Commerce — General

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Makro set for takeover

Wooltru subsidiary Makro is set to take over Shield Trading Corporation, one of the country's most successful small wholesaling operations.

The suggestion was partially confirmed by Makro managing director Mark Lambert at a presentation in Johannesburg last night.

He said: "A major acquisition with fantastic synergies with Makro will be announced within 48 hours."
Wooltrru set to announce Shield Trading takeover

Wooltrru is set to announce its acquisition of food cash and carry business Shield Trading within the next two days.

The deal will be concluded through Wooltrru subsidiary Massmart, which holds Makro, Makroffice and the recently acquired liquor retailer Drop-Inn. Shield Trading recently cautioned shareholders that it was involved in negotiations.

Speaking at an Investment Analysts Society meeting last night, Massmart MD Mark Lambert said Massmart would announce a major acquisition within the next 48 hours. The newly acquired company would have exceptional synergies with the existing businesses.

Wooltrru CE Colin Hall said the announcement could not be made yesterday as privileged communications still had to go out.

Hall said the past financial year, in which Wooltrru's earnings dipped by 38% to 265,3c a share, was the worst in the group's trading history.

However, Wooltrru had taken a long-term view and was well into its programme of focusing on quality, pricing and the customer.

Wooltrru had identified some controllable variables which would be present in the long term. These included a shift to black staff and customers, informal sector growth, growth in urban stores and a southern African approach to business.

It had made a long-term decision to continue to revitalise Woolworths, expand Speciality Retail Group (which largely comprises Truworths), develop and acquire properties and increase Makro's size by 40%.

He said Wooltrru had always had a strong cashflow, and its cash generation capacity was essential to its long-term future.

Woolworths MD Syd Muller said Woolworths' market share had been dropping for the past 10 years. The planning of the revitalisation of Woolworths had begun two years ago.

Woolworths had concluded excellent quality at reasonable prices was a sustainable formula, and this should be the area of long-term focus.

Woolworths was investigating widening the payment choices for its customers, but it would remain a cash business and the changes would not affect its pricing structure or its margins, Muller said.

Lambert said Massmart had budgeted for a turnover of R2,7bn in the current year, and Makro had budgeted for R1,6bn out of only nine stores. Sales per employee and sales per square metre were higher than its major competitors.

He said Makro's profits had fallen largely due to rapid new store development and poor trading conditions.

But it had gained market share since the introduction of VAT, and the liquor division had shown growth.

The acquisition of Drop-Inn had made Makro the second-largest liquor store group after Western Province Cellars.
Wooltru’s Makro tipped to buy Shield Trading

By Derek Tommey and Stephen Cranston

Shield Trading Corporation, one of the country’s most successful small wholesaling operations, could be on the verge of being taken over.

Market sources suggest that the probable buyer is Wooltru’s Makro operation.

The suggestion was partially confirmed by Makro MD Mark Lamberti at a presentation in Johannesburg last night.

He told the Investment Analysts’ Society that “a major acquisition with fantastic synergies with Makro will be announced within 48 hours”.

Shield MD Theo Muller said last night that takeover negotiations were in an advanced stage and that an announcement would be made soon.

Mr Muller and his partners launched Shield in 1971 and own 71 percent of its 33 million issued shares.

Shield shares closed at 180c last night, putting a market value on the company of almost R50 million.

In its last financial year Shield increased its turnover by 21 percent to R782 million, earnings by 29 percent from R4.2 million to R5.4 million and the dividend by 33.3 percent from 6c to 8c a share.

Shield’s success derives from its method of operations. It has almost 400 franchisees to whom it supplies packaged goods.

Although it trades predominantly in the black market, it has not been much affected by township unrest thanks to the wide geographical spread of its franchisees.

Mr Muller said the past six months had been satisfactory and that the company should be able to report a 30 percent improvement in earnings.

Shield’s major shareholders have been seeking a suitor for some time, possibly because they are growing older and management succession might prove a problem.

In 1990, Metro, Sentru and Pepkor were rumoured to be possible buyers.

Earlier this year, Premier, which last year bought Metro and Score, was mentioned as a suitor.

However, market speculation is that the likely buyer now is Wooltru’s wholesale group, Makro.

Wooltru has been using the recession to build its asset base. As well as expanding Makro’s trading space by 40 percent since 1990, it has bought the Drop Inn liquor group.

In a report issued just over two weeks ago, the company said it planned to continue investing heavily in trading assets.

Wooltru added it was “confident that the impact on current profits is warranted by the increase in shareholders’ wealth and high returns”.

“The strength of our cash flows and our unique financial resources make this counter-cyclical strategy feasible.”

Buying Shield would therefore not be out of line with Wooltru’s policy and the deal could produce considerable benefits.

Moreover, in view of the depth of Wooltru’s management resources, it should have little difficulty in finding trained people to succeed Shield’s current management when they retire.

The question overarching the transaction is how much a potential buyer is prepared to pay for Shield.

Since Christmas, Shield’s share price has almost doubled, gaining 80c to 25c of this gain has been in the past two weeks.

Is the current price of 280c overvaluing the share — or does it look attractive to a would-be buyer?
Massmart takes over Shield in R61m deal

WOOLTRU subsidiary Massmart has acquired the operating assets of Shield Trading in a R61,65m deal which will see Shield delisted from the JSE, the companies announced yesterday.

The price was equivalent to 185c, representing a small premium on yesterday's closing price of 180c a share. Shield will delist following payment to shareholders in cash and by way of a dividend.

Massmart MD Mark Lamberti said yesterday the Shield operating assets would be housed in a new company, which would be held 66% by Massmart and 34% by Shield's senior management. Massmart would pay R40m and management the remaining R21m.

In a joint announcement, Shield and Massmart said Shield's disposal would be effective from March 1.

Shield shareholders would receive the disposal amount as well as interest after providing for tax and other liabilities. It was estimated that the amount available to shareholders would be 183,8c a share.

Shareholders would receive a special dividend of 185c a share, after which Shield would be placed in voluntary liquidation. Shareholders would be paid a capital liquidation dividend of about 14,5c a share.

Lamberti said Massmart was buying Shield's formula as well as its superb management. The business fitted in well with Massmart's strategy of providing high volume, low margin distribution methods to bring prices within reach of the mass market.

Shield acted as a voluntary buying organisation, providing services to its 400 franchised wholesale and retail members. The outlets' cumulative turnover was R782m in the year to end-February.

Lamberti said that both Shield and Massmart subsidiary Makro would benefit from better buying in the same group, and Shield would gain access to buying expertise of a broader range of general merchandise.

He said there was a possibility that Shield members would be able to buy from Makro on credit which Shield financed. A large portion of the credit was underwritten by Credit Guarantee Insurance, and Shield's structure was geared to handle debt, Lamberti said.

Shield's turnover had grown by a compound 26% in the past five years, and taxed profit by 28%.

Shield joint MD Mark Smith said Shield directors were "positive that synergies exist and that shareholders will be offered significant benefits."

Massmart, whose subsidiaries include Makro, Drop-inn and Makrofico, expects sales of R2,7bn in the current year.
Chains defend their policies

The three leading supermarket chains have not forgotten the plight of pensioners and review their social and community schemes regularly.

Pensioner privileges range from six percent discounts, to R1 off meat purchases, to tea parties.

Mervyn Kraitzick, marketing director of food, OK Bazaars, said the store was one of the first to offer a discount scheme. This entitled pensioners with a state pension card to purchase up to R100 worth of items every Tuesday with a six percent discount.

Pick 'n Pay has established a VIP hyper club limited to 1500 people per store. While this system is often subject to a waiting list, a spokesman said delays were not more than a couple of months. Members were often bussed into stores and received a monthly booklet of discounts offering up to R1 off selected items.

Sean Summers, director of food merchandising for Pick 'n Pay, said a similar scheme was being considered throughout the company's supermarkets.

"I cannot give you an exact date when this might happen, but bear in mind that each store has its own pensioners' programme." He said pensioners were bussed into various supermarkets, given tea and biscuits and offered special discounts.

Pensioner meat packs were available from the store butcheries. A social card had to be presented to the manager to claim the R1 discount.

A spokesman for Shoprite-Checkers said their pensioner scheme was cancelled about five years ago due to abuse.

The spokesman said apart from each store having a special section with smaller packaging of items, lower prices had been built into all products allowing everybody to benefit.

Individual stores were involved in their community.

The company also had a corporate programme and was currently holding seminars on security throughout the country. These seminars aimed at senior citizens were held in conjunction with the South African Police and the South African Council for the Aged.
Pensioner clubs at hypermarkets only
"By John Miller
Star Line"

Many hard-pressed pensioners have been turned away by a leading chain store from its already over-subscribed discount scheme.

During a recent radio programme Sean Summers, director of food merchandising Pick 'n Pay, said the Pensioner VIP Club was available at all stores.

However, many disappointed pensioners discovered this not to be the case. In fact the scheme was only available at the chain's hypermarkets, and was limited to 1 500 people.

Waiting lists existed.

Mr Summers apologised for creating the wrong impression and said the company was working on a similar scheme for supermarkets.

"I was incorrect and did not stipulate that this club is only available at our hypermarkets. What we are looking to do is move the pensioner clubs into supermarkets. We are busy formalising these plans at the moment," he said.

Every store had pensioner activities and shopping days.

Annie van Rooyen, spokeswoman for the Boksburg hypermarket's VIP club, said that while there was a waiting list, it was no more than between 10 and 20 people at a time.

"Every two months I review the existing membership. Those people who have lost interest or do not come to the store regularly are taken off the computer and the others put on." She said the monthly discounts of up to R1 included such items as jam, sugar, cooking oil, meat, mealie meal and sweets.

She said about 12 busloads of pensioners from Boksburg, Benoni and Vosloorus were ferried to the store each month.

Ms van Rooyen said the low black and coloured membership was due to a lack of demand from those communities.

"If there was a bigger demand, we would increase the numbers. I do not tell social workers that there are any restrictions, it is up to them."

Housewives League president Lynn Morris said supermarket chains should consult more with Government welfare departments and look at certain schools as part of their social programmes.

She said any pensioner scheme lent itself to abuse. This had happened to one of the chains stores which was then forced to stop the scheme.

She felt there must be some way in which the major stores could find out where social pensioners lived in each neighbourhood.

"I appreciate that many stores render help and assistance to old-age homes but the real need is for those people living and battling on their own."

Mrs Morris said schools needed attention, especially in the ongoing recessionary climate.

"There are so many kids at schools these days who have not had a recent meal. Loaves of bread and peanut butter could be provided."
Producers urged to go into retailing

PRETORIA — Farmers would have to process, pack and market their products directly if they wanted to compete with the "big ones" and give consumers a better deal, Transvaal Agriculture Union (TAU) executive member E C A Hiemstra said yesterday.

Speaking at TAU's annual congress, he said for a food strategy which satisfied producer, consumer and state, it was essential for farmers to farm at an economic level without direct subsidies.

"This can only be done by stripping away the fat which the big food companies have allowed to build up."

Closing the gap between producer and consumer demanded positive action.

"We must acquire the necessary expertise to compete with the big ones, and make a partner of the consumer at the point of sale," he said.

He stressed that government no longer had the ability to make further financial contributions. The consumer was also becoming poorer and the country's tax base was shrinking and weakening, he said.

"The only plan is to narrow the farmer/consumer price gap. We can only do this if the farmer maintains control over his product further along the food chain."

Hiemstra added that no industry could survive where its price was driven by market forces but its inputs were grossly overpriced and provided under monopolistic conditions.

Hiemstra warned that short-term imported, cheap and heavily subsidised food from other countries carried the risk of destroying local production potential.

Stressing the need for a government food strategy, Hiemstra said: "You cannot have a policy of feeding your population on dumped food."

The agricultural industry already faced a situation where farmers' prices were too low to farm economically and where consumer prices were too high. The price gap was far too wide.

KATHRYN STRACHAN reports that Pick 'n Pay chairman Raymond Ackerman said the answer to providing lower prices for the consumer lay with farmers and retailers working more closely together.

The problems they were experiencing were a result of the drought, and "throwing stones at each other" would not solve the situation, he said.

Pick 'n Pay bought between 60% and 70% of its produce direct from farmers, he said, and the company had shown farmers that it made less than 2% net profit on its produce.

Ackerman said he had great sympathy with farmers because of the drought, but added it was important that farmers and retailers respected the different functions each carried out. Ackerman warned that if farmers became involved in retailing, he would "go farming."

Shoprite national marketing manager Brian Weyers said the retailer's profit margin was not excessive, and added farmers needed to look at more effective ways of farming.

The blame for high prices did not only lie with retailers, he said, as the informal sector and smaller traders distributed more than 60% of farmers' total produce.

Consumer Council director Jan Cronje said the council would give its support to any scheme which would shrink the gap between producer and consumer prices.
Massmart buys Shield stake

MASSMART, the Wooltru subsidiary which already includes the Makro chain, Drop Inn and Makrofone, has bought the operating assets of the JSE-listed Shield Trading Corporation for R61.05m.

This price is equivalent to 185c for each Shield share.

The Shield operating assets are to be housed in a new company which will be 68% owned by Massmart, with Shield's existing senior management holding the remaining 34% stake. So effectively Massmart will be paying R40m (68% of R61.05m) for its stake in the new company and management the remaining R21m.

Massmart MD Mark Lambert says: "We are buying the formula and superb management. Their business is the management of confidentials and rebates which they earn from suppliers and redistribute to members. In this area there are things we can learn from them, while we can offer them broader ranges on the product side."

Lambert said the Shield business fitted well with Massmart's strategy of providing high volume, low margin distribution methods to bring prices within reach of the mass market.

Shield is a voluntary buying organisation which provides buying and ordering services for members which include wholesalers and retailers doing business of at least R200 000 a month.

The group approximates 400 franchised outlets doing a cumulative turnover through Shield in the year to end February 1992 of R725m.

It does buying of packaged consumer goods and a portion of the rebates it receives from suppliers for bulk buying is passed onto franchisees based on their performance.

The way in which Shield keeps its costs down and is able to pass on buying benefits to its franchisees wholesalers and retailers is by avoiding the high cost of warehousing.

Shield has targeted its buying in that it doesn't buy maize, sugar, cigarettes and carbonated soft drinks for its members.

Makro is a wholesale operation with nine stores supplying nearly 30,000 product lines with an annual turnover of R1.4bn. More than half of this turnover is in food and about 95% of this is for resale.

An indication of the extent to which traders use Makro as their source of stock is the fact that the average Makro basket is 12 to 15 times the size of the average Pick 'n Pay basket.

Lambert adds that he envisages a situation where a Shield member would be able to buy from Makro on credit which Shield finances. "The risk of the credit would be in Shield, which has a large portion of its credit underwritten by Credit Guarantee Insurance Association."

"The whole structure of Shield is geared up to handle debt."

Lambert says it is important that the existing management of shield is retaining an interest in the business.

But when the founding shareholders do eventually wish to retire there is a strong layer of management below to take over.

Shield has had a healthy turnover and profit trend in recent years. Compound growth in turnover in the past five years has been 28% and compound growth in taxed profit has been 28%.

Massmart was only recently formed, and it now comprises a division with expected sales of R2.7bn in the current year.

Its main components prior to the Shield acquisition were Makro, with sales of R1.4bn from nine stores, Drop Inn, which was acquired with effect from March 1, 1992, and Makrofone, which was established in August 1991.
Saccawu to probe food price rise

INDEPENDENT research into reasons for the increase in food prices would be undertaken by the SA Commercial, Catering and Allied Workers' Union (Saccawu), the union announced yesterday.

At a media conference in Johannesburg to announce the research and a campaign to try to get food prices lowered, Saccawu campaigns organiser Roseline Nyman said union members might resort to putting their own prices on foodstuffs if it was considered necessary.

"If milk is selling for R3.50 a litre and our research shows it is an unreasonable price, we will mark and let that item go through the till at what we consider a reasonable price."

Saccawu's research assistant George Dor said government and big business were already intimating that wage increases had contributed to the high price of food, but this was not true as wage increases in the past year in the retail sector had all been well below inflation.

Saccawu's findings would be given to Cosatu and the VAT co-ordinating committee. — Sapa.
Columbia Consultants is to delist and bow out

MARcia KLEIN

COLUMBIA Consultants, one of the high-flying groups of the late 1980s, would delist and either deregister or be wound up, the company announced yesterday.

After holding dozens of companies towards the end of the decade, it now has its investment in rural retailer Acrem — in which it holds 93.7% — as its sole asset.

The directors said they had decided to rationalise the group by distributing all the Acrem shares which Columbia held to its shareholders by declaring a dividend in specie.

Columbia shareholders would receive 243 Acrem shares for every 100 shares held. In terms of the rationalisation, Acrem would pay shareholders a special dividend of 9c a share. Columbia would use the dividend it received from Acrem to settle its debt of R8.5m owed to Acrem’s operating company Acme Stores.

There was no practical need to keep two listed companies, and the delisting would lead to some cost savings, directors said. The move also would increase the tradeability of Acrem, which currently was 6.5% held by minorities.

In addition, Columbia ordinary shareholders would have a direct interest in the main operating company.

Columbia listed in 1986 and reached a high of 800c in 1987 as one of the glamour stocks of the JSE boom, but dropped to 240c in the crash. Yesterday it was untraded — with its last traded price at 15c.

Since it was formed in 1979, Columbia’s interests have included Concorde Travel, Toco, Milstan, Crusader Life, Pride Consultants, Trintex and Punch Line. It sold many of these interests in 1989 to concentrate on a single large investment, Acrem.

In the year to end-March, Acrem’s earnings dropped 25.2% to 0.6c a share as it was hit by low consumer spending and a high tax charge. Columbia reported earnings of 1c a share compared with 2.2c a share in the previous year.

Acrem was hard hit by changes to Section 24 of the Income Tax Act, and it was reported recently that it expected to pay R10m over the next four years. Directors warned yesterday that the proposed dividend was a special one, and the prevailing economic climate would prevent Acrem from declaring ordinary dividends in the foreseeable future.
Sapoa offers food for thought

Vegetable displays using pumping and other artistic approaches as seen in US Food Courts, symbolic of the trend towards individualisation in the US, are examples of imaginative retailing.

Of all shopping centres in SA, the architecture of the Village Walk in Sandton and the merchandising and entertainment approach of the Victoria & Albert Waterfront in Cape Town most closely resemble the best of overseas retailing.

Current trends in northern America which are having the greatest impact on design are not too distant from the SA experience. They are the:

- Development of the “value” projects, which include factory outlets, power centres, designer direct, mills and other forms of discount retailing (the rise of SA retailer Queens Park is one example);
- Demand for increased density (expanding horizontally or vertically) on to existing successful projects with retail and sometimes non-retail use (the refurbishment of Eastgate and Sandton City);
- Urgent need for the continued revitalisation of urban centres, using retail development as a catalyst (Maritzburg’s sale of its judicial buildings offers such an opportunity);
- Growing sophistication and acceptance of the entertainment, amusement and leisure industry (most often referred to as “family amusement centres”) in a retail context;
- Proliferation of suburban and regional developments in terms of new towns, town centres and stand-alone developments (Midrand City);
- Challenge of redeveloping existing vacant retail and department store spaces in urban and suburban locations, through un-enclosing (or “tear-offs”), expansions, re-merchandising or other innovative approaches;
- Continuing debate over the merits of large or mega-developments versus smaller, but say more user-friendly, developments;
- Environmental issues that have produced an increased acceptance of impact fees and growth management tools; and
- The need for more research-driven design and planning decisions as opposed to fly-by-your-pants or ego-driven approaches seen in recent years.

These are just some of the inputs made at what was a highly successful conference.

The SA Property Owners’ Association’s (Sapoa) first African shopping centre conference has lived up to its name — “Marketplace Africa.” The congress, which was held in Sun City last week, has even been described as a watershed.

For the first time, an SA forum has gathered together retailers and developers to pool US, UK, European, SA, Zimbabwean, Kenyan and Indian Ocean Island shopping centre experience.

But it was the overviews of the economic and architectural realities on the larger continent, plus an examination of the burgeoning informal trading in SA centres, which provided the “African” perspective.

Affordability, or rather the lack of it — as Stach Vorster, executive chairman of American University African & Development Studies assistant professor Plantu Cheru pointed out — may require a revised look at future development.

The most immediate retail issue in SA is the rise of the street vendor. Johannesburg City Council’s chief officer for informal trading, health and housing Dinkie Pillay noted that hawkers were not going to go away. He also made a direct appeal to delegates and Sapoa to work with hawkers and local authorities to improve hawking standards and eliminate cause for complaint.

Pillay’s own efforts to raise hygiene and aesthetic standards have been exemplary. For instance, he motivated the manufacture of what are known as “Munch Hut” mobile vending carts — mobile kiosks which offer storage and weather protection — and in turn got them sponsored by companies such as Nestle. About 400 have been donated so far to Johannesburg traders.

Pillay produced a video, which he showed to delegates, designed to help hawkers run their businesses better.

It was clearly demonstrated that blacks prefer the open marketplace to enclosed malls. Two successful examples of this are modern centres like Crocodile and Old Mutual Properties’ new Chitungwiza shopping centre outside of Harare.

This new centre, while a singular example of community, developer and retailer working together, raises the question of whether SA will have to wait for a post-independent era to be able to develop centres in black townships under similar, harmonious circumstances.

From International Council of Shopping Centres executive vice-president John Riodan, delegates learnt of the progress of the “big box, small price tag” stores — big stores offering heavily discounted merchandise — and how they have taken a considerable amount of business away from many national department store chains. They are often situated in shopping centres comprising only this kind of retailer; at other times, they are stand-alone.

Riodan’s concern about the future of such developments is because he doubts the continued ability of retailers to produce such quantities of merchandise at low prices.

But discussion of this trend was enough to prompt the question as to what SA is doing in this regard. Ailing shopping centres, such as Golden Walk in Germiston, could increase their pulling power enormously in the altered form of a centre specialising in factory outlets.

Design International & Development Consultants president Roy Higgs’s slides on imaginative US merchandising display methods — raises the need for SA retailers to travel overseas to garner new ideas, or, failing available funds, for shopping centre managers to expose tenants to slide shows to improve the overall appeal of their goods.
Riddle of city's high food prices

FOOD prices in Cape Town were this week officially said to be increasing faster than anywhere else in South Africa — and nobody seems to know why.

According to figures released by Central Statistical Services, food prices rose over 50 percent country-wide between July 1991 and July this year — but in the Western Cape they increased by 25 percent.

But the Cape Town Chamber of Commerce said giant food retailer Pick 'n Pay both say these figures are wrong and that food is actually cheaper here than in the rest of the country.

Mrs Sheila Baillie, national vice-president of the Housewives League, said this week the rise in food prices was “mind-boggling” and that the League would take the matter up at its national executive meeting next week.

Mrs Baillie said meat market prices quoted in the Transvaal were mostly lower than the Cape's. Some prices had increased by more than 35 percent, she said. A pocket of potatoes cost R7.50 at Epping Market in 1991 and R15 this year.

“We have to try and find out why prices are consistently higher in the Western Cape than in other parts of the country,” she said.

Mr Alan Lighton, executive director of the Cape Town Chamber of Commerce, said the high rise in food prices was “certainly a matter for serious concern”.

“The main reason is shortages that have arisen as a result of the drought in the rest of the country,” he said.

Cheapest

The CSS report was “definitely an aberration from the norm” in finding that food prices in the Peninsula were higher, he said.

“Food prices here are appreciably below those on the Reef and in Natal because most of our fresh produce and much of our meat, fish and poultry is sourced locally,” he said.

Mr Alan Baxter, senior buyer for Pick 'n Pay in Cape Town, said food prices in the Peninsula were consistently lower than those in the rest of the country.

“We have commissioned the leading research company to do independent surveys over the past four years and Cape Town has consistently been the cheapest place to shop by five to six percent,” he said.

He said Pick 'n Pay had randomly taken till slips this week from different customers, compared them to actual 1991 prices, and had them audited.

These showed that the increases were actually between 10.4 percent and 14.9 percent, he said.

Mr Richard Cohen of Pick 'n Pay's head office in Johannesburg also disagreed with the CSS figures.

He said statistics collected after October would show a very different picture.

“How will they be comparing like with like — post-VAT figures with other post-VAT figures — and the increases will be much lower,” he said.

He also said the survey took an overall sample of 4,000 shops, most of them corner grocers, which had higher mark-ups on their food.

The statistics were therefore distorted and did not reflect fairly on prices at the chains.

Concern

He said the baskets used in determining the statistics were sometimes 50 percent, which was an unfair weighting.

• Two affiliates of the Congress of South African Trade Unions this week laid the blame for high food prices at the door of monopolies, VAT and the scrapping of food subsidies.

The South African Commercial, Catering and Allied Workers Union (Saccawu) and the Food and Allied Workers Union (Pawu) researched food prices because of their “suspicions of government and business probes”, said Saccawu official Mr Roseline Nyman.

Mr Shaun Summers, a member of the steering committee of the Food Logistics Forum — retailers and manufacturers concerned about high food prices and examining ways to end the crisis — also blamed VAT and the control boards.

“THE control boards are not consumer orientated. They were created to maximise and stabilise prices for the farmers.”

Mrs Baillie said the Board of Tariffs and Trade interim report on high food prices had found that the control boards should have their statutory powers removed so that they could not be involved in setting prices.
Call for bigger black role in Waterfront development

BLACK entrepreneurs are to be made more aware of Western Cape investment opportunities through the National African Federation of Chambers of Commerce (Nafcoc) and the Western Province African Chamber of Commerce (Wepcoc).

The two organisations will also investigate channels for raising money to finance black investment projects in the Western Cape.

Interviewed at a function where the Victoria and Alfred Hotel on the Waterfront was awarded four-star grading, Nafcoc president Archie Nkonyeni urged white business people to help more black businesses to get established.

“We also ask for details of investment opportunities to be given to our organisation in good time so that we can alert our members and also investigate possible avenues for raising finance for members who are interested in the projects,” said Mr Nkonyeni.

The Wepcoc president, Themba Pasie, said investment opportunities brought to the attention of his chamber would also be referred to Nafcoc.

“In this way investment opportunities in the Western Cape will get national coverage so that black entrepreneurs have a much better chance of participating in the ventures,” said Mr Pasie.

Mr Nkonyeni, who was guest speaker at the awards ceremony, told guests he would have preferred to see greater participation of black entrepreneurs in the Waterfront development.

“To me and all the members of my organisation such a step would have meant the beginning of the attainment of our dreams.

“In the first two decades of our existence as an organisation, our mission was expressed in terms of doing everything in our power to get the government of the day to lift all discriminatory restrictions destined to stifle the development of black business.

“Today our major task is to upgrade the capacity of black business to take its rightful place on the centre stage of the country’s economy.”

Mr Nkonyeni said Nafcoc attached high priority to the encouragement of black business capabilities through the Management and Leadership Development Centre established at the Nafcoc head office near Pretoria at a cost of more than R7-million, where training courses would operate full scale from the beginning of next year.

However, much more needed to be done:

- Nafcoc wanted to see black businessmen in the boardrooms of the “major economic players” in South Africa.
- Nafcoc would agitate for corporate South Africa to open up management opportunities to suitable black personnel.
- Nafcoc would do its best to ensure that the debate on the unbundling of South African corporate giants was taken seriously.
Acrem share price halves

COLUMBIA Consultants' retailing arm Acrem saw its share price halve in just two days to close on Friday at 10c a share following an announcement on the rationalisation of Columbia and Acrem and Columbia's delisting.

Shareholders buying in at this price would receive a 3c a share special dividend at the end of this month, effectively paying 1c a share to invest in a company operating 10 stores, market sources said on Friday.

The share dropped by 5c on Thursday and another 5c on Friday to close at 10c. However, shares were in short supply at that level, and in late trade the share reflected a buyer at 10c, but a seller at 15c.

In unusually heavy trade on Friday, 258,200 shares worth R25,820 changed hands in 12 deals. On Thursday only 2,000 shares worth R90 were traded.

Columbia announced last week that all Acrem shares it held would be distributed by declaring a dividend in specie. Columbia shareholders would receive 244,3 Acrem shares for every 100 shares held, and Acrem would pay shareholders a special dividend of 9c a share.

Columbia would use the dividend it received from Acrem to settle its debt of R5,2m owed to Acrem's operating company Acme Stores.

Sources said it was strange that there would be sellers as shareholders would receive the special dividend. But shareholders could be pessimistic about Acrem's short- to medium-term future. Directors warned last week that Acrem would not be declaring ordinary dividends in the foreseeable future.
Institutions dominate retail property

NON-institutional property developers, who do not have the resources to carry vacancies, are being squeezed out of the retail market due to oversupply and high development costs.

Recent studies have shown that existing ownership of centres is almost exclusively in institutional and pension fund hands — a situation that is unlikely to change.

Matrix Projects MD Malcolm Wilson said opportunities for new, successful shopping centre developments were becoming increasingly difficult to find.

Funding for such developments was also becoming more problematic as there was only a limited number of potential investors with sufficient funds.

A recent study by Anglo American Property Services (Amprop) research department showed that about 60 centres larger than 20 000m² provided more than 2,3 million m² of space countrywide.

More than 250 000m² of retail space in new and existing centres was expected to become available by next October.

Developers claimed that while there might be too many large shopping centres in SA, opportunities existed for smaller centres in residential areas with few facilities and growing populations.

While latest statistics vary as to exactly how many centres are owned by the major institutions and pension funds, Liberty Life and the Eskom Pension Fund each own three of the 12 largest centres, with Massmart controlling two and Amaprop, Old Mutual, Sanlam and a number of smaller pension funds one each.
Sacob warns of confidence slump

SVEN LUNSCHEN

JOHANNESBURG. — The South African Chamber of Business (Sacob) warns that a continued slide in business confidence is threatening to accelerate the economy's long downward spiral.

Presenting Sacob's Business Confidence Index for August, which showed its fourth successive monthly fall, Sacob chief economist Dr Ben van Rensburg said the economy continued "to be hostage to economic and political variables".

"In the meantime the business mood is becoming progressively more brittle and there is a growing danger that the economy's long downward spiral could accelerate," Dr van Rensburg said.

Sacob now expected that the economy, as measured by changes in Gross Domestic Product, would contract by a real level of 1.5 to 2 percent this year.

Dr van Rensburg said the poor state of the economy was reflected in the fact that the number of insolvencies so far this year were 30 percent higher than in the same period in 1991.

Furthermore, merchandise export volumes had fallen by between 3 and 5 percent, while the physical volume of manufacturing production dropped by 4 percent.

While analysts believed economic growth would have to be export led, Dr Van Rensburg warned that fading growth prospects for the world's industrialised nations would have a significant impact on the country's ability to move out of recession.

"The fact that South Africa's traditional trading partners can only be expected to enjoy a moderate revival will make it difficult to raise exports in the short term, particularly since the large part of our exports continue to be metals and minerals, which are sold chiefly to the big industrialised economies," he said.

South Africa's constitutional negotiations deadlock would also continue to hamper the growth outlook.

"The decision by the ANC not to resume official talks with the Government and the prospect of further mass action are likely to depress the business mood even more.

"The longer the political impasse continues, the greater the likelihood that foreign traders and investors will shift their attention to other economies, and lower the prospects for increased foreign investment in South Africa," Dr Van Rensburg warned.

Summarising the Chamber's outlook for the economy next year, he said Sacob remained optimistic about the prospects for higher growth, but added that the lack of political progress and the ambivalent signals emerging from the world economy could further delay the expected upturn next year.

Previewing Sacob's annual convention in Durban next month director, general secretary Raymond Parsons said the Chamber could lend its support to a future constitution that embodied the principles of federalism.
Business Day honours Pepkor

PEPKOR and its chairman, Christo Wiese, received Business-Day's Business Achievement Award for 1992 last night.

The presentation was made by Editor Jim Jones at a banquet in Sandton.

Pepkor was honoured for crowning 26 successful years by becoming SA's largest retail organisation. In particular, the citation said, the award recognised a business which, from its inception, identified itself with its selected market and was staffed by people drawn from its customer base.

"This policy has resulted in a powerful management team widely representative of the country's people."

From a single Pep store, opened in 1965, Pepkor had become not only the country's biggest retail group but an international trader taking SA-manufactured goods into Africa, Britain and Europe.

Jones said trade with Africa was best exploited by those with experience of the special market difficulties and opportunities. "This is what helped us choose the man and company to be honoured this year - a company firmly rooted in supplying to mass markets and a company which has used this to expand at home and abroad."

The citation said Pepkor had served its people well - "the expanding customer base of many millions, 30,000 employees staffing its shops and warehouses and shareholders whose dividends have almost doubled in five years."

"Since the Checkers/Tradehold deal, total assets have more than doubled, and turnover has increased fourfold. Pepkor's"

Pepkor success is a tribute to the vision of its chairman, Christo Wiese, whose unshakeable confidence in his country has proved such an inspiration to his colleagues."

Accepting the award, Wiese said, South Africans had to re-evaluate their relationships with one another, and find a formula for co-existence. "We have to understand that the wealth needed to meet the reasonable expectations of our 35-million people simply doesn't exist at present - it will have to be created. Against that, SA does have the potential to create that wealth."

Despite their differences, South Africans had one thing in common - they knew negotiations represented the only route to a viable political settlement.

Guest speaker Trade and Industry Minister Derek Keys said he remained committed to increasing the level of fixed investment in new productive capacity, and to consistency and transparency in economic policy. "I have to stress we have no intention of restructuring the economy unilaterally." If one looked beyond the negotiation tactics and posturing, there was encouraging convergence in economic thinking.

Rather than dwell on "negative assumptions", said Keys, South Africans should think about their unique opportunity to create "an efficient structure of government which could see the redirection of resources that we need for future growth."

He spoke strongly in favour of devolution of power to regional authorities. This could bring more stability to society and the workplace, "with obvious benefits for productivity and investor confidence."

To Page 2
Small businesses optimistic

SMALL business prospects in a future SA were positive, according to 66% of respondents to a Business and Marketing Intelligence (BMI) survey released yesterday.

The survey found only 27% of the sample of 100 small businesses believed their prospects would decline, while 7% said they did not know what the future held.

Companies with an annual turnover of less than R15m were defined as small businesses for the survey.

BMI researcher Bets Nel described the survey results as surprising. "I think a lot of them are positive because they've just got to be."

Seventy percent of those in the financial, insurance, community and social fields were positive, the survey showed. The least positive sectors of small business were construction (47%) and manufacturing (64%).

The most important reasons cited for optimism were that the economy would improve or at least remain positive in the future.

