthened and the group would be restructured financially with the help of the Standard Bank. A team from Prefcor are expected to meet Garlicks management next week.

Allister Rogan said yesterday: "The Garlick Family Trust's share of the business has been sold to Prefcor, and that suits us better."

"Kanga has never been involved in the running of Garlicks — our business is coal. Garlicks will now be run by Prefcor. They understand store keeping."

Asked if the character of the store would change, to become more like Beares, Rogan said: "Garlicks should trade as normal. People in Cape Town will not notice any differences."

Since its delisting, Garlicks has not made its results public. Asked if these had been disappointing, Rogan said: "It could have been doing better. I believe the retail trade generally has not been doing as well since the economy turned down."
TBVC states’ reincorporation good for business

PRETORIA — National African Federated Chamber of Commerce (Nafcec) president S M Moisuenyane says the reincorporation of the TBVC states into SA would mean greater opportunities for businessmen of all population groups.

Motsuenyane said yesterday this could result in the creation of a climate in which business would operate more successfully without the usual constraints that presently exist in TBVC (Tramkei, Bophuthatswana, Venda and Ciskei) states.

He said from the economic point of view, those states had never been independent because there was one economic system in the whole area.

He said a united SA should remain a key objective of all peace-loving leaders.

He said government needed to do everything in its power to hasten the process of black participation in the economy to a meaningful degree.

Blacks were on the outer fringes of business and the main objective of the future was to bring them in the mainstream.

Motsuenyane said business should not be identified with a particular race group, but must be seen as an activity in which all people could participate fully and freely.

Asked whether the business community should align itself with political organisations, he said it would be difficult for businessmen to divorce themselves completely from politics as politics affected business community activities.

Organisations operating underground in Venda should be legalised, the Venda Chamber of Commerce and Industries decided yesterday.

Radio Thoboyandou reported the chamber would recommend to the Venda government the organisations be legalised “to enable them to vent their ideas since this underground operation has already caused the economy of the country a considerable harm”.

The chamber further resolved the government should investigate the possibilities of adopting the same general sales tax as applied in SA which would exempt foodstuffs from being taxed.

Venda’s government should also participate in the future negotiated SA, the businessmen decided. — Sapa.
Morkels' strategic horizon extended beyond its furniture retailer Morkels and sports goods chain TotalSports, MD Carl Jansen and financial director Terry Simon said yesterday.

And the recent management-led buyout from parent Federale, following an intensive strategic renewal programme, would allow directors to steer the group on this course through diversification and acquisition, they said.

They said in an interview West German textile group Daun et Sie, which backed the breakaway — effective from April 1 — had guaranteed financial support for future growth.

Growth entailed a move into specialty retailing to rid the group of its dependence on the cyclical furniture sector and achieve a “total balance”.

“We plan to expand 18-outlet TotalSports to about 40 stores over the next three years, and also see a future in fashion because it is less credit-intensive than furniture and we have skills in that area,” Jansen said.

“But there are opportunities in furniture outside of the Morkels target market. We’ll expand the chain and keep it focused where it is — the middle income — but if we continue to grow in this area we’ll look for another business pitched at the lower end of the market to give us a better spread.”

These objectives would not have been in financial reach had directors gone the management-buyout route, he said.

“We considered an MBO but decided against it because Morkels would have emerged debt-ridden and debilitated, and this would have eliminated our opportunities to grow it. It was more important for us to find a partner.”

Financial support for management’s objectives would be “readily forthcoming” from privately-owned Daun et Sie, which had also given management the option of acquiring 25% of its 75% stake in Morkels over the long-term.

Jansen said the group initiated a strategic renewal programme two years ago in a move which had “knocked profits by millions but was an investment in our future”. Money was put into computers, more productive use of storage space, redesigning stores and addressing the manpower shortage.

This programme, coupled with the financial backing guarantee, meant Morkels was about to “turn the corner”.

Earnings in the current year — 12c (17.7c) a share at the third quarter — were “not exciting”, but good management underpinned the economic downturn and directors expected evidence of a turnaround in the first quarter of the new financial year, he said.
High interest changes hammer Foschini profits

Companies
Car-makers expect sales to go downhill even faster

THE downhill trend in passenger car sales would probably gain momentum in the medium term unless some relief was forthcoming in the March Budget, National Association of Automobile Manufacturers of South Africa (Naamsa) director Nico Vermeulen said yesterday.

New-car sales in February fell 13% to 16 799 by comparison with February 1990's 19 341, but showed a 3.4% improvement over January's figure of 16 262.

In January and February, new-car sales fell by 7.3% to 33 051 from 35 654 in January. "Since the middle of 1989 new-car sales have weakened considerably," Vermeulen said.

"Official measures in the form of stringent fiscal and monetary policies to cool the SA economy continue to impact negatively on new-car sales." Vermeulen said the light commercial vehicle segment had established itself as the sector with the highest propensity for growth during 1990.

Sales of new light commercial vehicles and minibuses during February 1990 remained buoyant, rising by 729 units, or 7.9%, to 9 919 units, compared with 9 190 units recorded in February 1989.

Total new-vehicle sales in February fell by 5.8% to 27 601 (29 579), but rose by 5.4% against January's figure of 26 435.

Vermeulen said he expected that, with the exception of light commercial vehicles, comparisons with previous sales would remain negative for most of 1990.
Despite higher interest bill . . .

Foschini income rises by 17.5%

By AUDREY D’ANGELO
Financial Editor

THE Foschini group—which has 14 of its 296 stores in the homelands—will continue to expand this year undeterred by the current violence, joint MDs Clive Hirschsohn and Brian Belcher said yesterday.

Belcher explained: “Our stores in the homelands are all in first world shopping centres, and none have been damaged.

“We are obviously concerned about the violence but we see it as a temporary phase. It will not go on forever. It will not deter us from opening up new stores wherever there are sites for them to go into.

“Regional shopping centres are the shopping development of the future. And black consumers are the market of the future.”

Hirschsohn said the group was committed to opening another 24 stores in new shopping centres, including the N1 City. Most of them were not in black areas.

There were “a tremendous number of new shopping centres in the pipeline. And if these plans are transferred from paper into bricks and mortar we will go into all which have a reasonable tenant mix and look viable.”

Hirschsohn and Belcher were speaking at a press conference to announce the group’s results for the year to December.

These show that in spite of a 138.6% rise in the interest bill—due mainly to heavy capital expenditure on updating its information systems—net income rose by 17.5%.

Turnover was 25.1% higher at R661,1m (R538,4m) and operating income 25.3% higher at R125,2m (R99,3m).

But the interest bill rose to R14,2m (R5,9m) leaving pre-tax income of R110,9m (R93,6m).

The tax bill was 18.7% higher at R55,3m (R46,5m), leaving net income of R55,6m (R47,3m). Earnings at share level were 67c (57,8c).

The final dividend is 194,5c (188,5c) a share, making a total of 242c (206c) for the year.

Hirschsohn said the rise in operating profit had been achieved in spite of the fact that it had been a 53-week financial year compared with a 52-week year in 1998, showing that productivity had been increased. If there had been 53 weeks in the past financial year, the rise in operating income would have been 20%.

He said that although the rise in the interest bill was partly due to higher rates, the group had taken a deliberate decision to undertake high capital expenditure on updating its information systems.

The decision had been taken in 1998 because the directors foresaw possible difficulties caused by sanctions, and a weaker rand.

Discussing future prospects, he said the group expected “moderate real growth” in the current year.

“Trading is not easy at the moment—not as easy as at this time last year. But last year was exceptionally good, and we are still showing growth.”

The Pyramid company Lewis Foschini Investment Co will pay a final dividend of 28,75c (35,50c) a share, making a total of 122,50c (104,25c) for the year after-tax income was 17.3% higher at R11,6m (R9,9m) and earnings 590,7c (247,5c) a share.
Car Price Risks Below Inflation Forecast

expected to improve gradually. However, the industry's situation does not appear to be as serious as previously feared. While prices may be lower, the overall picture remains positive.

The automobile industry's problems are largely related to overcapacity. However, producers are taking steps to reduce this excess capacity. The trend towards more efficient production methods and the introduction of new models are expected to improve the industry's performance.

Inflation is expected to remain at a steady level, providing a stable environment for consumer spending. This will help to sustain the improvement in the industry's performance.

Overall, the industry appears to be on the right track, with improved efficiency and new product introductions. However, continued efforts are needed to maintain this momentum and ensure long-term growth.
Prefcor entrenches up-market status

A NEW force is rising in retailing. The sale of the last 50% family holding in the controlling company of the established Garlicks group this week has given impetus to fast-growing Prefcor.

The Durban-based group already has 169 furniture retailers and 52 Bee Gee clothing stores through the acquisition of Beecres last year. It also controls 11 Game discount outlets.

Plans

The addition of nine Garlicks stores — four in the Cape, one in Natal and two each in Pretoria and Johannesburg — takes the group upmarket.

Prefcor chairman Terry Rosenberg says: "You don't go into a deal like this without having plans, but we cannot disclose them until we have spoken to Garlicks management. It may have great plans of its own."

The Garlicks deal was clinched by Prefcor in partnership with coal magnate Graham Beck's low-key Kangra Holdings.

Mr Beck was a member of the Jeno consortium with Garlicks deputy chairman Jack Garlick and managing director Noel Boyce which took control of Garlicks late last year.

The partnership of Kangra and Prefcor has now bought the remaining 50% interest in Jeno held by the Garlick Family Trust. The value of the deal has not been disclosed.

The partnership says the transaction will include the strengthening of the management team, including the appointment of a new managing director, and a financial restructuring.

Strength

Prefercor has management strength in retailing. Former Dion managing director Hyrie Sibul and Checkers managing director Clive Weil joined the group last year.

Garlicks' board has been strengthened by the appointment of Mr Rosenberg, Mr Beck, Mr Weil, Mr Sibul, Kangra financial director Alister Rogan and another Kangra director, Ken Geeling. He is a former executive chairman of Shell in SA.

Jack Garlick will remain as non-executive director of Garlicks Stores and Mr Boyce will act as a consultant to the group during the management changeover.

The addition of Kangra's financial muscle to Prefcor's strengths raises intriguing possibilities of collective cooperation between the groups.

But Mr Rosenberg will not be drawn. "We are happy about the link with Kangra, but it is too early to say where we will go from here."

SA Bias Industries has bought the Kirton group for R11-million

SA's largest manufacturer of trimmings and accessories to the clothing, footwear and allied industries made a score of acquisitions in the last recession.

During the upswing, SA Bias was well-placed to grow internally. Its attributable income for the year to December was 22% up at R13-million. The lightly-traded share is at a high of 200c.

Chairman Christopher Seabrooke believes that the economic cycle from which SA Bias did so well last time is about to repeat itself. Kirton is the first of five acquisitions the group hopes to bring home. Kirton's products are sold under the Rubblette, Knitix and Arrow labels. It makes curtain tapes, hardware, accessories, louvre windows, doors and dry-wall partitions.

SA Bias is involved in curtaining through Narrowtex. Kirton's acquisition the Kirton deal to result in focused marketing and distribution.

Payment will be by the issue to sellers Bennmaudens of 357,000 SA Bias Industries shares at 250c each and the balance in cash installments subject to conditions. The sellers have given warranties and entered into four-year restraints of trade. The group has also bought Webbing Products for R1.1-million. It will be merged with the Quintex Webbings to consolidate SA Bias as the leading seat-belt webbing supplier.

The latest balance sheet shows SA Bias holds net current assets of R28-million. It expects growth to be in line with inflation notwithstanding an expected higher tax rate.

Although the Kirton acquisition will have had no effect on the earnings or net asset value of SA Bias in 1989, Mr Seabrooke expects the benefits to show in the next upswing.

OUR OWN INNESS

Mr. ROUL-UGAR
Against-the-tide
Claas backs Morkel

By Ian Smith

THE man behind the R30-million buy-out of Federale Volksbeleg- gings's 74.9% stake in listed furniture and appliance retailer Morkels is West German entrepreneur Claas Daun.

Mr Daun, who has always chosen to swim against the tide, has invested steadily in SA since 1988.

He says: "When other foreigners were disinvesting and even local businessmen were pessimistic, I saw the opportunities that this country offers."

Resources

Morkels management team under managing director Carl Jansen will remain in place.

Mr Daun says he will throw his resources behind the group when suitable acquisitions and development opportunities occur.

Although Mr Daun's West German holding company, Daun et Cie AG, will hold nearly 75% of Morkels, executive directors have an option to acquire a 22% stake. Other managers will also be able to take shares.

Institutional and individual investors hold the remaining 25.1% of the equity.

Mr Jansen says: "The course we have taken paves the way for the group's sta- bility and its continued presence in the market."

We will not delist - it remains a public company. The change secures management control for the Morkels executive team."

Mr Daun, a 47-year-old chartered accountant and tax lawyer, says he is content to remain an investor in Morkels and to leave the running of the group to management.

He built his Daun et Cie from grassroots into one of the 20 largest textile groups in West Germany in only 10 years. Last year sales were 308-million marks - about R156-million. The group employs about 1 000 people.

Mr Daun and his wife have total control.

Brother

He has a brother who has farmed in Namibia for 20 years, and he was attracted by opportunities in SA in the dark days of 1985 and 1986. "Everyone was pessimistic, but I saw opportunities," he says.

Mr Daun made his first cash investment in SA in 1985, and today he owns a Paarl textile factory and a sophisticated commercial and office property portfolios in Cape Town and Johannesburg.

He has spent most of the past year living at the Cape, consolidating his textile acquisition.

His introduction to Morkels came when he bought a building in which the group had a branch. He liked the look of the company and the balance sheet and watched the share price closely after the listing in 1987.

Debt

Meanwhile, Morkels management had sounded out FVB about the sale of its holding.

Mr Jansen says: "We have had and, I believe, will continue to have a good relationship with FVB, but the feeling has grown that we might do more by spreading our wings.

"We considered a management buy-out, but we could have been left with a ruinous debt burden which might have restricted growth and curtailed our business flexibility."

Mr Daun had met Morkels managers and felt at home with them. The change-in-control deal gave him an opportunity to invest in a company he admired and it solved the management's problem.

The decision to invest in Morkels was made in 24 hours - shortly before Nel-
New South Coast complex a lifeline for craft traders

DURBAN - A new complex of stalls has saved the livelihood of about 400 craftswomen from the Umbumbulu area.

Until last year their future seemed bleak as the new four-lane N2 on Natal's South Coast bypassed their colourful craft village.

The traders, who had been doing business at the Umgababa curio centre, faced the loss of thousands of rands in tourist trade, because their stalls were no longer "on the road".

They had also just spent R61,000 of their own money on a new building, as their old stalls burnt down in 1984.

But help was at hand — and they began moving into 160 picturesque handicraft stalls at the new Ultra City service station on the N2 near Umnni.

BREADWINNERS

Financed by the Kwazulu Finance and Investment Corporation (KFC) and Shell South Africa, the complex has been the saving grace of the traders, some of whom are sole breadwinners for large families living in Umgababa.

About 450 traders are now able to display their handicrafts in the colourful stalls.

And numerous holidaymakers who pass the complex are treated to a display of leather goods, woodcarvings, pottery, basketware and crochet and needlework — as well as many tropical fruits.

"Business is quiet at the moment," said Mrs Doris Cele, a basket-maker. "But at Easter we will be very busy."

Mrs Cele and other stallholders said they were "very happy" with their new premises. The lock-up facilities were a great advantage — and the situation of the market was "very good."

The Umnni craft stalls are a 15-minute drive south of Durban on the N2.
Industry praises easing of furniture HP curbs

THE easing of HP curbs on certain goods would put the furniture industry "in the pound seats", Furniture Traders Association executive director Frans Jordaan said on Friday.

The news meant the industry could record real growth of about 3% this year after reporting negative real growth of 2% in 1988, he said.

Jordaan was responding to deputy Finance Minister Org Marais's announcement that the 20% deposit on certain electrical and electronic items was being slashed to 12% and the 18-month repayment period extended to 24 months.

But it would be "naive" to think there would be a rush on these items overnight, he warned.

The fact that VCRs, hardest hit by HP regulations, had been excluded from Marais's list would not have a significant influence on total sales, he said.

"We're quite happy to live with these changes -- a complete relaxation could have cash-flow implications for our members. But we still look forward to an announcement regarding import surcharges on Budget day," he said.