But, despite their optimism, an average of 66% of respondents said the small business sector needed assistance to ensure future growth.

A significant 67% of respondents said they needed financial assistance while 32% expressed the need for business information, advice and training.

Banks, the Small Business Development Corporation and government, in that order, were responsible for addressing financing, advice, training and information needs.

The survey said there were about 157 000 small businesses in SA. Of these 43 200 were involved in financing, insurance, real estate and business services.

About 42 200 were involved in community, social and personal services.
COMPANIES

Vektra weathers market well

Vektra Corporation, the motor vehicles and replacement parts distributor in the W & A stable, has reported virtually unchanged profit for the half year to June despite intense competition in its main markets.

Chairman and joint MD Alan Schlesinger said the company had done well to maintain profitability.

Turnover declined by 5% to R230m because of more selective vehicle marketing policies by its subsidiary Delta distributor Williams Hunt. Margins were squeezed, due to aggressive price cutting, and operating profit fell by a tenth to R11.5m. After lower finance charges, pretax profits declined by 6% to R5.5m.

The tax rate slipped marginally and earnings attributable to ordinary shareholders and holders of compulsory convertible debentures holders were 2% down at R3.7m (R3.8m). Fully diluted earnings were 21.5c (21.8c) and an unchanged interim dividend of 6c a share was declared.

Schlesinger said the most significant feature of the review period was the turnaround of Williams Hunt, which had made a loss last year. He attributed the turnaround to improved working capital management and a strengthened management team. Recent cost reductions would result in an improved second-half contribution.

On the group's replacement parts businesses, Schlesinger said Femo group and V & R Engine Spares had maintained market share despite aggressive discounting by competitors. Vektra expected to improve on its first-half earnings in the second half.
Retail sales continue slide

PRETORIA — Real retail trade sales continued their slide in the first six months of the year, according to Central Statistical Service figures.

At constant 1990 prices, they declined by 5.4%, compared with January-June last year.

Largest decreases occurred in sales of perishable and processed foods (13.3%) and inedible groceries (12.8%).

However, television sets showed the largest increase — 11.6%. The figures also show that in the second quarter sales increased at current prices by 10.9% to R21,650bn. But at constant 1990 prices, they dipped by 4.9% to R16,060bn compared with April-June last year.

Sales increased marginally by 0.6% at 1990 prices to R16,450bn in the second quarter compared with January-March, and by 2.1% to R21,619bn at current prices.

Economists say the figures again reflect depressed consumer-confidence superimposed on the inability of pay earners to spend on anything but necessities.
Developers cut back on office construction

PETER GALLI

WHILE many office buildings are still coming on stream, developers are cutting back on office development because of the recession and high vacancies, the latest Central Statistical Service (CSS) private sector June building statistics show.

However, the value of buildings completed has not yet begun to reflect the decline, as construction on many of the buildings now nearing completion started up to two years ago.

"If price increases are brought into account, the real value of buildings completed shows a drop from April 1991," the CSS says.

At constant 1985 or real prices, the total value of building plans passed for the first half of this year dropped 13.5% to R2.21bn from R2.56bn in the same period last year.

This is largely due to a 32.2% drop in the value of plans passed for non-residential buildings to R510.4m, but plans passed for flats and townhouses continued to soar, rising 24.8% to R236.5m in the period under review.

Economists and developers have attributed this market strength to the fact that flats and townhouses offer greater security, which is becoming more important given the level of crime and violence.

In contrast, the real value of buildings completed in the first half of the year rose by 9.4% to R1.72bn compared with the same period in 1991.

Non-residential buildings completed reflected the largest gain, rising 20.8% to R347.1m.

"Large increases in the total real value of buildings completed were recorded in the urban areas of Cape Town, the Witwatersrand and Durban," the service said.

A survey of new office developments in SA by Real Estate Surveys says new office starts continued to decline, with the 73,502m² in the second quarter being well below the 187,680m² high set in the corresponding quarter in 1991.

"Of the 65,892m² due to be completed in 1992, 24,656m² or 37% is still unlet. However, while this is still high for office developers it is the advantage of tenants," says editor of Real Estate.

Despite this, development is continuing in Rosebank and Sandton, where take-up is strong. Developers in other areas are willing to start as soon as they can sign a tenant.
McCarthy to buy Budget Rent-A-Car

THE McCarthy Group was set to acquire Budget Rent-A-Car from Tollgate Holdings for an undisclosed amount, sources said yesterday. July 7, 1992.

McCarthy Group joint MD Theo Swart confirmed negotiations for the acquisition were well advanced, but Tollgate chairman Julian Askin declined to comment.

Tollgate holds the Budget franchise in SA through its Motorvite subsidiary. It is understood the acquisition would take effect from October 1.

Budget MD Tony Langley said the group held a 22.5% market share. The company is the third biggest player in the R300m-a-year car rental market.

Langley believed the deal would make sense to McCarthy, as about a third of Budget's fleet was leased through McCarthy Leasing, a joint venture between Stanbic and McCarthy. Last year McCarthy Leasing bought the 4506-vehicle strong Budget Autolease from Budget for an undisclosed sum.

The possible sale of Budget by Tollgate comes at a time when Tollgate is taking action to reduce high debt levels in the wake of a two-year restructuring to dispose of underperforming assets.
New car sales fall 11.7% this year

BY EDWARD WEST 9/9/92

New car sales for the first eight months of 1992 were 11.7% below those for the same period in 1991, National Association of Automobile Manufacturers of SA (Naamsa) statistics showed yesterday.

Sales of new light commercial (LCV), medium commercial (MCV) and heavy commercial (HCV) vehicles were respectively 10.8%, 21.4% and 9.7% lower than in the first eight months of 1991.

New car sales for August 1992 fell marginally to 15 214 compared with the 15 329 in July. New car sales fell 8.5% compared with 16 920 in August 1991.

Sascor marketing director Sean Bownes said August car sales were indica-

Car sales

Car sales of a 187 000 annualised market. This was well below the rate for the first half of the year which suggested that 185 000 cars would be sold, he said. Other forecasts by industry leaders were also sharply down and varied from 175 000 to 180 000.

Toyota marketing MD Brand Pretorius said the industry would be hard pressed to meet a previous forecast of 180 000.

Naamsa said the depressed August figures were in line with expectations and reflected economic difficulties and low business and consumer confidence.

August new vehicle sales fell 5.3% to 23 761 from 23 079 in the same month in 1991 and 23 217 in July 1992. Year-to-date sales in all four sectors of the market remained well below corresponding 1991 levels, Naamsa said.

The impact of the strikes at Toyota was again reflected in the new passenger car market, with Volkswagen replacing the traditional market leader with a 20% market share compared with Toyota's 17.5%. Toyota's recovery was more pronounced in the total vehicle market and it regained its position as market leader, with 22% compared with its closest rivals Nissan's 19.4% and Volkswagen's 15.5%.

The 7 946 LCV sales in August improved 9.7% compared with the 7 154 in July, and increased 21.1% compared with 7 688 in August 1991. MCV and LCV sales remained at historically low levels with the 263 MCV sales 8.4% lower compared with July's 299 and 14.9% lower when compared with the 309 in August 1991. HCV sales at 426 fell 4.5% compared with July sales and 7.8% compared with the 462 in August 1991.
Higher retail sales suggest recession may be bottoming out

By Derek Tommey

"Feelings of pessimism and despondency abound," Minister of Finance Derek Keys said this week.

But not everyone feels that way. A number of economists believe the recession has bottomed and that the business cycle might be showing faint signs of moving up.

One economist who thinks this is a possibility is Dr Jos Gerson of brokers Davis Berkum and Hare.

He says in the company's monthly economic review that the year-on-year increase in notes in circulation rose in July for the fourth consecutive month. (Figures issued by the Reserve Bank last night show the note issue rose again in August by 9.3 percent over August last year.)

"Given the good correlation that exists between notes, M3 and the business cycle, the latest figures reinforce our view that the recession has probably bottomed," he says.

The importance of the note issue appears to lie in its being an indicator of black incomes and purchasing power.

Relatively few blacks have cheque accounts or credit cards and pay their bills with cash. An increase in the note issue could reflect an increase in the personal finances of those at the bottom of the employment pile.

The view that the recession has probably bottomed out is reinforced by retail sales figures.

Central Statistical Services said last night they totalled R2.16 billion in the three months to June — an increase of 21 percent on sales in the three months to March.

This is the first time for a considerable period that retail sales have been higher than in a preceding period.

However, sales for the six months to June were down 5.4 percent, in real terms.

But even so, after stripping out food sales, which were down sharply, the figures show that retail sales in many instances have been no worse than last year's.

Nobody should be surprised that the recession is showing signs of bottoming out.

Just as booms do not last forever, neither do recessions. And there have been a number of factors working to turn the economy around.

One is been the rise in gold production. Several mines may have difficulty in breaking even, but the gold mining industry is still pumping R1.6 billion a month into the economy.

Added to this has been the Government's deficit spending, which, in the four months to July, stimulated the economy by R10 billion.

Export earnings have not increased in real terms this year, but have been maintained.

While earnings from the export of metals and minerals have fallen, the loss has been made good by higher export earnings from goods requiring a larger input of capital and labour.

So, while unskilled jobs have been lost in the mining sector, skilled jobs have been created elsewhere — and many more will be created in the coming months.

The recession, the end of sanctions and the apparent weakness of the rand have made businessmen take a hard look at export prospects.

The result is that those already exporting plan to increase their exports, with more entering the export market and others planning to do so.

Existing medium and small exporters and potential exporters are making new investments.

Some idea of what it is happening comes from a retailer in the booming apple-growing district in the Western Cape. Increased expenditure by apple farmers this year on extending their orchards has helped boost his turnover 40 percent.

This improving trend is not going unnoticed on the JSE.

The financial and industrial share index showed a modest 1.2 percent rise last week. But this was not the whole story.

Altogether, 114 financial and industrial shares showed gains last week, against 72 showing losses.

This strongly suggests that for political developments, the bear market would have ended.
Pepkor boss urges political maturity

STELLENBOSCH — Encountering the first bumps on the road to negotiations did not mean the road had come to a dead end, Pepkor chairman Christo Wiese said at the regional congress of the Western Cape Chambers of Commerce and Industry yesterday.

Any period of transition was bound to be painful, but if handled judiciously, could also be gainful, he said.

"We still have a long way to go but we are all ultimately on the same path. And with increasing political maturity there will be greater concessions from all sides in the striving for peace.

"As we hit the bumps along the rocky way of negotiations, we will be well served by retaining a healthy perspective at all times." To dwell on only the negative factors in SA was both self-defeating and shortsighted, Wiese said.

There was cause for optimism although potentially profitable businesses were being impeded by work stoppages, political violence persisted, the rand continued to be devalued in international terms and negotiations were at an impasse.

"If we look a little further down the road there is the fear of the further emptying of state coffers as the recession persists and our population grows, while we face a deterioration in the standards of health, education, transport, telecommunications and housing.

"As joblessness and the urban influx continue unabated, we witness the ongoing rise in the already high crime rate."

Wiese said the high rate of government expenditure — about 30% of GDP at present — would have to be trimmed. He said it was inevitable that the restructuring of the economy would initially be painful for the middle and upper classes, who would have to pay more for their education, medical benefits and a variety of infrastructural services.

"However, considering the larger picture, this is a small price to pay towards securing a stable future for ourselves and our children."

Among factors in SA’s favour were the commitment of world powers to assist in the peace process, the country’s pivotal role in southern Africa, the shift towards outward-looking technologically intensive manufacture, and a sophisticated financial sector. The country also had a corps of high quality managers, great tourist potential and a growing consumer population.
It's extraordinary how the market so often correctly anticipates a deal. Take, for example, the Shield Trading transaction with Massmart. Until May, Shield routinely traded between 90c and 110c. In mid-May, for no apparent reason, the price moved up until it touched a high of 190c early this month — just before the Massmart deal was announced.

Was Shield worth it to Massmart? John Biccard of broker Simpson McKie reckons that, at a share price of R1, he considered Shield "heavily undervalued" and was recommending it to his clients. In his opinion, whereas Shield stands on an historical p/e of 11.3 at the deal price of 185c, it is on a forward p/e of about 10. He considers 185c fair for both parties.

Makro, the backbone of Massmart, is not listed, so its earnings record is not available. Its rival, Metcash, is trading on a p/e of 14.9.

It is not unrealistic to think Makro's market rating would be close to that. On that basis, Shield's forward p/e of 10 makes the deal a sweet one for Massmart.

Shield is essentially a voluntary buying operation. It was founded in 1983 and listed in 1987. It offers about 400 store owners a packaged food and general merchandise procurement service, a systems service and general retailing expertise. It owns no outlets. Nor does it own stock or perform warehousing or distribution functions.

It negotiates with merchandise sources from the strength of considerable volumes, determines a price, invoices merchandise to outlets at that price, receives rebates from the supplier and at year-end splits these rebates between itself and outlet owners according to a formula. Shield generates income by granting shorter credit terms to outlets than granted to it by suppliers.

Shield does not supply cash goods like sugar, cigarettes or carbonated soft drinks; these are available from Makro. Makro and Massmart MD Mark Lamberti says Shield customers will gain access to Makro merchandise under Shield credit facilities. He believes the deal will improve the use of Makro's infrastructure.

If approved, the deal, for cash, will take effect from October 31. All of Shield's assets and liabilities are to be sold to a new company which will be a wholly owned subsidiary of Massmart. Payment to Shield shareholders will be in two tranches: a special dividend of 169c a share, followed by an additional 14.8c payment. The total 183.8c a share is net of costs.

Gerald Kirchen
**McCarthy Group, still wrapping up a merger with Prefcor, remains on the acquisition trail. Confirmation is expected this week that the Durban-based group has bought the assets of Budget Rent-a-Car from Tollgate Holdings (TGH). This comes after new investments totalling R72m, including two UK Toyota dealerships and Beachway Volkswagen in Durban.**

Chairman Brian McCarthy says talks have been held with TGH and an agreement in principle reached. He declined to quantify a purchase price. TGH chairman Julian Askkin could not be contacted. However, with Budget’s fleet of about 2 000 vehicles leased and off the balance sheet, the main cost will probably be goodwill.

This follows TGH’s earlier sale of City Tramways (Companies September 4) under a policy of liquidating assets to repay interest-bearing debt.

For McCarthy Group, the acquisition has obvious benefits. It will be able to supply all Budget’s vehicles, which have an average life of about nine months.

Last week, McCarthy reported year-end EPS down 15%, to 50,9c; after interest increased by 140%, to R16,7m and a R6,5m under-provision for tax from previous years came through. McCarthy says the sharply higher interest bill came from the R72m spent on new acquisitions, funded by short-term loans, as well as a higher level of inventories. “At 35% our gearing is still low, with virtually no borrowings from the previous year,” he adds.

He points out that without the R6,5m tax under-provision, earnings would only have been marginally down on 1991. In the first half, the group showed a taxed profit of nearly R21m, rising to R43,1m by year-end after the additional tax deduction.

While the new vehicle market declined by 15%, McCarthy increased its share of national sales by 1,1 percentage points, to 13,7%.

After hitting a low of R3 after the merger with Prefcor was announced, McCarthy’s share price has recovered to 325c, still down though from the 430c when the Prefcor deal was announced. Due diligence on the merger is expected within the next fortnight, while Prefcor’s results should be out next week.
Activities: Retail essential foodstuffs and basic household products.

Control: Premier 72%.

Chairman: G.M. Utian; MD: C.J. Burgess.

Capital structure: 76m ords. Market capitalisation: R20m.

Share markets: Price: 28c. Yield: 2.3% on dividend; 10.4% on earnings; p/e ratio, 9.6; cover, 4.5. 12-month high: 37c; low: 10c.

Trading volume last quarter, 1.1m shares.

Year to April 30

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This new retailer, formed as a result of the acquisition of Metro Cash & Carry by Premier Group, includes Score's limited assortment supermarkets and the similar emporiums which formed part of Metro's interests under Fairways.

Listed last October, Score Supermarkets exceeded its earnings forecast in the 10-months to end-April, though turnover was lower than the forecast in the pre-listing statement.

Though comparison with year-ago figures remains difficult, Warburton says the group is looking to maintain earnings this year.

An earnings multiple of 9.6 looks cheap, though this cannot be said for the dividend yield. The share's worth watching.

Score's Utian... reductions in overheads

is problematic, given the change in year-end, and extensive restructuring, chairman Gordon Utian contends a turnaround from a R14m operating loss to R8m income is a significant achievement. This, he says, was done through rationalisation and reductions in overheads.

Fourteen uneconomic stores were closed or sold and some distribution centres were closed and merged into a single entity at City Deep.

Pre-tax profit was lifted 8% ahead of budget, to R2.2m, by a lower-than-expected interest bill of R5.6m. The R1m reduction in the interest burden was due to improved working capital management, which led to lower borrowings.

Attributable earnings of R877 000 were 15% above the budgeted figure.

Gearing, however, was above the short-term target of 30%. Financial director Keith Warburton says this should be viewed in context -- it includes the capitalisation and settlement of financial leases and partial liquidation of non-food stock as a result of refocusing to a greater exposure to food products.

Gearing is forecast to fall below target this year.

Score is pitched towards small, high pedestrian areas catering particularly for the black or CD income group.

The group's relationship with Metcash is purely as a fellow subsidiary of Premier, but on occasions Metcash has been used as a filler when distribution has been disrupted.

Though trading conditions are expected to
COMPANIES

Mast Holdings to buy Literary Group

TRAINING and education group Mast Holdings is to acquire the Academic division of CNA Gallo subsidiary the Literary Group for R7.7m in a move which would see it double its turnover and assets, Mast announced yesterday.

Academic has 11 retail outlets countrywide, trading as Logans, Campus Books, Westdene Rondebosch and Westdene Medical Bookshops. It also supplies books to Wits and other campuses.

Mast chairman Stephen Dallamore said the move was in line with Mast's strategy of focusing on product-based business and decreasing reliance on service activities. Mast was reviewing the funding of the acquisition. A portion of the funding involved "may be met by an acquisition issue of shares in Mast", but this would not include an offer to minorities. Mast had cash of R4m in the bank and on call at the February 1992 year-end.

Of the total acquisition price, R3m would be payable on completion of the acquisition, R1.75m at end-March 1993 and the balance in June 1993.

Mast Training Consultants MD Richard McBride would become chairman of Academic. Chris Wolf, previously a director of the Literary Group, would be MD.
GDM MD John Cowper ... another satisfactory performance

1993 by the acquisition from April 1 of the SA business of R H Freight Services, a subsidiary of a large UK group.

The result will be that African Shipping's total turnover should rise to about R200m; that lifts the company into the big league of the industry.

The other pillar of the group's business is its conservative approach. GDM's risk is spread across a number of businesses operating in unrelated fields. No single client represents more than 7% of total receivables, and no one business sector accounts for more than a quarter of total turnover. The four largest sectors are: clothing and textiles (25%); household and consumer goods (21%); computer supplies and consumer electronics (13%); and engineering and light machinery (10%).

The company incorporates the former beleaguered Repfin group which GDM acquired in 1991.

Berlin says Repfin has been integrated entirely into GDM's operations and has by now turned into a successful and profitable investment.

The company is trading on a p/e of 5.7 in a sector dominated by the big banks. In the light of its results it deserves rather better treatment than it's getting from the market.

David Gleenon

Activities: Retail, tolliaries, cosmetics, gifts.
Controls: Score-Clicks 60%.
Chairman: C S Du Santos; MD: T C Honneysett.
Capital structure: 22,60m ords. Market capitalisation: R252m.
Share markets: Price: 2.335c. Yields: 1.8% on dividend; 4.5% on earnings; p/e ratio, 22.2.
Cover: 2.6. 12-month high, R28; low, R20.
Trading volume last quarter, 78 600 shares.
Year to April 30 '90 '90 '91 '92
Debt/equity ratio ... nil nil nil nil
Return on cap (%) ... 17.8 23.4 21.2 17.0
Turnover (Rm) ... 246 426 562 837
Pre-tax profit (Rm) ... 20.0 32.7 41.4 52.9
Pre-tax margin (%) ... 8.1 7.7 7.6 6.3
Earnings (c) ... 49.1 81.8 102.3 108.1
Dividends (c) ... 21 34 42 41
Net worth (c) ... 236 283 330 379
* Annualised; † Eight-months' trading.

Companies

Clicks Stores

Expansion continues

The Clicks annual report conveys the impression that the group's management has enjoyed every moment of arriving where it is, knows just where it is going and how it is going to get there. The financial performance in the 14 months to April 30 and, indeed, for preceding years, supports these sentiments and the probability that the performance will be sustained.

Trevor Honneysett's informative CEO's report is constructive in that it sets out the major achievements of the group, admits areas of weakness, explains what was done about them and spells out future planning.

Fifteen new stores were opened, raising the total to 130. Diskom opened 24, taking the total to 73. A new store opened in the group almost every 10 days.

An extensive store automation project cost R4m. Five stores now have full point-of-sale scanning capabilities. All Clicks stores are computer linked with warehouses, regional offices and head office.

Costs of installing new information technology were fully expensed during the year. This affected margins as few benefits were attained during the period. But improved ordering capability, with a resulting improvement in stock control, shrinkage and stockturn, is expected to start benefiting trading results this year. Stock holdings were excessive at the interim stage but have been pared.

Honneysett says considerable time was devoted to amending the structure of the organisation, clearing communication lines, clarifying roles and shifting accountability and responsibility down the line. Staff information videos are produced each month.

The R52m rights issue occurred too late to curb the cost of short-term borrowings and the net cost rose to a record R4.7m. The cash balance of R41m should reduce the 1993 finance costs significantly.

Honneysett says Diskom is beginning to realise its "enormous potential." Margins improved as the product range was refined and extended. The operation is moving away from its developmental phase and it is intended that 200 stores will be open by the middle to late Nineties. The subsidiary is bringing added value to the group and contributing materially to the bottom line.

The share price has declined from its R28 high reached in June, in line with the industrial market. However, the earnings multiple is still higher than those of all other leading retailers, indicating investors are well aware of the group's potential. The share is fully priced but should be accumulated on weakness.

 Gerald Hirschn

SCORE SUPERMARKETS

A good start

Activities: Retail, essential foodstuffs and basic household products.
Controls: Premier 70%.
Chairman: G M Utton; MD: C J Burgess.
Capital structure: 76m ords. Market capitalisation: R20m.
Share markets: Price: 26c. Yields: 2.3% on dividend; 10.4% on earnings; p/e ratio, 9.6.
Cover: 4.5. 12-month high, 37c; low, 10c.
Trading volume last quarter, 1.1m shares.
Year to April 30 '92
ST debt (Rm) ... 3.8
LT debt (Rm) ... 8.2
Debt/equity ratio ... 0.48
Shareholders' interest ... 0.18
Int & leasing cover ... 1.35
Return on cap (%) ... 6.84
Turnover (Rm) ... 512
Pre-tax profit (Rm) ... 6.6
Pre-tax margin (%) ... 1.5
Earnings (c) ... 2.3
Dividends (c) ... 0.5
Net worth (c) ... 42.7

* 54-week trading period.

This new retailer, formed as a result of the acquisition of Metro Cash & Carry by Premier Group, includes Score's limited assortment supermarkets and the similar emporiums which formed part of Metro's interests under Fairways.

Listed last October, Score Supermarkets exceeded its earnings forecast in the 10-months to end-April, though turnover was lower than the forecast in the pre-listing statement.

Though comparison with year-ago figures

Clicks's Honeysett ... spelling out plans

FINANCIAL MAIL • SEPTEMBER • 11 • 1992 • 97
Columbia Consultants' directors says its proposed restructuring, which will end its listing, will broaden the shareholding and tradeability of quoted retail subsidiary Acrem Holdings.

But the market's initial response has not been encouraging. Acrem's share fell 5c to a 12-month low of 15c. Though the mechanics of the scheme appear sound, investors are wary because of the company's past structural upheavals.

In the year to March, Columbia offloaded investments in Constantia Echo, I Lubner & Sons, Mettle Investment, Pride Consultants and Dealmakers Business Brokers, a company bought only a year earlier. Since listing in 1986, the once high-flying financial services group relinquished investments in, among others, Toco, Milstan, Crusader Life, Trimex, Manserv and Concorde Travel. Disposal of assets last year reduced shareholders' funds by R8,9m to R35m.

Columbia's sole investment now is its 94% stake in Acrem, which holds the retail business of Acrem and computer supplier Powernet. Acrem shares have been thinly traded. The proposed rationalisation would leave

Columbia directors with a direct holding of about 54% in Acrem. Columbia shareholders would receive 244 Acrem shares for every 100 Columbia held.

Acrem will, in effect, write off a R6,2m loan to Columbia by paying a special dividend of 9c a share, most of which — excluding payments to the few minorities — will be returned to the retailer by its major shareholder in lieu of the debt. Acrem's shareholders' funds, excluding goodwill, were about R37m at end-March.

Columbia CE Gordon Polovin says he does not envisage any buying or selling of companies soon. Instead, management will concentrate on improving the performance of existing operations.

There is much to be done. Columbia's earnings, dividends and net worth have slumped. EPS in financial 1992 were barely positive, dividends had to be passed, and operating margins and NAV fell for the third successive year; gearing was an uncomfortable 75%. The share is trading around 15c, well down on last year's high of 95c and its peak of 800c.

Polovin says the retail operations of Acrem, which last year generated most of Columbia's turnover and pre-tax income, and Powernet are profitable but trading is difficult. Also, Acrem is burdened by an outstanding tax charge resulting from the Receiver's change in regulations relating to HP sales. Management expects the charge to total about R3,7m over the next three years. Last year more than four-fifths of Columbia's consolidated pre-tax earnings were paid to the Receiver.

Investors are not likely to show confidence in Acrem until it has delivered consistent earnings growth and management has shown it can apply itself to this. Columbia shareholders have seen little benefit from previous financial engineering.

Simeon Cashmore
Bisho's long shadow

THE Bisho shooting dealt another blow to fragile economic prospects. Share prices on the Johannesburg Stock Exchange were knocked lower by foreign selling in the wake of the massacre, with the overall index shedding 1.4 percent to 3 085 on Wednesday. It was reported that South Africa's chances of an agreement with foreign banks on a final debt repayment arrangement have been set back.

Rise in reserves

DESPITE foreign debt repayments of around R250-million South Africa's gold and foreign exchange reserves rose in August. Gold and foreign exchange reserves rose by R563-million to

Car sales in lower gear

NEW car sales, one of the key indicators of economic activity, continued on their downward trend in August. At 15 214 units, around 8.6 percent fewer new cars were sold in August this year than in August last year, according to the National Association of Automobile Manufacturers of South Africa. New car sales for the first eight months of 1992 were 11.7 percent lower than in the same period last year.
Natal sets the tone

Natal farmers opt for the sensitive approach in dealing with the land question.

DURBAN. — Natal's white farmers yesterday turned their backs on a century-old policy favouring whites when the Natal Agricultural Union (NAU) congress called for farmland to be accessible to all.

The congress called for the creation of a judicial body to adjudicate land claims.

The NAU also called for regional government, a step seen by some as an unwarranted intrusion in politics. Others felt that Natal "does things better than the other provinces or the central government" and said they were happy to throw in their lot with KwaZulu.

The proposals were accepted with a minimum of dissent, although delegates hold varying political views.

But delegates warned against "indiscriminate" distribution of land to dispossessed, unskilled stockowners. They felt that this would lead to destruction of the land and irreparable harm to the economy of the region.

Mr Peter Stockill of Winterton said the NAU would support measures "which will make the privilege and responsibility of land ownership accessible to as many fellow countrymen as possible".

"We believe that all land has a price and therefore must be distributed within the free-market system.

"Bought land brings a sense of pride to the new owner, a sense of stability to a community and a sense of commitment to the future. These ingredients are sadly lacking in sections of our society."

The union accepted that the land claims of victims of forced removals should be addressed by judicial process and if necessary a land claims court. The congress did not favour a government-appointed commission to adjudicate the claims.

Points which will have to be spelt-out for deciding land claims are:

■ The cut-off date for a claim;
■ Whether landowners were compensated when they were moved;
■ Who qualifies for land;
■ Do claimants need proof of legitimacy; and
■ International case studies such as land awards in the United States, Canada and Australia.

The congress felt that resettlement of displaced and dispossessed people should take place first on state-owned land — about 493,000 hectares in the case of Natal — after a claims court has found a claim to be legitimate.

Private ownership of land should be encouraged and the Subdivision of Agricultural Land Act, which prevents farmland being snipped up into uneconomic units, should be amended.
Long before Boipatong, the seeds had already been sown for THE CRISIS.

EDYTH BULBRING and BRIAN POTTINGER look at the rapid unravelling of months of careful political negotiations.

FIFTEEN minutes after appearing on television on Tuesday night to announce the ANC's suspension of talks, ANC secretary-general Cyril Ramaphosa telephoned Constitutional Development Minister Roelf Meyer at home.

"What the hell do you think you are doing?" asked Mr Meyer.

"Well, the good news is we still want to talk," replied Mr Ramaphosa. He was serious.

Earlier that day 70 members of the ANC's national executive committee held an emergency meeting to decide the course of action following the Boipatong massacre. Most of those present had already made up their minds: talks should be suspended.

But how this should be done was at issue. Some wanted the ANC to break off talks unconditionally and indefinitely until mass action had taken its course. Others wanted the ANC to pull out of the Pretoria and DF Malan Accords. Still others felt talks should be suspended until the government had addressed certain demands. After five hours of debate, those in favour of conditional suspension forced the government's hand.

The decision to revert to mass action held an inherent threat of a deterioration in the negotiating climate. Suspension of talks was, therefore, always a possibility.

The government, for its part, believed the ANC had decided long before Codena 2 that it no longer wanted multilateral negotiations. It believed radical elements within the ANC had ensured no agreement could be reached. Boipatong, argued the government, gave the ANC the excuse to suspend talks and then rename them, on its own terms.

For many in the government, the ANC's announce ment was reminiscent of April last year, when the ANC suspended talks about talks until the issue of violence was satisfactorily addressed.

At the time a senior government negotiator remarked, prophetically, that negotiations would not col lapse because violence then was hurting both major players equally. Equally prophetically, he observed that when a point was reached that either the major players felt it was hurting far worse.

Mr Mandela was confronted by an angry crowd which demanded arms and accused him and the ANC of "acting like lambs while the enemy is killing our people".

He realised then that negotiating in this climate could put the ANC in serious danger of alienating its support.

"I can no longer explain to our people why we continue to talk to a government which is murdering our people. The negotiation process is completely in tatters," he told the crowd.

It was not an off-the-cuff remark. Mr Mandela had consulted trusted lieutenants soon after the massacre and the overwhelming response, even from moderates, was that a dramatic gesture was that day Mr De Klerk offered a two-day summit to deal with the impasse and made some minor concessions on the admission of foreign observers. The real thrust of the attack lay elsewhere — an appeal to world sentiment, over the heads of the ANC.

The government decision was bolstered by reports from the Department of Foreign Affairs which suggested that the international community was leaning towards the government. Subsequent reports would suggest a misreading on the part of the department.

Nevertheless, on the day, the cabinet was persuaded by Foreign Minister Pik Botha to seek greater foreign
PIET "Skiet" Rudolf, the fearsome AWB bomber who refused to stand trial under a black magistrate, led a convoy of seven vehicles into Malebogo township near Hertzogville in the western Free State this week. His aim? To present a memorandum penned to the local ANC branch insisting that the black boycott of Hertzogville be called off.

The memo was handed over to branch chairman Sam Mokgobo by local farmer Faan Malherbe.

The memo stated that the tense situation and alleged intimidation by liberation organisations would not be tolerated any longer.

However, Mokgobo took a dim view of Piet's letter. He said his organisation viewed the contents of the memorandum as nothing more than a threat against democratic organisations.

He said that the consumer boycott in the area would continue as long as the farmers were not prepared to discuss problems in an amicable way.
CAR sales are likely to tumble to 177,000 this year — the lowest since 1977. Strikes, the devastated economy, drought and an unstable political environment are responsible.

August sales of new cars, medium and heavy trucks were down on the previous month. Only light commercials made a modest increase.

Sales for the next four months would have to exceed averages for the first eight months of this year if projections made in July by the National Association of Automobile Manufacturers of South Africa (NAMS) are to be met.

Industry sources suggest that new-car sales for the year will be about 177,000 and light commercials 90,500.

August car sales totalled 15,214 compared with 16,328 in July. Light commercials sales last month were 7,840 compared with 7,154.

Medium and heavy truck sales totalled 263 and 426 respectively in August.

Toyota Marketing managing director Brand Pretorius says sales for the rest of the year will probably continue at July and August levels. The motor industry will "be hard pressed to realise 180,000 passenger vehicle sales for 1992".
Hyperactive may be sold

Eric Overton was listed on the NASDAQ exchange in 2010 and was delisted in 2014. Since then, the company has been struggling to meet its financial obligations. The company has been facing a liquidity crisis, and its stocks have been trading below their par value. The company has been in talks with various stakeholders to resolve its financial problems.

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Today's announcement states that the company has received an offer from a potential investor to purchase a significant portion of its assets. The investor has expressed interest in acquiring the company's assets and has indicated a willingness to pay a premium for the acquisition.

The company has been facing a liquidity crisis, and its stocks have been trading below their par value. The company has been in talks with various stakeholders to resolve its financial problems.

The company has been facing a liquidity crisis, and its stocks have been trading below their par value. The company has been in talks with various stakeholders to resolve its financial problems.
CAPE TOWN — Toiletries and gifts retailer Clicks was expected to produce a pre-interest profit growth above the rate of inflation in the year to end-April 1993, CE Trevor Honeysett said in an interview at the group's AGM yesterday.

In the four months since its April year-end Clicks has achieved its targets and produced above inflation growth.

Bottom-line earnings for the full year will be further boosted by the interest income earned on the proceeds of the R50m rights issue, of which R40m was still available at end-April.

The rights issue came too late to benefit the previous results — the net interest bill for the 14 months to end-April was R4.7m.

Honeysett stressed, however, that the forecasts assumed that there was no worsening of the current political and social environment. Trading conditions were tough, and getting harder and harder and margins were under severe pressure.

"This is definitely the worst recession since the war," he said.

Clicks, as a retailer of basic necessities, had traditionally been able to withstand recessions, but did not peak as radically as other companies during an upturn. In the 14 months to end-April, earnings a share grew by about 20%.

Honeysett believed the economy would gradually improve — perhaps at the beginning of next year — and added that the group had concentrated on stocking up with affordable, value-added merchandise for the Christmas season.

Regarding Musica, which Clicks acquired recently, Honeysett said the immediate objective was to return the chain of 55 stores to profitability. A senior member of the Clicks board, former human resources director Robin Spengler, had been appointed MD with the twofold objective of making Musica profitable and penetrating the huge music market of which Musica had about 15%.

He said a lot of investment and energy was being devoted to turning the chain around and he was confident that the chain could make a significant contribution to profits once it was back safely in the black.

Honeysett said Musica's problems stemmed from its being an undercapitalised, small business trading in a difficult economic environment. The net asset value revealed in a due diligence test was "nowhere near" that tabled during the negotiations, as many of the assets were not recoverable and this had required a radical reduction in the purchase price to 5c.

He said Clicks' purchase of Musica was a rescue operation which saved it from ultimate liquidation and it was possible from hindsight that Clicks paid too much for it.

Honeysett said Musica's distribution network was being examined to see if synergistic benefits could be achieved in this area with the other chains in the group.

Diskom MD David Danziger said in reply to questions by SA Shareholders' Association chairman Issy Goldberg that the Diskom chain had been affected by the political violence in some areas, which were more volatile. It had also had a short-term affect on decisions on where to open new stores. Diskom plans to have a total of 200 stores by the mid-nineties and was well placed to take advantage of an economic upturn.

Honeysett said by the end of the current financial year the group planned to have 145 Clicks, 80 Diskom and 65 Musica stores — a total of 300 outlets compared with 203 at the end of April 1992.

Clicks chairman Carlos dos Santos said the R40m available from the rights issue would be used to finance operations, for refurbishing and for opening new stores.

The Premier group holds 37% of Clicks through Score-Clics, which owns 50.1% of the chain.
Rich now feel the pinch

Crime Reporter

The recession has hit even affluent suburbs so hard that residents have taken to shoplifting at an alarming rate. They are "not stealing for fun, but to survive," a surveillance company general manager said yesterday.

Securisearch general manager Bryan McDermott said the recession, retrenchment and unemployment were forcing people in "mink and manure belts" to pinch to maintain their high standards of living.

The highest incidence of shoplifting countrywide were recorded at the Sandton City and Eastgate shopping complexes, where most perpetrators were "white-collar workers." Shoplifting was no longer a crime committed primarily by the poor, he said.

According to Mr. McDermott, retailers stand to lose R1 billion to shoplifting and internal theft this year.
Shrinkage losses affect turnover

WILSON ZWANE

THE SA retail industry stands to lose more than R1bn or 2% of its annual turnover this year through shrinkage, according to an electronic surveillance company. [Bloxom 16/9/92]

"Some large retailers will lose as much as R10m," Securexsearch GM Bryan McDermott said yesterday.

Retailers canvassed yesterday agreed that shrinkage was a serious problem which affected turnover.

OK Bazaars and Pick 'n Pay estimated that losses through shrinkage averaged 1% of annual turnover.

Pick 'n Pay GM Mike van der Merwe said the problem was international and was more grave during recessions.

McDermott agreed and said the retail industry worldwide stood to lose R1bn this year. People were not stealing for "fun but to survive".

He said sophisticated networks were in operation to acquire stolen goods and find markets for them.

To protect their goods, retailers had to follow the international trend and install electronic surveillance equipment, McDermott said.

SADF uniforms misused to monitor

MEN in SADF uniforms who were killing residents of several Natal townships could be part of a third force, Durban-based DP unrest monitor Roy Amslie said yesterday.

"There are elements in the country who are determined to destabilise the situation. One of the things they are doing could be this (masquerading as SADF troops).

"Regulations were needed to cut down on the availability of SADF and police uniforms to the public, Amslie said. An SADF source said greater control over the distribution of uniforms was being investigated.

In the latest incident, gunmen in SADF and police uniforms killed eight Inkatha supporters in Umbagaba on Monday, raising the toll in this type of violence to 32 in recent weeks, latest figures show.

Sapa reports Natal regional police commissioner Lt-Gen Cillin Steyn has offered a R20,000 reward for information leading to the arrest and conviction of those responsi-

Bhamjee bid to appeal fails

STEPHANE BOTTHMA

THE last avenue open to former soccer kingpin Abubakr Bhamjee to appeal against a 14-year Jail sentence for stealing R7,4m was closed this week when Chief Justice Michael Con- bict dismissed his petition for leave to do so.

Three earlier attempts by Bhamjee to obtain leave to appeal before trial judge M J Strydom also failed.

The former NSL public relations officer was convicted in January on 33 counts of theft involving NSL money.

He pleaded not guilty,
Mass action expected to hit retailers' results

MARcia KLEIN

Major retailers reporting over the next few months would not escape the serious harm caused by the 5.4% real sales decline in the first half and mass action in August, analysts said yesterday.

One analyst said this was the first time in many years that companies catering for the white market could fare better than those aimed at the black market.

Black consumer spending had grown rapidly in the past, but mass action, stayaways and unemployment had seen sales to this market taper off.

Companies which reported to end-June had to contend with the real decline in retail sales, but had not felt the full effect of mass action. Those with results including August would do particularly badly.

For food retailers, mass action had a permanent effect. An analyst said that unlike furniture or clothing, sales of food products were not postponable, so lost sales were never recouped.

For most of the major retailers, food comprised between 60% and 90% of total sales.

While food sales had been hard hit, an industry spokesman said non-food sales had been even worse.

Analysts had expected Pick 'n Pay to show growth just short of inflation for the full year to end-February, but events in August had caused them to adjust forecasts downward.

The group, which would soon release interim results, was expected to show earnings growth of between 9% and 10% for the year. Interest income would improve, and the scanning system would have a positive effect on results.

It was difficult to predict to what extent Shoprite-Checkers had been squeezing Pick 'n Pay. Although Shoprite-Checkers had been gaining strength, the biggest threat was the union demand for a wage increase in the current year.

For chains like Checkers, which was expected to make a meaningful contribution to the Pepkor group only in February 1994, there were signs of a turnaround in the current year.

The OK group would fare much worse than its competitors. The benefits of its splitting operations into Hyperamaus and OK stores would be negated by economic conditions, analysts said. It was equally susceptible because of exposure to the black market.

The split would have had a positive effect on Hyperamaus, but "would deplete what was left of the OK.

The only area where it was saving costs was in advertising, which it had brought in-house. The share price — at a low of 700c from 1.275c at this time last year — confirmed analysts' expectations of a loss for the year to end-March 1993.

The tax write-back in the previous year had given a false impression of results. It would not show a pre-tax profit in the current year.

Spar, the other major retailer, was believed to be gaining market share and improving its profitability, mainly because of incentives for owner-managers to do well.

I DON'T TRUST YOU ONE LITTLE BIT...
Retail sales plunge as shoppers cut back

HILARY GUSH

A COLLAPSE in consumer confidence and sharply lower disposable income levels pushed retail sales down by 10.3% in the year to June.

Official statistics released yesterday showed that general department stores were the hardest hit, with sales plummeting 15.9%.

There was a 15.5% dip at grocery stores and a 6.5% decline at clothing, footwear and textile retailers.

Sales in June were 7% lower than retailers had expected.

Figures published by the Central Statistical Service (CSS) showed that June sales shrank in real terms by 10.3% year-on-year, and by 8.2% from May’s level.

Socab economist Bill Lacey said the lower retail sales figure was an “amalgamation of the collapse of consumer confidence arising from both economic and political circumstances”.

“In times of political uncertainty consumers cut back on purchases and particularly spending on durables,” he said.

The marked drop in grocery sales was a result of sharp food price increases, while falling butchery sales suggested that consumers had altered their buying patterns and cut down on meat purchases.

The CSS data also showed that total inflation-adjusted sales for the first six months of this year were 8.4% lower than those recorded for the first half of 1991.

The largest decrease during this period was seen in perishable and processed food products where sales fell 13.3% in real terms. Other “indefinite groceries”, such as detergents, fell 12.3%.

TV set sales showed the largest increase, rising 11.6%.

Necor chief economist Edward Osborn said the figures confirmed the poor state of personal consumption expenditure which could be attributed to the extent of retrenchments and broadly lower disposable incomes.

“This has, in turn, contributed to very poor GDP figures for the first two quarters of this year.

“We are in a situation of income collapse in this country.”

Consumption had declined and made an impact on manufacturing production.

Osborn said the figures were indicative of the general economic malaise, which was primarily one of lower income levels arising from high unemployment rates.
be stopped • businessmen call for an end to violence

Violence must ‘be stopped’

CRITICAL PERIOD Premier boss
warns of effects of political instability:

By Joshua Raboroko

BRUTAL ACTIONS by political parties damaged the economy and would weaken the ability of the corporate world to help small business develop and create jobs for the disadvantaged.

Speaking at the Business and Entrepreneurial Development Conference in Midrand yesterday, the chief executive of the Premier Group, Mr Peter Wrighton, said black economic empowerment could not take place in an atmosphere of violence and political instability.

“We all know that the regeneration of business cannot take place without peace and political stability. We plead with our leaders to act more like statesmen in this critical period of our history,” Wrighton said.

He appealed to the corporate world to help township entrepreneurs.

“Big brother must help small brother grow,” he said.

National Sotho Breweries’ Professor Mohale Mabanyele said one of the stumbling blocks to black advancement was lack of finance.

He said big business and the Government should pump money towards black economic empowerment.

Cosatu’s appeal to employers

Deadline to taxes nears as protests increase:

By Ike Motsapi

THE CONGRESS of South African Trade Unions has set December 1 as a target date for employers to stop deducting the Pay As You Earn tax from workers’ salaries.

Cosatu media officer Mr Neil Coleman yesterday said they expected companies to support the call as part of the ANC-led mass action.

Instead, employers would be asked to pay the tax into a fund for “peace and democracy” to be established soon.

The federation also agreed to step up the mass action campaign.

It would also call for the occupation of government buildings.
Black business sector ruled out

By AUDREY D'ANGELO
Business Editor

THE Black Management Forum (BMF) does not aim at developing a separate black business sector, because that would be racist and a continuation of apartheid, its Western Cape chairman, Humphrey Khoza, said yesterday.

He told the Institute of Directors (IOD), at a breakfast meeting in a city hotel, that the BMF hoped affirmative action would lead to black empowerment and a fully integrated, non-racist, non-sexist business environment.

Separate development

"I am not a proponent of the creation of a black business giant — a black Saniam.

"This, to me, would not be reconstruction but perpetuation of separate development.

"Where these businesses exist we should aim to assist them to contribute to the overall economy. But the main objective must remain the economic empowerment of our disadvantaged to participate as equals in a single SA economy.

"This is the meaning of a shared future. Equal but separate smacks of racism.

"Sometimes things are established with good intentions but may be misconstrued by the intended beneficiaries. We have to open and extend overall business franchise to all."

Khoza said there were many people in SA "from both sides of the colour line who are still committed to a successful transition to democracy and economic reconstruction.

"I venture to say further, there are enough people in SA with a good basic education, possibly money, land and work to keep us all busy and effective in making this transition a success.

"Times are tough and business has a specific mandate and responsibilities in terms of shareholders, staff, customers and the societies that we operate in.

"Whatever the outcome of the political and economic problems in SA and elsewhere, the material needs of the country's growing population have to be satisfied — and industry must grow to meet them.

"That fact lies at the heart of the current negotiations, which will only be sustainable if supported by a strong economy."

However, Khoza reminded his audience, "there are some people who still hold that business is amoral and exists for the sole purpose of maximising the return to its shareholders.

"I, personally, believe this is not correct. Businesses are made up of people and people bring to the workplace their own sense of morality."

Stressing the need for affirmative action, Khoza said there was also a need for big business to subcontract to small business.

"There is a need to create or support black entrepreneurs, helping them to get into the economic mainstream and become producers and employers.

Big business

"The new SA cannot afford a situation in which the black majority remain employees with only the white minority being responsible for wealth creation. This is politically wrong and economic nonsense."

He pointed out that big business was tending to make increased use of automation while small business tended to be labour intensive.

"A sound balance between the two must be established."
Union pledges to ‘grab’

ABOUT 150 members of the Western Cape Unemployed Workers’ Union recommitted themselves yesterday to making regular bread and milk “grab”. They had already done so on four occasions.

After a meeting in Cape Town, a group of about 100 forced their way into a bakery and helped themselves to bread.
Prefhold comes close to meeting earnings forecast

MARCIA KLEIN

Prefcor Holdings (Prefhold) came close to meeting its earnings forecast in the year to end-June despite a worse than anticipated drop in consumer spending.

The Durban-based group, which includes furniture and retail chains Bears, Game and Bee Gee, met its dividend forecast of 30c a share for the year by declaring a final dividend of 15c a share.

However, attributable income of R40.1m, helped by lower debenture interest and lower taxation, was 5.4% below the group’s prospectus forecast of R42.4m.

Prefhold also announced that it had concluded the final terms of its merger with the McCarthy Group, which should be signed by the end of the month and would result in a combined group turnover of R4.5bn.

Terms had been revised because actual results differed from those expected when the original share exchange ratio was agreed upon.

Prefhold ordinary shareholders would now be offered 75 — rather than 80 — McCarthy shares for every 100 ordinary Prefhold shares held, and one McCarthy senior or junior convertible debenture for each corresponding Prefhold senior or junior debenture.

The McCarthy debentures would be convertible into McCarthy ordinary shares in the ratio of 75, and not 80, McCarthy ordinary shares for 100 McCarthy debentures.

Prefhold executive chairman Terry Rosenberg said both companies would still focus on their core businesses. But there were synergies in terms of financial packages and schemes to widen the market for vehicle sales based on Prefhold’s experience retailing to mass markets.

This is Prefhold’s first year of trading, so results cannot be compared with the previous year.

However, pro forma figures — based on the 1991 results of the companies now in the group — show that turnover increased to R1.2bn from R1bn in the previous year. In its prospectus, Prefhold had forecast turnover of R1.3bn.

Rosenberg said results were satisfactory given the recent performance of the retail industry.

They had been achieved through Prefhold’s strategy “of being thinly concentrated in widely spread geographic areas, its tight control of the debtors’ book and the quality of its hands-on management team and low staff turnover”, he said.

The launch of insurance company Presure opened up new opportunities “in an area of business strongly allied to its core activities”. Prefhold had entered about 20 new geographic markets and was well positioned to improve market share.

Prefhold’s share price, currently at 250c, was originally offered at 500c, but has not traded higher than 475c since listing in August last year.
Consumers pay for retailers' poor productivity

At least one answer lies in the practice of computerised pricing whereby floor managers are required to generate a specified profit from a given amount of shelf space. After manipulating the suppliers and the product mix (usually in a most unsympathetic and adversarial manner) any fall in physical sales is a signal to increase markups to compensate and to restore target profits.

As long as the whole industry is behaving this way rapid inflation moves hand-in-hand with declining physical sales.

When the supermarket executive refers to small profit margins for emotional effect he emphasises just R25 for R100 of turnover — the implied message to the customer is that average markups on products on the shelves is 25%. The truth is that the profit margin consists of gross trading profit less total operating expenses on a base of total sales.

In the early years of supermarket in this country, gross profit margins were of the order of 10%. Now mismanagement and an inability to contain the operating expenses ratio has resulted in gross profit margins on many items in excess of 50%.

The operating expense ratio is sensitive to many influences, among them:

☐ Falling sales without concomitant expense reductions, which increases the ratio;

☐ Conversely, a rise in turnover reduces the ratio as most expenses are fixed or structural in nature;

☐ Increasing people costs resulting from militant wage bargaining increases the ratio;

☐ Increased losses through shrinkage, aggravated by higher prices in the face of recession and growing unemployment, increases the ratio; and

☐ Failure to improve stock turns and supplier returns through lack of effective co-operation with the supply chain increases the ratio.

The performance of the major UK retail chains is in stark contrast to the SA chains. Companies such as Tesco hold as little as four days' stock on major items and have reduced supplier returns to practically zero. Despite the increased number of monthly deliveries, supplier trucks are handled at depot depots in under half an hour. This has enabled Tesco to raise its profitability fourfold in the past 20 years while reducing real pricing of products to the end customer.

The secret lies, of course, in expanding physical sales turnover and improving logistic (supply chain) performance, to generating impressive productivity gains. SA chains are moving in the opposite direction, to the detriment of the customer and the supplier.

The supplier, at the mercy of the powerful retail chains, is being forced to agree to increasing confidential discounts, extended payment terms and the requirement to contribute increasingly to point-of-sale promotional expenses.

At the same time, rapid escalation in retail prices for his products is pushing physical turnover down. To survive, the embattled supplier is re-trenching staff and so contributes to a declining customer base and falling disposable income.

Centrally imposed pricing restraint is not the answer. Free enterprise must prevail. Imagine the impact if one major retail chain were to reduce prices across the board by, say, 10%. With innovative marketing, this could precipitate a rush of customers and a significant increase in physical turnover — perhaps sufficient to raise overall profitability.

The ensuing price war would not be comfortable for the retailers but, for the hard-pressed consumer and the tottering economy, it could provide the shot in the arm and the reduction in the inflationary trend so vital to the economy at this time.

Bernard Janisch is a Johannesburg-based management consultant.
VICTORIA WHARF

Boomtime at the V&A

The retail component of the R110m, mixed-use Victoria Wharf centre — the most ambitious project so far at Cape Town’s Victoria & Alfred Waterfront — will be fully let when it opens next month. So predicts V&A MD David Jack.

Leases have been signed for 104 of the 105 shops, which have a gross lettable area of 21 000 m². Tenants to date include Pick ’n Pay Pantry, Clicks, CNA, Exclusive Books and speciality fashion retailers such as Fabiani, Jenny Button, Hilton Weiner and Acca Joe. There will also be a Nu-Metro cinema complex with 11 screens; 11 restaurants; a fresh produce market; a craft workshop and 2 500 parking bays. Victoria Wharf will trade seven days a week.

Jack says rentals vary depending on the nature of the business, location and size, but are comparable with regional shopping centres in the western Cape and retail space in Cape Town’s CBD.

The centre will introduce the concept of “festival shopping” — combining serious shopping with selected speciality shops — to the V&A. Visitors will be attracted by the experience of Victoria Wharf but most will end up buying. Consultant Doug Parker and Associates has established that the Atlantic suburbs and city bowl will be the centre’s main market — bad news for Sea Point and CBD traders, many of whom are already suffering from the recession and loss of custom to the waterfront.

Jack believes the centre will complement existing V&A traders, not undermine their businesses. In spite of a general downturn in retail activity in Cape Town, most waterfront traders say business is better now than in the same period last year.

Victoria Wharf is expected to play an important role in increasing the number of visitors to the waterfront from 7m in the year ending March to 9m in the current 12 months. According to the V&A’s latest annual report, total retail turnover for 1991-1992 was R55m. The Victoria & Alfred Hotel — recently awarded a four-star grading — achieved an average occupancy of 86%, compared with a regional average of less than 60%.

Victoria Wharf will also be significant to the longer-term development of the waterfront. It will become the primary shopping and entertainment venue for about 40 000 people, who will eventually live or work in the area. When completed early in the next decade, the development will include 30 000 m² of retail space, 150 000 m² of office space, 9 000 parking bays and 1 500 residential units.

In his annual report, V&A chairman Brian Kantor said the development was market-driven and that management was “committed to realising the potential that the Waterfront offers to prospective developers, tenants and residents.”

Funding has been split almost evenly between Transnet and private sector investors. By the end of the financial year in March 1993, Transnet will have put in R220m, compared with about R200m by the private sector. It is estimated that R2.3bn (at current values) will have been invested in capital projects by the end of the year 2003 with most of it going into the residential component.

Apart from Victoria Wharf, new developments due to come on stream over the next few months include:

□ The R100m Portswood Square office development alongside the UCT Graduate School of Business. The Stocks & Stocks project will comprise a 1 000-car underground parking garage, 18 000 m² of A-grade office space and a 120-room hotel. The first phase is due to be completed early next year.

□ A R20m City Lodge in the Gateway Precinct. The 168-room hotel is due to open before Christmas; and

□ The new main access road to replace the current Dock Road. Due for completion by October, it will skirt the perimeter of the V&A precinct.

FINANCIAL MAIL • SEPTEMBER • 18 • 1992 • 83
On the anniversary of its acquisition of University, from the Literary Group in 1991, Mast Holdings announced its intention to acquire the Academic division of the Literary Group, with effect from September 1992.

This arm of the wholly owned CNA Gallo subsidiary is a leading retailer of academic books and periodicals, roughly the same size as Mast was at its 1992 year-end. Academic has 11 retail outlets trading under names such as Logans, Campus Books, Western Rondebosch and Western Medical Book Shops. Literary Group retains Exclusive Books, Pilgrims Bookshops, and Bookworm. These, with the CNA outlets, still leave CNA Gallo with more than half the general book retail market.

The acquisition of Academic, a new division for Mast, follows the latter’s move towards product-based services. Since Mast’s listing in 1987, the proportion of its profit coming from product-based services had increased from 30% to 58% at end-February. Executive chairman Stephen Dallamore says the latest acquisition changes Mast to an asset-based business, with 90% of profits coming from products.

In his 1992 review, CNA Gallo’s CE Dennis Cazenove says the academic division “turned in a creditable performance though stockholding requires attention. This remains a difficult market, which has not been improved by the recent low growth in student numbers countrywide.”

Dallamore says rationalisation in Mast and Academic should enable better stock management. He says the acquisition is a major opportunity, providing retail exposure for Mast’s products such as its educational video products.

Academic is sole supplier of academic literature to Wits and Maritzburg Universities, and it has 75% of the UCT market. Dallamore reckons its greatest potential for growth lies in its comparatively small exposure in the Unisa and technikon markets. He believes greater numbers attending technikons will compensate for low growth at universities.

Of the R7.7m acquisition price, R4m is payable on completion of the transaction, R1.75m in March 1993 and R1.95m on June 30 1993.

Funding details have not been disclosed, but there are various options. At last year-end, Mast had R4m cash. If equity is issued, it would probably be in convertible debentures, but CNA Gallo — the second largest shareholder with 37.9% of Mast — apparently will not be taking up more shares.
Sacob to tackle range of issues

ESCALATING food prices, the promotion of small business and export promotion will be among the major issues discussed at the Sacob annual convention in Durban at the end of October.

More than 400 businessmen are expected to attend the two-day convention where several motions will be put forward by chambers of commerce across the country.

The Durban Regional Chamber of Commerce is calling for a federal political system because it believes this addresses the diversity of interests in SA.

The Cape Town Chamber of Commerce has put forward a motion calling for a social accord between labour and organised business.

Current monetary policy is attacked by the Border Chamber of Business, which says it has gone beyond the limits of usefulness and is inflicting harm on the economy.

Trade policy is dealt with by the Pretoria Chamber of Commerce, which urges government to implement the major elements of the Industrial Development Corporation report on protection policy.

Government spending should be curtailed, says the Johannesburg Chamber of Commerce and Industry, and the tax system should be continuously reviewed.

There will also be an economic debate, where Reserve Bank governor Chris Stals will talk on the global economy and SA, JSE president Roy Andersen will present a paper and The Sowetan editor Adgrey Klaaste will discuss business and the 'changing SA.'
COMANIES

Ackermans to move out of Pep

PEPKOR planned to take clothing, foot-
wear and household textiles chain Ack-
manns out of subsidiary Pep Limited (Pep) and
move it into the broader Pepkor group.

A spokesman said yesterday:

"Pepkor and Pep yesterday cautioned
shareholders that they were in the process
of restructuring within the group in re-
spect of the Ackermans chain."

Ackermans was in the process of being
repositioned and was becoming "foreign" to
Pep. Its move would clean up Pep and
leave it as a totally focused group.

It is believed that Pepkor would serious-
ly consider listing Ackermans, but not at
this stage, given the state of the economy
and the stock market.

Little information is given on Ack-
manns or its performance. According to
Pep's annual report, Ackermans has 124
outlets and employs 1 800 people.

It was in the process of repositioning
itself with larger stores geared towards
the urban shopper "and positioned in a
market segment slightly higher than that
of Pep Stores."

An analyst said the repositioning to a
more upmarket chain could have meant
that Ackermans no longer fitted in the Pep
stable.

However, there were also reservations
about the move. He said it was possible
that the repositioning was not working, or
that it was costing more than anticipated
and was draining Pep's profits.

There were strong market rumours that
Pep was buying out some of the OK stores,
and would incorporate these into
Ackermans.

But this was denied by both Pepkor and
the OK.
Store readies for ‘free food’ demos

By Rehana Rossouw

Unemployed workers are continuing their “bread and milk” campaign, threatening to hit one supermarket a week to help themselves to these products to highlight their plight.

And Pick ‘n Pay is bracing itself against the campaign after the Western Cape Unemployed Workers’ Union (Wecuwu) singled it out as a prime target.

The company’s spokesperson Mr Steve MacDonald said they would “do what they have to” to protect their assets.

Wecuwu sub-regional secretary Ms Nozibele Lufele said this week that their goal was not only to take bread and milk from Pick ‘n Pay but demand “jobs for all” from the company as well.

“Pick ‘n Pay spent millions of Rands on the Olympics while we were suffering,” Lufele said.

“We want them to open training centres so if jobs come up our members are able to take them.

“They must stop giving only coloured people jobs and food parcels; our members must get them too,”

MacDonald said he was “extremely sorry” Wecuwu had decided to target their stores as the company had several meetings with them and were planning to meet them again next week.

“We were the only company prepared to meet them. They admitted in one of the meetings that no-one else would even give them an appointment,” he said.
Banks funding small business

WHILE civics campaign for better and easier access to bank finance for grassroots communities, five major banks have joined forces with the Small Business Development Corporation to raise over R500 million over the next three years for small business.

Obviously aimed at combating rising unemployment by encouraging small businesses to expand operations, the scheme is being underwritten by the government to the tune of R20 million.

The scheme underwrites a portion of the risk to which banks are exposed when considering small business loans. This enables bankers to retain their normal credit standards while reducing the collateral which small businesses usually have to supply.

To date, the scheme has provided loans worth R28 million to more than 130 small to medium-sized businesses, giving an average loan size of about R200 000.

The maximum loans allowed are for R400 000. A fee of 0.75 percent a year is levied on the amount granted and the interest rate cannot be higher than the prime overdraft rate plus four percent.

The banks involved are the African Bank, Boland Bank, First National Bank, Nedbank and Standard Bank.
Recession fails to halt Prefhold’s expansion

By Stephen Cranston

While many furniture retailers have been pulling back, Prefhold has grown selectively, says chairman Terry Rosenberg.

Writing in the annual report for the year to June, Mr Rosenberg says the group entered 20 new geographic markets last year.

This year, the expansion switches to Game and Bee Gee. Game has opened in Midrand and Empangeni, and opens in Pietersburg, Nelspruit and the East Rand Mall later in the financial year. Bee Gee will open 11 branches before the end of December.

Mr Rosenberg says it was decided to increase Bee Gee’s branches because favourable leases and good sites are more readily available in depressed conditions.

The division achieved a 34 percent turnover growth on the previous year and a 41,9 percent increase in pre-tax profit.

A new departure has been the development of a credit chain selling building materials. Called Bonus Building Supplies, it gives customers up to 24 months to pay, allowing them to pay as they build.

In the furniture division, Beare group turnover rose 22,6 percent, of which 10,4 percent was the result of new store growth and 12,2 percent from existing stores.

Although stringent credit-granting criteria were applied, bad debt write-offs, including repossessions, rose from 1,8 percent to 3,5 percent of sales, and arrears from 8,3 percent to 9,9 percent.

An additional provision of R3 million was provided for any increase in arrears in the current year.

Mr Rosenberg says the intended merger with McCarthy makes sense because both McCarthy and Prefhold, which will be renamed McCarthy Retail, need large amounts of finance to facilitate the sale of products.
Sharp retail spending slump expected

PRETORIA – Seasonal retail spending flirted at Christmas and spending on domestic tourism are expected to be down markedly in real terms compared with last year, say economists.

Alan senior economist Adam Jacobs, said personal disposable incomes had dropped this year by at least 5%.

Debt levels, too, remained abnormally high. Workers were still being retrenched at a disturbing rate and wage and salary adjustments were substantially below the inflation rate.

"Generally, consumers are poorer and less able to spend than they were at this time last year."

"Other economists said yesterday credit spending would also be down as people were reluctant or unable to increase their debt, and financial institutions were no longer "easy touches" for credit.

Jacobs said the trend towards "precautionary savings" driven by the current acute economic and political uncertainties was becoming more apparent. Against this background and the fact that no dramatic improvement could be expected in the short term, spending in real terms was likely to be down by about 9% and up in nominal terms by about 10%.

AHI economist Nick Barnardt said no upswing in the economy could be expected until the second quarter of next year. He agreed year-end retail sales would be markedly down on last year's figures in real terms and expected demand for luxury goods and semi-durables to decline sharply.
Slight recovery in July's retail sales

LARGE-scale forward buying ahead of August's mass action campaign saw retail sales show a slight recovery in July after six months of severely depressed consumer spending.

Figures released yesterday by the Central Statistical Service (CSS) showed total real retail sales increased 5.3% compared with June after seasonal adjustment.

Sales were still 3.5% lower than July 1991 in real terms, but showed an improvement in the 5.4% drop in sales in the first six months compared with the same period last year.

In nominal terms, July's total retail trade sales of R7.15bn increased 11% compared with July 1991 and rose 5.6% compared with an extraordinary low June 1992 after seasonal adjustment.

Industry and market sources said the July figure was off a low base of the previous month, but also reflected increased buying ahead of August's mass action.

They said it was surprising that bottle stores had shown the largest decline of 6.2%. While these stores should also have benefited from forward buying, the figures could reflect the fact that beer volumes were at a low ebb.

An economist pointed out that bottle store and tobacco figures could be misleading as they did not take into account significant sales in the informal sector.

Fedhlsa national liquor committee chairman Ian Rubin said liquor sales were suffering. July was traditionally a bad month for sales. However, August's total turnover had been better than in July.

*See Page 3*
New models lift depressed market

EDWARD WEST

NEW car sales may be at all-time lows, but the launch of new models this year has underpinned the market to such an extent that demand has outstripped supply and waiting lists for some models stretch to seven months.

A BMW spokesman said orders for the new 316i were taking seven months to fill, while one had to wait up to four months for 320i and 325i models.

The waiting list for 5-series and 7-series cars was between six and seven weeks.

The new Hondas launched in June have waiting lists of between three and four months, while a Mercedes-Benz can be delivered in about two to three weeks.

Mercedes-Benz SA board member Peter Cleary said demand for the new Honda had outstripped expectations. About 1 200 Hondas were being ordered every month, but only 900 were being produced.

Hondas, the BMW 3-series and Nissan's new Sentras accounted for 21% of August's 15 214 new car sales and 27% of July's 15 325 sales.

The waiting list for Sentras was about three months, with the models at the bottom of the range the most popular, said Nissan spokesman Nico Brits.

Moves were under way to increase production from the current 1 800 a month.

National Association of Automobile Manufacturers of SA director Nico Vermeulen said uncertainty in the market meant manufacturers had been conservative in planning for new models.

He pointed out that the launch of some more new models this year and some early next year would probably continue to stimulate demand.
Federated-Blaikie closing 14 branches

Federated-Blaikie is to close 14 of its 56 FT Building Supplies branches and four joinery manufacturing operations. The closures will begin to take effect from September 25.

MD Dick Pratt says the decision has been taken with reluctance and deep regret, but has been forced upon the company by the depressed state of the building industry, particularly for housing.

He says customers likely to be affected by the closures will be serviced by the remaining FT branches — Wardkiss Ho-meCare centres and Federated-Blaikie's other distribution companies.

He says the trade unions representing the nearly 1300 employees nationwide likely to be affected have been fully informed and all reasonable steps will be taken to help them find alternative employment.
Sacob tackles talks jam

SACOB would try to help break the political deadlock because business was an important stakeholder in the success or failure of political negotiations, Sacob president Hennie Viljoen said yesterday.

Viljoen told a meeting of Sacob and PAC leaders a future government would find it impossible to meet the expectations of South Africans if it inherited "an economic wasteland".

"All around us we see potentially profitable businesses impeded by work stoppages, we see political violence persisting, we see the continued devaluation of the rand in international terms and we still face an impasse on negotiations."

RAY HARTLEY

"The normalisation process which started in February 1990 should by now, according to our views, have brought peace, reconciliation, economic revival and prosperity to all South Africans," he said.

Sapa reports PAC foreign affairs secretary Gora Ebrahim said democracy and the establishment of a constituent assembly would restore confidence and economic growth.

He reiterated the PAC's commitment to redistribution of wealth but said this policy was one of creating wealth, rather than expropriation and handouts.
Cape commercial sales defy recession

CAPE TOWN — Seeff Commercial Properties has sold a R47m Cape Town property to a Johannesburg investor, bringing the total capital value of its 17 sales of investment properties from January to August this year to R374m — equal to the total 1991 figure.

Seeff Commercial Properties MD Theodore Yach said the performance reflected the underlying strength of the sector, which had remained relatively impervious to the recession. It was one of the few sound and secure investment opportunities still left in the local market.

Although vacancies were high in some buildings, Yach predicted they would be taken up within two to three years.

Seeff's most recent sale was the Satbel Centre in Green Point, a property with a lettable area of 5106m². Yach said prices fetched for Cape investment properties were substantially higher than elsewhere.

He cited the latest Rode report which showed that yields were lowest in the Cape for reasons such as security, way of life, the relocation of business to the province and the preponderance of institutional head offices.
Sacob meets PAC group

By Michael Sparks

The South African Chamber of Business (Sacob) met a delegation of five Pan Africanist Congress members yesterday as part of its efforts to get negotiations on a new constitution back on track.

The meeting was one of a number arranged by Sacob with political organisations — including the ANC, the Congress of SA Trade Unions and the Inkatha Freedom Party — to discuss political and economic issues.

At a press conference after the meeting, Sacob president Hennie Viljoen reiterated his group's view that it was the obligation of politicians to put any new political structure in place, and that a strong economy was necessary to underpin any new dispensation.

Since it appeared that no end was in sight to negotiations, the economic downward spiral would continue, he said.

PAC foreign affairs secretary Gora Ebrahim said the political problem had to be solved first, since the economy could prosper only in a climate of tranquillity and peace.
Boycott suspended

A MONTH-LONG consumer boycott in the Eastern Transvaal was suspended yesterday.

The regional branch of the ANC and its allies said they had called off the protest, which had been against the dismissal of hundreds of workers who joined the August 3 and 4 stayaway.