Morkels MD Carl Jansen said: "The partial relaxation helps to level the playing field and to make it a little easier for the retailers in what we still expect will be a year of depressed business.

"It is good news for Morkels. With 60% of its business generated by electrical goods, it was the hardest hit when the credit curbs were introduced.

"So clearly we expect a return by the consumer to the market place to put us on the high road again," he said.

Marais said a general relaxation of HP terms could not be considered because the consolidation phase of the economy still required continued financial discipline.

SYLVIA DU PLESSIS

Ecstatic
Hopes that the Budget will focus on consumer issues

By Marguerite Moody

Consumer bodies and chain-stores are hoping that tomorrow's Budget will make provision for the consumer and will focus on issues that affect the life of the consumer.

Checkers group managing director Mr. Sergio Martinengo said health, education and housing were issues that needed considerable attention, as did positive action against the rate of inflation.

He said he believed that surcharges on imports needed to be reviewed and phased out, as these boosted inflation.

"Another aspect which affects the average consumer is the expected decision to replace GST with the VAT system. This needs to be clarified and justified as soon as possible," Mr. Martinengo said.

Housewives League vice-president Mrs Sheila Lord told The Star that if the VAT system were introduced, all foods and all prescribed medicines had to be exempt from this form of taxation.

"Millions of people live off items at present exempted from GST, such as fresh foods. However, the VAT system is expected to be introduced across the board and this will mean more hardship for a great number of people."

Mrs Lord said the Government had to cut down on expenditure and she urged Government departments to be "better housekeepers".

Pick 'n Pay chairman and MD Raymond Ackerman said many companies wanted to see a change in the way surpluses on the sale of shares were taxed in the sellers' hands.

"Companies should be able to issue shares to staff without being taxed."

This was one way to confront the nationalisation argument, Mr. Ackerman said.

Consumer Council chairman Mr. Jan Cronje told The-Star that although he did not want to speculate on the Budget before it was tabled, he hoped the man in the street would benefit as far as personal tax was concerned.
Sacob cautions on rise in index

By Michael Chester

The South African Chamber of Business (Sacob) yesterday advised members that seasonal factors, rather than basic trends, could have produced a sudden surge in its index of manufacturing activity from January to February.

The index, measuring the volume of new orders expected in the short term, jumped from 100 to 132. A parallel index run by Seifsa, while also revealing a significant rise, showed that relatively unfavourable conditions still persisted in steel and engineering sectors.

However, Sacob economist Keith Lockwood added, that the current economic downturn should reach its bottom in the last quarter this year, after which economic growth will accelerate.
IMPROVED operating margins for the third successive year have cushioned the blow of high finance charges for PSI furniture retailer JD Group, which has produced earnings a share 18% up at 102.5c a share in the year to December.

Growth in earnings of 46.8c in 1989 exceeded directors' interim forecast of 12% and allowed them to declare dividends of 17c, covered six times.

The effects of a drawn-out labour dispute in the first half spilled over into the second and saw turnover rise a slow 12% to R471.8m. But ongoing monitoring of gross margins and expenses lifted margins to 14.1% from 11.9%.

This helped absorb an 87% hike in finance charges to R16.5m (R8.8m), covered four times by operating profit 36% higher at R166.5m, and translated into attributable income of R16.6m (R31m).

Chairman and MD David Susman said "strategic steps" were taken during the year to trim internal structures. These included closure of eight World stores, the conversion of 50 to the more successful Price 'n Pride and Score Furnishers format, the clearance of slow-moving stock at Bradlows and Score, and the rationalisation of 20 operating subsidiaries.

Shares for the group — formerly Joshua Doore — closed unchanged yesterday at R3 after peaking at R3.38 on February 19.
SOCIAL comfort will become an increasingly important factor in predicting future shopping trends and in designing retail centres for a post-apartheid SA.

Cape Town market research company Douglas Parker & Associates MD Doug Parker says: "People like to shop in an environment that matches their social status and in the company of customers who are as like them as possible in terms of employment profile, income group and personal habits."

"As restraints such as the Group Areas Act fall away in the next few years, racial issues will become less important in shopping centre design."

"Upper-income blacks will identify with whites at the same level and will feel more comfortable shopping with them than at shopping centres designed for the so-called black market," he says.

"At present, the typical black family has more children and spends a larger percentage of its income on clothing and food. While the average white family spends about 17% of its income on clothing and groceries, the figure is nearer 30% for black families."

Convenient

"But with the breakdown of apartheid, black families which can afford to move to areas more convenient to work and offering the lifestyle they aspire to, will do so."

"Gradually they will be absorbed into the prevailing social milieu and the gap between the racial groups will narrow, while social differences become more clearly defined," he says.

Parker says an understanding of the habits of the target market is of vital importance and is gaining ground as a means of attracting customers.

For instance, he says, two of SA's most upmarket centres - Sandton City and Cape Town's Cavendish Square - aim to appeal to the woman with plenty of discretionary time.

They feature a high incidence of meeting places such as coffee shops, as well as stores aimed at the moneyed leisure shopper. By contrast, centres catering for the lower-income shopper - usually a working wife - experience sharp monthly peaks, with a distinct surge in business at weekends.

"Whereas the A-B income group shopper is intensely conscious of the quality of finishes and is willing to pay for such conveniences as undercover parking, the C-D shopper is more concerned with economy."

"At the lower levels, free open parking would be preferred and the tenant mix should comprise middle-of-the-road, family-oriented shops which are perceived as offering value for money," Parker says.

Attempts to provide a full mix aimed at shoppers from all income brackets will simply alienate all of them.

"People become confused and uncomfortable if they encounter a Pep Store in the same centre as, for instance, A&D Spitz." The one exception to this rule appears to be the Wheel in Durban, which simultaneously appeals to an affluent leisure market while providing convenience shopping for the residents of the low-cost South Beach area.

The new SA, says Parker, will see the greater part of its retail growth and development taking place in the present black areas. The emphasis will be on developing small neighbourhood centres controlled and tenanted by blacks.

These areas will continue to cater for the lower income groups and will be unlikely to see developments larger than 8 000m².

The more affluent suburbs are virtually fully catered for in terms of regional centres, although Parker says there is potential for developments in the Northgate/Fourways area, on the East Rand and in Kempton Park.
Earnings of 124c a share ‘within’ JD’s grasp

SYLVIA DU PLESSIS

While the shares have justifiably been at a low point over the past year — JD spent a lot of money on the closure and conversion of its World outlets and was hit hard by labour action — good 1989 results in the face of these factors should see this improve.

One analyst says investment is recommended in the medium-term as JD is set to become one of the best performers in the furniture sector.

Its shares — an unchanged 300c at close of trade yesterday — are currently cheaper than Rusfern’s, which closed at 130c, and it has a higher dividend cover, she says.

The shares dipped to a low of 220c at the height of the strike in July. Another analyst said JD’s business was of a far better quality because the group was not chasing market share to the same extent as Rusfern and its debt had remained virtually unchanged at year-end. Rusfern’s debt was “on a rising trend”.

Chairman and MD David Sussman was unavailable for comment last night but has indicated directors expect “satisfactory” growth in earnings in 1990, given stable operating conditions.
Sibul takes up the reins at Garlicks

CAPE TOWN — The new CE of the Garlicks group is Hyman Sibul, former Dion MD and now a director of Durban-based Prefcor, which has taken a 50% stake in the department store chain.

He is chairman of Prefcor's furniture division, which includes the Beares chain among its 170 stores.

Now his responsibilities include the four Garlicks department stores in the Cape and the smaller accent store at Constantia shopping centre, two department stores in Johannesburg, two in Pretoria and one in Durban.

On a visit to Cape Town this week he said it was too early to talk of any changes although he intended to broaden Garlicks' market base. But he was confident there was a future for department stores.

"There will always be a place for vibrant, proactive department stores. But there is no room for a fuddy-duddy one."

"To stay in business people who run department stores have to think constantly about their strategies. Coming to the stores has to be a pleasurable shopping experience."

Sibul said he had been impressed by the quality of the Garlicks' staff he had met in the first two days. He thought the stores were well laid out. But he understood financial constraints had prevented certain things, such as the revamping of some stores, from being carried out.

"I have brought three top retailing people onto the initial executive team. They are John Lupton, who will assist me in marketing and merchandising, Alan Snyman and John Greer."

"I believe all three started their retailing careers in Cape Town. Alan Snyman played soccer for the Western Province Currie Cup team. They were with me at Dions."

Sibul said he was confident that, "with the help of the team already on board and the new people", he would be able to turn Garlicks around.

"I am not minimising the task ahead. But I thrive on turnaround situations and I have had some success in doing it over the past few years."
Huge exhibition by retailers planned

RETAILERS from the formal and informal sectors will together meet with manufacturers at the National Exhibition Centre (Nasrec) in Johannesburg in the retailers exhibition being organised by Exib-it for the week of June 13 - 17.

The exhibition has been endorsed by Get Ahead, the National African Federated Chamber of Commerce, the Traditional Healers Council of South Africa, the Johannesburg Chamber of Commerce and Bureau for Market Research.

Said Mr Israel Skosana of Get Ahead: "We fully support what the retailers exhibition are trying to do. There has been little communication in this country between big and small business and there is a desperate need for this kind of direct interaction."

"With the new spirit of development in South Africa, the timing for such an event is right," Skosana said.

"According to Mr Tim Reilly, chief executive officer of Exib-it, the idea for the large scale exhibition was sparked off by the relaxation of the stringent legislation which previously inhibited the growth of black entrepreneurs.

"As legislation is relaxed, so too is the lid being lifted on a sector of the business community which for many years had operated in the dark for fear of official reprisal," he said.

He quoted the example of the spazas - small grocery shops operating from garages, kitchens or back-yard shacks in the townships.

"Manufacturers and suppliers want to get closer to these customers but don't know how. The retailers exhibition will be the first step in bridging the gap."

Support

This support is proving vital in terms of reaching the greater part of the formal as well as the informal business community.

"Combine this with the visitors that the companies already exhibiting will attract and we're gearing up for South Africa's biggest interface between buyers and suppliers," said Reilly.

Although the turnover of these spazas range from as little as R100 up to R31 000 a month, the combined buying power of the about 20 000 spaza shops on the Reef is estimated by the African Council of Hawkers and Informal Business to be in the region of R3.5 billion.
Beer, spirits, tobacco all up

BEER, spirits and tobacco products would all be subject to "modest" increases in customs and excise duties, the Minister of Finance, Mr Barend du Plessis, said yesterday in his Budget speech.

Beer (excluding sorghum beer) would go up by about one cent a 375 ml bottle, spirits such as whisky, brandy and gin by about one cent a tot or 25,3c a 750 ml bottle, cigarettes by two cents for 10 cigarettes and cigarette tobacco by two cents for 50g.

Pipe tobacco and cigars would go up by 20c a kg and fortified and sparkling wines by 1,8c a bottle.

The increased duties would provide an estimated additional revenue of R145 million in 1990/91.

He said in his Budget review, an expansion of the speech, that the increase on beer represented less than one percent of the retail price and that on spirits less that two percent.

The retail price of fortified and sparkling wines would be affected minimally - by less than half a percent.

The increase for tobacco products would also raise retail prices minimally.

For cigarettes the increase represented a rise of 12 percent in the existing excise rate.

Du Plessis said the Margo Commission and the International Monetary Fund had both recommended that specific rates or excise duty should be adjusted regularly to keep track with increasing prices.

The Margo report had pointed out that in contrast to most industrial countries where excise duty was still an important source of revenue, in South Africa's customs union area its contribution to total revenue had shown a downward trend.

-Sapa.
BLACK business yesterday welcomed aspects of Finance Minister Barend du Plessis' Budget, but said it fell short of what was expected.

The Minister should have cut the defence budget by half so that he could give more to housing, education, health facilities and business development in the black community, black business leaders said.

A spokesman for the Black Management Forum, Mr George Negota, said the defence budget should have been drastically cut to increase allowances for pensioners, who were already hard-hit by the inflation rate.

The acute housing shortage needed to be addressed as well as the poverty that went with it.

South Africa needed "a scheme of action coupled with a realistic plan of action to resolve the housing crisis," he said.

Financial advisers to the Foundation for African Business and Consumer Services, Mr Jeff Rapoo, said while the budget should be welcomed, it did not close the gap between black and white pensioners. The disparities must be closed.

A top Soweto tax consultant, Mr Matshera Matshera, said the Budget was the "perfect matching of economic and political reform".

He said incomes of married women will be taxed separately from those of their husbands. "This means that the tax status of a married woman has improved to a certain degree. This will further stimulate the supply of skilled married women in the marketplace."

The executive director of the Association of Black Accountants of South Africa, Mr Mashudu Ramano, said the fact that profits realised from shares listed on the Johannesburg Stock Exchange that had been kept for more than 10 years would be exempted from income tax under certain conditions, was making "the richer rich and poorer poor".

"The crisis in black education can be solved by this money," he said, expressing disappointment at the small increase for pensioners.

Meanwhile, OK Bazaars managing director, Mr Gordon Hood, said the budget must be accepted as a first step for creating a sound economic environment for a new South Africa.

The executive director of the Institute for Personnel Management, Mr Wilhelm Crous, also welcomed the budget.
Trade must be on equal terms — Magomola

WILSON ZWANE

ECONOMIC freedom for all meant the ability for everyone to trade on equal levels without restrictions, Gaby Magomola of the Foundation for African Business and Consumer Services (Fabcos) said yesterday.

The "new economy debate" started when ANC deputy president Nelson Mandela stunned local big business and potential overseas investors by stating — shortly after his release from prison — that the ANC's policy was to nationalise SA's key sectors, such as mines, as a means of restructuring the economy.

Magomola said that to achieve economic freedom for all, obstacles like laws restricting black businessmen and inferior education for blacks should now go.

He said: "Such obstacles prevent black businessmen from competing on an equal footing."

However, he conceded it would take time before real economic freedom was achieved.

African Council of Hawkers and Informal Businesses president Lawrence Mavundla has said previously that the informal sector has reaffirmed its economic stance by saying it rejects nationalisation and that it is in favour of an economic system that favours free trade.

He said he was totally against any system that stifled freedom to trade.

"We have fought the laws that impeded us as the informal sector, and we don't want an economic system that will push us back to where we come from."

"We want freedom to trade and people should not be forced by government to work."

"They must want to work themselves. That bolsters competency," Mavundla said.
Garankuwa residents begin
month-long consumer boycott

THEO RAWANA

ECONOMIC activity came to a standstill as Garankuwa residents began a three-day stayaway and month-long consumer boycott yesterday.

At least one bus was burnt in Mabopane on the first day of protest against last week's killing of seven people when Bophuthatswana police fired on demonstrators.

A pamphlet released by the Odi and Moretele Residents' Committee has called for a three-day stayaway and a consumer boycott until April 14.

The OK shopping complex in Garankuwa was closed yesterday and Mabopane Central City shopping centre was deserted.

A few people had trickled to work in Pretoria in the morning but the local industries were closed. There were no bread deliveries into the townships.

A Bophuthatswana Transport Holdings bus driver escaped serious injury after a man splashed petrol inside his vehicle and set it alight. The bus was destroyed.

The boycott is aimed at business in Central City and Garankuwa OK complexes and those owned by Bophuthatswana Democratic Party MPs and "collaborators".

The pamphlet calls for an indefinite boycott of Bophuthatswana buses, rent, water electricity and telephone payments, and for withdrawal of savings from all government financial institutions.

It calls for the resignation of President Lucas Mangope and reincorporation of Bophuthatswana into SA.
Traders to Lusaka

A DELEGATION of the Western Cape Traders' Association (WCTA) will meet the ANC in Lusaka this weekend to discuss future economic strategy. SouthAfrica 21/3/90

The discussions will include the nationalisation of certain sectors of the economy, the role of small traders, socio-economic programmes and other matters relating to the Western Cape in a future ANC-led government.

"We will also be addressing the difficulties and practical problems faced by black traders because of the practices of commercial banks and other monopoly industries," a spokesperson said.
Growing success

Our largest retail clothing group, Edgars, has a new man at the helm from next month. But George Beeton (57) is hardly a new face at group headquarters in Edgardale. He's been with the group 26 years, including seven as MD of the Edgars chain.

But he retains his enthusiasm for the highly volatile world of fashion and intends to grow the hugely profitable business that outgoing boss Vic Hammond has left him.