The move was to allow meaningful negotiations between the alliance and companies involved. The consumer boycott at Secunda would, however, continue.
Pick 'n Pay results suggestive of upturn

By Tom Hood and Stephen Cranston

The economy could be on the mend if indications from a leading “barometer”, Pick 'n Pay, prove correct.

Sales topped R3 billion in the half-year to August — a rise of 10 percent, and as much as total turnover for the whole of 1988.

Chairman Raymond Ackerman says the increase was slightly disappointing in view of the strong promotions during the six months, which included the Olympic Games sponsorship.

He says the imposition of VAT on basic foodstuffs, the drought and recession affected inflation and spending.

Mr Ackerman disputes the Central Statistical Service’s figure of a 30 percent increase in food inflation, which he believes is based on the wrong baskets and the wrong sample of stores.

The figure for chain stores is about 21 percent, which includes 6 percent for VAT.

“This is still too high and we confidently predict that when VAT has run a full year, and the figures for October 1992 are reported, inflation for food will come down dramatically for the whole country. If reported separately, the figure for chain stores will show a dramatic downturn.”

Once again, Mr Ackerman calls for the removal of VAT from basic foodstuffs.

Turnover figures were running well ahead of a 10 percent improvement until August’s stayaways and economic disruptions hit the chain.

“We have seen a slight glimmer, with September looking a little better,” says Mr Ackerman.

Pre-tax profit jumped 15.3 percent to R67 million, but profit margins were still at last year’s low of 2 percent.

Net interest received of R4.1 million compared favourably with net interest payments of R2.7 million in the first half.

Earnings showed a 15.4 percent improvement, from which a dividend of 14.6c — up 10 percent — will be paid.

Mr Ackerman says the directors have agreed to a two-way share split to make the company’s shares more marketable and more affordable for staff and customers.

The last share split, four shares for one, was in 1987. Before that, in 1981, the shares were subdivided seven for one.

This means a shareholder with 1 000 shares before 1981 will own 56 000 after the new subdivision.

The group’s market share had reached an all-time high in food and non-food by the end of July.

MD Hugh Herman says non-food sales have been adversely affected because of a drop in durable goods demand.

The Chain Reaction clothing chain is being expanded, with a third outlet opening in Tyger Valley, north of Cape Town, in November.

The pace of openings was slower than usual.

A supermarket was opened in Midrand in July, with a Boardmans in the same centre. The East London store was expanded.

Pantries will open in Bloemfontein and the Cape Town waterfront and a Boardmans in Hatfield, Pretoria.

A major reason for the good results was tight control of expenses.

Numbers employed fell compared with those of a year ago, not because of retrenchment, but by not replacing people leaving.

Another major factor was the benefit of technology, which helped cut shrinkage to 0.5 percent — half its original rate.

Mr Herman says that since the introduction of scanning, much more information is available about consumer demand for products and volumes moving.

Mr Ackerman says it will be difficult to maintain the excellent results, given the current poor trading conditions.

But the directors are confident the improvement will continue in the second half.
Call to fence off hostel

Leaders of a two-month-old consumer boycott in Roodepoort, the local business community and the police have recommended jointly that a Dobsonville hostel be fenced off.

The Consumer Boycott Committee announced earlier yesterday that it was suspending the boycott of businesses from the end of the month, following a meeting on Tuesday.

"The suspension of the boycott is to allow the recommendations to be implemented, failing which we will not hesitate to review our stand," boycott leader Mandla Diamini said.

The parties also agreed that a local high school caught up in continuing violence should reopen, and that a climate for the return of displaced families be created.

Forte High School, close to Simphiwe hostel, has been shut for about six months following attacks on pupils, Mr Diamini said.

At least 60 people have died in Dobsonville during the past two years in violence involving inmates of the hostel.

A TPA official who attended the talks, held at the local police station, had pledged to push for immediate action by the town council on the recommendations, Roodepoort trader Ismail Hassam said. — Sapa.
Agreement to fence off hostel

**CONSUMER BOYCOTT Suspended**

after meeting between residents organisation, businesses and police.

Leaders of a two-month-old consumer boycott in Roodepoort, the local business community and the police have recommended jointly that a Dobsonville hostel be fenced off.

The Consumer Boycott Committee announced earlier on Wednesday it was suspending the boycott of businesses from the end of the month following a meeting on Tuesday night between the three parties.

"The suspension of the boycott is to allow the recommendations to be implemented, failing which we will not hesitate to review our stand," boycott leader Mr Mandla Dlamini said in a statement.

The parties also agreed a local high school caught up in continuing violence reopen and that a climate for the return of displaced families be created.

Fortie High School, close to the Simphiwe hostel, has been shut for about six months following attacks on pupils, Dlamini said.

At least 60 people have died in Dobsonville during the past two years in violence involving inmates of the hostel.

A TPA official who attended the talks held at the local police station had pledged to push for immediate action by the town council on the recommendations, Roodepoort trader Ismail Hassam told Sapa.

"Also at the meeting, a Brig de Vries pledged to step up security in the vicinity of the hostel, Hassam added.

He said the boycott had affected businesses "terribly" and things had come to a point where businessmen were becoming desperate.

Roodpoort lies west of Johannesburg. - Sapa
Results vindicate focused strategy of Specialty Stores

SPECIALTY Stores, holding company for retail chains Milady's, The Hub, Mr Price and Footgear, increased its earnings by 3% to 29.6c (29.6c) a share in the six months to end-August, and is on target to show earnings growth for the full year.

The Durban-based group's turnover rose by 31% to R184,4m from R139,3m in the previous year as all of its divisions gained market share.

However, margins came under pressure "as promotional activity increased and action was taken to successfully clear surplus stocks". Joint MD Laurie Chiappini said there was an enormous amount of price cutting and promotional activity in the group's market, and Specialty had to come in line. This saw operating income rise by only 5% to R122,2m from R118,6m.

The interest bill rose by 33% to R4,1m (R2,7m) on the back of higher inventories and new store growth, with nine stores opened and four closed during the period.

This brought pre-tax income down by 9% to R9,1m (R9,9m).

But taxation of R3,3m was 22% lower than the previous year, so that year included the non-deductible loss of the group's UK retail operation, which was closed.

Attributable income increased by 3% to R4,9m (R4,7m), and fully diluted earnings were 2% up at 29,3c a share. The interim dividend was maintained at 10c a share.

Joint MD Stewart Cohen said the results confirmed Specialty's strategy "of clearly positioning our stores and merchandise to meet customer requirements".

He said Specialty would focus on organic growth as there was still "a lot more money to be made inside the business".

Cohen said profits were on budget. Two-thirds of the group's profits were traditionally earned in the second half, so it expected to increase its earnings in the full year.

Storeco, which holds 63,3% of Specialty, maintained its interim earnings of 20,1c a share and its dividend of 20c a share.

Graph: FERBY-GUY MARTIN Storeco NVLT ★
Pick 'n Pay results defy the recession

CAPE TOWN — The recession bit deep into retailer Pick 'n Pay's turnover and trading income in the six months to end-August, but effective asset management resulted in a 15.4% rise in earnings a share.

A 16% higher interim dividend of 14.5c (12.5c) was declared on earnings of 46.6c (40.4c) a share. Pick 'n Pay Holdings (Pikwik) declared a dividend of 7.16c a share.

Chairman Raymond Ackerman, when announcing the results, said the group would undertake a two-for-one share split in both Pick 'n Pay and Pikwik during the next few months to make the shares more marketable.

MD Hugh Herman said the recession had been severe but the group had achieved efficiencies through cost control and improved productivity, while shrinkage had dropped to 0.5% as a result of scanning.

Stocks were substantially cut and the number of employees reduced by natural attrition.

He said the key to success in the current economic environment was cost management and the group had been significantly below budget on expenses. The growth in fixed assets was contained while cash resources showed strong growth.

Pick 'n Pay had also gained market share, he said.

Lower operating margins of 1.87% (2%) resulted in the 10% rise in turnover to R3.1bn (R2.8bn) translating into a 2.5% increase in trading income to R37.8m (R36.5m). But financial director Chris Hurst said without the efficiencies achieved, margins would have declined.

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Pick 'n Pay even further on the low rise in turnover because of inflation in expenses.

Net interest received rose sharply to R5.1m compared with the R2.7m last year, largely because of the dramatic reduction in stock and the increase in the time in which suppliers were paid. Accounts payable increased to R26.6m (R5.6m).

The group's cash resources soared to R185m from the previous interim of R4.6m but were lower than the R191m at the February year-end.

The net interest earned saw pre-tax income rise 15.3% to R67m (R58.1m).

Herman did not anticipate any improvement in the economy in the second half but was confident that Pick 'n Pay would continue with the improvement in earnings. However, a higher tax rate of about 45% compared with last year's rate of 39% — due to the sale of tax free insurance policies — would have an impact on earnings and it would be difficult to maintain the interim result.
Specialty Stores sees more profit with return to CBDs

By Derek Tomney

Business and professional women continued to support the Specialty Stores group in the six months to August, enabling it to maintain profit in the face of tough conditions.

It plans to cater even more for this group of people and intends opening a large number of stores in central business districts, says joint managing director Stewart Cohen.

The group, which comprises Milady's, Tha Hub, Mr Price and Footgear, increased turnover by 31 percent to R164.4 million and operating income by 5 percent to R12.2 million.

Fierce competition and pressure on margins caused the disparity between turnover and operating income, says Mr Cohen.

Owing to an increased investment in stocks and new stores, the interest burden was heavier than last year, but was offset by a lower tax payment.

Specialty's net income before extraordinary items grew 3 percent from R4.73 million to R4.87 million.

Earnings a share increased from 28.4c to 29.4c and an unchanged dividend of 10c has been declared.

Mr Cohen says the results confirm the group's strategy of positioning stores and merchandise to meet the requirements of customers — mainly better-off working women.

The increase in turnover suggests that the group has gained market share, even if margins have been trimmed.

Mr Cohen says the group is planning to increase the number of its stores in CBD areas where the bulk of its market lies.

Property developers building suburban shopping centres try to get a department store to act as an anchor in order to attract customers to the centre.

But this has led to CBDs being neglected.

However, the biggest proportion of business and professional women work in these areas.

The group has four Milady's and two Hub stores in West Street, Durban, and has plans for a similar development in central Johannesburg.

Today its new Johannesburg Milady's opens in President Street, and a further Milady's is to be opened in the Carlton Centre in part of the premises occupied by Garlicks.

Mr Cohen says the group gets a better return from its stores in the Transvaal and is planning to increase this area's contribution to profits from 40 percent to 60 percent.

The group opened nine new stores and closed four in the six months to August. Plans are in hand for 15 new stores.

Joint managing director Laurie Chiappini says the group is planning to move towards a system of "quick response", which enables its quickly to increase stocks of fast-moving items. This allows it to work with smaller stocks at the start of a season.

About 120 managing directors of the group's suppliers are attending a meeting in Durban next month at which the matter will be discussed.

The group expects increased earnings this year, despite the challenging environment, and a major improvement in earnings when the economy starts to turn up, says Mr Cohen.
Mauritians woo SA clothing retailers

MAURITIAN manufacturers are wooing SA clothing retailers and wholesalers.

More than 40 South Africans — believed to include leading clothing retailers — will attend the island’s fabric and clothing exhibition, Mitex, next month.

Mauritius Export Development and Investment Authority representative in SA Arvind Radhakrishna said about 130 Mauritian suppliers would be exhibiting. He said Mauritian products cost less than a fifth of similar products from Europe or North America.

However, SA retailers said that despite the good quality and very competitive prices of Mauritian products, clothing imports had declined recently because of high duties on imports.
Confidence index lowest since 1985

CAPE TOWN — Consumers are pessimistic about the short-term general economic outlook, a survey by Stellenbosch University’s Bureau for Economic Research (BER) suggests.

"A consumer confidence crisis will delay the expected economic recovery and further deter private consumption expenditure," BER warned, adding that supply side measures and political progress would go a long way to pave the way for sustainable economic growth.

A total of 76% of white consumers surveyed in the third quarter expected a deterioration of conditions. Only 24% anticipated an improvement in the economy in the next 12 months, compared with 45% in the second quarter.

"The confidence index for white consumers has fallen significantly to 65 from 77 — its lowest level since the second quarter of 1985.

Even in metropolitan areas, where confidence was previously high, pessimism has increased.

"This could be attributed to an increasing number of whites experiencing unemployment in the formal sector and a great deal of uncertainty concerning the political situation in the country," BER said. Violence, crime and the drought had also diminished confidence.

The index for black consumer confidence for the third quarter fell to 95 from 107.

The lowest income group was the least optimistic, with an index score of 78 (67 in the second quarter) and the higher income group most optimistic, with an index figure of 104 (125).

The survey also revealed trading was slack and that it was unlikely there would be any real growth in Christmas sales this year.

"However, 31% of retailers surveyed expected sales volumes to improve in the fourth quarter, 31% expected lower sales and 38% no change, which could indicate the beginning of a bottoming out process.

Wholesalers were less optimistic, however, with the net majority expecting lower sales in the fourth quarter compared with last year. While still low, sales expectations in the motor trade heralded a relative improvement, BER said.

Contrary to their "expectations, most retailers reported a decline in sales in the third quarter compared with the same period last year.

Power orders were placed and orders for the fourth quarter were expected to decline as a result of high stock levels in relation to expected demand.

Contrary also to the expectations of wholesalers, wholesale sales volumes declined in the third quarter, while it appeared unit sales of new passenger car sales would show negative growth this year.

Retrenchments in the retail trade continued in the third quarter, with a net 36% of BER respondents reporting more retrenchments compared with 48% in the second quarter. Employment opportunities in the wholesale sector declined even more severely, with a net majority of 36% reporting a decrease in the number of employees compared with a net 16% in the second quarter.

Business confidence among retailers dropped from 23 to five in the third quarter, with little expectation of an improvement in the fourth quarter.

Confidence of wholesalers also declined while business confidence in the motor trade improved substantially.

The report said it appeared probable the economic upswing would begin only in 1995 and gain momentum towards 1994.
Eskom has undertaken to rectify the huge electricity bills charged to businesses in Soweto.

This was said by the corporation's sales and customer manager, Mr Paul Mare, at a meeting at the Standard Bank Hall in Jabulani yesterday with members of the Greater Soweto Chamber of Commerce (GSCC), the Soweto Independent Shopkeepers Association (Soinsa), Soweto Civic Association (SCA) and professional people.

Mare was responding to complaints by traders that they had received "shocking electricity bills" ranging from R4 000 to R10 000 although their shops did not have meters.

One businessman asked how the electricity company calculated consumption when many businesses either had faulty meters or none at all.

"How do you come to this conclusion?" the businessman asked.

Businessmen said they felt that they should be included in the Soweto Accord which cancelled arrears for the majority of Soweto residents earlier this year.

Mare said there were 11 service centres where complaints could be made. If any mistakes were found, they were prepared to rectify them.

Eskom would install and repair electricity meters in Soweto and the business community would not be excluded, he said. The corporation would charge small businesses such as spaza shops and others the same tariffs - as low as possible - as residential dwellings. He added that "we are prepared to help the informal sector grow".

"Business people will begin paying a market-related tariff for their electricity, paying accounts which are based on how much electricity you use as measured by your meters," Mare said.

GSCC's executive director, Mr Max Legodi, said they felt concerned about the supply of electricity because in the past they were not consulted.

Soinsa's secretary general, Mr Thami Skenjana, said business people were promised they would pay a flat rate when Eskom took over the supply of electricity in Soweto in April.
Boycott threat to Checkers-Shoprite

THE SA Commercial, Catering and Allied Workers' Union (Saccawu) is organising a national consumer boycott of Checkers-Shoprite stores after the entire black work force at Checkers' Heidelberg store was dismissed last week for striking illegally.

The boycott is scheduled to begin on October 1.

Almost 1,600 workers at about 15 Checkers stores in the Transvaal were on strike demanding the reinstatement of the dismissed workers, Saccawu said.

It said Checkers-Shoprite had told the union it was overserved by 860 people in the Transvaal and wanted to discuss ways of resolving the problem.

In addition, the company had told Saccawu it wanted to cancel its recognition agreement with the union at the end of this year.

It is possible more stores could come out on strike over the dismissals next week.

Saccawu spokesman Norman Moekoea said several stores had already staged illegal stoppages and then returned to work. And the southern Transvaal office of Checkers-Shoprite was occupied by striking workers last week.

There is already a consumer boycott of the Heidelberg store, and Saccawu members are picketing outside the store each day.

Marches have been planned on the Heidelberg store and the southern Transvaal office of Checkers-Shoprite next month.

Moekoea said the actions were spontaneous outbursts of worker anger against Checkers' refusal to bargain in good faith with the union.

He said workers at the Heidelberg store went on strike after a worker was dismissed for fighting with a security guard. The union argued that the worker was manhandled by the guard, who allegedly called her a "kaffir".

There have been continuing allegations of racism and AWB activity at the store. In March a shop steward at the store allegedly received death threats from the AWB and eventually resigned his job because he feared for his safety.

Moekoea said the Heidelberg workers were dismissed before some had even arrived at work. He also claimed that workers on leave and maternity leave were among those dismissed.

Checkers' official spokesman was not available for comment last night.

Hostel issue tied to abduction

THE abduction of a National Union of Metalworkers of SA official has been blamed by the union on problems in relocating inmates of the Kwahladala Hostel in the Vaal Triangle.

But police said yesterday the kidnapper of Numsa Vaal Triangle legal officer Stanley Tyelenombi would appear in court on charges of armed robbery.

Tyelenombi told a news conference in Johannesburg yesterday that on Tuesday he was abducted by people opposed to relocation of the Kwahladala Hostel dwellers to the KwaMatshe Hostel.

An attempt was made to move the mainly Inkatha-supporting hostel dwellers from Kwahladala after the Boipatong massacre in which more than 30 people were killed in an attack apparently launched from the hostel. The removal has been foiled.

Tyelenombi said five youths entered his car opposite the Kwahladala Hostel and forced him at gunpoint to drive to a Boipatong house, where they collected assegais and pangas.

They then drove to a house in Sebokeng where a man, who knew Tyelenombi, accused him of wanting to move KwaMatshe residents to the ANC-dominated KwaMatshe Hostel where they would be killed.

The man then instructed the youths to put Tyelenombi in the boot of the car and drive him to the leadership of KwaMatshe, after which he would be killed, Tyelenombi claimed.

The Numsa official managed to escape on the way to the hostel. Police later found his car and arrested one of the five youths, Tyelenombi said.

Capt Piet van Deventer confirmed the incident, saying the suspect would appear in the Vanderbijlpark Regional Court today on charges of armed robbery.

Numsa spokesman Alfred Woodington said the relocation of the KwaMatshe inmates had to be addressed by all parties in the Vaal Triangle who were signatories to the national peace accord. — Sapa.

PEANUTS

By Charles Schulz
With year-end results from the two groups through and terms of the proposed merger revised, the future combined structure is a bit clearer. What seems to emerge is that, at operational level, the merger is not a natural fit, with limited potential synergies.

The big possible benefit is on the financial side; it will enable Prefhold, well into an extensive expansion programme, picking up the critical mass it needs from McCarthy’s balance sheet and assets to keep growing.

In turn, McCarthy, facing a mature industry with dull prospects, may have found the right vehicle to diversify into areas offering real growth opportunities.

But much will depend on the respective groups maintaining their quality of management, not least to convince a still sceptical market that the merger has long-term benefits for investors.

Considering the flat new vehicle market and cyclical consumer spending-based furniture market, results from both are relatively good. Prefhold is only 5.9c off the 106.8c share earnings forecast at the listing a year ago and met the 30c dividend forecast (there are no comparative figures as this is its first year of trading).

The establishment of Firstprof nearly two years ago was another good move by chairman Terry Rosenberg which offsets Prefhold’s risk should bad debts increase alarmingly. The group is also introducing a card financing scheme with Standard Bank, without recourse to Prefhold, and has created a short-term insurance company which Rosenberg says offers a new area of business strongly allied to core activities.

Though McCarthy (whose EPS are 15% down at 50.9c) nuded up its market share of new vehicle sales, it could benefit from similar financial packages, especially in the growing used vehicle market.

A long-term view remains a bit hazy, but Prefhold does have experience in the mass retail market which could benefit McCarthy, if not directly through sales then at least in helping to formulate marketing strategy and credit assessment. With combined turnover of R4.3bn and shareholders’ equity of about R1bn, Rosenberg, as CEO of the new group, will have the weight to expand the core business and explore new areas.

The revised offer has not changed much from the original. Rosenberg and Brian McCarthy, who will chair the new group, say it is based solely on respective results.

McCarthy will offer to acquire 80% (previously 75%) of Prefcor ordinary and convertible debenture holdings for corresponding units in McCarthy. Ordinaries will be on the basis of 75 (previously 80) per 100 Prefhold and debentures one-for-one. McCarthy debentures will be convertible at 75 (previously 80) ords for 100 debentures.

McCarthy will then sell its assets to Prefhold for shares worth about R374m, becoming a pyramid. Prefhold will become the operating company holding the separate businesses as well as 36% of Midas.

The pyramid structure will allow Prefhold to make acquisitions for paper, without control being threatened. Constructing the deal this way suggests acquisitions may be forthcoming.

Benefits to shareholders will not be drastic. Prefhold minorities are probably getting more value, partly because McCarthy is at half the 500c listing price, has not performed well and the association with McCarthy should attract a higher rating.

McCarthy shareholders will now have an interest in a well-managed group which appears to have growth opportunities, at least in more than the stagnant vehicle market.

Prospective investors may find it hard to decide at which level to invest. Analysts believe most market activity will initially be in McCarthy, at least until Prefcor makes an acquisition for shares. But with McCarthy seeking a transfer to the retail sector, respective ratings may be the best guide.

Investors will be reluctant to rush in, with both share prices having dropped since the merger was announced in June. But they have bought up slightly since the results were released, which may indicate that they have bottomed. In the end, it probably depends on the faith an investor has in the management of the merged group, which is clearly aiming at the uncharted mass retail market of the future.

Shawn Harris
Juggling the options

In an oversupplied office market the need for rent escalations is being questioned. It has even been suggested that they are just another form of bureaucratic price-fixing. Annual, fixed rental hikes do not exist in the UK though a few large retailers are on annual turnover deals.

FM research shows that escalations are one reason why developers continue to build in bad times when rents — if they reflected true demand and supply — would remain static or decline.

Why should property need an inbuilt growth factor when other forms of investment — like equities — rely purely on the market to determine their performance?

JHI valuations director Ian Haigh says that in the UK leases normally run for 25 years with rents usually fixed for five years. They are often reviewed but never decreased. UK tenants feel, like their SA counterparts, that they are not benefiting from soft markets as much as they should. The best they can achieve is static rents, a controversial issue particularly now that the City has a 20% vacancy factor.

Of SA, Haigh says: "In times of oversupply, it is possible that tenants will be paying higher rents per square metre than those negotiated with new arrivals in the same buildings. This is a factor of the market and could work equally well in reverse in a rising economy, especially for lessees who signed long leases at lower escalation rates."

"From time to time, someone will jump up at a conference and say: 'But if inflation is running at 15%, the landlord must be losing out.' This is not the case. You must look at the landlord's total return — that is income yield, say 10%, plus long-term growth in net income, a proxy for which is rental escalation for leasebacks at 11% to 12% at present. Escalations in headleases are always slightly lower by between a half to one percentage point."

Rode adds: "The total hoped-for return to the landlord is on average 10% income yield plus 12% capital escalation, which makes for an annual 20%-plus return. This more than covers the inflation rate."

In soft markets the landlord could grant a two-year escalation free period but, to make up what he will lose on projected income, he will pitch the initial rent higher, say at R22/m² rather than R20/m². Normally, lower initial rentals rather than lower escalations are the norm in this kind of market.

Rode says, however: "If a tenant wants to get discounts on both rents and rental escalations, there is nothing to stop him. It's a free market."

What really counts — as far as the tenant is concerned — is the present (discounted) value of the rent over the lease period as a yardstick for comparing offers, Rode believes. How it is made up is less important.

Rode rebuts the claim that there is price-fixing: "The market is murderous. Overseas rental escalations may be negligible compared to ours, but they exist. They're much lower because their inflation rates are lower. New Zealand's inflation rate is 0%.

Perhaps the ball is now in the tenant's court not to accept willy-nilly prescribed escalation rates. The market should determine what is fair. Tenants, however, should not expect much relief from negotiations on escalating operating expenses — over which landlords have little control. As for differences between the UK and SA, it seems the UK's longer leases have evolved as a result of a more stable political and economic climate. Our turbulent times are reflected in lease structures."

TIME PROPERTIES

Assessing exposure

The Time Holdings division Time Properties (TimeProp) can breathe a little easier. It has let 85% of the 13 100 m² Oxford Manor in Rudd Road, Illovo, to Rand Coal; its headlease commitment to the owner, Durban Corporation, runs for 15 years at average rents of R25/m².

The building, completed in May, stood largely empty for four months. As a result, TimeProp has been severely criticised by other market players — but says it was in no position to respond because of the vacancies.

While it believes the recent letting to Rand Coal may silence its critics, its future strategy to limit exposure seems to vindicate market talk.

TimeProp MD Mike Raggett says that though headleases are still profitable for developers, he will not take on any new rental guarantees in future projects. The size of projects will also be limited to between 1 500 m² and 2 000 m² and to tenant-driven situations — not market needs. The developer will also look at smaller industrial schemes.

This stance is unlikely to affect future business emanating from Durban Corporation because the chances are that there will be no more business coming from this source.

The Durban Corporation is under increasing pressure to discontinue investing in commercial ventures, especially outside its home turf.

TimeProp has developed, and now manages, eight buildings valued at R140m. Durban Corporation owns three, valued at R90m: Oxford Manor; 19 Girton Road, Parktown; and Future Bank House, De Korte Street, Braamfontein. The latter two are fully let and headleased like Oxford Manor for 15 years, starting from 1989 in the case of Girton Road, and 1991 for Future Bank House.

The balance of the portfolio under management includes the following buildings valued at roughly R50m:

- Three fully let Wierda Valley office buildings on which TimeProp has rental guarantees running between two and three years. They are Lynton Hall, owned by Highstone Property Trust (rental guarantee has 18 months to run), McCarthy House owned by a syndicate and the Time Group HQ at 47 Wierda Valley Road, owned by Hyprop;
- 158 Jan Smuts Avenue owned by Sanlam Properties. Raggett says this building represents very little exposure for TimeProp as the retail rental profit from the virtually fully let retail component (100 m² remains to be filled) covers its top-up rental commitment to the 13 000 m² of office space;
- A retail shopping centre called Darras Centre in Kensington, owned by a syndicate, with no rental guarantees; and
- A combined R20m office and parking development called Standard Bank Chambers on the corner of Krus and President streets in the Johannesburg CBD, owned by the Sefalana Employee Benefits Organisation. The building is due for completion in October, at which time a three-year rental guarantee kicks in. Most of the 2 500 m² of office space will be taken up by United Bank. Negotiations are under way with the Witwatersrand Bar Council for the balance.

Oxford manor . . . caused some sleepless nights
FOOD PRICES

Supermarkets under the spotlight

The long search for the culprits responsible for rampant food-price inflation has focused on the supermarket chains. Nobody is letting the other villains – VAT, the drought, the producers, the control boards – off the hook. But the supermarkets’ usual arguments to demonstrate their innocence – their narrow profit margins and the strong competition between chains – are under the spotlight.

The big chains often cite their roughly 2.5% net profit margins as proof that they are not responsible for soaring food prices. But Johannesburg-based management consultant Bernard Janisch says their gross retail margins are far higher.

He bases his assessment on figures obtained from suppliers, who know at what prices their goods are delivered at the supermarket back doors – and at what prices they appear on the shelves.

As retailers merely pass on their costs to consumers in the form of “computerised price increases” to maintain profit margins, sales volumes are dropping, he says. “By their nature, supermarkets should focus on cutting costs and, thereby, increasing turnover and profit margins. But they use their power to enforce rebates and discounts on the one hand while continuously increasing prices on the other.”

Janisch accuses the chains of not trying hard enough to stop the shrinkage taking place in the stores and at the back door. And he says their inability to effectively tighten prices, defends itself strongly.

Pick ‘n Pay MD Hugh Herman says his company uses confidential discounts just as chains in the US and the UK do. But he denies Janisch’s 50% gross profit margin figure and says it is “20% and below; in the UK, big chains gross about 30%, while their net margins can range from 6% to 8%.”

He adds that retailers are always trying to improve productivity in distribution and that Pick ‘n Pay is holding talks with suppliers.

But Grocery Manufacturers Association chairman Jeremy Hele says there is huge scope to smooth out the distribution chain between suppliers and retailers.

“The institute, in a study covering the past five years, found that the Tiger Oats food manufacturing giant absorbed most of the inflation on the input side.

The gap between producer and consumer food prices, compiled by Central Statistical Service, seems to support the institute’s study and apparently points to the retailers as the main source of food inflation. The rise in food CPI for July was 30.4% year-on-year, while food PPI increased at a manufacturing level that month measured a mere 9.1% – having absorbed a large part of the 20.6% food PPI rise at farming level.

The R28bn-a-year grocery retail sector, finding itself in the dock over soaring food prices, defends itself strongly.

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Retail sales deteriorate.

THE Bureau for Economic Research survey at Stellenbosch University found most retailers polled said sales declined in the third quarter compared to the third quarter of last year. Most disappointing sales volumes were recorded in durable goods, eg fridges, while higher sales of "ladies" clothing helped sales of semi-durables. Retailers of men's clothing and footwear continued to see tough trading.
Confidence booster

Pick 'n Pay to spend millions on expansion programme

TOM HOOD, Business Editor

The supermarket giant, Pick 'n Pay, has shown its confidence in the country's future by embarking on a multi-million-rand expansion programme for its stores throughout South Africa.

"I remain confident of the future of this country," said Mr. Hoody, Pick 'n Pay's chief executive. "We have decided to go ahead and spend millions on the Pick 'n Pay retail empire, despite the current economic challenges."

The expansion programme, which is expected to cost R2 billion, will see the supermarket giant open new stores and refurbish existing ones across the country. This is in line with the company's strategy to strengthen its position in the retail market.

"We are confident that there is a strong demand for quality products and services, and we are ready to meet it," Mr. Hoody added.

Confidence boosters like Pick 'n Pay are vital in sustaining economic growth and creating job opportunities. The company's investment will not only create jobs but also contribute to the country's economic recovery.

Furthermore, Pick 'n Pay's move is expected to have a positive impact on local businesses. The company has promised to source products from local suppliers, which will boost their sales and contribute to the local economy.

"We believe in empowering local businesses and supporting the South African economy," Mr. Hoody said.

The supermarket giant has a long history of investment in the country, and this latest move is a testament to its commitment to the South African market. Pick 'n Pay has been a leading player in the retail sector for many years, and its continued investment is a strong signal of its confidence in the country's future.
Eight days when small guy is tops

By ZB MOLEFE

NEXT Saturday will mark an unusual day in South Africa’s business calendar when big and small businesses meet in a show of co-operation to mark the launch of the annual Small Business Week.

The national launch of the eight-day event, now in its fifth year, kicks off at Johannesburg’s Bruma Lake flea market in a six-hour carnival atmosphere which will emphasise the nationwide event’s aim of advancing the concept of “entrepreneurship and small business as an effective route to achieving both a healthy economy and individual prosperity”.

Another big event will be the following day – Sunday, October 4 – when a three-day conference will be held at Sun City.

Six regional committees and a national co-ordinating committee – made up of the Small Business Development Corporation (SBDC) and small and big businesses – will host and supervise over 100 events countrywide during the week.

Highlight of the Small Business Week will be a one-day “skills” development seminar at Johannesburg’s Milpark Holiday Inn on Thursday, October 8, which will be led by some of the country’s prominent business personalities.

“There are nearly six million unemployed people in South Africa and the number is increasing,” organisers of the seminar pointed out. “The one way of reducing the existing unemployment level is to stimulate the creation of small and medium-sized enterprises.”

Southern Transvaal committee chairman Mandla Maepa said committee members were selected from various small and big businesses. This explains why the business week was mainly a small and big business effort and not a SBDC event, she pointed out.

“The Business Week generates awareness of the importance of small business. It also aims to increase the level of awareness of small business in our communities, and at the same time to show the good small business can do to our economy, wealth and job creation.”

Maepa said the Small Business Week was organised and managed by key players in the development of small business in SA who are represented in the regional and national co-ordinating committees.

These include well-known organisations in the SA business scene like Anglo American, SA Bank of Athens, SA Franchise Association, SA Builders’ Association, Enterprise magazine and sewing machine company Elna.

Maepa said this year’s Small Business Week had specific targets to achieve.

One of these was to involve more than 100 institutions and companies nationwide. She wanted to encourage them to involve their branch networks.

See “People’s Diary” (this page) for Small Business Week events in your area.
By CHERYLIN IRETON

A plan that would generate millions of rands for the Government and end Sun International's gambling monopoly will be presented tomorrow.

It is a last-chance attempt to change the official stance on legalized gambling.

The proposal offers the cash-strapped authorities a windfall of about R24 million from gambling licences and hundreds of millions more through VAT charged on casinos' prize winnings and increased company taxes.

The plan will be presented to the Select Committee on Justice by Karos chairman Sun Hurwitz when it sits for the last time in Pretoria.

The meeting will consider changes to the Gambling Act to be put to Parliament at its special sitting in October.

Rooms

Mr Hurwitz is tired of "selective morality on gambling issues". He says the Government must look beyond the inevitable incorporation of the TVBc states in South Africa.

He is against introducing hasty legislation that would entrench Sun International's monopoly. He says the monopoly has had a drastic effect on the domestic hotel trade in the past 15 years.

Mr Hurwitz proposes that only four- and five-star hotels — with a minimum of 100 rooms — be granted casino licences.

This would put an end to the estimated 1 000 small suburban casinos that have sprung up. It would open gambling to hotel operators other than Sun International.

It would provide the State with additional revenue.

Mr Hurwitz says suburban gambling halls are not paying licence fees or VAT. Tax payments by Sun International to Bophuthatswana are heavily diluted by allowances for capital expenditure projects such as the R800-million Lost City project, maintaining the indirect burden for revenue in SA, he says.

It has been estimated that hotel operators pay R150 000 for the initial one and thereafter high annual renewal fees.

"Government has to level the playing fields. It must on the one hand eliminate the small non-hotel operators who have no basis for continued existence and hold no benefits for the tourism industry and on the other hand it must end Sun International's monopoly."

Mr Hurwitz claims that Sun International's profit of R200 million in the year to June 1982 earned mostly from homeland operations, is more than the entire South African hotel trade earned in the same time.