"It's our goal to be the dominant supplier of high-quality fashionable goods and services to the mass middle market," he says. "We've been a successful business for over 60 years — but we're not a mature business." Beeton came to Edgars with a background in accounting and administration. While working for the Johannesburg municipality, he obtained his BCom and CIS qualification. Before joining Edgars, he was company secretary for a textile manufacturer.

Beeton's first task at Edgars was to rewrite the procedures manual. He carried out the task diligently enough, but hankerled to move into the operations field.

"I've always been a shopkeeper at heart. When I was a kid I used to work in the local grocery store during school holidays and when I was 14, ran a hardware store when the owner was away."

Beeton got himself a job working behind the counter in Edgars Eloff Street during lunch hour, where one day he had to find a swimsuit to fit an amply proportioned director, Harry Kerr. The encounter got him transferred to store operations. He was made eastern Transvaal area manager and rose to divisional operations manager before moving on to Jet.

Beeton wants to broaden Edgars' business base. "We need to increase our cash flow, which means a higher proportion of cash business." He also intends broadening services. In particular, he thinks it may be time for Edgars to return to the mail order business.

But he is determined not to change the highly successful credit formula at Edgars and Sales House. "To call that interest-free credit is a myth, as the interest is built into the price. But we've found it's a formula that's suitable for our core market — the thick middle."

He describes the group as "lifestyle merchants" and says some of their greatest successes have been in niche marketing. The latest venture is a range of leisurewear with the Uno label, to coincide with the launch of the Uno car.

Beeton eats and sleeps retailing. "I've got a wife who understands that my business success is vital for my overall happiness." He married Judy, his school sweetheart, 32 years ago and they have five children. He likes to relax on his farm and is fond of renovating old homes and playing social tennis.

But he complains: "I never have enough time to get everything done. I can't understand how anybody gets bored."

Purging practice

Quite what makes him tick will doubtless emerge in due course. But Ciskei coup leader and chairman of the new ruling military council, Brig Oupa Joshua Gqozo, seems to have a foot in two unlikely camps.

On the one hand, he appears remarkably in harmony with ANC/UDF sentiment; on the other, it seems he worked for SA military intelligence. Gqozo also has the distinction of being the first black soldier to have been chosen for officer rank by the SADF — which he joined in 1977, five years after matriculating. He joined the Ciskei Defence Force at independence in 1981.

Gqozo turned 38 last Saturday — six days
Daun raid
In buying Federale Volksbelegging’s 75% stake in Morkels, German businessman Claas Daun is swimming against the tide of both overseas investor sentiment about SA and local investor sentiment about the furniture sector.

Morkels’ management believes Daun’s optimism is justified because it has passed the worst of its downturn. The easing of HP restrictions on most household goods announced last week is one positive factor. Financial director Terry Simon says consolidation and improvements in efficiencies in its next year, to March 1991, should bring reasonable earnings growth.

Rare among non-mining groups, Morkels reports every quarter. In the nine months to December operating profits were 24% lower, and EPS, at 12c, 32% lower than in the same period in 1988. Full-year EPS of 15c are expected, which would put the share, now 90c because of the impending 95c standby offer, on a p/e of 6.

Simon says this drop in earnings is mild compared with 60% falls and worse in past recessions. He believes the furniture sector generally has become less cyclical because of higher spending power in the lower income groups, which are less affected by higher interest rates and better management.

Support for this emanates from JD Group, whose earnings grew 18% in the year to December, despite disruptions caused by reorganisation of the World stores, acquired in mid-1988. Dominant furniture retailer Rusfurn, which recently reported strong interim results, agrees that sales are still resilient in the lower income sector.

Groups like Morkels, that focus on the middle income sector of all races, squeezed by higher bond repayments, have been harder hit.

Simon says the takeover by Daun will give Morkels more freedom to grow. He says it has scope for organic growth and plans within the next few years to increase the number of Morkels outlets from 83 to about 120 and Total Sports outlets from 18 to about 50.

Longer-term, Morkels is considering establishing a furniture chain aimed at the lower income group and possibly an apparel group.

As with the management-led buyout of Tradegro’s stake in Rusfurn, management has a strong incentive to perform. The price of management’s option to buy 25% of Morkels from Daun is linked to performance.

But Tradegro appears to have got a better price for Rusfurn than Fedvolks for Morkels, possibly because the Rusfurn sale was the result of an ultimatum and Rusfurn has performed better.

That deal, at 140c, was at net worth and about 75% above the pre-announcement market price of 75c-85c; the Morkels deal is 30% below net worth of 132c at December, and about 26% above a 70c-80c pre-announcement price.

Teague Payne
Prefcor's purchase

It hasn't been in the business long but Prefcor, the new holding company of Game and the delisted Beare group, is rapidly gaining a reputation as an acquisitive and aggressive trading operation.

Last year it moved on shoe retailers Ed-vocks when labour problems threatened the chain's viability. But it backed out of the negotiations at the last minute, enabling an even more aggressive acquisitor, Jeffrey Liebesman's FSI Corp, to close the deal.

Opportunity knocked again last week when Prefcor, together with Kangra Holdings, bought a controlling interest in Garlicks, the long-established department store chain. The price was not disclosed.

The deal gives Prefcor a solid spread in retailing from Game's cash business and Beare's HP-based furniture and clothing outlets, through to the top-quality merchandise offered by Garlicks. "Now we trade in clothing, stationery, household goods and linen but at a different end of the spectrum," says Prefcor chairman Terry Rosenberg.

Garlicks has nine stores — four in the Cape, four in the Transvaal and one in Natal. Most are in prime downtown locations or in upmarket, decentralised centres such as Rosebank Mall in Johannesburg, Tyger Valley in Cape Town and Menlyn and Sunnyside Park in Pretoria.

Garlicks has lost a bit of focus over the last few years. Once a traditional family business, it was the subject of a management buy-out last year.

Rosenberg still wants to discuss his plans with the existing management, but he says his objective is to reposition Garlicks and make it a "more exciting shopping experience." The chain also will be refinanced.

Prefcor itself has come a long way since Rosenberg and his associates took over the Beare group a few years ago. The group has been substantially restructured and Rosenberg has made a point of bringing acknowledged trading specialists into its management. Hymie Sibul, formerly of Dion, and Clive Weil, a former MD of Checkers, are two who recently joined the group.

Last month the company bought the Natal-based Price Furnishers, a furniture chain with 18 outlets, for R5,4m.

Is Prefcor the coming force in retailing?
It's not a thought that sits all that comfortably with Rosenberg. "We're not about to edge out our competitors. We're aiming at market niches and we're picking the right people to help us get there."
Edworks helps Homemakers boost earnings

SYLVIA DU PLESSIS

MANAGEMENT at FSI's consumer goods retailer and distributor Homemakers weathered tough trading conditions in the year to December to post a 20% rise in earnings to 112c (93c pro forma) a share.

Chairman Jeff Liebesman said yesterday steps to prepare operating companies for a downturn in consumer spending proved effective, with management focus on control of overheads, rationalisation and internal efficiencies countering tighter trading conditions.

Companies in the group’s stable include shoe manufacturer and retailer Edworks, furniture retailer JD Group and photographic and electronic retailer Milstan, in which a 30% stake was acquired during the year.

The pre-emptive measures adopted by management of these companies saw group turnover during the period under review climb 29% to R531,4m and operating profit grow 33% to R76,5m to lift margins to 14,4% (14%).

After finance charges 132% higher at R19,8m — reflecting higher interest rates and borrowings to fund the Edworks acquisition — attributable profit was still up at R41,5m (R34,5m). A final dividend of 24½c lifted total distribution to 35,5c (30c) a share, covered 3.15 times.

Liebesman said the “biggest” news was that Edworks — rescued by the group from provisional liquidation in July — made a contribution to profits.

“We are expecting great things of Edworks during the coming years.”

However, group results were built on “all-round” strength, with 49%-owned JD Group continuing to deliver real growth and further improving the quality of its debtors book, he added.

The balance of Homemakers’ portfolio posted even faster growth, with its portion of earnings per share growing by 57%, compared to 48% the previous year. This trend should continue.

CE Hilton Nowitz said earnings in the current year would show “satisfactory” growth, given stable operating conditions and declining interest rates.

The share firmed 10c to 480c yesterday, just below its January high of 500c.
Bergers enjoys further growth

CAPE-BASED clothing retailer Bergers has for the third successive year since listing enjoyed real growth across-the-board.

Earnings for the 12 months to December exceeded market expectations of 28c a share, climbing 47.3% to 30.2c (20.5c) a share after better productivity and rapid expansion during this period.

The group, listed in 1987, bettered turnover by 33% to R83.8m (R62.5m), while operating income — 43% up at R8.4m (R6.8m) — elevated margins at this level to 11.3% (10.5%). In line with analysts' predictions, dividends of 13c — representing a 36.8% increase over 1988's 9.5c payout — were declared.

Chairman Howard Mauerberger said yesterday existing stores had performed well, but a major reason for growth was organic expansion: during the year, the number of stores in the group increased by about 25 to 200, and another 20 were planned for this year.

Another contributing factor was the successful introduction of shoes in selected stores in October. Mauerberger said further growth in sales would result from extension of the range.

With effect from February 1 this year, the group acquired a controlling interest in retail chain Hilton Weiner, which, with eight stores in major centres, was expected to contribute "meaningfully" to future earnings.

Recently-appointed MD Mervyn Jacobson declined to disclose budgeted future earnings, but said turnover since year-end had shown substantial growth over last year.

"Notwithstanding current political sentiment, I'm optimistic we'll once again achieve real growth. We're on a good run at the moment and there's no reason why it shouldn't continue."

The share hit a seller's price of 175c yesterday, after strong demand pushed it from a December low of 110c to a fresh peak of 180c earlier this month.
Appliances to drop in price after tax cuts

The retail price on electrical appliances is expected to “decrease slightly” within the next three months, as a result of the 29% drop in the 60% import tax on electrical components.

Dion marketing manager Mr Howard Davidson said it was impossible to work on percentage figures because every product would have different duty costs and product cost structures.

“Within two to three months we may see a slight price reduction on video cassette recorders and hi-fi’s. But we have to take the inflation rate into account. We are not sure what the rand will be worth in two or three months,” said Mr Davidson.

Retailers predict that the decrease in prices could range from 9% to 10% within the next two or three months.

Mr Raymond Murray, local director for Pick ‘n Pay, said the original 29% decrease would be diminished by “one-third of the particular tax” because it was a pre-import duty and tax cost percentage.

“The decrease is positive and naturally if we do benefit from some of the lowered taxes or rebates, we will pass it on to the consumer,” said Mr Murray.

Ms Anthea Laughlin, a manager at the National Panasonic industrial division, said they were not affected by the import surcharge reduction because all components they used were made locally.
Tiny spark could plunge Maokeng into violence, warns UDF

By SANDILE MEMELA

RUMBLES of discontent surfaced in Maokeng township near Kroonstad this week and threaten to plunge the area into an explosion of violence.

Residents entered their third week of a consumer boycott to force the Kroonstad municipality to address the township's incorporation.

Other demands include the dissolution of the Maokeng Council and the reinstatement of workers dismissed by the Kroonstad and Maokeng municipalities.

A spokesman for the Maokeng Civic Association told City Press there had been a stayaway throughout the week to demand the release of detained leaders of the Maokeng Democratic Crisis Committee.

"The situation is quite tense and can be ignited by a tiny spark. Unless immediate steps are taken to address the grievances, we fear the worst," said a spokesman.

Leaders Dennis Bloem, Thami Phadiso, Stoffel Mofokeng and George Daniel were detained two weeks after leading a march to the Kroonstad municipality offices demanding the reinstatement of dismissed workers.

The workers were sacked after the municipality refused to recognise their union, the South African Municipal Workers' Union.

Youths in the township are living in fear of detention after 35 youths were allegedly detained this week.

The UDF has called for the transfer of the administration of the township to the Kroonstad municipality to avoid possible outbreaks of violence.

The MCA called for the resignation of Maokeng councillors and demanded they be replaced by democratically-elected officials from the community.

Residents have alleged rampant corruption, maladministration and inadequate provision of services by the council.

But mayor Caswell Koekoe said the trouble in Maokeng was a reflection of the situation in South Africa.

"The trouble is not confined to Maokeng. Obviously there are elements from outside whose mission is to see us out of office.

"These elements hide behind political discontent when in fact they are plain jealous. Their targets are successful black men," he said.

Last month the the Free State provincial administration investigated the council and found the following:

- There was no proper financial administration;
- Strained relations existed among staff in the treasury department;
- Records of expenditure were not kept; and
- There was rampant embezzlement of funds by councillors.

UDF publicity secretary Tendor Lekota has warned that unless immediate steps are taken to address the grievances there could be an outbreak of violence.

"Little doubt exists that the goings-on in the council provoke riots.

"The mismanagement of the area has infuriated the community and we fear that this may lead to an uncontrollable situation unless the grievances are urgently addressed.

"The accountability of the leadership is a prerequisite for peace to return in the area. The rule by opportunists who want to line their pockets is unacceptable," he said.
Outfoxing my rich rivals

In the third and final part of our series on controversial Mabopane tycoon "Pikinini" Ngobeni, he reveals how without sufficient capital and know-how he outfoxed two wealthy and experienced business rivals to get hold of a butchery in Boekenhout. He has been a child labourer, a bouncer, a gambler, a thug and a businessman since he ran away from home at the age of 10. ELIAS MALULEKE reports.

NOTHING seems to stop Sonnyboy Ngobeni from getting what he wants. This he has proved since his days in Marabastad.

With no experience of business, unable to read or write, and with only R1 500 in his bank account, Ngobeni was one of three applicants for a butchery in Boekenhout in 1967. He beat his wealthy and experienced rivals to it.

"I stood no chance of getting hold of the butchery because I did not have enough money and experience. I knew nothing about running such a business."

"I went to the municipal offices and spoke to a white official. I was given the business."

Ngobeni said he built a good relationship with the white official and obtained a loan from the then Bantu Investment Corporation to start the butchery. He sold it for a good profit a year later.

"A white friend once told me to be wary of friends. Make use of friends and when you no longer need them forget about them," he said, and since then I am very careful about who my friends are."

Despite his immense wealth, Ngobeni has no qualms about calling a white person "baas." To him it's all in a day's work. It pays dividends, he says.

Wealthy Ngobeni happy to call all white people 'baas'

"Baas," he told a white official in Soshangwe, "wil julle nie 'n swart Harry Oppenheimer sien nie?" (Don't you want to see a black Oppenheimer?)

When the official asked what he meant, Ngobeni said: "Harry Oppenheimer is a South African citizen but he has businesses all over the world. When I want a business in Soshangwe I am told that I'm a Bophutatswana citizen. Why is that happening with blacks?"

The official asked Ngobeni what types of businesses he had in mind in Soshangwe and he told him. Ngobeni is now the proud owner of a shopping complex and a double-storey mansion in Soshangwe.

He said he went through several "traumatic" experiences as a result of allegations of ritual killings but he managed to present a brave face despite the hurt he suffered.

He is a director of Orlando Pirates Football Club and is known to have stepped in to a fortune to pull the club out of the difficulties which have dogged it for years.

Ngobeni said his old friend, Ingle Singh of Pretoria City Football Club, asked him to join the board of directors of the NSL rookies but he turned the offer down.

"I will not leave Pirates for anything," he said.

Ngobeni has visited many European countries on business.

Ngobeni is an easy man to get along with. He will fix anything for anybody and many people come to him with their problems. It has all paid handsomely in terms of goodwill, he says.

Ngobeni can sit back and relax without worrying about money. His garbage removal business alone will see him well-off in his retirement.

Asked how he manages to read balance sheets when he can't read, he said: "I do not read a balance sheet, my wife does that for me. I can only count money."

"I am also surrounded by educated people. All my older children have university education and my wife is a former nursing sister."

Ngobeni met his wife Joan in Marabastad. They have seven children.

An elder child who was a lawyer died in a car accident.

Ngobeni is described by many people as a man with a heart of gold. He is the benefactor of a number of charitable and sporting organisations in the region.

He has adopted a child who was born with deformed legs. He is said to have paid thousands in medical expenses - the child walks today.

Girl gang-raped twice in six months

BY SOPHIE TEMBA

THE SECOND gang rape of the same Soweto girl within six months has shocked and angered Soweto residents.