Open

"Casinos are an integral part of the hotel industry. If we want a tourism industry then we have to ensure that gambling operates in an open but regulated manner."

Mr Hurwitz says a minimum of 100 rooms as a prerequisite for a licence would eliminate the building of small predominantly gambling hotels.

Three-star hotels would be encouraged to upgrade their facilities. That would lead to the expected boom of high-quality tourists prepared to spend money.

Existing controls in the hotel trade, such as the liquor and hotel boards, would be sufficient to regulate gambling which would be restricted to the homelands and will close the loophole that allowed games of "skill" to flourish.

The Bill was tabled in Parliament this year, but was not passed because of strong opposition.

Mr Hurwitz urges the Government to consider the gambling issue responsibly by appointing a properly constituted commission or by extending the brief of the new commission under the chairmanship of Mr Justice Howard.

Car prices up 3%

By DON ROBERTSON

Car manufacturers will raise prices by about 3% this week.

The increases will be lower than expected. They will take the increase in car prices for the year to between 11% and 12%.

This is the fourth round of increases for most manufacturers, all of which are concerned about the rising cost of vehicles.

At a maximum of about 14%, the increases are well below forecasts earlier this year when some manufacturers feared they would exceed the inflation rate. Last year, average price rises for cars were 18%.

Car sales this year are now expected to reach only 177 000, the lowest since 1977. This compares with projections at the beginning of the year of as high as 200 000 and last year's sales of 197 700. Light commercial sales are now expected to be 90 500 compared with the forecast of 104 500. Sales in 1981 numbered 190 400.

The industry estimates that about 65% of new cars are bought by the corporate sector and fleet companies. The affordability problem for the private motorist has become a significant factor and most manufacturers are compelled to price competitively.

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In the small-car market, the price of the Fiat Uno has risen by 8% this year, the Mazda 323 and Toyota Corolla by 6%.

A small car costs 65% of the average family income in 1981. This rose to 90.5% in 1986 and to 95.5% last year.

Market leader Toyota will maintain prices until November 1 and then any increase is likely to be small.

Price rises to date have been kept at 5.2% throughout the range. The cost of top-selling Corolla has risen about 6%. The price rise for the year on this model will probably be kept to 5%. The overall increase should be about 12%.

Nissan has held price rises to 6.4% on average so far.

BMW has lifted prices by between 2.3% and 3% each quarter.
Pep to sell Ackermans to Pepkor

Pep will announce today plans to dispose of clothing, footwear, and household textile chain Ackermans to parent company Pepkor for R55.5m.

A company statement said the disposal — which is subject to approval by shareholders at Pep's annual meeting next month — would be effective from March 1 this year when Pep's earnings a share were calculated to be 43.94c. The statement said the disposal would have no effect on Pep's dividends.

Pep acquired Ackermans from Edgars in 1994 and placed it at the lower end of the clothing retail market, where Pep was positioned.

The decision taken by Pep and Ackermans to reposition Ackermans in metropolitan areas as a group of stores "providing good quality, good value clothing," meant the chain would be more in line with customer requirements in those areas. Pep stores and Ackermans would now have distinctive identities, the statement said.

Shareholders were cautioned on September 17 that a process of restructuring within the group in respect of the Ackermans chain was taking place. Ackermans has 124 stores and employs 1,800 people.
With little evidence to suggest that an upturn is imminent, the McCarthy group has budgeted for a further decline in the new vehicle market this year.

However, stringent control of the expense structure is expected to ensure that earnings are maintained at the same level as last year.

This forecast is made by chairman Brian McCarthy in his statement to shareholders.

Last year, McCarthy posted earnings of R90.6c a share, against 98.9c previously.

Were it not for a prior-year under-provision for tax of R6.5 million (equivalent to 7.6c a share), earnings last year would have been very close to those of the previous year.

Mr McCarthy says the merger with Prefcor Holdings should have been agreed a year ago as shareholders next month, budgeted consolidated earnings will show a significant increase.

In the 12 months to June 30 — its first year on the JSE — Prefcor Holdings came up with attributable earnings of R461 million (equivalent to 102.9c a share), which was only five percent short of prospectus forecast. This was despite a sharp downturn in national consumer spending.

Reviewing a year in which McCarthy's turnover broke through the R3 billion level and its share of the total national dealer market for new vehicles reached a record 13.7 percent — equivalent to one in seven new vehicles sold countrywide — Mr McCarthy says:

"Vehicle trading margins within McCarthy Motor Holdings, the holding company of the group's motor franchise operation, were under pressure, particularly in the second half of the year, and the group did well to hold its gross profit percentage at the same level as the previous year.

"An encouraging aspect of the accounts of our motor operations was that for the third successive year the service division achieved real growth. This was the only division in the business to do so." He says it is a reflection of the emphasis the group has placed on its customer-commitment programme over the past five years.

A total of R725 million was spent during the year on acquisitions, which included Beachway Motors (a Volkswagen dealership in Durban), two Toyota dealerships in the UK, Randersens (a Toyota and MAN heavy truck dealership in Maritzburg), Autohaus (a Volkswagen dealership in Middelburg), and a Nissan dealership in Umhlanga Rocks.

Turning to the group's non-retail motor interests, Mr McCarthy says the Yamaha division achieved commendable results and remained the market leader in its three primary sectors — motorcycles, outboard engines and power products.

The Yamaha sports goods franchise is also making good progress and its products — particularly golf clubs and tennis rackets — are now well accepted in the market.

Midas, in which the group holds a 46 percent interest, increased its market share, with the number of franchisees growing from 217 to 247.

Mr McCarthy says interest-bearing debt as a percentage of equity remains satisfactory at 35 percent, which leaves the group reasonable capacity to fund growth and investment. Management is fully aware of the importance of cash flow control. Throughout the year the increase in debtors and stock was generally contained below the rate of inflation.
Bergers gets battered in fierce retail battle

LINDA ENSOR

CAPE TOWN — Interim earnings of Bergers Trading Holdings fell 60% to 1.2c a share (30) in the six months to end-June because of stagnant turnover.

The poor results were compounded by a dramatic drop in margins brought about by the fierce battle among retail chains to maintain market share in a recessionary environment.

The Bergers and Jones chains, which are more exposed to the black market, were particularly affected by high unemployment, consumer boycotts and mass action.

The more upmarket Hilton Weiner traded satisfactorily.

Chairman Howard Mauerberger said trading conditions for the 27 (26) weeks were the worst in the group's history.

Turnover slipped to R70.2m (R70.8m), but with margins plunging to 2.1% (5.5%) operating income fell 62% to R1.5m (R3.8m). Pyramid holding company Bergers Group notched earnings a share of 4.7c (12c).

An extraordinary item of R24 000 was incurred in closing and relocating the Jones head office to Cape Town, a move which also involved retrenchment costs.

Mauerberger said the rationalisation was expected to save the group about R2m in overheads, but added that the full benefit of this would only flow through in 1993.

During the six months two Jones stores, one Hilton Weiner and two Bergers stores in Malawi were opened. Mauerberger said five stores of Hilton Weiner Basics, the newly launched chain which is less exclusive than Hilton Weiner, would be opened between now and the end of the year.

He was reluctant to make forecasts saying that the adverse trading conditions were expected to continue for the rest of the year.

Mauerberger said the negotiations referred to in a cautionary announcement some time ago were still continuing. It is believed the negotiations involve selling a minority stake to an outside party.
Bertrad feeling the pinch

Adverse trading conditions took their toll on Bergers Trading Holdings (Bertrad) in the six months to June, with interim earnings a share dropping 66 percent to 1.2c from 3c.

Turnover from the Bergers, Hilton Weiner and Jones clothing chains for the 27 weeks, compared with 26 in 1991, declined to R70.2 million (R70.8 million).

After tax and minority interests of R468 000 (R1.2 million), attributable income was R1 million (R2.5 million) before an extraordinary item of R524 000 relating to the cost of relocating the Jones head office from Johannesburg to Cape Town and the resultant retrenchment costs.

Chairman Howard Mautzberger says trading conditions for the half-year were the worst in the company's history.
House prices rally in cheaper suburbs

CAPE TOWN — House prices in lower-priced suburbs were rallying strongly on a national basis, though weaker growth had been experienced in the upper end of the housing market, says the Rode report on the SA property market in the second quarter.

"Latest indications are that lower-priced suburbs are growing at about 23% on a year earlier, middle-class suburbs at about 16% and upper-class houses at 4%.

House prices, in particular the lower and middle priced suburbs, are happily outperforming the inflation rate."

However, strong regional differences exist, with the largest improvement shown by Port Elizabeth.

An average increase in house prices of all classes of 11% this year and 12% next year was forecast, with rental rises for flats predicted at 17.9% and 17.4%. In some areas there had been a small increase in apartment vacancies.

Residential prices and rentals were showing greater resilience in the face of the recession than nominal rents of non-residential properties, which had stagnated.

Negative or zero growth in office rentals was forecast for 1992 and a 10% growth in prime CBD office rentals in Johannesburg, 17% in Sandton, 7% for Pretoria, 4% for Durban and -7% for Cape Town in 1993.

Most nodes had more than 8% of their A-grade office space empty and some much more. Take-up of combined A, B and C office space for the Johannesburg CBD was expected to be negative in 1992 and 1993.

Pretoria still had high office vacancies, while A and B vacancies in the Cape Town CBD had increased steadily. Pretoria rentals were expected to lose more ground, while Cape Town and Durban would continue to suffer the aftermath of "building binges".

Retail rentals had continued to plummet, while most centres were struggling to equal mid-1991 levels of industrial rents. No change was forecast for the next 18 months. Industrial vacancies were rising.

In the industrial market, the central Witwatersrand was holding on in nominal terms but there had been a decline in the rest of the Witwatersrand.

Rode forecast an average 5% increase in industrial rents on the central Reef this year, rising to 14% next year.

Building costs were expected to rise 6% this year and 13% next year.
CLUES to the identities of the culprits behind rocketing food inflation, which reached a record 30.4% in the year to July, will be disclosed today with the release of the August CPI.

Food inflation — the bugbear preventing a fall in headline inflation — will come under the spotlight as a detailed breakdown of monthly food price increases since May is included in the latest consumer inflation figures.

Central Statistical Service head Teunmicht du Toit said yesterday the data would be released in two tables, one applicable to large food chain retailers — defined as having at least 15 branches — and another spelling out food inflation at smaller retail food outlets.

Each table would be further broken down to include percentage changes in the prices of both processed and unprocessed food and price fluctuations in the 10 food group categories.

Du Toit said for "technical reasons" data was not available before May, but the figures would give a "good" indication of annual rates of food price increases.

"The assumption is that the experience of the three months to August will continue for the next nine months," he said.

Du Toit hoped the data would adequately meet the needs of the Food Logistics Forum which had called for the breakdown of food inflation in the various retail outlets.
Acquisitions pay off for Urquhart

URQUHART Motor Group's turnover improved by nearly a fifth over the previous year, largely due to two acquisitions, but the increase was not reflected in operating profit because of restructuring and, the drought.

Turnover for year and June 1992 increased to R279.3m from R244.8m but operating income dropped a tenth to R5.27m. Two acquisitions in the western Cape, Tygerberg BMW and Ferndale Delta, boosted turnover.

However, the increase was not reflected in operating income because acquired businesses were restructured and rural dealerships in the western Transvaal and northern Natal were affected by drought. Introduction of a cost cutting exercise also affected profit.

In September 1991 the group restructured to introduce financial gearing. The restructing saw R24.1m being repaid to shareholders as a special dividend, while motor dealership properties were purchased for R13.1m.

The properties were funded through borrowings and the impact on the income statement was reflected in the interest payment of R2.46m (R1.8m). Borrowings increased to R16.3m from R10.6m.

Earnings a share on a fully diluted basis fell to 14.7c compared with an ungeared amount of 30.5c in 1991. Final dividends of 6c and 12c a share were declared on ordinary and preferred ordinary shares respectively.

Directors reported that the motor industry had been hit by falling car and commercial vehicle sales, declining margins and the consumer trend to buy down.
Consumer Boycott Launched

By Isaac Mokola

Residents in Somerset West forced to address residents:

"They demand a single municipality. The municipal structure in the town has failed to address residents' needs."

NEWS

Residents call for halt of R50 for electricity charges in Daventry and Warrington

Wednesday September 30 1992 SOWETAN
'Get children to think this way' [30]

EDUCATION is the key to developing a viable small-business sector and a prosperous South African economy.

This is the view of Trust Bank and Volkskas head office general manager business services Dr Willie Conradie.

"There is a strong need to educate South Africa's youth about the benefits of the free market system. But this in itself is not sufficient. They must be encouraged to participate in the free market as entrepreneurs."

The education in this country, from the schools through to media input, is orientated towards encouraging children to obtain a good education so that they will be able to work for someone else.

"This orientation is wrong. Children need to be stimulated to prepare themselves to set up their own businesses later in their careers."

"It is interesting to note that people who set up businesses after gaining experience in a particular sector as an employee, have a 70 percent greater chance of success, provided their business relates to their previous experience," says Dr Conradie.

South Africa's future peace and prosperity rests on its ability to develop an economically active society and generate employment.

"The best system for creating such activity is the free market. This means that people must not only believe in the need for the free market system but they should also become involved as entrepreneurs in the system."

"Only the free market creates wealth. The less the Government interferes in business the more wealth is created. A government's measure of success should be the extent to which it keeps its hands off."

"Central to the free-market system is small business. A community where there is a large number of independent business operators, each in competition with the others, exemplifies the free-market system. We must not retain this emphasis on only large companies with their tendency towards bureaucracy."

"Both large and small business, operating as partners in the economy, are essential," says Dr Conradie.

People need to be given the right role models to encourage them towards a belief and a willingness to participate in the free market.

He suggests that people should be told of small business owners who have made it, from the major successes such as the person who started off in a small business and now heads a major corporation, through to the welder and the corner cafe owner.

"I believe South Africa is going to follow the free-market system, though I am concerned that the current turmoil in this country will delay the process," says Dr Conradie.
Lending money, and a hand

ONE of the main problems facing budding entrepreneurs engaged in starting their own businesses is a lack of knowledge.

This is one of the reasons for Standard Bank's creation of its Small Business Development and Advisory Department (SBADAD).

Starting out with the motto "We don't only lend money, we lend a hand", its specific purpose is to assist new ventures with both finance and training.

The department assists new and existing small businesses through a regional network of small business development managers. The purpose is to provide loans to businesses which do not qualify for loans under the bank's usual lending criteria, but show the potential to grow and succeed.

When the department is considering whether to finance a venture, emphasis is placed on the business's demonstrated viability, management expertise, the amount of capital which the owner has personally invested in the business and any supporting security which may be available.

The department's small-business development managers are trained to provide financial assistance to new ventures. Their object is to develop and secure banking relationships with small businesses that have growth potential — this work is carried out in cooperation with the respective branch managers.

The small business development managers are also there to advise on the type and amount of finance which the small business requires and to assist with the preparation of applications.
Controls are there to protect the entrepreneur

THE entry of new entrepreneurs into the market in South Africa must be encouraged to promote a vibrant economy, but there are difficulties.

First National Bank small business unit senior general manager Ali Mokoka says although small businesses are to be encouraged and in fact, are fast becoming a force in the market place, those seeking financial assistance still need to meet certain criteria when applying for a loan from a bank.

The fact that many applicants have little or no financial track record is not necessarily a deterrent, but other parameters certainly apply.

Contribution 2/10/92

Says Mr Mokoka: "Normal collateral and guarantees are not very common.

"What we do consider very important is the viability of the proposed business and what contribution the individual is prepared to make towards the venture."

"We examine his qualifications and whether they apply to the type of business he wants to run."

"We also want to know if he is prepared to make the sort of sacrifices in time and energy that are necessary from anyone who goes into a new business venture."

"All this information should be contained in a business plan that the applicant will have drawn up before he approaches us."

"He says the bank also considers the proposed location of the business and the demand for the product or service at that site."

"This is particularly important bearing in mind the competitive nature of small businesses, especially when there are a number of similar services competing for the same customers."

"We would decline a request for assistance, even if the applicant fulfilled all the criteria, if we saw that the competition was strong and that the players in that market place already were equipped to counter-act any new entrant," says Mr Mokoka.

How to create REAL wealth

Creating wealth through entrepreneurial activity... other forms of activity are said to simply transfer wealth from one place to another. One of the major priorities in South Africa is to create a clear-cut small-business development policy. Taxation is another issue. Small businesses generally pay a higher rate than the larger firms.
Waterfront will be abuzz

TO CELEBRATE the launch of Small Business Week in Cape Town, special events have been arranged at the Victoria and Alfred Waterfront.

The week will feature more than 50 events in the Western Cape alone, kicking off at the Pier Head area on October 2 to October 3.

The mayor of Cape Town, Frank van der Velde, along with the glamorous Radio Xhosa announcer Pedi Matoli, will officially open Small Business Week at 11 am tomorrow.

The Pier Head area will be the centre of activity for the launch and a marquee will be erected for an exhibition of small business support agencies. There will also be a stage for a diverse programme that includes musical entertainment, fashion shows, street theatre and many other attractions.

Throughout the Waterfront, itself full of entrepreneurial activity, various other attractions are being staged to appeal to the visitor.

In the Union Castle House, there will be an exhibition of entrepreneurial success stories and photographs. There will also be pictures from the popular "Cape Flats World of Business Tours" which will show the "other side" of business in Cape Town.

The Small Business Development Corporation believes the two-day launch programme will be an exciting event for both the general public as well as the entrepreneurs themselves.
ONE method of starting a business, which generally has a greater chance of success, is to buy a franchise.

Such businesses usually have a considerably higher success rate than other start-ups. NedEnterprise, which provides financial services to small and medium-sized businesses, prefers to finance franchisees ahead of any other type of start-up enterprise.

According to NedEnterprise general manager Neville Edwards, start-up businesses based on franchises have a historical failure rate of less than one percent, whereas the failure rate of small businesses which are not franchises is over 50 percent.

Says Mr Edwards: “Franchising provides a feasible means of realising the dream of owning one’s own business, which is why we concentrate on this area and encourage entrepreneurs to look into franchising opportunities.”

Good franchising schemes provide entrepreneurs with a proven system and all the technical and management expertise to succeed. This includes training, accounting and management control, product expertise, a well-known trademark and support from the franchisor.

Says Mr Edwards: “Due to these aspects of franchising, banks are better able to assess the risk of a business venture and are assured of the ongoing support of the franchisor during the start-up years.”

“In addition, the provision of monthly management accounts and regular interaction between the franchisor and the franchisee enables a bank to keep track of its client’s progress and assist wherever necessary.”

Mr Edwards says NedEnterprise is approached regularly by potential investors and intends becoming the leading franchise financier.

He is compiling a list of approved franchisors with which the bank will do business on an ongoing basis with franchisees who qualify in terms of criteria set by both the franchisor and the bank.”
Coastal Property

Downturn forces

developers into niches markets

PROPERTIY METRICS

Glenmore Park

Inter-CBD

comparsion

SAPOA OFFICE VACANCY SURVEY

Johannesburg

Cape Town

Durban

% Vacancy

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30
40
50
60
70
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Price

Income

Vacancy

Market

Supply

Demand

Vacancy Rates

Infill and mixed-use

Commercial

Residential

Office

Retail

Property

Development

Potential
target

Market

Product

Office

Retail

Industrial

Vacancy

Rate

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2025

Market

Supply

Demand

Vacancy

Rates

Infill and mixed-use

Commercial

Residential

Office

Retail

Industr
Tafelberg increases its market share

LINDA ENSOR

CAPE TOWN — Furniture retailer Tafelberg Furniture Stores gained market share in a declining market in the six months to end-August, but severe pressure on margins and increased running costs resulted in a 17% drop in earnings per share to 2.76c (3.35c).

A lower dividend of 1c (1.5c) has been declared.

Turnover rose 11.3% to R23.7m (R21.3m) while operating profit fell 7.7% to R993,000 (R1.1m).

Chairman Eugene Theron said measures had been taken to curb the drop in profitability but planning and projections had been hampered by the drought, weak economy and uncertain political climate.

He was more optimistic about the second half of the year, traditionally a better half-period.

Three houses adjacent to the Beltville shop had been purchased for use as offices, showrooms and storage space. The acquisitions were funded with short-term finance, but the intention is to change this to long-term finance.

Following the death of founder member Derick Gerber, longstanding staff members Pieter Steimann and Gerry Theron have been appointed to the board.
Coastal property markets have not escaped the debilitating effects of the protracted recession, escalating crime, violence and political instability. Uncertainty about a possible wealth tax has put a damper on the second home market and many investors are looking at commercial and industrial properties as an alternative. PETER GALLI reports.

Natal shop rentals are feeling the pinch

THE NATAL retail market has suffered greatly under the present recession and a number of tenants have either folded or reduced their number of outlets, says Ampros Durban branch manager Peggy Daley. "Vacant shops are very difficult to let as there is no money around for anyone to risk a new venture. Experienced traders are also tending not to open new outlets unless the available shop is in the best trading area," she says.

While good suburban shopping centres have held up better than the CBD shops, there have been many casualties in the less well-positioned suburban centres and a definite decline in shop rentals.

On the office side, Daley says that although a serious oversupply situation has developed in Durban over the past year, buildings in good positions have tended not to lose tenants to newly completed buildings.

Resist

"Most of the new buildings are slightly out of the CBD and are therefore inconveniently situated, and tenants have tended to resist moving due to the high cost involved in the present economic climate," she says.

Rode Report editor Erwin Rode agrees, saying that CBD office rentals have not been placed under pressure by the high vacancies in new buildings, which all fall outside this area.

"Tenants in older buildings in the heart of the CBD do not consider the new buildings as an alternative and as such, rental levels in the CBD are holding up relatively well," he says.

Grüninger Property Development director Chris Oosthuizen says there is a definite oversupply of office space, even at the coast, with the latest SA Sapo statistics indicating an average vacancy figure of 12.5% for A and B-grade space in Durban’s CBD, dropping to 6% in areas like Westville and the Berea.

“Refurbishment is a viable alternative to developing new premises for companies looking to own and occupy their own premises in the CBD area as the cost of refurbishment is very competitive,” he says.
Prudence the answer in the retail industry

WHILE retail development in coastal areas continues unabated — with several major shopping centres under construction — any future developments need to be thoroughly researched.

RMS Syfrets MD Pat Flanagan says the retail industry in SA, like most others, is going through difficult times and the need for prudence on the part of financiers and developers has never been greater.

"No matter what the positives appear to be, thorough research is essential to the decision of whether or not to proceed with development," he says.

Somerset Mall, the R150m retail development project under construction directly adjacent to the major intersection of the N3 and the main arterial road linking The Strand, Somerset West and Stellenbosch, is no exception.

"An independent research study conducted by Parker & Associates revealed the catchment area for the proposed centre was vastly undercatered in terms of retail facilities.

"A large portion of disposable income is being spent in or close to Cape Town and when the mall opens in September 1995, Somerset West and Strand retailers can expect to recapture a large portion of this," he says.

Owned by the AECI Pension Fund, anchor tenants for the 40 000m² first phase include Pick n Pay, Woolworths, Edgars and Ster Kinekor, and parking will be provided for 2 400 cars.

Major

AECI property manager Pat Stirling says: "From a financial point-of-view, this represents a major investment for the pension fund. We have been on the lookout for some time for suitable retail development to diversify our property portfolio in the Western Cape, but have to apply stringent criteria before committing ourselves".

The current retail industry is professional and very competitive and, however good the location and facilities may be, the fund has to maintain a leading edge with Somerset Mall.

Construction of one of the largest commercial building projects in Natal — the Pavilion regional shopping centre in Westville — is well under way. Acquired by the Eakom Pension Fund in terms of a R340m agreement from joint developers M & R Properties (Natal) and Retail International, the development is being built by M & R.

"The centre is sure to dominate the Natal retail scene and is sure to be a winner. It is strategically located to serve the whole Durban metropolitan area and, with 75 000m² of leasable area, is more than twice the size of any other centre in Natal," says M & R Properties (Natal) Chris Lawrence.

In addition, Sanlam Properties is to undertake large-scale extensions and renovations worth more than R250m at the Sanlam Plaza and Sanlam Centre in Empangeni.

The two centres will be linked to form a single shopping centre with a new identity. Total leasable area will be increased by 5 637m² to 21 356m², while the centre will also be modernised and revamped. This will make it the largest centre in Zululand.
Supermarkets charge up to 220% more

PRETORIA — Certain fruit and vegetables cost between 40% and 221% more at supermarkets than at local fresh produce markets, according to a spot survey by the Consumer Council in five major cities in the country.

Council executive director Jan Cronje said yesterday the survey — in Pretoria, Durban, Cape Town, Bloemfontein and Vereeniging — had shown the following percentage increases in the price per kilogram in the supermarkets of three chain groups over that charged at markets:

Oranges 221%; onions 197%; tomatoes 88%; potatoes 76% and bananas 68%. Potatoes in 10kg bags had cost 46% more.

"Due to the repackaging of fresh produce and the fact that size and classification are often omitted, it is impossible to compare the price of all fresh produce to market prices," Cronje said.

He appealed to retailers to indicate size and classification when produce was re-packaged to enable consumers to compare prices, and also pointed out that in some instances apples cost 100% per gram more when sold separately in a supermarket than at produce markets. — Sapa.
might be inferred that Pick n Pay lost market share. Chairman Raymond Ackerman says market research by IBIS shows the chain actually gained share. Even so, the sales trend is not healthy.

But the rate of growth in operating income remains the real bugbear. In the 1991 first half, it fell 4.6%. This time operating income rose a marginal 2.6% off the lower base; in rand terms, it is still below the figure of two years ago — though Ackerman points out that productivity gains were achieved at operating level.

The first-half operating margin declined for the fourth successive year (1989: 2.5%; 1990: 2.4%; 1991: 2%; 1992: 1.9%). This is despite the productivity gains.

The opening cash balance at the beginning of the fiscal year was R191m. Net interest earned on this investment, together with other investment income, was R9.1m for the six months. That compares with R1.6m for the same period last year. Pre-tax income therefore rose by 15.5%, and taxed profit improved 15.4%.

Ackerman argues that a portion of the interest earned on cash resources was generated because of management's expertise in negotiating with creditors for discounts; keeping a tight rein on stocks (at end-August these were 2.8% down on a year ago) shrinkage, which has dropped to 0.5%; and generally boosting liquidity through management of working capital. He claims a portion of interest earned should be allocated directly to operating income, which would boost the margin and create a more realistic picture of group performance.

There is merit in his standpoint. Nevertheless, the facts derived from the consistently documented accounts indicate that results from trading can be viewed as "satisfactory" only because general economic conditions are so rotten. If the economy does not deteriorate further between now and Christmas, for reasons proposed by the FM earlier this year (Companies June 5), pre-tax profit
Plan to boost development has many aspects
Effort to end retail dispute

Weekly Mail Reporter

EMPLOYERS are to push the South African Catering, Commercial and Allied Workers' Union to withdraw its industry-wide dispute at a series of meetings this week, as a condition for discussing the union's demands.

Sacawu declared the dispute three weeks ago after its drive for centralised bargaining had been frustrated by employer lack of interest.

There will now be three separate meetings in the commercial, catering and retail sectors where employers will relay their rejection of the Sacawu dispute which they regard as "premature". Several employers have said they want Sacawu to withdraw the dispute before they can begin discussing the union's demands.

Several industry conferences called by the union have been boycotted by employers, with only a few turning up and all the big players staying away. The last meeting called by Sacawu — shortly after the declaration of the dispute — was attended by just 15 companies of a potential 200.

Besides the union's main demand of an industry bargaining forum, a retrenchment moratorium and an end to flexible working hours and to the use of casual labourers are also at issue.
Approach in recession

Chamber calls for flexible

vouchers could be our weapon of choice.
Celebration of entrepreneurship

THE energetic spirit of entrepreneurship will be celebrated during the fifth annual Small Business Week (SBW) which starts on Saturday and runs until October 10.

In the Western Cape alone, the SBW will include more than 50 events involving more than 35 organisations (see Calendar of Events).

Co-ordinated under the auspices of the Small Business Development Corporation (SBDC), the week aims to highlight ways in which small businesses can be promoted and developed — and to show what they can do.

There will be seminars and training sessions, fun-filled flea markets and craft markets, open days at small business projects and general information days.

The week will be launched in the Western Cape with a two-day programme of events at the Pier Head at the V&A Waterfront.
Little shop of affection

By Joanne Williams

October 3 to October 7, 1992
The SBDCs, when utilized effectively, have been shown to be effective in promoting economic growth and development. The SBDCs provide valuable resources and services to small businesses, helping them to navigate the challenges of starting and growing a business. By offering a wide range of assistance, from technical assistance to counseling and training, the SBDCs play a crucial role in fostering small business success.

One of the key benefits of the SBDCs is their ability to provide tailored assistance that meets the needs of each individual business. This personalized approach ensures that businesses receive the support they need to succeed, whether it's help with financing, marketing, or operations.

In addition to their direct services, the SBDCs also serve as a bridge between small businesses and other resources, such as government programs and private sector partnerships. By connecting businesses to a wide range of resources, the SBDCs help to ensure that small businesses have the tools they need to thrive.

As the economy continues to evolve, the role of the SBDCs will only become more important. By providing targeted support and resources, the SBDCs play a vital role in promoting small business growth and development.
Guide to Beating the Recession

- Control your costs
- Control, cut, control. Until you can.
- Don’t overextend your business
- Don’t overextend your business
- Don’t overextend your business.

1. Focus on your core
- Focus on the basics of your business
- Focus on the basics of your business
- Focus on the basics of your business.

2. Sharpen a customer care
- Sharpen a customer care
- Sharpen a customer care
- Sharpen a customer care.

3. Get a commitment from your employees
- Get a commitment from your employees
- Get a commitment from your employees.

4. Control your information
- Control your information
- Control your information
- Control your information.

5. Control your customer
- Control your customer
- Control your customer
- Control your customer.

6. Your customers
- Your customers
- Your customers
- Your customers.

7. Sharpen your products
- Sharpen your products
- Sharpen your products
- Sharpen your products.

8. Sharpen your service
- Sharpen your service
- Sharpen your service
- Sharpen your service.

9. Sharpen your message
- Sharpen your message
- Sharpen your message
- Sharpen your message.

10. Sharpen your marketing
- Sharpen your marketing
- Sharpen your marketing
- Sharpen your marketing.

11. Sharpen your sales
- Sharpen your sales
- Sharpen your sales
- Sharpen your sales.

12. Sharpen your financials
- Sharpen your financials
- Sharpen your financials
- Sharpen your financials.

13. Sharpen your operations
- Sharpen your operations
- Sharpen your operations
- Sharpen your operations.

14. Sharpen your supply chain
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15. Sharpen your support
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16. Sharpen your strategy
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17. Sharpen your management
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18. Sharpen your leadership
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19. Sharpen your culture
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20. Sharpen your innovation
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21. Sharpen your vision
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22. Sharpen your mission
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23. Sharpen your goals
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24. Sharpen your team
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25. Sharpen your customer service
- Sharpen your customer service
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- Sharpen your customer service.

26. Sharpen your product
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- Sharpen your product
- Sharpen your product.

27. Sharpen your product
- Sharpen your product
- Sharpen your product
- Sharpen your product.
Guide to beating the recession

1. Focus on your costs
   - Cut out the expense
   - Reduce expenses under-performing
   - With increased performance
   - Costs are lower
   - Saving money is important
   - The equation, "profit = sales - costs"

2. Share customer care
   - I love the customer care
   - Every customer is important
   - The customer is number one
   - Always focus on the customer
   - Your customers will remember
   - Your customer strategy

3. Grow your community
   - Customers don't forget your name
   - Customers remember your community
   - Grow your community

4. Control your attention
   - Find an edge that's different
   - Look for an edge that's different
   - High performance

5. Control your costs
   - Reduce your costs
   - Reduce your overhead
   - Reduce your expenses

6. Control your market
   - Control your market
   - Control your market
   - Control your market

CUSTOMER. Don't neglect old customer facts. For new ones.

WAREHOUSE
IMPROVERS

Guide to beating the recession
Don’t keep the Cape this shape

South 3/10-7/10/92

Major changes in urban planning are needed to support the development and growth of small businesses.

UCT urban planners David Dewar and Vanessa Watson believe the present spawling, low-density character of South African cities works against small business activity and promotes economic centralisation.

Buying power is spread over large areas, reducing the amount of economic activity a local area can support. This opens the way for what economic activity there is to be controlled by large businesses operating from a number of centralised points.

“A more compact form of city development offers a number of advantages,” they say in an article in a recently published book, “South Africa’s Informal Economy”.

“Large, easily accessible local markets promote economic diversification and specialisation. They thus generate a wider range of economic opportunities. They provide a greater range of viable trading and manufacturing locations, since their accessibility is not defined primarily by the configuration and intersection of transport routes, points which can be dominated by larger enterprises.

“It reduces transport costs and enables an efficient public transport system which particularly benefits smaller operators. It reduces service charges, and thus overheads. It allows for more flexible service provision and it increases the convenience of consumers.”

They believe new urban growth should not always be channelled to land beyond the urban fringe, but to “implode it and to encourage higher densities”. A great deal of vacant residual land exists within the confines of South African cities for development of this kind, they say.

Dewar and Watson are particularly critical of apartheid-inspired town planning where the planners think they can create a social “community” in new residential areas by designing them as separate and self-contained suburbs.

“In reality, the practice is highly negative and detrimentally affects the ability of the urban system to generate employment opportunities.”

A glaring example of this type of planning is Bonteheuwel on the Cape Flats.

Lynda Loxtom
The rapid rise of women in business

A entrepreneurial "fever" has taken hold of women and they are emerging as business owners worldwide.

According to Professor Ronel Everse of the Graduate School of Management at the University of Pretoria, there has been a rapid increase in the number of women business owners in Europe and the United States.

There are no firm statistics available on what is happening in South Africa, but according to 1994 estimates about 70 percent of small businesses owned by blacks were run by women.

The growth of women business owners is also reflected in competitions run by magazines — the Small Businesswoman Award drew 420 entries while the Business Innovator Award drew 1,000 entries over three years.

The Small Business Development Corporation (SBDCC) reports that 20 percent, or 3,600, of their clients are women. The number of women entrepreneurs varies from region to region and they operate in different sectors.

"The SBDCC has realized that women are low-risk investors as they pay back loans on time and have a low bad debt ratio," said Everse.

"The small business units of banks and organizations involved in the training of entrepreneurs report that the proportion of women clients is increasing rapidly."

This trend can be attributed to several developments during the eighties.