Residents who took part in the recent march against rape have appealed to all leaders and members of the community to help stem the menace in the townships.

The girl was raped by three men in September last year and a charge was laid against her assailants.

The case is still pending because only one of her attackers was arrested. A court granted him bail last week.

A day after her assailant was released on bail, six armed men raided her home looking for her and dragged her to a waiting vehicle.

After blindfolding her, the men drove to a lonely spot where they gang-raped her and left her.

She said five of those who had raped her insisted that she be shot but the sixth man pleaded with them to spare her life.

She found her way home in the dark.

She has made another complaint to the police.

She has been called to give evidence in court tomorrow.

Maggie Nkwe, one of the residents who took part in the recent march against rape said: "Motherhood is being destroyed by young girls who go through this traumatic experience.

"We know of some girls who chose to die after going through such an ordeal rather than live with the memory of such an experience.

"We call upon every member of the community and all leaders to help in the fight against the menace that is ruining our society."
Economic growth needs participation by all

By PATRICK MAFARO

THE people of South Africa can only share in higher income and wealth if they create that income and wealth.

Addressing a budget seminar this week, specialist economic adviser Dr Japie Jacobs said for this to happen, the Government will have to remove laws restricting black economic activity.

"We have to respect the economic aspirations of black people in South Africa. They should have an equal opportunity for economic participation.

"Remaining inequalities impeding such participation must obviously be eliminated."

He pointed out that this policy cannot be followed in a sanctions environment.

He said South Africa's short term goal will be to halt the fall in living standards by reducing inflation. Its long-term goal will be to increase the country's growth performance and provide employment opportunities.

"This requires new factories, mines, shops and other commercial areas of growth."

He said the budget should be measured in terms of its broader effect on the economy.

Through tax reforms and by restricting growth in Government expenditure, it aims to lay the foundation for more rapid growth over the long term.

"The objectives are to promote personal saving, efficient functioning of the money markets, entrepreneurship in the informal sector and the productive use of resources.

"The budget addressed socio-economic problems. On the taxation side it attempted to address the needs of the modern and developing sectors of the economy, while on the expenditure side greater stress was placed on the provision of socio-economic services to the underprivileged - which is an accepted method of redistributing income."

Jacobs said it was unfair to describe the Budget as favouring the rich.

Giving the example of the reduction of import surcharges, he said one should look at the broader implications at stake, which in various ways affect all people.

He said special care has been taken to ensure people in lower and middle income groups benefit most from the tax adjustments.

Changes in government spending patterns also indicate important changes in priorities, said Jacobs.

"Expenditure on defence shows a decline, whereas expenditure on education and socio-economic services is rising and now comprises almost one-fifth of total expenditure."

Jacobs said the high priority given to education, training and entrepreneurship will enable a broader spectrum of the disadvantaged to participate in developing the economy.

He said the R2 billion allocated from this year's surplus is for the further pursuit of these objectives.
JOHANNESBURG. — The Small Business Development Corporation (SBDC) would direct the R40m cash injection from Finance Minister Barend du Plessis towards its five-year programme of job creation and erection of buildings in under-developed areas, said Sonny Tarr (development services).

Tarr said of the amount, R40m would go towards the Programme Funds set up for job creation projects and R20m would be allocated to the Pioneer Project Fund, used for erecting buildings in under-developed areas.

The corporation made a cash forecast for the job creation funds in November last year and, basing on a growth of 20% a year, projected that R196.6m would be needed over a period of five years.

Tarr said the money was in line with the corporation’s forecasts and the R40m was set up for the first year.

One of the job creation projects was the Support Fund, established to help businesses that were in financial trouble.

“Since March 1985 this fund has granted 2,035 loans worth R62.2m and created 4,600 job opportunities,” Tarr said.

The Small Builders’ Bridging Fund, to help small builders with working capital, had given 5,058 loans to date worth R105.1m, creating 88,000 jobs.

The other fund was the Entrepreneur Training and Development Fund which had done a lot to improve the skills of new entrepreneurs in such industrial areas as Pennyville in Johannesburg and Wadeville near Benoni.

“The R20m allocated to the Pioneer Fund will be used for the erection of buildings and much-needed infrastructure in under-developed areas. These are high-risk, low-yield areas that could not be financed out of normal financial programmes,” said Tarr. He said the fund would grant mini-loans “to provide simple and fast finance up to R5,000 for very small developing businesses”.

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Boycott leads to closure of 10 shops

By Dawn Barkhuizen

A widespread consumer boycott in the East Cape Border Corridor between Ciskei and Transkei has hit white business hard, forcing the closure of at least 10 shops and the temporary closure of two more.

At least 20 people have been retrenched in an area already badly hit by unemployment, an East London-based Black Sash worker, Mr Larry Field, said.

While larger towns such as East London and Queenstown have escaped consumer action, at least seven rural hamlets have been affected since January.

Komga Chamber of Commerce chairman, Mr Roydon Thompson, said the level of intimidation was high. Those breaking the boycott had livestock burnt or effluent dumped in their houses.
Business has a responsibility to stabilise new economy

A patriotic role in Namibia

After long years of struggle, of hatred and of bloodshed, Namibia has emerged, not only as an independent, internationally recognised state, but as a country in which men and women can live in freedom and in concord. It is a remarkable achievement.

Free elections have been held and Namibians, while wisely calling on Mr Sam Nujoma and Swapo to lead them into the unknown future, have decisively rejected any temptation there might have been to exchange South African domination for some new form of tyranny, whether of race, tribe or party.

It is my earnest hope that in the work of nation-building, the business community of Namibia — in particular the big mining companies which have such a special importance and responsibility for the stability of the economy — will play a vital and patriotic part.

In saying that the mining companies will seek to help to the full extent of their ability, I enter the qualification that they cannot do more than they are allowed to do.

The relationship between the governments of these countries, particularly since their economies are comparatively small and undeveloped, and the large companies with international affiliations operating in them, can become difficult and sometimes emotionally charged. And yet nothing can be more important than that this relationship should be conducted with goodwill and mutual trust.

It is only large groups operating internationally that are in a position to mobilise the inflow of equity capital from abroad. And equity capital is vitally necessary for a new developing country.

In its absence, many new African countries came to rely on borrowing, often to a dangerous extent, from foreign banks and international institutions.

Wide experience has shown that an excessive reliance on foreign borrowing for development can lead to financial embarrassment and the danger of default. And that eventually can only result in the old colonial economic control of the national finances being replaced by a new strict control by the International Monetary Fund.

Political leaders, together with leaders in the private sector, should look very carefully at what has happened in other African countries and try to avoid their mistakes and emulate their successes.

Large companies, who,ribly-silly and often through no fault of their own, have become associated in the public mind with the previous colonial regime, must always be acutely alive to the political needs, emotions and sensitivities of the new government. They must show, not just by words but by deeds, that they are determined to be good corporate citizens.

Morally impossible

The government on the other hand, should surely understand and accept that it is practically and morally impossible for boards of directors to neglect the interests of their own shareholders. People are inclined to talk loosely of large companies as being very rich and therefore able to afford all sorts of expenditure, without regard to its economic cost.

Companies may be rich in the sense of managing very large assets but it must never be overlooked that they have many thousands of small shareholders, the great majority of whom are not rich at all. What then are private, internationally affiliated companies reasonably entitled to expect of the government of the countries in which they operate?

First I would say that taxation should be set at a level which will allow a fair return on the capital sums invested and a proper reward for the technical and managerial skills, and the entrepreneurial risk-taking which is so vitally necessary in all countries, particularly new, relatively undeveloped countries.

They need to know too that, insofar as they mobilise overseas funds for investment in foreign countries, the after-tax profits resulting from these investments will be freely remittable to the foreign shareholders who provided the funds.

A country can best ensure the development it requires, not through the application of restrictions but by creating an environment which makes investors feel secure.

It is surely not surprising that in their fear and dislike of colonialism and all that was associated with it, many black people should have turned to communism in the belief that it was the wave of the future and that they should unscritically have adopted the Marxist ideology.

But Marxism, in its homelands of Russia and Eastern Europe, is in dissolution, just as surely as apartheid is in South Africa.

I fervently hope that we in Namibia and in South Africa will not launch out on a Marxist or socialist experiment, only to learn by hard experience, as Russia, Eastern Europe and many African states have had to do, that the way to a happy, prosperous nation lies not in centralised planning and control but in the unleashing of the creative potential of free people making their own decisions in a free society.

Namibia, by the way its elections have been conducted and by the virtually unanimous adoption of a free and democratic constitution, has made a wonderful start which compels the admiration of us all.

Namibia may well be able to play an important part in southern Africa outside its own borders. When all that is left of apartheid has been abolished, it will be essential to integrate South Africa into the community of southern African states.

No nation, not even the largest, can be self-sufficient and the comparatively small states of South Africa will virtually need to work together. There can be no doubt that the new South Africa will be a highly important element in any southern African co-operative system, and Namibia may well be able to play a leading part in facilitating the work of reconciliation.

Not only southern Africa but the whole world is changing at a speed that not the wisest of us could have foreseen. But rapid change, however necessary or desirable, brings grave dangers with it. No doubt the road ahead will be bumpy.

In South Africa, the euphoria of a few weeks ago has been succeeded by a mood of doubt and anxiety. But that is to be expected and cannot be avoided.

We in South Africa and you in Namibia are running grave risks. But risks can be accepted willingly, even joyfully, if they are taken in the confidence of being able to build a new society which will bring with it justice, prosperity and peace. This is a great time to be alive. A time that long before the Natives are over, a southern Africa will have emerged of which we can all be proud and which will offer a better life to all its peoples.

The start which Namibia has made on the dangerous but glorious trek into the future is a beacon of hope to us all.
Score’s forecast ‘optimistic’

CARLOS dos Santos, MD of Score Foods, has no chance of realising his forecast of earnings of 100c a share for the year to February, according to analysts.

In fact, he will be lucky if his group, which includes wholesale Trader and retail chains Score and Grand Supermarkets, reports earnings of 80c a share, they say.

Dos Santos predicted at the halfway stage that full-year earnings would reflect 25% growth over the previous 80.5c. This was in spite of interim earnings which fell 18% to 91.5c (37.50c) a share.

But the group’s shares — pitched as high as R23.50 prior to the 1987 crash — nosedived 25c to a new low of 32.5c yesterday.

Ed Hern, Rudolph analyst Sid Viannello said yesterday this did not bode well for the group’s forthcoming results.

“Consumer spending has not been good over the past year, the wholesale industry has had a tough year and I doubt whether the group’s problems at Grand Bazaars have been rectified,” These factors pointed to a grim set of year-end figures.

Dos Santos “will be lucky to get 49.5c, which would lift total earnings to 80c,” he said, but dividends were likely to be maintained at last year’s 37c.

Another analyst, who did not wish to be named, said Dos Santos had “no hope in heaven” of achieving 100c a share.

Even earnings of 80c were out of the group’s reach, she said, although Score could maintain its dividend.

“If it were to achieve earnings of 100c, its margins would have to be better than Pick n’ Pay’s,” she said.

A third analyst said she was looking at earnings of between 80c and 90c, and expected dividends — Dos Santos’ “saving grace” — to be maintained.

“Even 100c would not be great, but it would be important for Dos Santos standing in the investment community that he meet this forecast.”

Dos Santos was in Lisbon yesterday and could not be reached for comment, but financial director John McLean, while refusing to be drawn on what the group’s results would show, said the share currently represented a “buy prospect.”

“I personally think the shares are under-rated,” he said. “There was a hiccup at Grand Bazaar but this has been sorted out. Good results are the only way to restore investor confidence, and hopefully this will be the case when we report in mid-April.”

The group, which announced a drop in profits in the 1988 year, posted lower earnings in the six months to August after interest doubled to R2.6m.
Warning on union education

By Drew Forbes

The powerful National Union of Metalworkers has warned of "major problems" if the newly formed Private Sector Education Council fails to negotiate with unions before making proposals to the Government.

Embracing the SA Chamber of Mining, Chamber of Mines, Steel and Engineering Industries Federation, Afrikaanse Handelsinstituut and Building Industries Federation, the council will probe education policy as it affects private employers and the economy.

Numsa said Cosatu affiliates were trying to negotiate training schemes in various industries which took account of "the appalling consequences of Bantu education and apartheid in technical training facilities".

Progress had been made, despite employer resistance to joint control of training schemes and opposition to new-style schemes by older artisan unions.

The SA Chamber of Business stressed that the council would consult a wide range of interest groups.
Challenge is to meet demands

Business urged to enter SA debate

By Esmaré van der Merwe
Political Reporter

Africa's economic track record would make significant foreign investment in a non-racial South Africa unlikely unless an 'economic miracle' prevailed, South Africa Foundation president, Mr. Warren Clewlow said today.

Opening the Foundation's annual general meeting at the Sandton Sun this morning, Mr. Clewlow highlighted the complicated economic challenges facing the country in the light of political reform.

He urged business leaders, who had the unique skills and experience to maintain and develop wealth-creation mechanisms, to become involved in the economic debate.

Grapple

"Changes and compromise will undoubtedly be required. We will have to grapple with unfamiliar ideas and unpopular and even naive conceptions about how the economy works and what resources are available."

Equally, we face businesspeople who have come to terms with the inequalities in our society, and the extent to which these cry out to be addressed."

The challenge is to successfully address the socio-economic aspirations of blacks and maintain South Africa's position in the global economy."

There needs to be a balance with the equally important requirement of a growing economy, which was needed to produce the resources needed to address these aspirations."

There would be intense pressure on affirmative action and the rapid advancement of blacks into senior and influential positions in both the private and public sectors.

Housing, health care, education and the "mismatch of skills with the economy" would become the prime focus, while wealth and ownership redistribution would be fundamental policies for black leaders.

"I can understand these demands and I accept that a successful new South Africa will come about if they are not planned for and substantially achieved."

"What I cannot accept is a degeneration into economic chaos... Any constituency trying to bring this about will have to contend with the not inconsiderable strength and resources of the business community, ranged against them."
TRANSAAL new car and minibus registrations dropped by 8% and 4% respectively in January. Central Statistical Service reported this week. But overall new and used vehicle registrations in Transvaal and Natal increased. Natal's new vehicle registrations rose by 56% from January 1989. Used vehicle registrations increased by 39%.
Reggie’s Pepped up the rag trade

By JOSHUA RABOROKO

PEPKOR, the holding company of Pep Stores, two years ago linked arms with a number of entrepreneurs to launch Pep outlets in black areas, now known as Pep Reef.

These investors are enjoying their first declared dividend after Pep Reef’s commendable performance in the last financial year.

Pep Reef is now expanding and has offered more shares to black investors.

According to a prospectus issued by the company, 337,500 shares are on offer at R1 each in Pep Reef. At the head of this new chain is Reggie Hlongwane, a businessman in Soweto.

The company has outlets in Vosloorus, Katlehong and Tembisa and is hoping to open more stores in PWV areas and Cape Town within the next three years. Hlongwane has risen steadily in business over the last few years.

Peanuts

When he quit school in 1958, he started selling peanuts and an assortment of good on trains and railway stations in and around Johannesburg. Here the seeds of his entrepreneurship were sown.

In 1964, with the help of a cousin, he opened a fish and chips shop and a butchery in Orlando West. His interest soon spread to other business ventures and today at 56, he is poised to effect his most important business coup.

Profit

Two years ago Hlongwane reached an agreement with Pep and opened his first Pep store in Vosloorus on the East Rand. After making a healthy profit in Vosloorus in his very first year, two other outlets were launched in Tembisa and Katlehong. The stores provide clothing, footwear, bedding and linen at budget prices to the lower- and middle-income groups. The three outlets employ 72 people.

Plans

According to Hlongwane, Pep has a 49 percent stake while Hlongwane and four business associates share the remaining 51 percent.

"I am looking forward to a time when blacks will own chainstores that sell clothes in the townships. In this way we will be able to contribute to the country's mainstream economy," he said.

He was hoping that the Group Areas Act would be repealed so that blacks could trade freely in the cities and be next to their trading sites.
LUSAKA.— The Western Cape Traders Association (WCTA) has been urged to join forces with other business organisations to "ensure the greatest possible mobilisation and unity" of small businesses.

This was the message to a top-level WCTA delegation which held two days of talks with senior ANC executive members in Lusaka last weekend.

"It is very important that democratic organisations begin to change gear and see themselves as part of the forces for the democratic transformation of South Africa and they therefore need to be strong and united," ANC head of international affairs, Thabo Mbeki, told the 20-person WCTA delegation.

The weekend talks centred on the present political developments in the Western Cape and the scheduled April 11 meeting between the ANC delegation and State President F W de Klerk.
Stokvels attract over R50m — survey

THE estimated 24 000 stokvels in major metropolitan areas attracted about R52m in contributions to purchase goods and services, according to a Markinor survey.

Research during October to determine the prevalence and profile of stokvels involved nearly 1 300 blacks, a Markinor statement said.

A stokvel is a communal group who contribute to a central fund for the benefit of the group or group members.

About 680 000 black adults, a quarter of the black metropolitan population, were members of a stokvel. Of an estimated 24 000 black stokvels in metropolitan areas, 41% were savings clubs and 29% were burial societies, which had the greatest membership.

Most members were employed and in the higher income bracket.

A member's average monthly contribution ranged from R39 to R106 a month.
Nafcoc to talk nationalisation

THE National African Federated Chamber of Commerce is to host an economic conference of business and community leaders to discuss options for a new order in South Africa.

Nafcoc public affairs manager Mr. Gabriel Mokgoko said Nafcoc's stance was that "while nationalisation will not necessarily solve all problems, it can serve as a vehicle to provide an answer to some of them".

This follows a recent meeting in Lusaka between Nafcoc and executive members of the ANC. (30)

A delegation of Nafcoc this week met with the Australian Ambassador and the Australian United Nations representative.
Pick 'n Pay expected to beat forecast

CAPE TOWN — Pick 'n Pay is expected to exceed comfortably chairman Raymond Ackerman's forecast of 17% growth in annual sales, when it releases its results tomorrow.

Performance in the second half is expected to show a considerable improvement on the first half when disappointing sales growth of 13% and EPS growth of 15.8% were reported.

Analysts report that the supermarket group had the good Christmas season Ackerman had anticipated when he announced the interim results in September, and that sales during the last two months of the financial year to February were better than for the same period last year.

Other factors expected to have worked in Pick 'n Pay's favour during the second half are the benefits accrued from lower stock levels and a cash surplus in a period of high interest rates.

With reports of consistently good growth in clothing sales up to the February year-end, turnover is expected to exceed Ackerman's forecast of 17%.

This means it should comfortably exceed competitor OK Bazaar's 15.6% six-months sales growth and come closer to, possibly even exceeding, Checkers' 21% growth off a low base.
Klerksdorp to be boycotted

Jouberton residents will boycott white businesses in Klerksdorp on April 2 to protest against segregated public amenities and a spate of detentions.

About 22 people were detained on Tuesday and Wednesday (Sharpeville Day), according to Mr Tse-diso Ntaopane, general secretary of the Jouberton Civic Association.

The town council, "which claims to be a National Party town council", had refused to open facilities to all races, he said.

The consumer boycott is backed by several democratic organisations.
In his Budget speech last Wednesday, the Minister of Finance announced that the draft legislation for the new Value Added Tax (VAT) will be published shortly. This ends speculation that VAT will not be introduced in South Africa.

The Minister announced that, following the publication of the draft Bill, in due course, sufficient time will be allowed for general comment and consultation with representative bodies and the tax will not be implemented within a period of six months after final Parliamentary approval of the legislation.

It follows that VAT will in all probability be implemented before October 1 1991.

**Supply**

VAT is a tax upon the value added by a business and is imposed upon each supply of goods or services. It is levied on the supply of raw materials in the production process and on each stage, thereafter, until the product or service is made available to the consumer.

This is in sharp contrast to sales tax, which is only levied at the point where the supply is made to the end user.

When a business is supplied with goods or services by another business, that will be levied by the supplier of those goods or services. The VAT upon those goods or services received, is the input tax of the business who receives those goods or services.

**Difference**

When the business in turn supplies goods or services to other persons or businesses, that must be included in the price charged for those goods or services. This constitutes the output tax of the business.

The difference between the amount of output tax and input tax is the VAT that will become payable by the business.

One of the issues to emerge at last Wednesday's Budget speech by Mr Barond du Plessis, was when Value Added Tax would be introduced. In this article Anthony Chair, tax partner, Fisher Hoffman Stride, looks at the tax implications of the Budget:

**Purchases**

In addition, certain other transactions are likely to attract VAT. These include transport services and all professional services.

The black businessman is likely to benefit by the introduction of VAT. Under the present system of sales tax (GST) a small business whose annual turnover is less than R50,000 per annum, does not qualify to register for sales tax purposes.

**Registered**

They base their mark-up on the cost of 100 percent. In applying the same mark-up percentage as their competitors, their suggested retail selling price is higher than that of their competitors. This gives the market the impression that the small businessman is more expensive.

Under VAT all businesses, whether large or small, and whether registered for VAT or not will be liable for the input tax. The only difference is that a small business who does satisfy the turnover criterion will not be required to collect the output tax from his customer.

**Accounting**

All businessmen should give some thought to how VAT is likely to affect their business.

Particularly, the accounting system currently in operation should be reviewed to ensure that it can accommodate VAT, insofar as the recording of all input tax paid on supplies is concerned.

In our view, the turnover limit which will determine whether a business will be liable to register for VAT should be sufficiently high, say R200 000 a year, in order not to impose unnecessary administrative requirements for the fast developing black business community.
No consumer spree seen after tax concessions

CASH-STRAPPED consumers were unlikely to go on a spending spree just because their tax burden had been lightened, certain HP curbs relaxed and import surcharges lowered, economists and retailers said yesterday.

Instead, the extra money in their pockets from these measures — all announced over the past fortnight — would go towards reducing debt incurred in their credit sprees during the upsing.

Rand Merchant Bank economist Rudolf Gouws said the concessions would help cushion the impact of the economic downsing on retail trade sales, but remained insufficient for a consumer spending boom.

**Fiscal drag**

Interest rates remained high and many households' financial positions were in a bad way, he said. The 10% salary increase awarded to civil servants could be followed by similarly slow increases in the private sector.

A fall in interest rates would have to precede a spending boom, Gouws said.

Standard Bank economist Nico Cypotans said easier HP terms and lower surcharges would boost furniture sales but “not spectacularly”.

Lower tax deductions might raise spending marginally in the short term but would not help those who received salary increases after March 14 because they compensated only for fiscal drag, he said.

“Some consumers may use their money to spend, but most are heavily strapped and will use their new cash to relieve pressure from higher mort-

gages and so on.”

Furniture Traders' Association executive director Frans Jordaan expected sales to rise only in three months’ time, when the effects of the HP and surcharge measures filtered down to the consumer.

The industry would see an upsing from a 2% negative real growth to 2% positive real growth in 1990, but current interest rates would still suppress buying power.

Pick 'n Pay chairman Raymond Ackerman was optimistic the measures would lead to more buoyant sales, with the reduced surcharges leading to lower prices and offsetting further short-term increases.

Ackerman said Pick 'n Pay had cut VCR prices to their projected cost under the new surcharges and immediately sold hundreds.

"Obviously there are still problems like high interest rates, the slow economy and the unrest situation, but the light at the end of the tunnel is brighter," he said.

Checkers MD Sergio Martinengo was more cautious. While he welcomed lower surcharges, he agreed with economists that the easing of the public's tax burden would merely allow people to balance their budgets better.

"Since October the public has been overborrowing and relying on credit to make ends meet. We expect no boom whatsoever, but a drop in interest rates would help. We still wouldn't see a boom but it would benefit to an extent.

"Until then, the picture for retailers is reasonably bleak."
Brightening outlook

There was gloomy talk at the end of last year that 1990 would prove to be a bad year for the advertising industry. But the advertising expenditure figures for January don’t bear this out.

Spending was 23% higher than in January 1989, according to an analysis of the AdIndex released this week by the Media Shop. And January provides an indication of how the year will go because it is the beginning of the budget year for most advertisers.

There was, however, an unusual variation in growth patterns and a few categories even went down. The biggest winner was television, where advertising grew by 47%. But the bad news for the SABC was that radio grew by a negligible 0.9%. Print registered steady, though unspectacular, growth of 19.6%.

In the television category, the largest percentage growth — 75.8% — was enjoyed by the black language stations TV2 and TV3, while TV1 consolidated its position as the biggest single medium with 47.9% growth.

TV1 brought in R18.2m, which almost equals all daily newspapers combined.

M-Net revenue grew by 66.1%, even though its open time was cut from two hours to one. Ken Baillie, M-Net’s commercial sales manager, says open-time sales are up and the value of sales in encoded time more than doubled as the subscriber base increased from 196,000 to 396,000.

The pacesetter in the radio category was independent Radio 702. Last year, it repositioned itself from a pop station to an upmarket, mainly talk station for the 25-49 age group and it increased its ad revenue by 24.5%. In contrast, its former rival, SABC’s Radio 5, which has remained a pop station, lost 7.3%.

SABC’s Radio Good Hope, the only metropolitan station in the western Cape, grew by 20.8%, which reflects both its monopoly position and the importance attached to its sizeable coloured audience.

The biggest variations are shown in the print category. The year has started slowly for the daily newspapers, thanks to a fall in retail advertising and the continuing growth in advertising in free-sheets, which was up 82.7%. Mass-market magazines are the big losers. Spending on Afrikaans magazines actually declined by 2.6% and English magazines increased by a below-average 19.3%.

This doesn’t faze Bob Harrison, GM of Nasionale magazines. “We are launching a quarterly fashion magazine Red this year because we believe there’s still room for magazines that are launched into a well-researched target market.”

Print is still the dominant media category, with a 54.1% share, compared to 29.6% for television, 11.7% for radio, 2.9% for outdoor and 1.7% for cinema. But Grey-Phillips deputy MD Harry Herber warns: “The figures from the SABC should be accurate because they have a fixed rate card for all advertisers. But Ad-Index takes no account of the discounts larger advertisers enjoy in print, so print’s share may be a few points lower.”
business is a key issue for Durban.

Westville has vowed to raise objections to the rezoning. But if the major chains have not signed with them by the time the matter is referred to Province, Durban will have a strong argument that traders prefer Sherwood, Van Heerden contends.

He says developers feel the 45 000 m² of shopping on offer at Westville is inadequate for a major anchor tenant and full complement of fine shops to draw shoppers. However the developers have indicated they could apply for a further 30 000 m² of shop space.

The Sherwood proposal offers some 90 000 m² of shopping plus a 40 000 m² office park. That puts it on a par with Westgate or Eastgate on the Reef.

Westville town clerk Gerald Brink says all the procedures to have the site and the “Pavilion” shopping centre proposals approved have been completed. Durban has yet to go through the motions and he vowed Westville would do all it could to block it.

The battle between the two municipalities started in January when Durban announced plans to develop a regional shopping centre. Then, Westville had already called for tenders for its centre.

But Durban refutes Westville’s assertion that it was slow off the mark.

“It was no Johnny-come-lately idea to embarrass Westville,” insists Durban deputy estates manager, Julian Butler.

The 30 ha site at Sherwood was earmarked for development in the Seventies but plans for a shopping centre were halted six years ago when government selected the site for a coloured teachers’ training college.

When this plan was dropped six months ago, Durban revived its plans for the centre.

Butler says Durban has since been flooded with interest from developers. That may be so, but the bottom line is that the area can sustain only one centre of the magnitude proposed. Which it will be, the market will ultimately decide.

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**Retail horns locked**

Durban and neighbouring Westville have become locked in a bitter battle for supremacy in the shopping centre stakes.

Both municipalities plan to develop regional shopping centres on sites “a stone’s throw” from each other and the war of words over which is the most logical development is heating up.

Westville Town Council has accepted a R200m development proposed by a consortium of Murray & Roberts Properties and Retail International, while Durban has the backing of joint developers KDP Property Developers and Tartan Properties for a R440m centre at Sherwood.

But, while both local authorities are eager to see their centres go ahead, they are only too aware that the area between the city and Westville cannot sustain two regional centres so close together.

“Westville’s tenders have been accepted, but no major tenants have committed themselves. We believe they will do so only once they know the outcome of Sherwood’s rezoning,” says Durban’s estates manager Wim van Heerden.

The rezoning of the 300 000 m² site at Sherwood from special residential to general
METAIR Investments, a company with various interests in the motor industry, expects a further decline in new vehicle sales in 1989, according to its annual report for 1988.

However, chairman Douglas Stewart believes the impact on the company should be largely offset by new business arising from the increasing local content requirement.

In addition, growth in the replacement market is expected, due to the increasing average age of vehicles on the road in SA.

Stewart says with the high interest rates the after-market has shown signs of over-trading recently, but the ageing of vehicles is an inescapable fact considering the current level of new vehicle sales.

Significant capital investment will be required to participate in the opportunities arising from the local content programme, particularly as Metair will try to remain in the forefront of new developments.

Stewart adds that the group is well placed to take advantage of the opportunities that lie ahead and current financial forecasts indicate continued growth for 1990.

In March last year, Metair acquired a 40% interest in Hella (SA) for R14m. Hella are manufacturers and suppliers of automotive components as well as industrial lighting products.
Challenges for the Nineties

David McKinstry is group CE of Young & Rubicam SA.

Marketers will spend R1.7bn on print, TV and radio advertising this year and a further R300m on producing these advertisements. I estimate that they will also spend at least R300m on other types of promotion, such as direct mail, exhibitions, sign and displays, PR and sports sponsorships.

If you then count the money spent on the vast amount of promotional literature issued to consumers and business, it’s not difficult to reach a figure of R3bn for advertising and promotion.

That’s a major industry and, as it enters the Nineties, it will face major challenges. There will be an increasing similarity between products and wider consumer choice, so advertisers will have to influence consumers to buy their products through a maze of increased media clutter, with budgets that will struggle to keep up with inflation. Every communications rand will have to work harder, not just in 1990, but progressively in 1991, 1992 and thereafter.

I am an advertising man but I believe strongly that there is room and, indeed, a need for promotions, sponsorships and PR as well as mass media advertising in the communications mix. However, many advertisers have seemingly unco-ordinated programmes handled by myriad advisers all doing their own thing and fighting for their share of the advertiser’s budget.

I recently saw a diet product sponsoring a title fight; a kitchen equipment company sponsoring a yacht. The fact that the chairman is a fight fan or a sailing buff is not a good basis for selecting a sponsorship.

There is only one way to go — that is to firm up a tight strategy based on the consumer’s, rather than the manufacturer’s, perspective, and embodying a clear buying idea. Then all communication, mass, media-based and otherwise, should reflect increased coordination between messages delivered in various ways.

Another issue for 1990 and beyond is accountability. The techniques for measuring the media’s reach are as sophisticated as any in the world. The same can be said for our testing and research methods.

There is just no excuse for spending money on promotions, sponsorships and indeed media when the agency cannot provide statistical back-up. I don’t wish to suggest that advertising and promotion is a purely mathematical exercise, but sometimes the art needs a little scientific help and that certainly will be true in the Nineties.

The closing sounds of the communications symphony should always be a ring of the cash register. Focused, accountable communications will make the difference between a dull clang and a clear ring.

However, symphonies have several movements and the objective of advertising is not to make one sale, but to create a consumer. It is the body of loyal and consistent consumers who support a brand that gives the company its true added worth. That is, value addi-
tional to its net asset value.

This is not accountants’ territory, it is marketing people’s turf. However, accountants are taking notice, to the point where they are beginning to value brands on the balance sheet. They may not be in agreement on the method of valuation but there is no argument that brands do add value — and it is a value that is not shown on many balance sheets, yet.

If proof is needed, we have only to look at the importance of brands in the space of major takeovers in the US and Europe recently. The prices paid and the debt taken on by the leveraged and management buyout principals in such deals as Phillip Morris’s acquisition of Kraft, R J Reynolds’s acquisition of General Foods and, of course, Unilever’s purchase of Vicks and Cheesborough Ponds, were possible only because of the power of the brands owned by those companies. No sane banker would have lent or raised those sums on the security of the companies’ conventional assets.

In the Nineties more and more captains of industry will realise that strong brands mean strong companies; that advertising is an investment and not an expense; and that creative advertising embodying a clear and single-minded strategy based on a consumer’s perspective is the key to brand building.

So the laurels in the Nineties will go to companies that work in partnership with advertising specialists who can best manage brand building advertising and promotion, not just to ring the cash register once or twice, but many times, to create a crescendo of rising sales and profits.
Blackened CP supporters open fire on boycotters

CONSERVATIVE Party supporters disguised as blacks have shot demonstrators enforcing a consumer boycott, according to accusations made in Parliament.