The Women's Bureau started a project in 1985 to stimulate women's interest in business. Seminars were held throughout the country and "Women Businesses" and about 2,000 people attended. A congress on job creation was held to encourage women to become involved in business.

By 1988 the first network of women entrepreneurs, the National Association of Women Business Owners (Newbo), was launched by Everse.

This organization is affiliated to the World Association of Women Entrepreneurs, an international network of 23,000 members in 50 countries.

Everse said there were four major kinds of women in business:

Corporate high-flyers

These are women working in independent units in large companies, who are more likely to establish a small business than those working in the main body of a corporation. They tend to find that "glass ceilings" prevent their promotion beyond middle management levels. They are frustrated and a conviction that they have built up marketable skills prompt them to form a consulting company or specialty service. They use the professional networks they have built up to good advantage.

Women who have gone through some traumatic life event:

A woman who is confronted by widowhood, divorce, separation, migration or refugee status may see this as a debilitating event — or a chance to find a new life line, for example, starting a small business.

Women from an entrepreneurial family or environment

Women with parents, relatives or friends in business are more likely to establish a small business than those without such contacts.

Re-entry women

Many women re-enter the workforce by starting a business from home after their childbearing years. This trend is growing stronger and Women's Enterprise magazine was launched to cater for this market.

But women's actual entry into business is also affected by several strong traditions in our society. These include:

Career choice

Business is not a traditional career choice for women because they have grown up without any role models in this area. But since women business owners have become the new media heroes, this has had a subtle effect on career choice. Young girls are, for example, becoming more interested in the Junior Achievement Program, started by the Centre for Developing Business at the University of the Witwatersrand.

Type of company

If women go into business, some still tend to choose traditionally "female" activities because of their skills base and experience. Many women prefer businesses such as general dealers, personal services, clothes manufacturing, crafts, retail, PR/Marketing, personnel or business services, transport, design, estate agents or legal and financial services.

Major shifts in the types of companies are seen in sectors in which women opened are now emerging:

- Some are moving from the informal sector micro enterprise to larger informal entities such as the market in cities and rural industries.
- The level of sophistication of applications for loans to start a business is increasing among women business owners. Business plans are clearer and financing is sought from many banks or institutions.
- Some women are moving from renting in shopping centres to townships or smaller centres to retailing or owning shops or renting in larger shopping centres.
- Disillusioned businesswomen are diversifying into new or related services and multiple ventures.
- The number of consultancy firms offering specialist services is increasing.

There is a greater awareness about the value of exporting.

Training

The second largest source of high-level staff is women, white and black, who are interested in business. As more women study economics and management sciences at universities, a bigger number of potential women business owners is being created.

But businesses have not realized the potential of this market. For example, US Aid wanted to invest in training programmes for entrepreneurs if 50 percent of the target were women — and struggled to find anyone who could understand that there must be women training programmes.

Financial acuteness

The SBDCC (and the grapevine) indicate that the bad debt ratio among women business owners is lower than among male business owners. This is because women tend to use more of their own funds when they start, and they save more. Their companies are smaller than those of men. They are involved in areas where the risk is lower and they tend to grow at a slower pace.

Everse believes that the value of women business owners should not be overlooked and that they should be encouraged at every level. The future depends on it.

Lynda Loxton
Call for tax breaks

ENTREPRENEURS are the unsung "heroes" of our economy and need more state support and better tax breaks, according to Dr Ben Vosloo, managing director of the Small Business Development Corporation.

He said Small Business Week 1992 would focus attention on the key role of entrepreneurial activity in small and medium-sized enterprise (SME). This role was the cost-effective creation of jobs and spreading of wealth.

SMEs had played a prominent role in the "impressive economic performance" of certain countries in South East Asia and the West. This had caught the attention of business leaders, policy makers and academic analysts in many countries, he said.

"Many governments have tried to encourage the development of SMEs in their countries with both indirect and direct assistance measures — such as tax incentive schemes," said Vosloo.

He explained that SMEs in South Africa paid tax at a marginal rate of 48 percent. But similar enterprises in Britain paid 25 percent on profits of up to R1,25 million.

"So in South Africa, a developing country, we have the absurd situation in which our SMEs pay tax at more than double the level of our counterparts in a developed country.

"Given that it is now common knowledge that the impetus for wealth and job creation has shifted from big business to SMEs, it is essential that government abandons its bias in favour of large businesses," he said.

"A more prosperous South Africa cannot be built by focusing supportive initiatives almost exclusively on the big business sector." — Lynda Loxton
BUSINESSES are turning their backs on the Johannesburg city centre in favour of the northern suburbs.

Large tenants to leave the central business district include Rand Mines, Price Waterhouse, Meyer, Sechold, Radio 702, JH Isaac and Deboitz & Toucha.

ISM is building headquarters in Sandton and Times Media (TIM) is said to be moving to Bexley.

TML managing director David Kovarsky says the company hopes to move to a low-rise building either in the CBD or the suburbs.

A decision will be taken within six months of evaluating sites and taking transport into account.

The CBD exodus is exacerbated by companies following clients. Property brokers expect Rand Mines to move from the CBD to be followed by some of its suppliers.

**Surplus**

Most moves are made because of the lack of security, the high crime rate and parking shortages. People also prefer working in tree-lined suburbs where they can walk around at lunch time and open windows for fresh air.

Property economist Neville Berkowitz sees the exodus continuing for at least another 10 years.

"But this will not kill the city, it will merely change its profile as it becomes the commercial hub of sub-Saharan Africa."

The CBD east of the Carlton Centre has a surplus of disused C and D grade office space that is put to residential use.

Mr Berkowitz says: "If you drive past the warehouses and office blocks in the eastern area at night, you can see light through the blankets and cardboard covering the windows."

He says urbanisation is bringing about 250 000 people to Johannesburg a year.

"This is benefiting the retail sector of Johannesburg, especially those near the major taxi ranks."

Mr Berkowitz says this trend will heighten office workers’ sense of insecurity.

He sees black businesses as well as companies and trade missions from countries north of SA using the vacated office space.

He stresses that this is not negative for the CBD.

Central Johannesburg Partnership (CJPF) has launched a project to stop the exodus and return Johannesburg to its former prominence. It also aims to alter negative views about the city.

CJPF is financed by about 16 institutions with a vested interest in the CBD.

Executive director Neil Fraser says CJPF has brought in 600 policemen and intends to recruit more. It will upgrade and convert unused space, especially that on the eastern side, into residential accommodation.

Mr Fraser says a financing scheme is being devised to help give people ownership of their apartments. Once people have a vested interest in their area, they will not allow standards to decline.

"Informal traders will become more formalised because they will be provided with space and ablution facilities."

Green spaces, mini-markets and areas for relaxation will improve the CBD.

Mr Fraser says there is much development in the wings. He is optimistic that Johannesburg will soon be safe, user-friendly and lively.

Anglo American Property Services (Ampers) managing director Gerald Leissner says CJPF is not a long-term "talk shop". It has buckled down and started introducing changes.

Ampers is probably the biggest landowner in the city. Ampers has restricted its investment to CBDs, Johannesburg companies commanding the lion’s share of its portfolio.

Most companies with property in the CBD are optimistic about its future. However, developers do not seem as confident.

**Value**

A perusal of Rode’s New Office Developments in SA shows six projects underway in Johannesburg and 29 in Sandton.

Eleven developments have been proposed for Johannesburg, 24 for Randburg and 32 for Sandton.

But a property broker says this is not a true reflection of the position. He says the size and value of First National Bank’s Bank City and the Standard Bank Centre are greater than any development in a decentralised area.

Real Estate Surveys property economist Erwin Rode believes the attempts to keep business in the CBD are a decade too late.

He compares it with the "digger in the dyke".

"It is a worldwide phenomenon that business will move to the areas where the executives and decision makers live."
Focus on skills, employment

Small firms’ week lays foundations

THE Small Business Week seminar at the Milpark Holiday Inn on Thursday will focus on skills development and job creation in small and medium-sized enterprises (SME).

The seminar is the major event for the week which started yesterday and runs until Saturday. The event is held annually and is aimed at advancing the concept of entrepreneurship and small business as an effective route to achieving a healthy economy and individual prosperity.

Various events are held nationwide during the first week of October to make people aware of the importance of small and medium-sized enterprises, as well as to encourage those who have the skills and ambition to open their own businesses.

Some of the major highlights will include flea markets, fashion shows, competitions, seminars, workshops and training sessions.

The Small Business Development Corporation (SBDC), one of the major players in the development of small business, bankers, consultants and other small business development institutions will address various subjects including training opportunities, marketing techniques, funding schemes and tax strategies.

The SBDC estimates there are close to six million people without jobs in SA and says the figure is rising daily.

The SBDC sees the stimulation and creation of small and medium-sized enterprises as one way of reducing the existing and alarming levels of unemployment.

"According to the SBDC, the majority of the SA population, through years of oppression, deprivation and sub-standard education, lack necessary business skills needed to create a viable SME sector."

The seminar will explore conventional and innovative ways of acquiring such skills to enable the unemployed to create wealth through viable economic activities.

In addition, the seminar will encourage big business to get involved and to highlight ways in which they can assist the growth of small businesses.
Money or your life?

BY MOSES MAKAMA

Business, people in Vaal townships are living in constant fear following the emergence of the Mafia’s Roll gang which orders them to pay exorbitant protection fees or face robbery and even murder.

The notorious gang has targeted Evaton, Sebokeng and Sharpeville in a terror campaign that has left at least one person dead and a number of businesses robbed.

The gang issues letters or passes the message by telephone, ordering businessmen to pay amounts of up to R5,000. They threaten that should they fail to comply their properties will be destroyed.

Residents say the gang unleashed its reign of terror in June and were assisted by comrades who said they needed the money to buy food as they were guarding the townships against faceless attackers.

But the situation got out of hand when the youths formed themselves into a heavily armed, organised criminal gang.

The gang allegedly gunned down businessman Puncho Kgotha after his family explained that they could not comply with the gang’s cash demands.

Police confirmed the incident and said a murder charge was being investigated. No arrests have been made.

Also in Evaton, another victim of the Mafia’s Roll gang, Alecia Mabobane, 42, gave a chilling account of how the gang robbed her family of more than R11,000 in cash after they ignored the gang’s order.

On August 31, the gang dropped a letter in the Mabobane’s yard “asking for a donation” of R300.

“We thought it was a joke and we ignored it, that was the mistake we made,” said Mababane.

We could not just obey the letter because the next one might demand R3,000,” said the woman whose husband owns a flourishing coal yard and a tuck shop.

A week later the Mafia’s Roll came to the house to carry out their threat. They ransacked the house and stole cash and a firearm.

Another businesswoman, Martha Sandunela, 52, said the gang robbed her of R1,000 a few days after she failed to comply with the telephone order to pay R3,000 for her protection.

Although she has lost a house and a shop which was looted by the youths, the latest tragedy happened on Monday when the thugs fled with her Toyota Cressida after robbing her of money in the Orange Farm squatter camp.

A businessman who refused to be named revealed that most business owners in the Vaal were paying protection fees to the gang and preferred not to challenge the Mafia because that was tantamount to signing a death warrant.

Asked whether police were aware of the gang, police liaison officer Capt Piet Van Deventer said it was difficult to link every robbery to the gang because there were many criminals in the area.

In response to the township anxiety, Azapo has called on the Vaal Civic Association to disband for “failing to take drastic steps” against thugs terrorising residents in the name of defence units.

Azapo regional chairman Thadingyane Kgudumo said the civic body should dissolve and that a non-aligned civic organisation be established.
Showcasing the true potential of the small man

MORE than 300 events have been organised by 96 organisations to mark the fifth SA Small Business Week countrywide.

With unemployment at a record high, the business week – based on the theme “Our Key to Wealth” – is aimed at creating public awareness of the potential of small business to counter unemployment.

The event was introduced by the SBDC in 1988 to promote self-employment.

The project has since grown to enjoy the support of all major players in the small- and medium-enterprise development field in SA.

There are six regional committees which co-ordinate events to involve as wide a cross section of the public as possible.

The main sponsor of the business week is Southern Life. Other sponsors include the SA Chamber of Business, Anglo American, universities, major banks, the SBDC, the Urban Foundation, the Get Ahead Foundation, Fabco; the National Association of Women Business Owners and the Women’s Development Banking.

SBDC senior general manager and business week national co-ordinating committee chairman Toni Kedziorski said 50 percent of the economically active population was unemployed, if 3.5-million people active in the informal sector were excluded.

“In addition more than 400 000 job seekers are entering the job market every year, and less than 10 percent of school leavers and tertiary students will find jobs in the formal sector.”

Kedziorski said the employment situation in SA had changed dramatically, and that the majority of new job seekers would have to look at self-employment as a career option.

He said it was ideal for aspirant entrepreneurs to undergo apprenticeships with established businesses before starting out on their own.

“As opportunities are limited, an effort has been made to include youth activities in the business week programme to inform them about financing, support and advisory facilities available in setting up their own businesses,” he said.
Consumer boycott threat

TEMBISA residents at the weekend threatened to boycott white businesses in Kempton Park if members of the notorious gang, the "Toasters," were not arrested.

In a memorandum to Kempton Park chief magistrate Mr Nicholas van der Merwe, the Tembisa Residents Association claimed certain policemen worked hand in hand with the gangsters.

Police were yesterday not available for comment. The gang has allegedly been terrorising the township since the beginning of the year.
Rusfern plunges deeper into red

FURNITURE group Rusfern plunged deeper into the red in the year to end-June as large-scale restructuring, increased bad debts and stringent provisions saw attributable losses reach R183.8m (R79.2m).

The group waived its dividend, and executive chairman Laurie Korsten said there was "little chance of a group profit in the new financial year". Market anticipation of the results saw the share close on Friday at 12c, off a yearly low of 10c and a high of 59c.

Korsten said results were in line with expectations, and added that this was the first year of a three-year recovery period. During the year Rusfern raised R259.7m in a rights offer, management was restructured, more conservative accounting policies were implemented and substantial write-offs were made for bad debts.

He said the demise of the Furniture Fair group, which was exposed to the high-risk, non-growth "strugglers' market", had cost Rusfern about R230m.

Recovery from exposure to this market is coming at a huge cost, equivalent to ordinary shareholders' capital and half the convertible debentures. This is what comes of chasing sales in a strugglers' market at a time of deepening recession.

The group's turnover increased marginally to R1.4bn, but operating income was

Rusfern

slashed to only R4.1m compared with R184.5m in the previous year.

Dion and Russells, which accounted for about 70% of turnover, had shown "satisfactory turnover growth and acceptable profitability". But the middle to lower furniture division showed substantial losses attributable largely to bad debts.

Income before interest of R4.1m compared with a R16.5m loss in the previous year, which took into account a R154.9m abnormal item. The interest bill was marginally up at R35.4m, resulting in a pre-tax loss of R81.3m (loss of R100.3m).

Extraordinary items of R94.8m include R80m for the losses from discontinued operations, including the closure of Cape-based Furniture Fair and Arrow chains and certain branches in the Wanda-Frasers chain.

The balance includes writing off amounts due by the share incentive trust, goodwill from Dion's acquisition of Teeverama in Pietersburg, writing off the remaining interest held by an outside shareholder in a subsidiary, and restraint of trade payments to senior executives.

The group reported a loss of 23.8c (29.6c) a share on a fully diluted basis.

A prior year adjustment of R64.7m in deferred taxation reflects changes in accounting policy with regard to customer protection insurance of R60.4m.

During the year, the group acquired Rusfern Vehicle Trading, formerly a joint finance company established with the group's bankers to fund vehicles and equipment. Korsten said these assets, with a net book value of R53.2m, were previously off balance sheet.

Bank borrowings were down to R266.7m from R458m. Korsten said Rusfern was "unlikely to call for the additional R100m bankers' facilities of the R282m that is available to us due to the high level of under-utilisation of current facilities and the projected positive cash flows".

Operating costs were being managed down with a reduction in unprofitable outlets, closures and retrenchment. Staff had been reduced by 21%.

The level of debtors' provisions, including unearned income, was increased to 33.7% from 30%.

Korsten said the middle to upper furniture division and mass merchandising would "maintain encouraging levels of profitability" in the coming year. But the group was expected to show an overall loss because of a poor performance and "disappointing projections" for the middle to lower northern furniture division, made up mainly of the Wanda-Frasers group.

The southern division and Rudicks were expected to show a small profit in the coming year.

Korsten said the benefits flowing from the reorganisation and rationalisation of Wanda-Frasers and the focus on other unsatisfactory areas of the group should materialise by mid-1993.
Cape interest surges

There has been a surge in interest in the Western Cape. A recent report stated that 580 people interested in doing business in the Cape — 67% more than in June 2021.
Townships feel the pinch of price spiral

Lack of supermarkets means shoppers have to pay more:

By Pearl Majola

WITH yet another hike in food prices, township people who have no easy access to the big supermarket chains are probably feeling the pinch more than people in other urban areas.

According to Mr Lucas Hlavinile, a store manager at one of Soweto's big discount stores, it is almost impossible for general dealers to offer consumers the same competitive prices as supermarket chain stores.

"Chain stores get their goods at discount prices because they can buy in bulk and they have storage space," he said. "They are then able to pass their savings on to the consumer."
Fruit and vegetable survey unfair, claims chain store

Consumer Reports

A major chain store has labelled as unfair a recent Consumer Council survey which showed that certain fruits and vegetables cost 40 percent to 221 percent more at supermarkets than at local fresh produce markets.

Shoprite/Checkers managing director Whitey Basso said the survey appeared to be misleading in that it did not compare "like with like" and left out additional costs incurred by consumers who bought directly from the markets.

Mr Basso said the price of fresh produce in chain stores included transport, storage and packing costs as well as the wastage factor involved in bulk purchases.

The council's executive director Jan Cronje said that due to repacking of fresh produce and the fact that size and classification was often omitted, it was impossible to compare the prices of fresh produce to supermarket prices.

Mr Basso said Shoprite/Checkers was involved in efforts to bring down the high food inflation rate and had supplied the Board of Trade and Tariffs with figures to assist it in its investigations.

"We think it is about time the debate on food inflation was taken to its final conclusion, and that the culprits responsible for high prices were brought to book. But there are thousands of rumour mongers, each with their own research; propagating their theory on this issue."
Small business talks to US

SUN CITY — The SA small business fraternity, meeting in Sun City, was linked by satellite to the US yesterday.

US Small Business Administration (SBA) national programme manager John Bedris fielded questions from panelists of the Small Business Unity Workshop.

Chairmen of the four different conference workshops were: Keith Foster, CEO of the construction training agency and Sunside group (deregulation) chairman; Dick Robb of Barlow Rand and chairman of the Matchmaker services (sub-contracting/matchmaking); Willie Conradie of Volkskas and Trust Bank (financing); and Business Challenge (marketing) CE Phil Khumalo.

The link-up, sponsored by US Information Service, showed that the US had many of the same problems concerning small business as SA, but was tackling them.

Bedris said his organisation had the same problem when it came to training small business people.

Most of them would say that all they needed was finance; they did not need training, they said.

“We fight the same battle in the US and 80%-90% of the failures in business are due to lack of management training.”

He advised SA to step up marketing of planning programmes.

However, the US had lower interest rates than SA, so there was no need to make concessions for budding businesses.

Another advantage when it came to starting a small business development programme was that the US had a good resource environment.

“We did not have to fight like you have to for your base,” said Bedris.

He advised SA to train the small rural and urban communities to go for exports. There was no point in people being trained to sell to their own communities, he said, because there was hardly any money in those communities.

Black businessmen told to build capital

SUN CITY — The ANC urged black businessmen to think of building up capital instead of trying to ape whites with palatial houses and expensive cars, the organisation’s trade and industry policy co-ordinator Tito Mboweni said at the weekend.

He was addressing the Small Business Unity Workshop conference, organised for the annual Small Business Week and hosted by Potchefstroom University’s Small Business Advisory Bureau.

Mboweni urged government and parastatals to allocate contracts for undertakings such as the supply of stationery and computers. “This would go a long way towards promoting the development of small business. The black businessmen grow on contracts.”

However, he asked: “Are black businessmen ready to take up the task? Are they taking advantage of these packages or just squandering the resources?”

“There is a pattern among blacks. We have been excluded for many years from the good things in life. To equal whites, we build big houses and buy expensive German cars.

“That money which we could get from the SBDC or the banks could be used to build capital. We should pool our financial resources to buy shares,” he said.

“Why can’t we learn from Afrikaners who put all their money into Volkskas, their insurance into Sanlam and their buying power into Uniwinkel?”

Nedcor raises R2m for drought relief

NEDCOR Bank has managed to raise nearly R2m through its drought relief effort, The Harvest, despite the poor economic climate.

Launched by Nedcor in July, The Harvest has seen individuals, as well as corporations, pool their resources in an attempt to help SA’s millions of drought victims.

Nedcor Bank public affairs GM Theo Coggins said the bank hoped to attract the attention of corporate investors during its final month of the drive.

“The Harvest is the perfect conduit for corporations which have earmarked funds for drought relief.”

Coggins said many corporations had already donated funds to The Harvest, including Murray & Roberts, LTA Construction, Highveld Steel and Vanadium and CG Smith Foods.

Nedcor’s objective with The Harvest had been to support a sustainable and stabilising relief effort, he said.

In addition to the corporate funds raised, Nedcor had been donating 10c for each ATM transaction, amounting to R350 000 a month off the company’s bottom line.

The credit card division had pledged 15c for every R500 spent, while Nedcor employees had been asked to donate up to 3% of their annual bonus, Coggins said.
Improved sales boost Ellerine

A MARKEDLY improved performance in the second half saw furniture retailer Ellerine Holdings report a 9% decline in attributable earnings to R50,4m (R55,5m) in the year to end-August, after earnings had dropped by 32% at the interim stage.

Chairman Eric Ellerine said the improved performance in the second six months had enabled the group "to make up much of the shortfall" of the first half, and sales for the full year had decreased by only 1% to R339,2m from R335,5m. Operating profit was down by 7% to R97,8m from R104,8m.

In the first half to end-February, sales were down by 8,3% and operating profit dropped by 30,5% as the group was affected by strike action during its peak season and the sharp drop in consumer demand.

But in the second six months, sales were up by 9% and operating profit grew by 16% over the same period last year.

Ellerine said results were pleasing, "especially when seen against the marked decline in sales and operating profit for the first six months", when the company experienced industrial action.

After paying interest of R2,2m (R7,5m received), pre-tax profit decreased by 9% to R55,6m from R105,8m. After lower taxation of R44,9m, earnings were down by 9% to 76c a share from 774c.

A final dividend of 145c a share was declared, bringing the full year dividend down by 9% to 233c a share in line with the group's policy of a three times dividend cover.

Ellerine said the increase in current assets had resulted from higher sales in the second half compared with the same period last year, together with "a slightly lower collection rate due to the depressed economic environment".

The improved performance was expected to continue, and Ellerine said improved results could be expected for the coming year.

The share closed yesterday at a yearly low of 4,00c, after touching 4,80c in November last year.
Real retail rentals tumble as shoppers feel the pinch

By Frank Jean

Tight economic conditions, lost jobs and falling sales have combined to give rentals in the retail sector a severe knock.

In his latest report on the property market, Erwin Rode of the Cape-based consultancy Real Estate Surveys (RES) says: "It used to be 'shop until you drop' but now it's 'customers don't shop, so rents drop'."

On the surface, it appears that nominal shop rents for central Johannesburg and Pretoria are ticking along not too badly considering the recessionary climate.

"However, once these same rents are deflated using the consumer price index, the real tumble in levels becomes apparent."

"Even in that haven of well-heeled Rosebank in Johannesburg, where levels held up for slightly longer, rents have gone steadily downhill in real terms."

Contributing to the fall have been depressed consumer spending resulting from unemployment, low salary increases and the trend to buy downwards.

The industrial sector, too, is feeling the pinch and owners are now fighting hard just to equal mid-1991 levels, despite small increases recently.

"Looking at the latest figures, only a few industrial areas could achieve nominal growth over the past year."

"As was to be expected, the heavy industrial areas of the east and far east Rand have suffered the worst in the recession."

On the office front, RES reports that most nodes now have more than 8 percent of their A-grade space empty.

Johannesburg's CBD is expected to have 15 percent vacancies of A, B and C space combined by the end of this year.

Nevertheless, Johannesburg experienced strong take-up demand in the past six months, due largely to the opening of First National Bank's Bank City.

Mr Rode forecasts that generally there will be negative growth in office rents for this year but thereafter central Johannesburg and Sandton are expected to head the turnaround."
Furniture group Ellerines, which has a large exposure to the black market, reports a nine percent drop in earnings in the year to end-August but adds that sales picked up slightly in the second half of the year.

After a one percent decline in turnover to R588.2 million (R592.4 million) attributable income for the year dropped from R65.5 million to R60.4 million.

This was equal to a fall in earnings per share to 702c (774c), leading to a cut in the dividend from 257c to 233c.

The directors say the results were boosted by a nine percent sales increase and a 16 percent improvement in operating profits for the second half of the year over the comparable period in financial 1990-91.

If the economy does not deteriorate further the group expects to maintain this trend in the current financial year.
Small business steering group

The chairman of the steering committee, which is to formulate a framework of policy affecting small business, has been established.

The Small Business Unity Workshop Conference, held in Sun City yesterday, appointed the five-man committee comprising chairman of the five workshops.

It is to co-ordinate the different small business committees nationwide to formulate a uniform policy.

The workshops they headed were on training/consultation, deregulation, subcontracting/matchmaking, financing and marketing respectively.

The idea of such a committee came when Foster, giving his report on the deregulation workshop, told the meeting that not one party in all the main political players had a small business policy.

"If the situation is left the way it is, small business will always be neglected," Foster said.

"Deputy Trade and Industry Minister David Graaf, who is entrusted with small business, is still finding his way working out a Cabinet view on small business," he said.

The committee includes Steyn and Saco's small business forum were working on merging into a single body and hoped to have the structure in place by the end of the year

The steering committee would immediately get to work investigating the final structure, he said.

Talk to police, Mandela is told

ANC president Nelson Mandela should meet police generals and tell them directly what his organization expected of police, instead of simply criticising them from a great distance, says Idasa director Van Zyl Slabbert.

Addressing an Idasa conference on policing in Vanderbijlpark yesterday, Slabbert said a new negotiating forum dealing with the role of the security forces and stability during the transition to democracy was urgently needed.

Slabbert said a future political accord would depend on "transitional stability" in the public service, including the police.

He warned political leaders that the public service could disintegrate, with grave consequences, if it was left without a sense of purpose while national negotiations were going on.

The public service had been "meticulously and systematically" built up to pursue the goals of apartheid.

Now it was facing a crisis of legitimacy, he said.

Slabbert said he had always regarded Codessa as an inappropriate forum for negotiations because it had created the illusion that politicians could negotiate transition on their own.

He added that efforts by Finance Minister Derek Keyes and Cosatu to establish an economic forum and the recently established housing forum, were places where "the most important bargaining is taking place".

"I think it is unreasonable to expect the police to pull themselves up by their own bootstraps."

"Like most of us, they were singularly unprepared for change," Slabbert said.

"Only five or six years ago it was seen as part of the training of police and soldiers that they had to eliminate the enemy," he said, adding that the same was true of the liberation movements.

Police consultant Kobus Neethling, who has addressed more than 15 000 policemen on ways of improving their creativity, said police needed new skills if changes in their values were to be effective.

He said police and community visions of SA needed to be aligned to truly address the accountability of the force.

Neethling said the majority of policemen he had spoken to wanted to continue with policing and had a "positive awareness" of their role.

Police needed to be caring, emotionally involved, vulnerable, sympathetic, humanistic and intuitive to succeed in their work, he said.

Eastern Cape Council of Churches chairman Meebeli Xundu said community organisations had shown they appreciated law and order by using marshals to control their protest marches.

He said chiefs and headmen needed to be elected by their communities to create confidence and increase the accountability of their policing activities in the rural areas.
**City Lodge group may be listed on JSE next month**

**JONI WATERS**

THE Mine Pension Fund Management Services would push ahead with plans for listing the City Lodge hotel group in early November, CE Barry Botes said yesterday.

Botes said at a presentation of the financial results of the Mine Officials’ Pension Fund and the Mine Employees’ Pension Fund that City Lodge planned to offer 5-million shares and convertible debentures at about R5 each. City Lodge was co-founded by the two mine pension funds and Hans Enderlie in 1985. The officials’ fund’s total assets in the 18 months ended June stood at R9,2bn and the employees’ fund’s total assets amounted to R5,1bn. Botes said the fall in the De Beers share price had wiped R180m off the two funds’ assets.

The return on total assets for the officials’ fund in the year to end June 1992 was 19.7% compared with 23.8% in the same period of the previous year, while the employees’ fund showed a return of 19.4% (24.4%).

In the 18 months to end June 1992, the officials’ fund received R478m from interest payments, R251m in dividend payments and R59,7m in rent income.

Expenditure amounted to R75,9m, producing a net income of R716m.

The employees’ fund earned R201m in interest, Rs2m from divi
dends and R65,4m in rent which brought its total income for the 18 month period to R477m. Net income for the period amounted to R390m after expenditure of R287m.

Both pension funds had a mix of fixed interest cash, equities and prop-
erty portfolios, but with a bias towards the stock exchange. The major equity holdings included Liberty Life, Richemont, Absa, Gencor, De Beers, Anglo American and SAB.

The officials’ fund investment in shares at market value at June 30 this year amounted to R5,728m and the fund’s second largest investment was R295m in fixed interest securities.

Shares held by the employees’ fund at market value totalled R3,585m and the fund’s second largest investment was R255m in fixed interest securities.

Botes said the lack of revival in the economies of the G-7 countries had further affected SA and commodity prices had remained weak.

There was no major driving force to get the world economy going. However, the US could act as a positive force in stimulating world growth as it was election year, Botes said.

“Slow mild growth should come about in SA in the coming year, as-
suming a political solution is reached soon,” he said. As a result, Botes said the investment policy of the pension funds would remain cautious.

In June this year, the Mine Pension Funds’ Management Corporation was replaced by the Mine Pension Fund Management Services, which Botes said would make the manage-
ment of the two funds more efficient.

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**Analysts pessimistic about Rusfern recovery outlook**

**MARCIA KLEIN**

THE Rusfern group was expected to record increasing losses which did not bode well for a medium-term recovery, ana-
lysts said yesterday.

They were reacting to yesterday’s public-

ication of the furniture group’s results to

end-June, in which attributable losses plunged to R135,9m from Rs2,2m in the previous year.

There was no reaction to the results in terms of the group’s shares, but analysts said the losses had been expected and were already discounted in the share price of 15c, off a high of 550c last year.

They added that at 15c, there was not great scope for downward movement.

Rusfern had forecast that there was little chance of a group profit in the new financial year, but analysts said they feared the losses could remain substantial.

If this was the case, Rusfern could find it difficult to live up to its three-year recovery programme.

An analyst said the post year-end resigna-
tion of Wanda-Fraser’s and southern fur-
niture division chairman Ian Sturrock was a blow to the group.

Sturrock had been responsible for building up Russell’s, one of the group’s only profitable divisions, he said.

An analyst said he doubted that the group would be able to keep its head above water after financial 1993.

However, he said Rusfern’s bankers were committed to continue funding the group for at least four years.

Executive chairman Laurie Korsten had said Rusfern was unlikely to call for the additional R150m bankers’ facilities available to it.

The analyst said this could indicate that the worst was over, but the market would adopt a wait-and-see attitude.
Johannesburg's CBD 'is still good for big business'

There is still solid support for the Johannesburg CBD despite the negative perceptions prevailing at the moment, says CBD Association chairman Stan Arenson.

"If one looks at the developments taking place, there is a great deal of investment and confidence in the area," he said.

A total of 157 000m² is under development or proposed in the area, with the major buildings including another 46 000m² for First National Bank, 21 000m² for Absa and 30 000m² for Anglo American's new head office.

Of this, only 12 000m² is speculative, leaving 145 000m² to be owner-occupied.

"These large investments repudiate the perception that large companies are fleeing the CBD," he says.

Many of the companies leaving the CBD occupied only small amounts of space and did not greatly affect vacancies in the area. The move out of the CBD by Rand Mines is believed to have been caused by financial factors rather than a desire to leave the area.

A lot of the space being vacated as companies expanded, upgraded or decentralised was being filled by black tenants, who were opening businesses or moving away from working at home.

"One of the main reasons for this is that transport to the north is a problem for many black people, and the CBD remains one of the hubs of business," Arenson says.

To combat crime in the area, an additional 400 police have been deployed, while another 400 will be utilised in the area by the year-end. There is also a permanent uniformed patrol, and satellite police stations are being opened where necessary.

"About 450 000 people enter the city every day, mostly from Park Station. If one had the crime statistics for other areas, you would probably find the amount of crime relative to the number of people is lower in the CBD than in most northern suburbs," Arenson says.

An initiative is also under way to improve the situation with relation to hawking. The Carlton Centre was giving hawker carts and even offering them storage facilities if they kept the area clean, kept their wares in the cart and kept other hawkers away.

Andrew Krumm reports that LTA Building has begun construction of the R130m third phase of the FNB BankCity project. The building will be completed by July 1995.

LTA regional MD René van Hal said competition for the third phase contract had been stiff, and the deal was finalised in August after tough negotiations.

"This phase will contain four basement levels, ground floor retail space, two mezzanine floors and seven floors of offices. It will be clad in granite and will have lead roofing to match the rest of the complex."

The second phase was near completion and would be handed over to FNB in the first quarter 1993, he said.

FNB construction director Jim Henrey said rebuilding the link bridge - damaged when neighbouring Aiken House was imploded to make space for the third phase - had not affected the overall completion date of phase two.

"The construction programme is tight, but with team spirit and dedication, we are confident we will hand over the building on time," Van Hal said.

On completion the whole project will have added R400m to LTA's turnover, provided 202 000m² of parking, retail and office space for FNB. The project reaffirmed the bank's commitment to the CBD, Henrey said.
Good second half stems decline at Math Ash

MARIA KLEIN

OFFICE furniture group Matheson & Ashley Holdings (Math Ash), which showed its first loss since 1985 at the December interim stage, remained in the red for the full year to end-June.

But results published today show a significant improvement in the second six months.

Math Ash, which is the only listed office furniture group on the JSE, reported a loss of R5,5c a share to end-June compared with earnings of 3,3c in the previous year. The dividend was passed.

The loss per share had reached R1,7c at the interim stage, but an improved performance saw it earn 5,2c in the second half.

MD John Beck said there had been no improvement in trading conditions in the SA economy as a whole, and the office furniture market in particular.