Ray Radue, Democratic Party MP for King William's Town, told Parliament of an incident in which two CP supporters borrowed a Transkei-registered bakkie to break the boycott in the Border town of Komga.

In a bizarre variation of Cape Town's Trojan Horse incident, the blackened right-wingers drove to the Komga co-op, loaded a few empty boxes and returned towards the town's centre, pretending to violate the boycott.

When the bakkie was spotted “these self-appointed CP-supporting law-enforcers alighted with firearms and opened indirect fire,” Radue said. Two youths are believed to have been injured in the incident.

The Komga boycott has been underway since January. Last week, three members of the boycott's organisers, the Komga Residents' Association, were detained. Police at first said the three were being held in connection with criminal charges, but have since conceded they were detained under security legislation.

Another town hit by consumer boycotts are Tarkastad, Jamestown and Elliot, near Queenstown.

In Stutterheim, white shops have been boycotted since November, forcing several to close. Since then, a number of activists have been detained, and tension is high.

This week, thousands of residents staged a peaceful march through Stutterheim to the local police station to demand the release of seven pupils detainted last week.

The marshalls, many of whom were school pupils, carried banners of the African National Congress, Mungodi Residents' Association, and the Stutterheim Youth Congress. Police kept a close watch on the marchers and razor wire was placed off their route from the rest of town.

At the police station a memorandum compiled by teachers and pupils of the Jongle Nompande High School was read and handed to the station commander. The memorandum called for the immediate release of the seven pupils to enable them to continue with their studies.

In addition to the consumer boycott, political action in the Eastern Cape-Griqualand area has also included a wave of resignations by community councils.

Councilors in Komga, Gumsberg, Indwe, Stutterheim and Elliot have all responded to residents' calls to resign, and this week residents of Aliwal North called a mass meeting to demand the resignation of the Dukabale town council.

Similar meetings have also been held in Burgersdorp, Nuppoort, Hanover, Steynsburg, Tarkastad, Jamestown and Colesberg. Only in Burgersdorp have councillors refused demands to resign.

In other towns councillors have asked for time to consider the demands, while at least two councils have held free brawls in blatant attempts to buy residents' support.

In Colesberg and Nuppoort residents have also told councillors to resign and join the residents' association. — EMSews and Veritas
Hyperette sales treble to R26m

HYPERETTE Stores, previously known as Millys, trebled sales to R26m in the eight months to January from R7m in the 13 months to July as a result of expansion and reorganisation.

After a smaller interest bill and no tax charge, as the company had an accumulated loss, attributable earnings of R1m were posted compared with a loss of more than R5m in the 13-month period.

Earnings of 0.78c a share were posted on an increased number of shares in issue against a previous loss of 4.27c a share. No interim dividend was declared.

Hyperette, which is listed in the DCM sector of the JSE, is a delicatessen and fast food chain. Over the past year the group acquired 25 Hyperette stores for R6.2m and three Bread Basket stores for R3.5m to supplement the Millys stores.

Chairman and MD Hein Ehlers said the costs of reorganisation had been funded from the group’s internal cash resources.

"We are happy with our early results, especially in view of the high costs of reorganisation, acquisitions, setting up of a distribution network and warehouse, the opening of new stores and the implementation of strict new management systems."

The operating margin on sales was 4.39%. "The turnaround is a tremendous credit to our management team," Ehlers said.

Trading conditions and operating margins were still improving.

"With the Hyperette image now firmly established, and with good market exposure in the western Cape, new avenues are being investigated for the highly lucrative gourmet and specialist bread markets."
THE retail chainstore, Pick n' Pay boosted earnings a share by 22.4% to 105.9c (86.4c) for the year to February helped along by solid returns on investment income and lower marginal taxes.

A final dividend of 41.5c saw total dividends rise 23.6% to 52c (42c) for the year.

Turnover up 13.2% at R4,38bn R3,87bn failed to out perform the consumer price index (CPI) for the same period, with the food bill registering a 15.7% rise.

This performance which an analyst described as "disappointing" was forced on by tighter economic conditions as well as the huge sales base realised in the previous year, said chairman Raymond Ackerman.

Operating margins did not take advantage of the recently introduced scanning procedures, expected to bolster productivity, dropping slightly to 2.65% (2.7%).

However tax-free, insurance-related investments pushed income from this source to R14m from R10m.

This was enhanced by a lower marginal tax rate down at 44.9% (46.3%) translating into distributable income of R57m (R67.7m) up 22.4%, after including outsider shareholders interest and extraordinary items (R4m, profit on a property sale).

Ackerman said: "The decline in the rate of tax came from a mixture of tax-free income and tax allowances for capital expenditure — expected to remain low for a few years."

On the decline in margins Ackerman said the competitive pressure on prices coupled with higher salaries — up 21% for the year — allowed operating expenditure to grow at a faster rate than turnover.

However a whole string of expansions and openings should add credence to Ackerman's forecasted 18% growth in sales for the coming year.

"Among these additions is the introduction of the first Chain Reaction clothing store in PE, intended to exploit the niche market for good quality fashionable merchandise."

Price Club, the Cash and Carry outlet, Boardman's — the homestyle store — and Blue Ribbon Meat Corporation all returned satisfactory results.

Ackerman mentioned the emphasis, Pick n' Pay was placing on the new SA with 68% of value added in the last balance sheet going towards personnel, by way of housing, share issues and bursaries.
Making millions - what a pleasure!

By TOM HOOD
Business Editor

THREE simple trade secrets lie behind the success of the country's largest direct-selling clothing business.

They are enthusiasm, hard work and quality of products.

So says Roger Howes, founder and executive chairman of It's a Pleasure International (Pty) and its manufacturing arm, Paroda.

From six workers in 1967, when Paroda started making high-quality lingerie, the business has grown into a manufacturing and selling empire with more than 400 employees and fashion consultants - a number expected to grow to 6,000 in the next two years.

Turnover, which took three years to reach R7 million, is now above R60 million, including export sales to Britain and the United States.

Business is now organised from a 10,000 m² building in Epping - the former Cape Steel factory - one of the largest clothing operations on one floor.

Success, however, also needs a dedicated work force - the workers have twice shown unusual loyalty in an industry dogged by high labour turnover.

First time, when cash-flow problems brought temporary judicial management 10 years ago, very few left to seek jobs elsewhere and those who stayed agreed to forego annual bonuses until financial problems were sorted out.

Second time, when four factories in Cape Town's "clothing belt" were consolidated at Epping a year ago, all but two employees were prepared to go with their jobs.

The change was made less painful because the moves were organised in a military-type exercise and a number of perks helped, including free buses to the station and subsidised meals.

The result is almost a third of the 600 in the clothing factory belong to the 10-Year Club.

If Cape Town's clothing trade ever had - to coin a phrase - a dyed-in-the-wool man who began at the bottom, it's Roger. From school he entered the stocking industry as a 22-a-week management trainee at his native Coventry, in the English Midlands.

"In the factory they didn't know what to do with me so on the first day they gave me a broom to sweep the floor," he recalls.

"The broom got caught in (See page 3)

What a great pleasure

(from page 1)

the back of a stocking machine 20 m long and all the stockings dropped off. One of the tradesmen was so annoyed he hit me for six - it was rough justice in those days with no fines or trade unions."

But young Roger worked his way up through the business and became head of quality control.

At the age of 25 he was sent to South Africa to a factory but when the UK parent company was taken over by Courtaulds, the textile giant, he left and joined Wiel and Aschien becoming a director and broadening his experience in marketing and sales.

After four years, he decided to start his own business, and it was Paroda. They established a national brand of lingerie. One year and turnover topped R7 million.

He next decided to go for direct selling to the public, linking up with a direct-selling UK company, 311. But his partners, hit by financial problems, pulled out at the last minute and he was forced to go it alone.

Luckily, they still agreed to train several local people and the business was a success, trading as Party Plan.

Problems defending that trade mark forced the company to change to It's a Pleasure.

The word International was added three years ago, reflecting the export business.

The business is moving more heavily into high-quality catalogues, which are now updated monthly.

"Normally a 10 percent response to a mail order catalogue is good. We get virtually a 90 percent response when a consultant talks with the customer."

Ten percent of sales are menswear.
PnP heads for R5.5bn

(from page 1)

Mr. Ackerman said the company, which is now in the process of acquiring the majority of the assets of the liquid fuels wholesaler JNC, was also growing in profit terms.

"We are living in a world of intense competition. We are growing businesses but also looking at new opportunities," he added.

Tens of millions of Rand is invested in the company to enable the group to grow its operations.

"We are investing in our core businesses and will continue to do so," he said.
City retail sales soar

Regional retail sales
Current prices Rm

CAPE Town has shown remarkable growth in retail sales and is outperforming Johannesburg as the fastest retail growth point in the country.

Figures released by the Bureau for Economic Research at Stellenbosch University show that Pretoria and Durban are lagging behind the market development in the Peninsula.

This surge in business activity is not restricted to the retail trade which in effect is a reflection of a wider spectrum of increased business activity.

BER statistics show that the hotel business trade is leaping ahead and the country's largest hotel group, Protea Hotels, headquartered in Cape Town, has recently introduced a number of innovative products to attract more visitors to the City.

Wesgro, an organisation backed by regional municipalities and private business, is in the process of enticing foreign participation in joint venture schemes and there is a real sense of urgency.

Clothing prices took off in the 1980s and the city is benefiting from the higher prices, although the industry has come under severe pressure as a result of tighter margins.

A disturbing feature of the report from the bureau is that South African monopolies continue to grow. It says in the world of real business indicators, the numbers of companies liquidated have remained fairly constant since the mid-eighties.

However, the number of new companies registered has declined paving the way towards big conglomerates in a monopolistic society.
millionaire who owns half a town

The amazing rags-to-riches rise of

By Money Mole

2/2/1970
Streaming audio streams provide the basis for the trend of now. A new music ecosystem.
Black business has poor re

Now it’s acting to put house in order

By PATRICK MAFAO

TRACK records of black businesses are not impressive. Take the story of African Development and Construction Holdings (ADCH), formed by black entrepreneurs in 1977.

The company incurred losses from the start and when it closed last year it was owed R200,000.

What happened? There were three basic problems. The first was capital. It took eight years to raise R300,000 from its 400 black shareholders. For blacks to acquire a meaningful stake in this sector, capital guarantees will be necessary.

Secondly, the company lacked quality management and thirdly, falsely assumed that since the company was black owned, the entire management had to be black.

Realisation is dawning that to be taken seriously, black business has to get its house in order. And rhetoric is being replaced by action.

Taking the initiative is the African Builders’ Association (ABA), an affiliate of the newly formed Foundation for African Business and Consumer Services (Fabcor).

The strategy is four-pronged: addressing management skills through training, creating a cash pool through its membership; lobbying government to simplify its systems of allocating land for black township development and also to dismantle economic policies tied to political policies in the building and construction industry.

Bester Mogale, spokesman for ABA and president of its Transvaal affiliate, Taba, says many large companies now give preferential contracting to black business, coupled with assistance in costing and pricing, ordering, delivery and similar tasks.

There are, however, serious drawbacks. “The main one is that it is not really their job and they might get tired of the effort and the cost to themselves.”

To overcome these problems, says Mogale, the training process will have to be intensified.

But are organisations such as the Urban Foundation and the South African Housing Trust not providing these services?

Mogale says so far they have failed. In their own right they have been more property developers and financiers. Typically liberal, they are not doing for blacks, instead of doing with blacks, he says.

“Instead of laying the foundation for the black master builder to expand the building and property industry, through their actions they are curbing such development.”

He says it is for this reason that ABA has secured sponsorship from the US Agency for International Development (USAID). The grant of over R500,000 is subject to review every three years and will be used to develop a training programme for its members. The organisation’s membership is estimated at 5,000 and includes architects, plumbers and bricklayers.

Mogale says the programme will cover tendering, drawing of plans, assessment of quantities, finance, ordering and delivery and site management. These can be grouped into getting the job, financing the job and carrying out the job.

The problems in getting the building industry into the mainstream are not the lack of technical or craft skills, he says, but the lack of business skills.

There are thousands of black master builders in South Africa. Respectably, few work for themselves.

They are often employed by white-owned building firms. The black builder may do everything in respect of the actual building operations with little or no input from the owner of the business. Why, then, does he find it difficult to strike out on his own as an independent builder?

To finance black operations, Mogale says, the organisation is to adopt the Sabinet Foundation model, which creates a finance pool. A percentage of profits from projects completed by each member will go into a trust fund, which will be used to finance projects.

International aid will also be sought, particularly from the World Bank.

He says that during the fourth stage, besides concentrating on economic policies which are tied up with unwieldy political policies, investigations will concentrate on the Department of Development and Planning, particularly the National Housing Commission which allocates about R500,000 to housing projects.

Choose the right paint to brighten up your home

NEVER bought paint before? Don’t know a high-gloss from a non-drip or a vinyl from a mastic? This simple decorating guide explains what does what and why.

Most paints fall into two categories: oil-based (gloss) or emulsion. Each offers a different sheen, texture and coverage.

LIQUID GLOSS: This paint has a hard sheen finish and is best for skirting boards, window frames and doors. For exterior use, pick a range that is formulated to withstand the weather. Always use a primer base under gloss.

NON-DRIp GLOSS: A gift to the first-time decorator. Its consistency, like non-quick-set, makes it very easy to use. An undercoat is not necessary as long as the surface has been well-prepared. Do not “over-brush”, as you will end up with a glossy finish.

MID-SHEEN OIL-BASED PAINTS: Better known as eggshell and satin. These have a more subtle sheen than gloss and are suitable for doors, windows and metal, ideal for bathrooms, kitchens and techniques such as marbling and rag-rolling.

VINYL EMULSIONS: come in satins and satin finishes. The vinyl ingredient makes the finish more hardwearing and easy to wipe clean. Use only on walls, ceilings and over relief wallpapers such as woodchip and anaglypta. Don’t use over rough plaster. It highlights the uneven surface.

MATT EMULSION is good on rougher surfaces as its soft, velvety finish helps to disguise flaws. Use on internal walls and ceilings. Use two coats. Not suitable for wood or metal.

SOLID EMULSION comes in a tray. It has a thick, soft, cheap appearance and is non-drip ideal for ceilings. Apply it with a roller, but use a small brush for touching up edges and corners.
Supply boom to halt the unrest falls

Shed chairmen, Free Muler... Sticking up a healthy cash pile
New Sterns aims to be top again

By Ian Smith

It wasn’t been easy to put the 103-year-old Sterns retail jewellery chain back on the road to its pre-eminent position in the R1,2-billion-a-year market.

The national chain of jewellers, which was once credited with selling more diamond engagement rings than the combined total of all other jewellers in the country, was taken out of the listed company last August after a R12-million buy-out by the privately owned Goodgold-Tanur group.

But many skeletons were uncovered when Goodgold-Tanur’s highly professional management team walked into the headquarters of its loss-making acquisition.

Sales had been slipping since 1996 and staff morale, after two years without salary increases, was low. Controls had slipped and computer systems were in disarray.

There were stock discrepancies and stocks had been badly managed.

“For instance, we had earrings for several years but we had no stock of ring twin-sets,” says Maurice Hartshorne, former Edgars executive who has been appointed joint-managing director with Ronnie Tanur.

Nevertheless, a huge restocking operation was completed in time for Christmas and the chain was very profitable in December.

Bottom line in the first three months of this year of this year will be badly affected by heavy write-offs because a lot of bad debt was not written off in the last two years.

New Sterns is planning a major marketing drive to take it back to the No 1 spot in jewellery retailing, which it lost to Foschini’s American Swiss.

“We are the biggest privately owned jewellery group in the country, and overall we are second only to American Swiss,” says Mr Hartshorne.

“But we are determined to regain the position we held for so long.”

The new owners have spent more than R2-million in the last six months on marketing and promotion and another R4-million has been budgeted for this year. An advertising agency has been appointed.

The old Sterns became a household name when Syd Barnett began selling jewellery on terms in the late 1950s, backed by huge advertising campaigns. 5/7/90 2/3/90

Motivated

“We are going back to the old policy of quality jewellery on credit,” says Mr Hartshorne. “We must also make sure that our shops are right, the staff is motivated and people have confidence in the new Sterns.”