The Reserve Bank had said fixed investment spending, crucial to a healthy office furniture industry, had slumped by 13% in real terms between the end of 1988 and the second quarter of this year.

Turnover for the second six months had declined by 4,5% in line with seasonal conditions, but it was still 15,5% ahead of the same period last year. This resulted in a 16,5% rise in turnover for the year to R145,7m from R125m.

Operating income for the year dropped to R270,000 from R22,2m in June 1991, but showed an improvement on the interim operating loss of R1,1m.

Finance costs rose by 31,4% to R3,4m, bringing the loss before tax to R2,8m (R34,7m). Beck said the interest charge for the second six months had declined as a result of lower average borrowings from working capital reductions and improved treasury management. Working capital was reduced to R25,3m (R25,5m).

After tax of R4,000, Math Ash showed a loss of R2,6m, from income of R27,000 in the previous year. Beck said tax had not been provided for in certain subsidiaries as they had estimated tax losses of about R12,5m available at year-end.

After outside shareholders and preference dividends, Math Ash showed an attributable loss of R7,4% of income compared with income of R37,000 in the previous year.

Beck said the return to attributable profit in the second six months was a milestone for the group, as it was "the first six month period since June 1989 that the deteriorating profit trend has been reversed".

Vestcor, which holds 74,4% of Math Ash, showed an attributable loss of R9,44 000, equivalent to a loss of 12,1c a share. No dividend was declared.
Call to nail food inflation culprits

MARCIA KLEIN

MASSMART MD Mark Lambert has called on food industry players to publicise details of price movements of the top 100 food lines as they pass through various distribution channels, in order to find the source of food inflation.

He said players should account for the costs they attributed to the values they added. The industry needed to be scrutinised and the major contributors to the price rises should be exposed.

Lambert said Massmart has disclosed statistics of Massmart division Makro, which has food sales of more than R1bn.

He has compared prices from September 23 1991 with the same day in 1992, excluding GST and VAT.

Makro's top 10 lines constituted 12.6% of food sales. Cost prices increased 12.8%, and selling prices 8.5%.

In the top 50 lines, which comprised 22.1% of sales, cost price inflation was 9.5% and selling price inflation 4.4%.

Within the top 50 lines, he said 14 were selling at lower prices than the previous year. These included mealie meal, eggs, oil, candles and more.

The price of whole chickens was unchanged, and rice, margarine, sugar, baked beans, cheese and teabags, had increased less than 10%.

Lambert said retailers were using low margins as proof that they were not "adding undue cost", but he said retailers should disclose gross margins.
Recession 7/9/92

PARK: Absent: Helen, Locke, William; Present: Mike, Mark, Ronnie, Ken.

Service: "The best is Nissan sales and service," said Sean Waker.

Recession: "We feel it's better to soften customer needs — it's all part of our policy of customer satisfaction," said Sean Waker.

Roadshow: "The human resources people have asked for a roadshow," said Mike.

Nissan: "We've been successful over time. New dealers have done well in the PVP area. Other dealers have done well in the market."

Five dealers unite to go it alone.
Big business brysterly
Small business was
Resists on lawful action

Police powers needed to

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**By Joseph Kedgelo**

The small man

Saccos to help

**Sowetan** Thursday October 8 1992

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**Business**

 Diary of events all over

Saccos kinds a helping hand to small enterprises

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Subcontracting a
"profitable" venture

THEO RAWANA

ANGLO American viewed subcontracting to small business as a good business deal, not as a charitable or social responsibility, Anglo gold division executive director Clem Sunter told executives yesterday.

Addressing a Contracting Indaba gathering at the SBDC’s Pennyville Hive in Johannesburg — part of the Small Business Week — Sunter said:

“We go to these entrepreneurs because they do jobs cheaper than we would have done them ourselves.”

These ventures had saved Anglo R5m a year. The regionalised nature of the SBDC’s operations allowed communities to uplift themselves.

“There is a silent revolution taking place in SA. People in Khayelitsha (Cape Town) are turning over R74m a year on 300ha of fertile land, and 70% of the houses have backyard businesses,” he said.

See Page 4
Off to a good start

Small Business Week attracts lots of interest.

By Joshua Raboroko

THE National Small Business Week, aimed at creating public awareness of the potential of small and medium-sized enterprises, got off to a good start.

Based on the theme "Our key to Wealth", more than 300 small and medium events have been organised by 95 organisations for public participation countrywide.

Activities involved both the formal and informal sectors and ranged from fairs, markets, fashion shows, exhibitions and township and rural shopping tours to conferences, seminars, workshops and training sessions.

Speaking at the launch in Johannesburg, chairman of the Small Business Development Corporation (SBDC) Dr Ben Vosloo said the informal business sector was the way to the future for South Africa.

SBDC senior general manager Mr Tony Kedzierski said: "Unemployment rates stand at 50 percent of the economically active population."

"In addition more than 400 000 new job seekers are entering the job market every year," he said, adding that "currently less than 10 percent of these school leavers and tertiary students will find jobs in the existing formal sector."

He said with unemployment most job seekers would have to exploit self-employment as a career option.
Union plans boycott

Union will occupy company headquarters and stores throughout the country.

By Joe Mdhlela

The demands included asingle bargaining unit in the company and the withdraw of all dismissals.

The union has decided to intensify its strike action against the company.

Over the coming weekend, a national strike support committee would be launched with community groups.

"It is likely that a national consumer boycott would be announced at this launch," he said.

Mr Hilton Toofo said this week.

He said the union would also occupy the company's head office and stores throughout the country.
Expenses in black businesses amount to 90 percent of turnover.

Black businesses hit by mass action

By Joshua Raboroko

Many black-owned retailers on the Reef are operating their businesses at a loss.

In a snap survey of 100 outlets, the Soweto Investment Trust Company (Sitoa) found that 94 percent of them are operating below their break-even points.

A spate of robberies, political unrest, taxation and statutory requirements such as rent owing and service charges have put most enterprises in the red, according to the survey.

The survey says the closure of shops as a result of either bankruptcy, looting and tax crackdowns have also added to the crisis.

The findings of the survey have been supported by the Greater Soweto Chamber of Commerce and Industries, the Soweto Independent Shopkeepers’ Association (Sotina), the Katielhiang Chamber of Commerce and the Vaul African Chamber of Commerce.

Sitoa managing director Mr McDonald Temane says while turnovers were well recorded, expenses were clearly high. In most cases expenses were about 90 percent of turnover.

THUGS ENTER FRAY

Businessmen

intimidated by youths during boycotts and stayaways:

“When indirect expenses and incidental expenses such as shrinkage and disturbances of trading hours are added, the situation becomes very bleak,” he said.

Temane said that most of the older traders were left with no option but to sell their businesses because of cashflow problems. He said: “Our view is that some form of Government relief has to come into effect. “We are mindful however of the fact that Government spending is already high, and that if we are to come out of the recession one of the measures that should be employed is the reduction of Government spending,” he said.

Sotina general secretary Mr Thami Skenjana said that the escalating rate of crime and violence had serious effects on black business, although he did not have statistics.

“I was personally threatened with death and forced by youths to close my supermarket. I was forced to pay protection money.”

Skenjana said more than 40 of their members had been intimidated by youths. The incidents occurred mostly during stayaway days.

“We trade under strenuous conditions. We are faced with difficult times and unless something is done, we will be forced to close our operations.”

Executive director of GSIC Mr Max Legodi said that many black businesses were collapsing as a result of violence, boycotts and stayaways.

He said that at least 10 tenants had closed their businesses at the Pinville Plaza because they maintained the shopping complex was not economically viable.

President of Katielhiang Chamber, Mr Joshua Namane said eight businesses had been killed in acts of violence on the East Rand since January.

“We are forced to close business early because we fear being attacked,” Namane said.
Motor industry sells more vehicles

By Sven Lünsche

The motor industry received a slight boost in September, with all four sectors recording sales gains.

The National Association of Automobile Manufacturers (Naamsa) said yesterday new car sales of 15,920 units in September were four percent up on August sales.

It welcomed the increase, which it attributed to strong demand for recently introduced new models.

Sales of light commercial vehicles, bakkies and minibuses at

8,544 rose by 8.9 percent, while medium and heavy vehicle sales increased by 16.3 and four percent respectively.

Naamsa cautioned, however, that sales for the year to date were lagging well behind levels achieved in 1991 and that trading conditions would remain difficult in the short-to-medium term.

The sales figures show that Toyota regained its top market share position in the new car sales and light vehicle sectors, which it had lost in the wake of extended industrial action at its Durban plant.
September new car sales show encouraging growth

NEW car sales in the first nine months of 1992 were 11% below levels in the same period in 1991, but September's month-on-month increase was encouraging, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Naamsa said the new vehicle market would remain difficult in the short to medium term. However, a month-on-month increase in September in all four segments of the vehicle market was good in view of negative fundamentals and socio-political difficulties.

Underpinned by demand for recently introduced models, September's new car sales improved 6% to 15 820 against the 15 214 sold in August. However they were 7.1% lower than September 1991's 17 023 sales.

Samcor sales and marketing director Sean Bownes attributed the monthly increase to Toyota's return to full capacity and seasonal rental deliveries.

Toyota SA marketing MD Brand Pretorius said the supply situation was back on track two months after the strike at its manufacturing facilities. Toyota's market share in September improved to 27.9% from 27% in August. September light commercial vehicle, bakkie and minibus sales at 8 544 improved 8.9% compared with 7 848 recorded in August and 2%

compared with 8 374 sales in September 1991.

Medium (MCV) and heavy commercial vehicle (HCV) sales rose 10% and 5% to 290 and 443 respectively in September from August.

Compared with the same month a year ago, September's MCV and LCV sales were 15.7% and 8.7% lower.

For the three quarters to end-September total car sales were 11% lower at 137 209 against the 154 497 sold in the same period in 1991. LCV sales were 9.4% down at 69 614 compared with 76 649 in 1991, while MCV and LCV sales recorded declines of 29.8% and 8.5% respectively.

Vehicle sales exceeded Samcor's expectations and although the improvement did not signify a turnaround, Bownes upped previous forecasts of 167 000 new car sales in 1992 to 180 000.

Fuspan SA marketing MD Stephanus Loubser said an improvement in conditions was unlikely within the next six to nine months.

Thereafter, conditions should begin improving due to the introduction of new owners would have to start spending in order to curb costs. Prices would also increase at a slower rate over the next two years, he said.
Getting the magic back

Woolworths has always been the principal profit generator in Wooltruc. More recently, Wooltruc's Cinderella has begun to approach the witching hour. In fiscal 1992, the profit contribution from Woolworths fell by three-quarters, with the result that Wooltruc's earnings crumbled by 38%.

This came as a surprise to Woolworths' MD Syd Muller. He had watched trading results deteriorate throughout much of 1990. By the summer of 1991, he recognised — for the first time — that the legacy of success he inherited in 1988 was based on the soundest of merchandising principles, but a chasm developed between them and the totality of modern business practice in the chain.

As deputy MD until 1987, Muller had never actually managed the overall business and the selection of key personnel had not been one of his prime responsibilities.

When he took over as MD the next year, the position came with all the baggage of the past. David Susman, about 30 years Muller's senior and doyen of SA retailing, was non-executive chairman of the group while trying to ease himself out of day-to-day involvement. Colin Hall, on the Wooltruc board since the acquisition of Truworths, had been appointed CE. Most of the management corps had been with the company for many years. Trade was booming with turnover and operating profit bounding ahead. New fashions, men's and women's, were selling well.

Throughout the late Eighties, the "Woolies" clothing range became more style-conscious. The new food hall concept that Muller had helped turn around was a success. In the first half of 1990, it seemed nothing could go wrong. But rising interest rates were taking their toll on consumers' disposable incomes.

Growth in Woolworths' sales tailed off. The higher fashion merchandise in particular was not moving. Initially, management believed it to be all the fault of the consumer. It seemed inconceivable that their buyers had badly misjudged what Woolworths' customers wanted, or that prices were excessive.

In August 1991, after the release of considerably less-than-buoyant results, it appeared to the FM that the Wooltruc board was on the defensive. We wrote: "Questions arising from the accounts are easily explained away by management. But a feeling remains that all is not quite what it should be in the group" (Fox August 23 1991). Woolworths' profit was 6% less than in 1990 (Wooltruc regrettably does not disclose divisional profit figures).

When Muller first recognised the magnitude of the problem, he moved fast. But it takes a long time — many seasons, according to Muller — to turn a ship the size of Woolworths around.

The first public manifestation of his action was the phenomenon of Woolworths' sales which, for the first time, were advertised. Then, in the second half of 1991, stock that was not moving was cleared out at fire-sale prices. That is largely why the division's profit plummeted despite the 7% rise in sales in fiscal 1992.

Vigorous action was also taking place behind the scenes. Merchandise director Farroll Ratcliffe, an Edgars' employee for 27 years, was headhunted and he joined Woolworths a year ago. He was followed by Edgars' marketing director, Carol Grolman, widely respected in the retail sector as a leading marketing exponent. Both are now on the Wooltruc board.

Ratcliffe, together with Brian Frost, previously director in charge of foods, has been appointed assistant MD. Previous human resources director Stuart Campbell has left the company. Jon Lavies, group finance director, was appointed to the board. Simon Susman, previously operations director, was moved to foods, where he excels.

Rationalisation and substantial changes in responsibility have been board level shock the organisation. But, according to a newly confident Muller, weaknesses in management and its structure have been identified and eliminated.

Hall, the man who followed the example set by Specialty Retail Group (SRG), which invested much earlier in the latest information technology, it would have had far warning that its merchandising was not what its customers wanted. But its information systems were hopelessly inadequate.

All the Wooltruc directors are responsible for this deficiency. It is difficult to understand how a group with Wooltruc's reputation for excellence could have failed to keep pace with international retail trends in systems and information technology.

Aside from Hall and Muller, Wooltruc's board embraces two other outstanding retailers. Eddie Parfett (50) is MD of SRG, of which the backbone is Truworths. Mark Lamberti (42) is MD of Massmart, at the core of which is wholesaler Makro. For years, the most sophisticated management information systems that money can buy have been installed in both these chains.

The inference is that at the level of Wooltruc's board, the degree of autonomy between the operating divisions is such that no board member of one division is exposed to much detail of the other divisions. To a point, this is understandable. But as group CE, Hall should have had intimate knowledge of the inner workings of each division.

While Woolworths' profit performance was a disaster in fiscal 1992, Massmart's was even worse — by 15%. Its profits declined by 76%, though for reasons which were different and, to a limited extent, planned.

Lamberti is a dedicated and highly talented retailer. It has always been his ambition to excel in this field. Parfett identifies his ability when he was with Fairways, a retail chain then in the Truworths group and tried to recruit him into SRG. Only later, when the Makro MD slot was offered to him in 1988, did Lamberti accept the challenge.

Lamberti is a visionary. He is also a hands-on manager who exudes high voltage energy and an ambition that seems to translate into effective action. But he has yet to demonstrate that Massmart's big turnover — expected to be about R2,7bn in 1993 — can produce appropriate profits.

Within a year of joining Makro, he says,
bankment development. Transnet is co-sponsor with the city of the multibillion-rand Point project though it is likely to be managed by an independent development agency and could take 20 years to complete.

The Victoria Embankment project, mooted 90 years ago, was revived recently by the transport authority. Portnet last year produced a grandiose R450m proposal to dredge and reclaim about 20 ha in the bay. It suggested the creation of three islands linked to the mainland by bridges. Impact studies revealed, however, that this would overload available infrastructure and the scheme has been revised to include just one island.

The city council has earmarked R400m through the special projects development account to kick-start these projects together with a new regional library and cultural centre, and an international conference complex (Property July 31). It believes these schemes will contribute to the city's growth.

CAPE INVESTMENTS

Signs of spring

The return on investment in Cape Town's commercial property sector is lower than in other big centres - but the region's relative stability is a major attraction. While not exactly booming, commercial and industrial sales in the city are picking up, particularly to Transvaal-based private investors.

Seiff Commercial Properties (SCP) MD Theodore Yach says that 17 Cape sales worth R37.4m were negotiated by his company in the first eight months of the year. This was more than the total value of SCP's investment sales for the whole of last year.

He adds: "A few years ago, Cape investment properties were generally regarded as second stringers, but our investment sales team's performance this year indicates a significant change of attitude by investors and underscores the strength of this sector."

SCP's latest sale was the 5 106 m² Satbel Centre in Greenpoint, which was bought by a Johannesburg investor for R4.7m. The property includes a 600 m² vacant stand due to be developed soon. SCP director Errol Diamond, who negotiated the deal, says an increasing number of Transvaal investors are looking for opportunities in Cape Town. But suitable properties are in short supply.

Diamond says sale prices are generally close to asking prices. This is because out-of-town investors are becoming more aware of real values in Cape Town.

Cape rentals, particularly in the industrial sector, are lower on average than other centres, which means there are good prospects for rental growth in the Cape compared to other areas. Diamond believes the Cape commercial market will keep moving upwards, though it could obviously be adversely affected by negative political developments.

He also says Cape commercial properties are a good buy for foreign investors. Rental

UMDLOTI SANDS

That sinking feeling

Umhloti Sands, the ill-fated Natal North Coast timeshare resort, faces closure within weeks unless it resolves its mounting debt crisis. About 300 timeshare owners at the resort attended a special meeting last week which was claimed to be the last AGM in two years. They were told their share block company owed more than R560 000 and might also be liable for a R12m mortgage raised this year.

Not present were the resort's developer, Tilly Greenstein, or the man to whom she reportedly sold the bulk of her stake, British businessman Anthony Quayle (Property September 4). Organisers of the meeting say notices were pinned to the doors of their last known addresses.

It is estimated that an initial R350 000 is needed to overcome the immediate crisis and that it will take another five years to get everything shipshape.

Riona Cominelli, chairman of the Timeshare Institute of SA, and MD of timeshare operators H Lewis Trafalgar Timeshare, says the institute has kept abreast of developments at Umhloti Sands and her company will be willing to offer its expertise to help ward off provisional liquidation.

The special general meeting was told that an application for the provisional liquidation of the shareblock company could be lodged with the Supreme Court in Durban next week. A committee of five directors headed by Umhlanga property valuer Bev Robinson has been elected to investigate ways of saving the resort.
Policy probe planned

THE NEED to urgently identify coherent policies to promote small business at all levels dominated this year's Small Business Week conference at Sun City.

Instead of speeches the conference was organised into two days of intensive workshops dealing with training, marketing, deregulation, subcontracting and financing.

On Monday, the United States Information Service organised an hour-long satellite link-up with the national programme manager of the Small Business Association in Washington, Mr John Bebris. Participants in the workshops raised the main issues and Bebris gave details on how these had been dealt with in the United States.

The 200 delegates decided that a steering committee should be established to formulate a policy framework for small businesses, which would be put to all political parties.

The Small Business Development Corporation/Southern Small Business Week runs until October 10.
Pessimists

Small businesses are pessimistic about recovery and do not seem to be planning for any expansion next year, says the first joint SBA-COB quarterly survey of their business confidence. Respondents are even more pessimistic about the influence of political and social conditions on their businesses. They expect input costs to rise in the next 12 months and to be passed to consumers. Most respondents identify market demand as the most restricting factor on increasing sales volumes.
Wanted urgently: business supremo

IT COULD read: "Wanted: Minister of Small Business. Visibly able to identify and encourage radical new approaches to economic growth by unleashing the full potential of small and medium enterprises. A major task will be cutting bureaucratic red tape and cultivating the full co-operation of various government departments. Prospects of Cabinet status for ideal candidate."

No, unfortunately the announcement has not yet appeared in the Government Gazette. But there is a growing swell of opinion in economic circles that it is time it did.

The idea of a specific new ministerial portfolio to encourage the expansion of the small business sector was among the top items on the agenda at a recent conference at Sun City run by the Small Business Advisory Bureau.

The Small Business Development Corporation has long underscored the crucial need for radical new thinking about strategies to bring budding entrepreneurs deeper into the economic mainstream.

The potential role of a Small Business Supremo was first identified when the National African Federated Chamber of Commerce (Nafcoc) invited Eric Forth, as British Minister of State for Employment, to launch the National Industrial Chamber a year ago.

Nafcoc learnt that Britain had already taken the lead by establishing such a portfolio — and Forth had been running it.

The programme introduced special government incentives to create more mini-businesses to test a new path to economic expansion with the added bonus of lower unemployment. And Forth reported a whole string of successes.

The debate also fired the enthusiasm of SA Chamber of Business deputy director-general Ron Haywood when he heard how Britain had tackled the issue.

He learnt that:

● In Britain, with a member of government of ministerial rank acting as special guardian of the interests of budding entrepreneurs, the small business sector had grown by 30 percent or more in the 1980s. No fewer than 373 000 new mini-ventures had been launched.

● New small businesses, with labour forces of less than 20 workers, had created more than a million jobs over the past 10 years — twice the total scored by larger companies.

● The UK had made dramatic cuts in regulatory red tape to sweep away hindrances to allow faster development of small businesses in the manufacturing and service sectors.

● Self-employment increased by 70 percent — and the number of women in the small business sector doubled.

● Since 1981, no fewer than 25 000 mini-firms had benefited from a loan guarantee scheme by almost R4,8 billion.

● The UK government had ploughed R40 billion into the nurturing of small businesses — and the private sector had topped it with R6 billion in training schemes.

Haywood found that in Japan, no less than 60 percent of industrial companies were small businesses, many engaged as subcontractors or jobbers to big businesses. In Taiwan, the proportion climbed to 90 percent.

"One also sees how the small-business formula is being copied at an increasing pace in more and more Western industrial nations as they find themselves slipping behind their Far Eastern rivals in competitiveness," Haywood said.

"South Africa must follow suit. Even if the creation of a special new portfolio may take time, we desperately need a 'Champion of Small Business' in the corridors of power."

"Fortunately, there have been positive signals coming back from the Department of Trade and Industry. But there are still dreadful frustrations when small businessmen are shuttled from one government department to the next on every move," he said.

Sacomb has already set in motion a number of initiatives intended to spur on big business to offer a helping hand to aspirant entrepreneurs — but at least in handing many more subcontracts to mini-businesses to tackle the production of components or the provision of a wide variety of services.

Not only has there a special Small Business Committee been formed at national level to encourage the process, but scores of individual chambers are being asked to follow suit."

"South Africa still needs" as many big corporations as possible to match the international giants by using economies of scale in industry and commerce," said Haywood. "Equally important, though, as proved all around the world, we also need to mobilise all the potential resources of the small business sector. The ideal would be far more balance in the development of big business and small business — more harmony and more pooling of skills.

"We have tremendous resources at our disposal. We usually concentrate on our mineral resources when we weigh our relative advantages in global terms. We need to give a lot more attention to our human resources chamber.

Haywood likes to insert the reminder that when South Africa sells its basic chrome ore in its natural form, it brings in no more than about R600 a ton. If the raw ore were processed all the way to the manufacture of finished products — stainless steel pots and so on — it would become worth tens of thousands of rands a ton.

"The missing link is the required number of factories along the pipeline to handle the gradual beneficiation of the raw material. That's where countries like Japan, with few such natural resources of their own, weave the magic that makes them economic world-leaders."

"South Africa needs to take a new count of its known hidden resources. The role of small business could be enormous."

"The answer would be the installation of a Small Business Supremo with the clout to clear all obstacles and define new ways to tap the full potential of our budding entrepreneurs."

Debate is in full swing in economic circles on proposals to press the Government to appoint a special national supremo to unleash the full potential of a new generation of small business entrepreneurs. Support for the idea is growing, reports MICHAEL CHESTER.
OK shares' downward spiral hits 14-year low

MARCIA KLEIN

OK BAZAARS' shares tumbled to a 14-year low last week, closing untraded on Friday at 600c.

Market sources said at the weekend that the company would show a loss of nearly R35m for the full year to end-March.

The OK, which will report its September interim results at the beginning of November, last traded at 600c in 1978, falling from R21 in 1966. The share rose to R27 in 1963, and was trading at almost R20 at the beginning of 1990, when it began its most recent downward spiral.

In the past financial year OK reported a 37% decline in attributable earnings to R9,6m from turnover of R321,6m. Operating income of R48,2m was eroded by a R46,8m interest bill, but a R15,5m tax write-back saved earnings at the bottom line.

Interest cover was reduced to 2.9 times, and gearing rose to 111% from 92% in 975. Operating margins were just 9.9%, against the previous year's 14.5%.

Earnings of 75.3c a share and dividend of 37.9c were the lowest in at least a decade. In 1982 the group earned 298.3c a share and paid dividend of 140.9c a share.

Analysts said they expected a substantial loss for the full year as earnings had been dropping since 1989, and there were no signs of any upturn in consumer spending, which was critical to the OK's success.

In his 1992 annual review, CE Gordon Hood made no forecasts for the year ahead. He said closures of small, obsolete branches and their replacement by strategically placed, dominant stores and Hyperamas placed the group well for an improvement in the economy, "which most surely eventually materialise''.

But analysts said this improvement had not happened in the six months to end-September, and was unlikely to happen by end-March. Mass action had affected black consumer spending in particular, and the OK had a huge black market exposure.

The OK, which is 69%-held by SA Breweries (SAB), contributed nearly 28% of SAB's turnover to end-March but made a minimal 1.1% contribution to attributable earnings. An analyst said the OK was "a big operation with big sales, but it generated no income for the group''.

The split into Hyperamas and OK stores had helped to some extent, but analysts believed this split could have helped Hyperama at the expense of the OK stores.

Although Hyperamas were trading profitably, analysts said many of the OK stores were "trying to be all things to all people", and were carrying large inventories. The only area where the OK was saving on costs was in advertising.

Cullinan winning battle to balance brick supply

DEMAND for bricks was unlikely to increase before next year, and could still drop further by then, Cullinan Holdings group executive director Rod Stewart said at the weekend.

In spite of this, Cullinan Brick had nearly succeeded in its battle to match supply with demand, and its R35m brick factory had almost overcome its teething problems of the past two years. It was producing well, he said.

"This has taken longer than we originally expected but is not unusual for the commissioning of a plant.

"Initially we experienced problems with the mechanical handling equipment,'' he said.

Yield

Another problem was that as production capacity was increased, the quality of bricks produced deteriorated, resulting in major adjustments to kiln equipment.

The tunnel kiln was producing at 75% of capacity, and in August and September the yield of high-quality product was at required levels, he said.

The original budget for the tunnel kiln was R35m, but the capitalisation of some finance charges and commissioning costs had added another R2m to this. About R2m was spent on upgrading the clay preparation facility, and we expect to spend more on this in the medium term. Our stockpile is less than 25 million bricks, and stocks will have to be substantially reduced before production is increased.

National sales manager Schalk van Wyk said that in spite of the 40% drop in demand for bricks from the residential market and the 60% fall in demand from the commercial and industrial markets during the past three years, face bricks remained popular.

"The trend has been away from the glass-aluminium structure craze three years ago towards low-maintenance face brick. While this is initially more expensive, its maintenance-free quality offsets the initial expense within 10 years.''

A strength of the company was that it was able to produce a full range of colour products at its Midrand factory. Most of its clay deposits were on site. It had opened offices in Natal and Bloemfontein.

In its drive to improve profitability and deal with market conditions, the Cullinan Group had reduced staff levels by about 50% to 3,000 in the past three years, Stewart said.

The brick division now had a total staff complement of 285, from 760 three years ago. This would be trimmed to 265 under its phased retraining programme.

AudioDek posts R544 000 loss

AUDIO importer and distributor AudioDek suffered a loss of R544 000 in the half-year to end-June. DUNA GUBLIN

MD and chairman Monty Tolkin said trading conditions had been the most difficult since the company was listed in 1987.

Although the group maintained market share, turnover had fallen as margins had been under constant pressure. Turnover declined 9% to R24,8m (R27,2m). A squeeze on margins resulted in an operating loss of R411 000 compared with a profit of R1,2m in the same period last year. Interest payments absorbed R470 000. The attributable loss came to R544 000, or 4,25c a share.

Last year interim earnings came to 1,57c a share.

Tolkin said the group had returned to profitability in the three months since June. Barring any further deterioration in the economy, he expected the interim losses to be wiped out by the end of the year. On the balance sheet, long- and short-term debt was reduced to R5,2m from R4m.

The company's shares have fallen 18% or 2c to 18c in the past month. AudioDek is trading at a discount of more than 50% to its net asset value of 46,4c a share. The company's market capitalisation has fallen to R4m.
OK Bazaars shares tumble to 14-year low

From MARCIA KLEIN

JOHANNESBURG. — OK Bazaars' shares plummeted to a 14-year low last week, closing untraded on Friday at 600c.

Market sources said at the weekend that the company would show a loss of nearly R35m for the full year to end-March.

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In the past financial year OK reported a 37% decline in attributable earnings to R9,4m from turnover of R58m. Operating income of R46,2m was eroded by a R46,5m interest bill, but a R13,5m tax write-back saved earnings at the bottom line.

Interest cover was reduced to 0,9 times, and gearing rose to 111% from 72%. Operating margins were just 0,9%, against the previous year's 1,4%.

Earnings of 75,3c a share and dividends of 37c were the lowest in at least a decade. In 1983 the group earned 306,3c a share and paid dividends of 142c a share.

Analysts said they expected a substantial loss for the full year as earnings had been dropping since 1989, and there were no signs of any upturn in consumer spending, which was critical to the OK's success.

In his 1992 annual review, CE Gordon Hood made no forecasts for the year ahead. He said closures of small, obsolete branches and their replacement by strategically placed, dominant stores and Hyperamas placed the group well for an improvement in the economy, "which must surely eventually materialise".

But analysts said this improvement had not happened in the six months to end-September, and was unlikely to happen by end-March.

Mass action had affected black consumer spending in particular, and the OK had a huge black market exposure.

The OK, which is 66% held by SA Breweries (SAB), contributed nearly 26% of SAB's turnover to end-March but made a minimal 1,1% contribution to attributable earnings. An analyst said the OK was "a big operation with big sales, but it generated no income for the group".

The split into Hyperamas and OK stores had helped to some extent, but analysts believed this split could have helped Hyperamas at the expense of the OK stores. Although Hyperamas were trading profitably, analysts said many of the OK stores were "trying to be all things to all people", and were carrying too many different lines. The only area where the OK was saving on costs was in advertising.
Score-Clicks ‘expects to continue growing’

CLIKS and Metro Cash and Carry (Metcash) would continue to show growth in the year to end-April, chairman Gordon Utian said in the Score-Clicks annual report.

Score-Clicks, whose ultimate holding company is the Premier Group, holds just over 56% of Clicks, and 14.6% of Metcash and Score Supermarkets.

Utian said Clicks had performed well in the 14 months to end-April, increasing turnover to R837m and attributable earnings to R22m. In February it raised R82m in a rights issue to help eliminate short-term borrowings, maintain expansion and accelerate its automation programme.

During the year, 15 new Clicks and 24 Diskom outlets were opened to bring the total to 203. Another 32 new openings were planned for the current year. Since year-end, Clicks had acquired Musica.

Utian said Clicks “should maintain its growth, continue with its ongoing expansion programme and remain the market leader in its field”.

Metcash’s performance over the 10 months to end-April had been exceptional, he said, reporting attributable earnings of R28.5m compared with a previous year loss of R33m.

A R27m rights offer had reduced borrowings and improved gearing, and cash resources at end-April were R227m.

Utian said that following a rationalisation programme, improved financial controls and an effort to reduce overheads, Metcash was “now well structured and focused”. It was expected to improve earnings in the coming year.

Score Supermarkets had converted a R14m operating loss in the previous year to an operating income of R7.8m. This was achieved through reductions in the overhead structure and rationalisation of support staff.

Activities were refocused, “particularly with reference to reduced levels of non-food ranges and a greater exposure of foods”. Score closed or sold 14 non-viable stores and a number of distribution centres were merged into a single centre.

Utian warned that Score’s ability to perform at satisfactory levels of profitability “continues to depend on the successful containment of costs within a recessionary environment”.

The Score-Clicks group had undergone some major changes to end-April. The group’s 50.5% holding in Score Food Holdings was exchanged for direct holdings in Metcash and Score Supermarkets.

In terms of the scheme of arrangement, Metcash bought Score Foods, whose listing was terminated. Metcash disposed of the retail supermarket interests of Score Foods and Metcash to Score Supermarkets, which was listed on the JSE.

Utian said the period under review covered 14 months and included results for varying periods of time, making comparisons difficult.

Group turnover for the period was R1.2bn from R1.9bn in 1991, and attributable earnings were R11.7m (R14.9m).

A decrease in earnings a share to 20.4c (20.8c) was “attributable to the losses incurred by Score Foods” prior to the new group structure.
Protests over VAT and food prices begin today

By Abdul Milan

The African National Congress will today hold demonstrations and occupy major food chain stores countrywide to launch "Asinamali," a campaign to fight VAT and the recent price increases of basic foodstuffs.

ANC national campaign organiser Mandla Dlamini said yesterday that today's demonstrations would include blockades of payout points and the occupation of major food chain stores.

"We want the Government and the food-controlling boards to know that people cannot afford the high food prices. We also want the Government to stop restructuring the economy without consulting the people," said Dlamini.

He said the campaign would continue until these problems had been addressed.

Pretoria police spokesman Lieutenant Brahms du Preez said although the police respected the rights of organisations to protest, the police would take action if the rights of individuals or companies were violated.
Ackerman happy about VAT plans

CAPE TOWN — Pick 'n' Pay chairman Raymond Ackerman yesterday welcomed indications that Finance Minister Derek Keys would ease the VAT burden on basic foodstuffs next year.

Ackerman suggested that there be three levels of VAT — a zero rate for basic foodstuffs, a rate for basic commodities and a higher rate for luxury items. He believed VAT on non-food goods would probably have to be increased to 12% to make up for zero-rating basic foodstuffs.

He said it was vital to give relief to the poor. The enormous poverty and unemployment in SA was apparent in that during the past six to eight months gross sales of bread had declined 5% in volume.

Maize meal sales had also dropped.

Ackerman believed the meeting the Food Forum had held with Keys probably contributed to the change in government thinking on the VAT issue.

The forum represents food manufacturers and retailers as well as consumer bodies.

He said a feedback session to hear the reports of various Food Forum task forces investigating such issues as labour productivity and flexibility and the effect of agricultural control boards on food prices would be held in Johannesburg towards the end of November.
Maize Board blames retailers for price hikes

THE single-channel marketing of maize had cost the Maize Board more than R400m in the past year, chairman Jan Schabort said in an open forum in Pretoria yesterday.