To rebuild morale among the 450 staff the new owners avoided re- trenched. “A few people lost of their own accord, but we have worked hard to rebuild the team spirit.

“We improved salaries to show everyone we were determined to pay market rates and, even in a loss situation, we paid a 13th cheque at Christmas.”

A consultant from Switzerland has been hired to ensure the shops look right and to introduce innovative selling techniques. New products, including an exclusive range of quality Swiss watches, will be added.

Jewellery will be re-ticketed to show the size of diamond and the gold content. “The customer will know what he is buying,” says Mr Hartshorne.

Security has been strengthened at all the shops, and consultants Arthur Andersen have been retained to examine and make recommendations on new computer systems.

“We are not egotistical enough to believe we can turn the company around in a few months. But we believe we have stopped the bleeding and we know where we want to be — at the top.”
Retailers look for early cheer

By Don Robertson

MANUFACTURERS and retailers of domestic appliances and audio and hi-fi equipment are hoping for a mini-Christmas in July and a follow-through to bumper sales in December.

Their expectations follow the decision earlier this month to relax hire purchase regulations on certain products, the reduction in import surcharges and personal tax concessions announced in the Budget.

Richard Ferrer, chairman of the Domestic Appliance Manufacturers' Association of SA, says demand is expected to pick up soon in response to the HP relaxation, and once the other factors have filtered through — by about July — sales can be expected to increase substantially.

Forecasts

"Research has shown that the tax handout will increase the average family's discretionary spending by about 27%. This could be used to reduce debt, to increase savings or buy new consumer goods.

"This will significantly increase sales of domestic appliances and other consumer goods," he says.

"Analysis had shown that sales of domestic appliances were expected to decline by about 10% year on year. Now we are looking for a modest growth and are ex-

pecting a bonanza during the Christmas period."

Dions marketing director Howard Davidson says it could also result in the price of some items, such as VCRs, being reduced by up to 16%, but will certainly mean that current prices will be maintained for three to four months. He reports a lift in sales in March compared with the previous month.

Stan Beith, joint managing director of Milston, which incorporates Miltons and Slans, says the price of items such as VCRs and compact discs could come down.

He says that a VCR which currently sells for R2 000 could be reduced to about R1 800, while the price of compact discs could fall by about 5%.

Alan Coward, new managing director of National Panasonic, says the reduction in the surcharge from 60% to 40% will make VCRs about 6% cheaper and, as sales are cut, sales are expected to rise by between 10% and 15%. The relaxed HP requirements do not affect VCRs.

The improved credit facilities offered on TVs makes HP more affordable, while the reduced surcharge means the cost of locally assembled sets. Sales should rise by between 5% and 10%.

In contrast, Morkels financial director Terry Simon says he does not expect any rush to buy consumer goods as lower income groups are still being hit by high interest rates.
Jewellery set to sparkle

By Dirk Tienaman

A huge underground industry is coming out of the closet following the Budget's abolition of 20% ad.valorem duties on jewellery.

The imposition of 35% duty on jewellery purchases at the retail level in 1969 drove many manufacturing jewellers underground.

Officially, says Mintek president, Aiden Edwards, jewellery makers import only two tons of gold in the form of jewellery a year — but another eight tons is bought illegally.

This suggests that SA manufacturing jewellers are buying R400 million of gold a year 'under the counter'.

Dr Edwards estimates that two-thirds of jewellery in SA is illicit.

Dr Edwards says the tax implemented to discourage domestic consumption of gold, encouraged jewellery imports and consequently resulted in foreign exchange losses.

Foreign jewellery has always been cheaper than local products because of government assistance to foreign manufacturers.

Further evidence that the industry is vastly underestimated by the authorities was contained in Finance Minister Barend du Plessis's Budget speech.

Mr Du Plessis said he would lose R27 million with the abolition of the 20% tax still obtaining. This means the Government estimates the size of the jewellery manufacturing industry at only R188 million.

Jewellery Council Executive Director Michael Goehl estimated industry size at R560 million, which has meant a loss to revenue of approximately R112 million a year.

However, with the industry coming into the open it will be subject to sales tax but revenue will make good its expected losses.

The gold loan system introduced by the Reserve Bank is less than satisfactory, says manufacturer Goehl.

Transvaal Jewellery Manufacturers Association chairman, Harry Bloom, says manufacturing jewellers buy gold at the ruling price. They have to repay loans at the price prevailing at the end of the loan period. They are thus exposed to dollar/rand exchange rate and gold price fluctuations.

The loan from the Reserve Bank is obtained at 1.5% interest by the commercial banks. Jewellers pay commercial banks 7% back, guaranteeing the jewellers to the Reserve Bank.

The loan guaranteed to the banks costs another 1%, but the manufacturers are in an open risk position. Jewellers forward but Mr Goehl says coexistence means paying an interest rate equal to the current overdraft rate. He believes matters will improve as more banks enter the loan system.

First National is the exclusive bank, but now Rand Merchant Bank has entered the fray. Jewellery manufacturers will be looking to reduce the risk involved using futures contracts, says Mr Goehl.

The abolition of the ad valorem tax now affects retail jewellers who are registered with the Department of Customs and Excise and do not pay import duty on their stock until sale to the consumer.

The majority of the large retailers such as Sermans, American Swiss and Arthur Kaplan, pay the tax on upfront and are not affected immediately.
Pick 'n Pay profits well up

CAPE TOWN — Pick 'n Pay met analysts' most optimistic profit expectations with attributable earnings up 22.4% to 105.9c a share for the year to February, in spite of an improvement in turnover of only 13.2%.

Turnover, at R4.58bn, showed little real growth, but taxed earnings of R22.6m were boosted by impressive growth in investment income of R14m (R10m). There were good returns from unlisted tax-free insurance investments and allowances for capital expenditure during the year, enhanced by a lower tax bill of R46m (R40.2m).

An extraordinary item of R4.2m from the sale of property in Johannesburg took attributable earnings up to R26.8m, translating into 106.9c a share. A total dividend of

Pick 'n Pay 52c, up 23.8% and well in line with expectations, was declared.

The annual sales growth of 13.2% lagged behind the consumer price index rise for the same period, and the group did not increase its share in a highly competitive market. An operating margin of 2.88% was down slightly on last year's 2.75%, showing that the group relied on the improved investment performance and lower tax bill for the bottomline result.

MD Hugh Herman said the group was satisfied with the sales growth, which had come off the high base established during the previous year's 21st birthday promotions and been knocked during the course of the year by the economic downturn.

A major impact on profit margins must have been the 21% increase in the wage bill which, coupled with other staff benefits and share schemes, accounts for more than 68% of the group's expenses.

Herman said the group was well poised for a strong revival in the current year and could achieve sales growth of more than 18%. It had implemented and paid for scanning and systems developments and refurbishments last year, and worked through the effects of extraordinary sales levels achieved during the previous year.

The group is scheduled to open 12 new supermarkets, pantries and warehouses this year, including an upmarket, self-standing clothing chain called Chain-reaction.

Gareth Ackerman, 33-year-old son of Pick 'n Pay founder and CEO Raymond Ackerman, has been appointed a full director.

The Ackerman family is the controlling shareholder and Raymond Ackerman suggested in a statement with the results on Friday that he was looking for someone to succeed him.
Protea Furnishers posts R3m profit

JOHANNESBURG. — Protea Furnishers Limited, the 84-store furniture retailer, (formerly Sam Steele Holdings) has achieved a dramatic turnaround and is already in the black.

New management was installed in August 1989 by its new controlling shareholder, Supreme Industrial Holdings Ltd.

Interim results for the four months to December 31, 1989 (the company has changed its year end) reflect a R3m profit after the R27,4m loss for the previous year.

Profurn changed its year end from August to December to bring it into line with other group subsidiaries.

Turnover in the shortened interim reporting period was R31m compared with Samstel's R71m in the previous full year.

"The results, achieved solely through trading performance, vindicate the decision to sell Samstel's manufacturing divisions and for Profurn to concentrate on furniture retailing," says chairman Edward Ronbeck.

"However, the real difference was made by the total change of top-level management, whose management style and implementation of policy have already had a positive effect on the whole organisation at all levels."

Commenting on prospects, he says that notwithstanding the economic downturn, Profurn is well-positioned in the furniture retail sector.

"We are well on target and expect to exceed the forecast made in December last year of earning 8,5c per share in the 10 months to December 1990."

Profurn was acquired by Supreme in July 1989.

Following the recruitment of top calibre executives, Profurn underwent a major strategic corporate restructure, including the disposal of its manufacturing divisions together with land and buildings for R18m cash.

These funds were utilised to refurbish and restock its outlets, the installation of a modern computer system and repayment of debt.

Says Mr Ronbeck: "We have identified a number of attractive potential niche markets and some of the older stores will be repositioned into more attractive and profitable retail areas." — Sapa
Protea Furnishers recover

SYLVIA DU PLESSIS

CONCENTRATION on furniture retailing and a change in top-level management by new controlling shareholder Supreme Industrial Holdings (SHI) have enabled Protea Furnishers to move back into the black in the four months to December.
The 84-store group — formerly Sam Steele Holdings — has reported a R3m profit during this interim period from which earnings of 4,7c a share have been declared on an increased number of shares in issue.
This follows a strategic corporate restructure, including the disposal of manufacturing divisions together with land and buildings for R16m cash, and represents a R30m turnaround from the year to August when a R27,4m loss, or loss per share of 130c, was posted.
Chairman Edward Roosbeek said at the weekend results for the group, whose year-end has been changed to December to bring it in line with group subsidiaries, were achieved solely through trading performance.
Turnover during the four months amounted to R31,4m — nearly half the R70,3m achieved in the 12 months to August.
National unrest creates February hiccup for Rusfern

February sales for furniture giant Rusfern fell about 10% short of budget following Nelson Mandela's release and general unrest nationally, CE Geoff Austin said yesterday.

Austin said certain of the group's chains sold "virtually nothing" in the week after Mandela's release because of political uncertainty amongst consumers, while stores in the Ciskel, for example, were burnt and looted.

Russells showed standstill year-on-year growth in nominal terms during this period, Arrow 15% and Wanda Federers and Dion 10%, he said.

But while none of these chains showed real year-on-year growth in February, March sales were "a lot better" and Rusfern remained on track to achieve the R92m in full-year earnings forecast earlier.

"Clearly, Mandela's release has created unrealistic expectations in some quarters of the black community and this has affected retailers generally, but we believe it to be of a fairly temporary nature." Austin said the recent easing of credit restrictions on domestic appliances, civil servants' 10% salary increase and reductions in PAYE tax all boded well for business.
Market economy vindicated — Relly

By Ann Crotty

"The modern economy is too complex and diverse for a single, central agency to control or manage by attempting top-down resource allocation," says Gavin Relly in his chairman’s statement in the AECI annual report.

Mr Relly refers to the momentous events that took place in 1989, not only in Southern Africa “with the relatively orderly transition to independence in Namibia”, but also in Eastern Europe where what seemed the impossible was achieved, with apparently entrenched regimes overthrown within days.

"These momentous events confirm once again that the autocratic imposition of ideology by an elite cabal on an unwilling society will not be tolerated indefinitely.

"A truly stable society requires that all the people have the freedom to participate in political and economic institutions that function efficiently and fairly and in harmony with one another; where a fully democratic, multi-party political order is complemented by a compatible economic system in which the benefits of participation are real and reinforce the political rights and liberties enjoyed by all.

"Only a market economy can meet this test — the modern economy is too complex and diverse for a single, central agency to control by attempting top-down resource allocation.

"And the spontaneous mass rejection of such a system in Eastern Europe has finally forced the reactionary left to reassess the viability of their ideology."

Mr Relly believes that the lifting of the ban on the ANC and other organisations and the release of Nelson Mandela and other political prisoners were major steps towards normalising the political process in South Africa.

"But he adds: "This bold decision — not without attendant risks — deserves an equally courageous response."

"I am hopeful that all representative leaders will display the stature and responsibility which the making of history demands and commit themselves in good faith to the creation of a new non-racial and multi-party democratic society in our country.”

Mr Relly says that in this respect the experience of Eastern Europe and the failure of economic and political systems in much of Africa provide ample evidence of those policies, which are not tenable in the modern world.”
Cosatu to present proposals

Alec Erwin also argued for nationalisation "in areas where it made sense".

Mr Erwin cited Korea and Taiwan as countries where state intervention had made manufacturing industry more competitive on world markets.

Extremists who thought the solution to South Africa's problems lay in nationalisation alone or the free market, "were playing games" he added, stressing that both had a role to play.

Mr Erwin said the "sheltered" manufacturing sector had been stagnant for some years and that agriculture was in crisis after decades of subsidies.

Carefully constructed nationalisation should aim to move South Africa towards a low-cost, high-wage, high-employment economy, he said.
R30-m ‘rights’ boost from private sector for SBDC

By Jabulani Sikhakhane

The Small Business Development Corporation has mobilised R30 million from the private sector through a 49 percent rights issue involving some 100 shareholders.

The managing director of the SBDC, Dr Ben Vosloo also announced at a board meeting yesterday ten priorities for the future, including increased promotion of black business activities with special emphasis on the informal sector.

Dr Vosloo said the rights issue reflected recognition by big business of the essential role that small business has to fulfill as an effective creator and distributor of wealth in a new post-apartheid South Africa.

We also view this support as a concrete endorsement from the private sector of the SBDC’s efficiency and cost-effectiveness in developing the small business sector.

The money raised from the private sector, together with State support, would enable the SBDC to sustain its planned growth of 20 percent a year as set out in its five-year plan announced last year, he said.

Among the companies that took up subscriptions of over R1 million are Goldfields of SA, Sanlam, Rembrandt, Anglo American, De Beers, Gencor, Nedcor Group, First National Bank, Standard Bank Investment Corporation, SA Mutual and Volkskas.

Among other priorities for the future, announced by Dr Vosloo, was a decision to continue with the deregulation drive with the focus on the remaining obstacles and deregulation of the informal sector; to expand the Hive of Industry programme which makes available small factory units to budding entrepreneurs.

Special attention would be given to the establishment of hives close to the marketplace in Central Business District areas.

The SBDC will also extend the sub-contracting programme to more large concerns and promote small business as beneficiaries of the government’s privatisation programme; boost business infrastructure development in neglected areas and expand business skills training.

It will improve staff development programmes, with the emphasis on black employees; improve efficiency, cost-effectiveness and client service. The SBDC would also strengthen an appropriate financial base to support long-term growth.

Dr Vosloo also announced that a portion of the proceeds of the rights issue, supplemented by additional funding from the State, had been specifically earmarked for property development.

A property brochure launched yesterday had been compiled to show the extent and impact of the SBDC’s involvement in the provision of commercial and industrial facilities which presently represent an investment of more than R218 million and more than 3,800 units.

“In a relatively brief period since the SBDC has been active, it has developed a reputation as a pioneer in the field of property development in under-developed areas. The SBDC is unique in terms of its experience and expertise in this field,” he said.
Rights issue boost of R30m for SBDC

THE Small Business Development Corporation (SBDC) announced at a board meeting yesterday a R30m vote of confidence from the private sector, mobilised by means of a 40% rights issue involving about 100 shareholders.

MD Ben Vosloo said the SBDC believed the response reflected big business recognition of the essential role that small business had to fulfill "as an effective creator and distributor of wealth, in a new, post-apartheid SA.

"We also view the support as a concrete endorsement from the private sector of the SBDC's efficiency and cost-effectiveness in developing the small business sector," he added.

Together with state support, the money raised from the private sector would enable the SBDC to sustain its planned growth of 20% a year as set out in the five-year plan announced last year.

"A portion of the proceeds of the 40% rights issue, supplemented by the additional funding from the state, has been specifically earmarked for property development," said Vosloo.

However, more investment is needed in this area of development and we are confident that the property brochure will facilitate efforts to recruit additional investment," he said.

Sapa.
Pick 'n Pay to join "green" campaign.

Pierre Du Preez

PICK 'n Pay is launching a range of 20 specially researched environmentally friendly "green" products on April 22 to coincide with Earth Day.

The range will be phased in over several weeks. It includes items like non-chloride bleached napkins, photo-degradable plastic bags, phosphate-free cleansers and low-acid coffee and tea.

The distinctive design of green leaves on a white background will appear on all packaging.

The packaging is also "green", including containers which do not release toxic fumes when burnt.
Black businessmen have vital role to play – UDP
Ackerman says he is confident

By JOSHUA RABOROKO

THE chairman of Pick n Pay, Mr. Raymond Ackerman, says he is very confident of the "new South Africa" as a result of President F W de Klerk's announcements in the past days.

In his financial year-end report, he says South Africa could be going into a "golden Age", but "we have all got to realise that there is going to be a lot of negotiation and a lot of give and take required from all sides to achieve a constitutional settlement and economic dispensation that is fair to all."

He says the Minister of Finance, Mr Barend du Plessis' budget was "a very positive one, but I feel very strongly, as I mentioned last year, that when VAT is implemented next year, it should have all food zero-rated as it will be highly inflationary and unfair on people if VAT was levelled at, say, 12 percent on all items."

He says it would be an easy matter to exclude all food and zero-rate the item, as educational institutions already have what they call a zero-rating.

The R3 billion announced by De Klerk to remove backlogs in the black community, is one of the most dramatic announcements of recent months in this country and will have far reaching effects, he said.
Ellerines at a high ahead of solid results

SYLVIA DU PLESSIS

ELLERINE’s shares — at a low of 950c in June — reached a fresh peak of 2 400c yesterday after gaining 100c ahead of sturdy halfway results from the Malbak-controlled furniture and household appliance retailer.

Figures to February, which reflect earnings 85% up — off a low base — at 357c (174c) a share, are a firm indication the group has recovered from a difficult 1989 during which credit restrictions severely hampered growth at the halfway stage.

Dividends of 109c (58c), covered three times, have been declared.

Turnover during the period under review rose 31% to R239,4m in the face of the economic downturn, while operating profit which climbed by 85% to R38,1m lifted margins at this level to 15,9% from 11,3%.

After current and deferred taxation 112% higher at R17m, this translated into 85% growth in attributable earnings of R23,5m.

Locations

Chairman and MD Eric Ellerine said yesterday increased market share, coupled with stringent asset management and tight expense control, were responsible for boosting interim earnings.

Eight new stores were opened during the six months, while others were relocated to more favourable locations, he said. Store names include Ellerines, Town Talk, Royal, Jako and FurnCity.

On prospects, Ellerine said the group was maintaining its aggressive expansion programme, and 19 additional stores planned for the current year would lift the total number of outlets to 329.

However, directors’ ability to maintain the group’s momentum in the second half depended on external factors such as future political stability and an economic climate similar to that which prevailed during the first six months of the current financial year. Analysis are forecasting full-year earnings of 690c (513c) a share and dividends of 198c (166c).
Toying with Diagonal Street

THERE wasn’t much happening in the market this week, the drop in the gold price seemed to subdue things and people are apparently already winding down to the Easter holiday.

But there was a lot happening just outside the market including: an anti-privatisation march to the JSE, a marathon Sparaco agm; reports of a UAL client reneging on a financial deal leaving UAL exposed to a fairly large loss and; more personnel moves at Nedcor.

Myles thought it was a great idea to put another Liebenberg at the head of Nedeor as it’s bound to minimise the disruption with staff and clients...in a couple of months time perhaps nobody will even remember that there’s been a change.

The fact that Hennie van der Merwe surfaced at Bankorp didn’t surprise too many people and although the press releases were a bit vague about his position vis-a-vis Chris van Wyk, the feeling is that Hennie will probably tip the scales after a respectable period has lapsed.

Bankorp’s problems

Mr P Liebenberg’s move to Bankorp has certainly enhanced that group’s rating. But Myles points out that the problems at Bankorp are of a far more fundamental and long-term nature than those suffered by Nedbank during the mid-80s.

The Sparaco agm was quite an event. It started at 10am yesterday. At 10.10 it was adjourned for five minutes by the chairman who said he wanted that time to go off and consider the shareholders’ questions which had to be written down on this occasion.

An hour passed and all was quiet as the few shareholders present (notably Peter George and Horace Sammel) entertained the media contingent (far outnumbering the shareholders) with gruesome tales of what has been going on between Lynsatt, SPareco, Juornim and Plesishmans.

After a while news came that the meeting would not be reconvened until 12.30pm. The last that Myles heard was that at 2pm it was still going strong. He assumes that it has finished by now.

The UAL finrand-Projec story seems to have everyone perplexed (or almost everyone). The precise nature of the goings-on remains a puzzle. At one stage it looked as though an overseas party had bought twice as many Projec shares as officially existed. But now it seems that the shares that were bought on the JSE were then sold to an SA resident outside the market.

Presumably (and on the basis of scant information) this would only make sense if the non-resident sold them at a profit to the resident and then repatriated the profit. But if paying a price/earnings of 240 times for Projec in the market (i.e. R11) seems a bit strange then paying over R11 outside the market looks almost dodgy.

Without doubt the major event of the week was the “nationalisation” march of the “workers” on the JSE on Thursday. It seemed like a real jolly occasion with lots of singing and toyi-toyi-ing and waving of hands...but Tony and the boys didn’t seem one bit inclined to join in the fun.

Myles reckons that all these people who are so mad keen on nationalisation should be shipped off to Rumania (all transport costs paid) and all the Romanians who are keen for a taste of the delights of free-market capitalism should be shipped down here — shades of Stalinism!
White consumer confidence improves

STELLENBOSCH — Most white consumers have regained their confidence about the immediate future of the economy, according to a trade and commerce survey conducted by the Bureau for Economic Research (BER) at Stellenbosch University.

Most expect a slight improvement in the next 12 months but only 11 percent foresee a considerable improvement.

White consumers are also more optimistic regarding the outlook for their financial situation.

"The high income group, in particular, is very optimistic about an improvement in their finances," the BER says.

However, less than a third of White consumers regard the current time as being suitable for purchasing durable goods, with about 40 percent saying it was the wrong time to do so.

"Even though the outlook is pessimistic in this area the intensity of pessimism is easing."

Wholesalers' sales were a little lower than anticipated by respondents in the previous survey.

The numbers of orders placed in the first quarter exceeded previously held expectations and a smallish net majority reported an increase in the volume of orders placed. This was expected to be repeated during the second quarter.

Price rises

Nine out of 10 participants predicted that the post-survey quarter's purchase prices would be above those of a year ago.

Sales in the retail sector were still growing but at a much reduced rate and respondents do not foresee a further deterioration during the forecast quarter.

"They are, however, slowing down the pace at which they are placing orders, and plan to do so again in the forecast quarter." This resulted mainly from the fact that retailers had too much stock in hand in relation to expected demand.

In the motor sector sales of new vehicles were substantially down on those of a year ago and participant dealers expected a further reduction in sales in the second quarter.

Similar trends were reported by dealers in used vehicles and the volume of sales of spare parts was holding up well.

Even though sales of new vehicles were down confidence levels remained high in this sector while dealers in used vehicles were pessimistic.

Conditions were anticipated to deteriorate in all sectors with the exception of spare parts. — Sapa.
Losing customers?
If Raymond Ackerman is disappointed by Pick 'n Pay’s latest real sales tumble he is not letting on. The supermarket chain’s turnover rose by only 13.2% in the year to end-February against a CPI advance of 14.9%. That implies a sales decline in real terms.
Chairman Ackerman rationalises by saying the advance is satisfactory after the particular sales effort made a year before to mark the chain’s 21st birthday. Preliminary results make the point that turnover exceeded R4bn for the first time. Still, austerity measures imposed by government are clearly hurting and unlikely to get better soon. Food prices rose by 15.7% in the year to February and, assuming Pick ‘n Pay’s selling prices matched inflation, the chain’s sales of non-food items have been hammered.
Bondholders and borrowers of funds of all descriptions still have to cope with higher interest payments. These will continue to erode the disposable incomes — hence purchasing power — of Pick ‘n Pay’s customers. That, in turn, chips spending on big-ticket, high-margin durables. In contrast, higher interest rates benefited cash-flush Pick ‘n Pay and lifted its investment income by 40%.
This is one bright spot in an otherwise lacklustre set of results. It was this rise together with a reduction in the tax rate from 36.6% to 41.4% that enabled the group to lift earnings by a commendable 22.4%.
Has Pick ‘n Pay, against all the odds, lost market share? Recently, Checkers estimated its volume sales had risen by 7% on a month-on-month basis in the past half-year and Ackerman will surely want to address the issue in the annual report.
The only remarkable point to emerge from the balance sheet is a 25% rise in fixed assets to R313.6m. But this, says MD Hugh Herman, merely reflects normal additions to the organisation’s infrastructure.
This year will see the introduction of “Chain Reaction,” the group’s first free-standing clothing store, as well as a new range of perishable food products that sets out to compete head-on with up-market Woolworths. Ackerman intends to expand the clothing store experiment if it shows satisfactory results and hopes the new food products will “significantly add to our food turnovers in the years ahead.”
Meanwhile, Ackerman seems to be making plans for his succession. His son, Gareth (33), has just been promoted to the main board from the chain’s Transvaal operations.

Gerald Mthethwa
Cenprop hopes to raise R65m by a rights offer

CHARLOTTE MATHEWS

CENTREGENCY Property Fund (Cenprop) plans to raise R65m through a rights offer to help finance retail and office developments and acquisitions totalling R101m, according to an announcement in today's Press.

The R65m of the rights offer will be combined with proceeds of R46m made on the sale of Glencairn and 206 Kent Avenue, Randburg, as announced in the results for the year to December, to make up the R101m.

Around R10m will be used as a cash float for the enhancement and expansion of properties at present in the Cenprop portfolio, the announcement said.

Of the remainder, R31m would be used to finance the development of an office building and retail space above and next to the Mall in Rosebank, Johannesburg.

Group portfolio managers J H Issacs chairman Les Well said yesterday the return on this property would be above 9% in the first year, and above 12% by the third year.

Complex

The second project is the acquisition of a site in Durban at the major intersection of Trinity Road and Edith Swales VC Drive for R30m for the development of a shopping centre. Well said the initial return on this property would be 11.5%.

The third project is the R20m development of a retail complex on the site bounded by Rissik, Commissioner and Joubert streets in Johannesburg.

The site is already owned by Cenprop. Well said the initial yield would be around 10.5%.

Cenprop is announcing a special interim distribution of no less than R5c a unit for the period January 1 to May 10 1990 to ensure new unit-holders emerging from the rights offer would be in the same position as the long-term unit-holders for succeeding distributions.

The rights offer will be underwritten by UAL Merchant Bank.
Private sector gives SBDC massive boost

By JOSHDUB NABOROKO

response and believe it reflects big business recognition of the essential role that small business has to fulfill as an effective creator and distributor of wealth, in a new, post apartheid SA."

Vosloo said together with State support, the money raised from the private sector would enable the SBDC to sustain its planned growth of 20 percent a year as set out in the five-year plan announced last year.

He also revealed the SBDC's 10 priorities for the future. They are:

* Improve efficiency, cost-effectiveness and client service.

* Strengthen an appropriate financial base to support long-term growth.

* Increase black business promotion activities with special emphasis on the improvement of the informal sector.

* Continue with the deregulation drive with the focus on the remaining obstacles and deregulation at local authority level.

* Expand the hives of industry programme by adding many new industrial hives to the SBDC's existing portfolio of 26 hives.

* Extend the sub-contracting programme to more large concerns and to promote small businesses as beneficiaries of the government's privatisation programme.

* Boost business infrastructure development in neglected areas.

* Expand practical business skills training - to date more than 3000 people have received business skills training and growing demand is expected for the SBDC's training services.

* Promote the development of an entrepreneurial culture by means of various promotions.

* Improve SBDC's staff development programme.
'Consumers happier — but not spending'

BUOYANT consumer confidence among whites in the first quarter of the year is unlikely to lead to significantly higher consumer spending, according to the Bureau for Economic Research.

Demand, particularly for durable goods, is already falling away, and indications are that savings are more likely to benefit from this confidence, it says in its latest quarterly trade and commerce survey.

The bureau says the reading for the overall confidence level of whites, now 105, is 12 index points higher than that of the previous survey.

This was because consumers regained their confidence regarding the near-term future of the economy, with the majority expecting a slight improvement over the next year.

Further, the number of those expecting a considerable improvement in their financial situation almost doubled to help push the index measuring this to 112 from 106.

The high income group is particularly optimistic about an improvement in its finances, and this could benefit SA's low savings ratio, says the bureau.

However, despite their overall confidence in these areas, less than a third of white consumers regard the current time as being suitable for buying durable goods.

SYLVIA DU PLESSIS

The bureau says slightly more than 40% said it was the wrong time to do so, and the index measuring this attitude now stands at 88 — six points above the previous reading.

"Thus, even though the outlook is pessimistic in this area the intensity of pessimism is easing."

But while consumers' outlook has brightened, retailers, wholesalers and most motor dealers are looking to worsened business conditions during the forecast quarter.

Stock

According to the bureau, the relatively low rate of increase in retail sales, coupled with other factors hampering these, damped confidence in this sector substantially, with only 51% of retailers reporting satisfactory business conditions.

No fewer than 56% had too much stock in relation to expected demand, and half forecast a further deterioration in business conditions during the second quarter.

Wholesalers, having experienced a fast levelling off in the tempo of sales, also expect a marginal deterioration in business conditions over the next three months, as do dealers in the new and used vehicle markets.
The guppies are rising to the surface

There is a new economic force to be reckoned with, the guppies (gay urban professionals), and they are leaving the rest of the yuppies behind in the dust, reports PHILIPPA GARSON.

GUPPIES — gay urban professionals — are forging ahead as an identifiable group of affluent business people and professionals, the crews of the "yuppie" crop, whose abundant disposable income has soared to the high life of the rich and famous and whose affluence into certain suburbs has caused housing prices to rocket.

Research here and abroad has shown that gays are among those in the top income brackets and even as a perfect target group for advertisers searching for new markets.

A Human Sciences Research Council report on gays published last year found that "South African gays live a relatively easy life", with the majority living in their own houses, using credit cards, frequenting cinemas, theatres and restaurants, and entering gay-themed shops on a regular basis.

The report disclosed that "South African gays are generally high salary earners — 54.46 percent earn a monthly salary of between R3 000 and R3 999, while a further 25.11 percent earn between R2 000 and R2 999.

The HSRC researcher says that while similar studies conducted abroad have identified the same trend, the findings cannot be considered as a "scientific" basis for generalisations. The possibility exists that more affluent gays tend to respond to surveys of this kind, having more access to the medium in which they are advertised. "The survey was conducted in the gay publication Exit."

But in the gay capital of San Francisco, research has shown that "gays have dollars" and companies direct their advertising at this market, at the risk of offending "straight". Even more traditional financial institutions cope with gay business.

Here the trend is perhaps less overt, but nevertheless identifiable, says a lending gay businessman and president of the Community Chamber of Commerce (CCC), which promotes gay business. This affluent owner of a 2.2-acre estate prefers to remain anonymous for fear of alienating some of his major clients.

The gay people he knows, he says, are invariably successful in whatever gay relationships.

Gay women, he says, tend to be heavily insured, as they are not guaran-teed of financially supportive husbands or maintenance should their relationships end.

She says, that gay people frequently support each other in business and embark on business ventures together.

Davidson sees insecurity and a desire to distinguish oneself from the "failing gay population" as explanations for why so many gays invest a great deal in their homes.

Many Johannesburg suburbs such as Parkhurst, Norwood, Westcliff, Melville and Gregory "have been turned over beyond belief into interior decorators' dreams" by gays moving in over the years, the says. Renovations to her own Parkhurst home have pushed up the resale value from R34 000 in 1977 to a current R200 000. Parkhurst has become a "yuppie" suburb since gays moved in, says Davidson, adding that five antique stores have opened up in the last year to meet the demand for high class interior decorating.

Call for gays to vote with their wallets

"Our business interests". The CCC was set up to promote gay interests while the politician ignore them.

For the non-sexual organisation has 25 members (including two women) who are top level business people and professionals.

The CCC — which is not open only to gays — aims to provide assistance and training to members in the gay community by its businesses and employment-related areas, access and support projects benefiting them, to provide the gay community with spheres of business activity and social responsibility, and promote discounts for its members, particularly in the retail sector.

The CCC is to launch a training project for gay people interested in starting their own businesses, and "our aim is to get people into bed together financially," says its chairman.

It adds that a list of business in the gay community has added to this. The list of gay businesses is usually followed by the business interests of the gay community in business especially in business and social responsibility, and promote discounts for its members, particularly in the retail sector.

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