Schabort explained the bulk of the cost came from borrowings which the board had incurred to pay producers.

The board had paid R242m in interest alone to pay for last year's crop, while an additional R158m was paid to store the maize in silos throughout the country. A further R18m went to the administrative costs of the board itself.

However, Schabort denied these costs were a major factor in raising consumer prices.

"Recent attacks made on the marketing boards by the Board on Tariffs and Trade as well as the Kassier committee and the Press have been an attempt to discredit the system," he said.

The domestic price of maize had remained stable despite years of both exporting and importing of the commodity, he said.

The price for maize was R495 a ton, or 50c/kg delivered by the board to millers and processors. Average retail prices closed in on R2/kg.
CNA Ltd is to give a million exercise books to more than 2 000 township schools at the start of the 1993 school year.

In a statement in Johannesburg on Wednesday, the company said because of inflation and the recession, it would also keep the price of stationery for 1993 at present levels.
Revolution in business

Move away from Marxism to entrepreneurship:

By Joshua Raboroko

A SILENT revolution is taking place in South Africa. This is the growth of small business, according to Mr Clean Sunter, chairman of Anglo American's gold and uranium division.

Addressing senior executives of 120 South African corporations in Johannesburg at the weekend, he said two trends had emerged around the world during the 80s.

These were the move away from collective Marxist ideologies and the move towards entrepreneurship.

"The fastest growing sector of the British economy is self-employment," he said.

He noted that in Khayalitsha in the Cape Province, for instance, 70 percent of dwellings had a backyard business and that the annual turnover on these 3,000 hectares of sand dunes had been estimated at R74 million a year.

"This just shows," he said, "that if we unlock the door to entrepreneurship we will find the High Road to development in South Africa."

Sunter said that a "dual logic" economy was developing in South Africa. It was necessary to have big business that could undertake the large projects and compete with big corporations in other countries.

Big business could also provide an important multiplier effect, opening the way for many local sub-contracting opportunities.

It was important to create a ladder of opportunity for all South Africans so that people of ability and ambition could climb from the bottom micro-business rung all the way to the Johannesburg Stock Exchange.

Small Business Development Corporation managing director Dr Ben Vosloo told the executives South Africa needed to cultivate a value system based on individualism, private ownership and self-reliance.
Office decentralisation is as much a fact of life in Durban as it is elsewhere. Nevertheless, a council campaign to visually and practically improve the image of the CBD is paying dividends by slowing the pace of office migration.

According to Sheila Williams of brokers Williams Palmer and Associates, "the council’s commitment is encouraging landlords to invest in improving their own properties both internally and externally.

"In particular, the area between Field and Broad streets, known as the CBD hardcore, is undergoing extensive redevelopment thanks to this enlightened policy."

Typical of the council’s visual and practical improvements, she says, is the work being done to Masonic Grove where new services are being provided. Antique-style street lamps are being installed and much of the area is being repaved to improve the ambience of the lane.

Typical of the positive reciprocal responses by property owners and landlords are:

- Ampro’s R4m expenditure on upgrading the Salmon Grove Chambers at 407 Smith Street for owners, Compass Property Holdings;
- The construction of the new IGI Building on the Victoria Embankment;
- The proposed redevelopment of the Esplanade; and
- Old Mutual Properties’ plans to redevelop certain of its properties bounded by West and Gardiner streets.

Projects are not, however, confined to institutional investors. Work has also started on refurbishing the interior and external façade of the eight-storey Sambou Building, at 397 Smith Street to create "upper" B-grade accommodation. The building has just been bought by a syndicate assembled by Williams Palmer, who say negotiations are under way with prospective tenants for two levels of offices which will become available when renovations are completed at the end of the year.
Wool Free Market’s kickoff comes at a time when government is considering reforming or even ending the decades-old control-board system. In a report on food prices in June, the Board on Tariffs & Trade recommended that the boards’ statutory powers be abolished. Government appointed the Kassier Committee to study the Marketing Act and the 21 control boards in more detail. The committee, chaired by Stellenbosch professor Eckhart Kassier, is expected to report in December.

Hugo, who met with Kassier last week, says: “We are not rebels — we merely seek to market and sell our product independently and to maximise our revenues. We would like the board and the growers’ association to collaborate with us to negotiate a better deal for producers. It is ironic that producers have to ask for a change in legislation just to be able to sell their own wool.”

The debate will probably simmer for the rest of the year as Hugo’s group lobbies producers. If it gains enough strength it could force a vote on the issue in January at the association’s Cape congress.

ECONOMIC DEVELOPMENT

Pitching Durban

Is the new Greater Durban Marketing Authority what’s needed to spruce up the region’s image and draw in new business and tourism? Or is it another bureaucratic creation that will eat up taxpayers’ money to duplicate work already being done?

The authority is a joint enterprise of public and private sectors, but its only funding has been a R6m start-up grant from the city council. It has replaced the Durban Publicity Association and its objectives are to stimulate the region’s economy and restore Durban’s sagging image as a tourist destination. The authority’s goal is to help create 200 000 jobs in the Durban Functional Region by the end of the decade. The region is bounded by Salt Rock to the north, Umbomusa in the south and Cato Ridge to the west.

Critics say it’s just one more organisation — be it regional, provincial or local — that claims to have the answer to Durban’s woes. They add that it usurps the functions of groups such as the Durban Regional Chamber of Business.

Tongaat Hulett CE Cedric Savage, vice-president of the SA Chamber of Business, says the business community fears that the overlapping work done by the many public and private agencies in the region is wasteful. He cites the provincial and KwaZulu administrations on the regional level, and the Durban Economic Development initiative and the marketing authority at the local level.

Savage says he is not bashing the authority but would like to see more communication between the various bodies.

Executive director Eric Bam says the authority’s role is not merely to advertise the region to the world, but rather to make it more marketable to local and international businesses and tourists. They must be convinced that Durban offers more of what they want than elsewhere, he says.

Bam, a former Momentum Life GM, argues that the authority was created to market the region and not to challenge other organisations.

He maintains that it has broad support from commerce and industry. It was conceived by a working group at a three-day conference in the Drakensberg, initiated by Durban’s late mayor Jan Venter and attended by 80 business leaders.

Last chances

One Bam supporter is David Bridgman, who heads a similar authority known as Wesgro, established 10 years ago to promote the western Cape’s economic growth. “It is a scandal that it has taken so long for a city of Durban’s size and encumbered with its economic problems to establish the authority.

“I cannot understand the reason for any criticism of pouring millions of rands annually into trying to strengthen the economy, bearing in mind that this is one of the last chances to get it right.”

Though Bam is still setting up the authority’s infrastructure, he is clearly aware of the need for quick results. Because it will be at least partially funded by the private sector, financial support from the business community should provide an early barometer of its credibility.

The authority has already launched the “Durban Unlimited” and “Miles More” promotional campaigns. And it has targeted 17 areas for attention, including beach overcrowding, squatters and tourism, as well as developments such as the Point, an international conference centre, Victoria Embankment and upgrading the airport.

Certainly these areas do need attention. But can a few new faces and the recycling of some tax money help revive Durban? Bridgman cautions against impatience: “Don’t expect results in fewer than three years.”
Office decentralisation is as much a fact of life in Durban as it is elsewhere. Nevertheless, a council campaign to visually and practically improve the image of the CBD is paying dividends by slowing the pace of office migration.

According to Sheila Williams of brokers Williams Palmer and Associates, "the council's commitment is encouraging landlords to invest in improving their own properties both internally and externally.

"In particular, the area between Field and Broad streets, known as the CBD hardcore, is undergoing extensive redevelopment thanks to this enlightened policy."

Typical of the council's visual and practical improvements, she says, is the work being done to Masonic Grove where new services are being provided. Antique-style street lamps are being installed and much of the area is being repaved to improve the ambience of the lane.

Typical of the positive reciprocal responses by property owners and landlords are:
- Ampers's R4m expenditure on upgrading the Salmon Grove Chambers at 407 Smith Street for owners, Compass Property Holdings;
- The construction of the new IGI Building on the Victoria Embankment;
- The proposed redevelopment of the Esplanade; and
- Old Mutual Properties' plans to redevelop certain of its properties bounded by West and Gardiner streets.

Projects are not, however, confined to institutional investors. Work has also started on refurbishing the interior and external facade of the eight-storey Saambou Building, at 397 Smith Street to create "upper" B-grade accommodation. The building has just been bought by a syndicate assembled by Williams Palmer, who say negotiations are under way with prospective tenants for two levels of offices which will become available when renovations are completed at the end of the year.
Union suspends Checkers sit-in

JOHANNESBURG. — Sixteen South African Commercial Catering and Allied Workers Union (Saccawu) officials agreed yesterday to suspend their sit-in at the Checkers head office here. (30)

Saccawu member Mr. George Thobakgale said they would meet management today to discuss a long-standing issue and hoped to negotiate the reinstatement of more than 120 workers. The union began the sit-in on Wednesday to protest against last month's dismissals of 85 workers. — Sapa
FOUR ANC Youth League members have been found guilty of intimidation after they distributed a pamphlet during a consumer boycott in Richmond last year.

The four, Zongezile Qali, Siinilele Khobo, Jeffrey Njinini and George Thomas, were sentenced to two years imprisonment — suspended for five years — in the Victoria West Regional Court last week for distributing a pamphlet in the townships.

The convictions arose from an incident in November when three workers at the Richmond Supermarket were fired for taking part in the two-day national stayaway in protest against the introduction of VAT.

Despite attempts by ANC and the civic to mediate, the workers were dismissed on November 7.

In response, the community decided to boycott the supermarket and a pamphlet was produced and distributed.

An appeal is to be lodged against the sentence.
For South Browse 209

Tough Times — Mayor

Small Business Faces

October 17 to October 21, 1992
SA entrepreneurs gain support

BLACK South African entrepreneurs and small businesses are gaining more local and international support because of the annual Matchmaker business fair.

More than 150 black companies are to exhibit their services and goods to multinational and cooperate companies at the annual trade exhibition organised by the Matchmaker services (MMS).

The fair will be held at Nasrec, Johannesburg, from Wednesday to Saturday.
Firms pin hopes on year-end

PRETORIA - Many small businesses are relying on increased spending during the Christmas period to help them limp into 1992, says the Information Trust Corporation (ITC).

However, leading retailers say there is little hope of a real increase in total spending compared with last Christmas.

An ITC spokesman said spending last Christmas failed to live up to merchants' expectations, with sales values declining in real terms.

Many Christmas credit sales had culminated in a flood of debt summonses. The trend would repeat itself again this season unless merchants exercised great care in granting credit.

The rush to buy would be late, as many companies would wait as long as possible before awarding staff 13th cheques. Purchases were likely to consist mostly of low-value items.

Greater unemployment - particularly in areas where gold mines had closed - would affect turnovers severely.

OK Bazaars deputy chairman Gordon Hood said: "I'm afraid we won't see a very exciting Christmas. The recession has continued, unemployment is still rising and consumer confidence is at a low ebb. Inflation has also bitten deep into disposable incomes." Real growth was unlikely.

Pick 'n Pay chairman Raymond Ackerman said he expected his chain's Christmas turnover to be up between 10% and 15% in nominal terms in spite of the depressed state of the economy.

In the first six months of the year turnover was up 18% percent - lagging by between 4% and 5% in real terms compared with the same period last year. However, October figures were expected to present a brighter picture, and it was hoped that this trend would continue during December. He expected a significant drop in food price inflation to be reflected in CSS figures for October and November.
The South African Commercial Catering and Allied Workers Union (Saccawu) may launch a countrywide consumer boycott if Checkers/Shoprite management fails to address the workers' grievances, the union's education officer, Mr. Salim Vally, said.

The threat follows the dismissal of over 100 workers at the company's store in Heidelberg last month, Vally said. (Dated 19/10/92)

Checkers said the company would address the problem in the interest of all its 20,000 employees.
SA chain makes good Zambian link

LUSAKA — A SA food chain has established a market in Zambia to supply a variety of foodstuffs to state institutions and wholesale outlets.

Nutritional Foods' financial director Charles Akeryo said state supermarkets in Lusaka and Ndola were some of the consumer outlets for his company's food products.

"The potential for business in Zambia is limitless," Akeryo said.

"We have the goods Zambians want — the business climate is very good," Akeryo said.

Nutritional Foods is owned by the listed Merbold. It specialises in supplying soups, broths and gravies, cold and hot drink powders, desserts and soya mince blends. — Sapa.
Tradegro results reflect turnaround

MARCIA KLEIN

Tradegro, the holding company of Shoprite and Checkers, has reported a R13.1m profit before extraordinary items in the six months to end-August on the back of a turnaround in the group's supermarket activities and extensive restructuring.

But a R162.9m extraordinary item, representing the once-off write-off of the trademarks and goodwill bought with the acquisition of Shoprite and some butchery activities, saw it show a net loss of R150.8m for the period.

Last year Peptor acquired Tradegro and restructured its food retailing interests. In terms of the restructuring, Peptor subsidiary Shoprite was sold to Tradegro for R177.9m, and Tradegro became the food retailing arm of the Peptor group.

Group MD Whitely Basson said yesterday that results reflected a turnaround of R60m over the previous eight-month reporting period “during which a loss of R64m was reported and during which Tradegro was acquired by Peptor”.

A change in the year-end from June to February as well as changes effected within Tradegro — including the sale of Metro Cash & Carry and Smart Centre — made comparisons tenuous, Basson said.

But if the group’s supermarket activities were singled out, Shoprite/Checkers showed a profit of R10.6m compared with a loss of R12.4m in the same period last year. Sales at Shoprite/Checkers stores increased by 10.5%, accompanied by a growth in market share, he said.

“This growth was achieved through the

□ To Page 2 □ From Page 1

narrowing of gross profit margins which allowed R12.6m to be reinvested in the business.

In the six-month period, turnover was R253.5m and operating profit was R17.4m.

The R162.8m after tax profit compared with a loss of R14.9m in the eight months to end-February and a loss of R64m in the six months to end-June 1991.

The group earned 32.6c a share after showing losses of 26c in the previous period. No dividend was declared, but Basson said Tradegro expected gearing to improve considerably in the second half.

“Our positive expectations for future trading are supported by the benefits we are realizing from our marketing strategy, the consolidation of the group’s administrative systems, reduced stock levels and the completion of the decentralization and rationalization of a large head office function.” Tradegro would focus on continuing to increase market share.
Mass action knocks sales

Marcia Klein and Hilary Gush

Mass action in August resulted in retail sales plunging by 10.3% in real terms compared with August 1991.

Central Statistical Services (CSS) figures released yesterday showed retail sales of R6,65bn were only 3.9% higher than August 1991 and 12% lower than July in nominal terms after seasonal adjustment.

The largest declines were in edible groceries, 21.9% down, and perishable and processed food products, which decreased by 17.3%.

Economists were not surprised by the persistently low levels of retail sales — which, they said, continued to reflect the poor state of the economy.

They expressed concern, however, that real sales of perishable and processed food products had fallen 17.3% in the year to August, while the country’s population was growing at around 3% per annum.

Analysts attributed the falling food sales in the retail sector to swelling informal sector sales — not accounted for in the official CSS data.

They said that sales in non-durables were not made up following the week of mass action so it was expected groceries would be hardest hit.

In its latest Economic Review, Standard Bank predicted that private consumption expenditure (PCE) would contract this year, for the first time since 1985, with a sharp decline in durable goods spending.

The review said that PCE had fallen at annualised rate of over 3% in the first two quarters of this year, as against an average PCE growth rate of 2.1% over the past decade.

Credit and hire purchase transactions declined by 7.8% and 6.5% respectively, while cash sales decreased by 6.5%.
McCarthey remains confident

THE merged McCarthey/Prefcor Holdings group was 10% behind budgeted profit in the first quarter of its financial year to end-June 1993, but chairman Brian McCarthey was confident forecasts would be met provided economic and political considerations did not deteriorate further.

He told the group's AGM in Durban yesterday that if both organisations met budgets which were in line with last year's profits, group earnings a share would rise to 70c from 59c the previous year.

National new car sales were 7% lower than the previous year and group sales were down by a similar margin. The Toyota strike also affected sales at the group's 25 Toyota showrooms.

Prefcor's July and September performances were satisfactory, but stayaways and mass action hurt business in August. Prefcor chairman Terry Rosenberg said turnover showed little growth in August but September turnover was up 19% over August and margins up 1%.

Prefcor featured on the JSE yesterday—a day after the merger was approved—in a special bargain deal of 699,800 shares worth nearly R2m at the ruling R3.6c.

McCarthey traded 5c higher at 345c, lower than its yearly high of 345c on December 7, 1991, but higher than its yearly low of 305c on August 31, 1992.

Analysts said the market had not reacted favourably to the merger, with part of the problem being the apparent lack of synergies to the merger and the fact that the motor and furniture industries were under recessionary pressure.

However, McCarthey said the merger was well received by its shareholders.

Synergies included the fact that both companies sold products that required financing and their combined turnover would ensure more creative and easier financing. The use of a single mainframe computer would also be a saving.
Nafcoc in plans for the future

Plan for next two years:

THE role of black business in the South African economy will be discussed at the seventh biennial Nafcoc summit to be held at the Wild Coast on October 23 to 25.

Nafcoc president Mr Archie Nkonyeni said the association was reorganising and restructuring to meet the challenges of political change.

He said: "We must be proactive through a professional structure which participates and communicates in both the South African economy and in regional African affairs of the sub-continent."

The summit will review and set policy for the black business organisation for the next two years.

Another important issue will be to set guidelines for the implementation of a special programme aimed at accelerating black advancement.

"As long as the legacy of the apartheid economy remains, Nafcoc will press for economic programmes designed to bring black business closer to mainstream economic activities," Nkonyeni said.

Also attending will be Nafcoc's national executive and representatives from the organisation's regions, commercial, transport, industrial and agricultural sectors.
Townships monthly

R70m spent in local

By Alan Shackleton

Leather shop in downtown Nwanza

Made a small fortune in the gold business that is now worth Mark Hothing, Dave Jacobs and Tony

1990's, with Jack Gotten, sold several small gold mines to the Chinese, who are known for their deals.

Jacobs' gold mine is a classic example of this.

Gary Jacobs, who is not the director of OSL's main operation.

The sale of the mine to the Chinese

was a difficult decision for everyone, but the price.

We have already sold 11 and have

the opportunity to buy more.

After that, we'll go back to mining.

Two more mines are coming online.

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Drop in spending hits ‘recession-proof’ Pep

PEP Ltd, the major clothing, footwear and household goods arm of Pepkor, reported a marginal rise in net profit to R43.6m (R42.7m) in the six months to end-August as consumer spending in semi-durables declined in real terms.

Group MD Tony Haughton warned that the situation was deteriorating further as a result of the drought and an increasing level of unemployment.

The results excluded those of the 124-outlet Ackermans, which was sold to parent Pepkor for R85.5m effective from March 1, Haughton said.

Pep also sold 27 Frasers Mines Stores outlets, opened 24 Pep Stores and closed eight.

The Ackermans disposal resulted in an 11% decline in turnover to R69.9m from R76.5m, but Pep increased its operating profit by 7% to R76.9m (R72.1m).

Haughton said this was a result of a higher level of investment in operating assets and the R40.1m acquisition of property following the reorganisation of Pepkor’s interests.

The higher interest bill saw pre-tax profit decline by 4% to R67.1m (R69.9m) and after lower taxation, profit after tax was 2% higher at R44.5m (R43.6m).

Earnings were marginally higher at 19.9c (18.7c) a share, and a 16% higher interim dividend of 7.5c (6.8c) was declared, with the cover lowered to 2.5 times.

In June Pep listed its Botswana operation on the Botswana Stock Market.

An increase in outside shareholders’ interest was due partly to the 30% minority interests in the Botswana group’s profits.

Haughton said there had been a change in accounting policy, and certain associates were now treated as subsidiaries, and their profits were consolidated.

He said the results were achieved under extremely difficult trading conditions, and there were no indications of an improvement in the second half.

The drought and increasing unemployment would see consumer spending decline further. In this light, Pep would maintain market share and earnings would equal those of the previous year.

Analysts said yesterday the results were disappointing in light of Pep’s track record of excellent growth, and reflected the extent of the downswing in consumer spending.

Pep, which has more than 1 000 outlets, was targeted at the lower to middle income groups. Its strategy of catering for the basic needs of the mass market, with low prices and unadorned stores was considered built-in protection against recessionary conditions.

Analysts said it was difficult to determine Pep’s performance given the change in the group’s interests.
McCarthy Group
Stymied by poor market

A close look at financial 1992 goes some way towards justifying the merger with Prefhold. Simply put, McCarthy seems to have done all it can to keep growing in a declining market and shrinking economy. The Prefhold link, with the mainly black market it caters for, may be the only way to go.

McCarthy is well diversified in both the range of vehicles sold and related services. This helped grow market share, by 1.1 percentage points to 13.7% at a time when the new vehicle market fell by 15%.

Two obvious benefits of diversity stand...
THOUSANDS of people are expected to march on Heidelbergs Checkers store today in protest at the dismissal of the store's black workforce three weeks ago, after an illegal strike.

And a national consumer boycott of the Checkers-Shoprite group is scheduled to start on November 1.

SA Commercial, Catering and Allied Workers Union (Saccawu) spokesman Salim Vally said talks with Checkers management broke down this week when Checkers refused to discuss reinstating the dismissed workers.

Saccawu also wants more than 100 workers — dismissed in the eastern Cape in the late 80s — to be reinstated in terms of an agreement Saccawu says it has with Checkers.

But Checkers was only willing to discuss flexibility arrangements and re-locational terms, said Vally.

Today's march from Ratanda — the township outside Heidelberg — is expected to be supported by Ratanda's residents.

Checkers would not comment yesterday on an "internal matter".
Two major trends have emerged from office leases brokered in northern Johannesburg and Sandton over the past year. Property broker RMS Syfrets says rents are increasing and, with tenants demanding discounts on older buildings, the rental difference between them, roughly 15%-20% a year ago, has increased to 25%-30%. This can be attributed to an oversupply of new space.

The second trend, according to RMS Syfrets commercial broker Adam Blow, is that better rentals can be negotiated with tenants up to about the 700 m² mark. One reason is that tenants want good locations, quality and proximity to their homes — for which they will pay the premium. Location and quality are still factors in the decision-making of larger firms, which take space of 2 000 m² or more, but accessibility for all staff is placed before personal preferences. Thus lower rents have to be offered. Yet, because such moves are traditionally planned well in advance, leases are also longer, typically 10 years or more. This often compensates for the lower rental.

Johannesburg’s Hyde Park and Illovo are emerging as sought-after commercial areas. Schemes such as 257 Oxford Road and Hyde Park Lane are popular, Blow says, because designs allow for individual lobby and ablution areas for the medium-sized tenant.

The broker recently placed Sagenta Trade Corp in a 700 m² office suite in Hyde Park Lane near William Nicol Highway. This new R55m Southern Life office park will be completed early next month. So far 30% of the space is let. Tenants include Standard Bank (1 800 m²) and Hyde Park Lane contractor Grimaker Construction (1 300 m²).

The development consists of six separate two- and three-storey buildings, ranging from 1 800 m² to 2 800 m² in Georgian-style architecture. Southern Life says companies in the airline, property, development, publishing and consultancy businesses are interested.

Hyde Park has two other new office complexes under construction off Jan Smuts Avenue:

☐ Centre City Property Fund-owned Hutton Court (1 600 m² retail and 3 300 m² offices, all still to be let); and
☐ Time Life’s new HQ (4 000 m² of offices).

Oxford Manor in Illovo has only 1 200 m² still to let. RMS Syfrets has placed Alitalia (500 m²), Fletours (300 m²), Egypt Air (620 m²), UTA (585 m²) and Air Afrique (400 m²) in the complex. Malaysian Airways (about 700 m²) has also taken space but not through RMS Syfrets. Nearby, at 257 Oxford Road (2 600 m²), RMS placed Singapore Airlines (1 700 m²) this year.
Cape development moves in the pipeline.
Affirmative action at V & A Waterfront?

AFTER two further meetings with political organisations concerned that Cape Town's waterfront is "all-white", the Victoria & Alfred Waterfront Company is considering "some kind of affirmative action".

Mr Basil Davidson, ANC regional executive committee member dealing with development-related issues, said this week that he had recently had a second meeting with the V & A company's director, Mr David Jack. The first meeting was reported in the Cape Metro in June.

Mr Davidson said Mr Jack had agreed to a future meeting with concerned organisations — which Mr Davidson undertook to arrange — to discuss affirmative action.

"I am merely acting as a facilitator," Mr Davidson said.

"Groups like the Western Cape Traders Association and some of the unions should become directly involved."

Mr Barney Desai of the Pan Africanist Congress said this week that he had recently accompanied well-known Cape Town businessman Mr A K Pier to a meeting at the waterfront "to discuss contributing to the development there."

"I discovered that apart from one takeaway run by a black woman the rest of the development seems to have fallen into the control of one ethnic group," Mr Desai said.

"Since it is on state land we feel very strongly that there should be broader community participation and that all projects should have been put out to tender."

"The director of the Waterfront, Mr David Jack, said this week that the meetings had led to a better understanding."

"We recognise that the issues raised are pertinent and they will be addressed," Mr Jack said.
Shop boycotted

The Zumbekom branch of the Pan Africanist Congress yesterday started an indefinite consumer boycott of a local shop whose owner is alleged to be involved in the killing of an 11-year-old boy two weeks ago.

Pakiso Modise died after he and his friend were viciously beaten with sticks and an iron rod allegedly by white businessmen for having stolen sweets and money from a shop.

Yesterday, an open-air residents meeting called by the PAC decided on a consumer boycott to pressure the owner of OJ Takeaways. - Sowetan Reporter
PEPKOR reported real earnings growth in the six months to end-August despite a difficult trading environment and major restructuring within the group.

Fully diluted earnings rose by 16% to 27.7c (23.9c) a share as the group's companies increased market share and managed their assets well, chairman Christo Wiese said. Results were also lifted by increased investment income and lower taxation.

Comparisons with the previous period were complicated by the acquisition of Tradehold and the group's restructuring.

During the period, Tradehold became the holding company of food retailing interests Shoprite and Checkers, Pepkor sold all its properties to the operating companies which occupied them and subsidiary Pep Ltd sold Ackermans to Pepkor.

In addition, the period covered 26 trading weeks compared with 27 in the previous year.

The inclusion of Tradehold was reflected in a 173% turnover rise to R3.7bn from R1.4bn, but Wiese said difficult trading conditions had produced "unsatisfactory turnover growth" at a trading level.

Operating profit grew by 12% to R66.6m (R56.5m). All of the group's operating companies "increased market share and achieved positive growth through stringent asset management", Wiese said.

After a 73% rise in investment income to R20.6m, and a 26% increase in financial charges to R23.8m, pre-tax profit was 17% up at R88.8m. An increase in interest-bearing debt - as well as fixed assets - reflected a change in accounting policy with regard to the consolidation of subsidiaries and the treatment of leased assets.

After a 14% reduction in taxation to

From Page 1

Pepkor's 28 Oct 92

R27.3m, profit after tax rose by 42% to R62.2m. But a sharp increase in outside shareholders' interest resulted in a 25% increase in profit before extraordinary items to R45m from R36.9m.

Pepkor declared a 13% higher dividend of 8c (7.1c) a share, as well as interest of 10.6c per 6% unsecured debentures.

Wiese said Pepkor had progressed "further than expected" in returning the food interests to a satisfactory level of profitability, but he said it was allowing another two years "to achieve a sustainable profit performance in this division".

Pepkor had hoped its food retailing interests would break even by the February 1994 year-end, and was "somewhat ahead of that objective". The supermarket inter-
est had shown operating profit of R10.6m compared with a previous R13.4m loss.

Clothing retailer Pep Limited, whose net profit grew by 2% to R43.5m, was affected by the real decline in consumer spending in the semi-durable market.

Pep was currently operating more than 20 retail clothing outlets in Scotland, and expected to increase this by another 10 outlets by year-end.

Wiese said Pepkor had "great plans" for the overseas operation. Although acceptance of the group's products was better than expected, the winter period of eight months caused logistical problems.

Smart Centre, which reported a 16% rise in net profit to R2m, had an excellent six months.
Forecasts 'can ease Durban vacancies'

TO BREAK the boom and bust cycle of development in the Durban office market, developers should invest in more forecasting, commentators say.

The latest SA Property Owners Association (Sapoa) survey has Durban at the top of the national list of CBD office vacancies, with more than 30% of its A-grade office space unlet.

In the Johannesburg CBD, 7.3% of A-grade space was vacant followed by Cape Town (11.8%) and Sandton (12.6%).

One source said accurate forecasting would help developers predict the upturn more readily, instead of adding to an oversupply in recessionary times.

He said the lack of forecasting contributed to the boom and bust development cycle in Durban.

"Office development in Durban occurs in bursts. Institutions and developers notice there is a dearth of available office space. Then they all begin planning at once, resulting in oversupply when these developments come on line."

Property economist Erwin Rode said: "It is evident that from time to time developers get their forecasts wrong. It is very difficult to do five-year forecasts, given the volatility of the SA economy."

But, he said, it was fair to say developers in Durban were getting their forecasts wrong most of the time.

"Not enough money is spent on forecasts, or listening to forecasters."

Another source said some of the newer buildings in Durban should never have been built.

"It seems the institutions were expecting demand for larger areas. This has not come about."

Rode said the difference in the ratios of A-grade to B-grade space in Durban (1:4) compared to Johannesburg (2:1), was not significant, and highlighted the problem of defining building grades. "What is defined as grade C in Johannesburg might be regarded as grade B in Durban."

RMS Syfrets director Kevin Dunkley, who chaired the Sapoa survey, said the figures should not be exhaustively analysed and held as an accurate indication of what the market was doing.

"We divide buildings into A and B grades for the survey, but the top end of the Durban market includes both categories. That is, the market lumps prime properties together, crossing the A- and B-grade dividing line at will."

Dunkley said that when these two grades were combined, the level of vacancies in prime property in the CBD fell from a severe 30% to just over 12.5%.

He added that the Durban CBD was a small office node, so when a single large development came on stream in a recessionary climate - such as the Santam Properties Embassy office block - vacancy statistics were distorted.
DURBAN — Organised business put its weight behind a federal political solution here yesterday.

Chambers of commerce from across the country unanimously endorsed the Durban Chamber of Commerce's proposal for federalism at the Sacob convention here yesterday.

A spokesman for the Durban Chamber said a federal system was the only viable option for a stable and prosperous SA.

"A unitary system has not served the country well in the past ... centralised power is unhealthy and will be easily abused."

The chamber proposed a form of federalism where regional powers were constitutionally entrenched and could only be amended by a specific constitutional mechanism, such as a two-thirds majority.

Decisions made at a local level would be more efficient and effective and would be closer to the people being governed. There would also be better utilisation of resources at a regional level.

Constitutional Development Depu-

ty Minister Tertius DeLport endorsed the motion. He said both vertical and horizontal distribution would inspire confidence.

He added government wanted to see multiparty negotiations back on track because they were the only route to developing a new constitution.

The government was ready to start drafting a new constitution which would be structured on national, regional and local levels.

Finance Department director-general Gerhard Crousse also endorsed the Durban Chamber of Commerce motion. He said the crux of the problem had been the centralised system of financing.

Crousse added someone would have to oversee and facilitate the distribution of resources and there would have to be some form of redistribution to poorer regions.

The Durban Chamber proposed a two-tier system of financing. A central government structure would disburse funds nationally to the lesser privileged sectors of the community. But regions would have to have a reasonable degree of financial independence.

The Pretoria Chamber of Commerce called for the implementation of a foreign trade policy and implementation of the major elements of the IDC report on modifying protection policy. This motion was also unanimously accepted by delegates.

A spokesman for the Pretoria Chamber said there was insufficient co-ordination within trade policy and the current reliability of export incentives could be doubted.

Long-term export success was going to depend on the availability of internationally competitive products and the stimulation of a broad-based export culture.

Trade and Industry director-general Stefan Neude said industrial and trade policy would have to be managed very carefully and cautiously because there was a limit to the pain a country could take.
Commercial crime: 31 suspects arrested

PRETORIA — The SAP’s Commercial Branch arrested 31 people countrywide from October 12-19 on charges of commercial crime involving about R50m.

The SAP’s liaison department said yesterday those arrested included two directors of a group of companies under liquidation.

Commercial Branch head Maj-Gen Martin Nel said commercial crime largely went unnoticed by the media and the public. Between 1987 and 1991 the number of cases reported to police had increased by 70%.

In the Witwatersrand area the Commercial Crime Unit was investigating more than 900 fraud-related cases involving several billion rands.

“We need the media to take up the public outcry… innocent victims are being exploited by fraudsters, swindlers and conmen,” he said. — Sapa.

Evidence is contradicted

VEREENIGING — A Sibeko South municipal police constable and Casspir driver told the Goldstone commission yesterday that another policeman and witness visited his home and accused him of allowing white men to use his Casspir on the night of the Boipatong massacre.

Const Thamzo Khanye told the commission he had then told Const Dibane Monare this was not possible because Monare was with him in the Casspir on a patrol of Boipatong that night.

Monare told the commission last week that when the vehicle arrived at KwaMadala Hostel soon after the attack, three internal stability unit members carrying balaclavas alighted from a Nyal” armoured vehicle and told them to leave.

This was denied by Khanye, who said the internal stability unit policemen did not alight from their vehicle or speak to the municipal policemen.

Monare, however, had said they were told by the commander of the Nyal” that the hostel was a unit post and had nothing to do with the municipal police.

Monare said he felt disappointed at the time because the unit had prevented them from arresting the prime suspects.

The commission adjourned until tomorrow for closing argument. — Sapa.

PER SHARE (cents)

$0.50 $0.60 $0.70 $0.80 $0.90 $1.00

announcement

The previous year, are outlined below:

operations

achieved pleasing results. Turnover 8% and profit after tax by 19%

certical and Critical Care divisions
did and achieved real growth, although consumer and Self-Medication

affected by reduced consumer

ersmarket shares of leading maintained or increased. The

ision achieved satisfactory growth in

active market.

ome of R76,5 million represents a

ent over 1991. This result was

effective manufacturing and
Edgars outstrips market forecasts

EDGARS has beaten market expectations with a 5% rise in attributable earnings to R2,4m (R2,6m) in the six months to end-September.

MD and CE George Beeton said yesterday that sales of clothing, footwear and textiles were estimated to have grown by only 8% over the period, while inflation in the sector declined to average 7%.

The group had outperformed the market with a 9% rise in sales to R14,9bn (R12,9bn).

Operating profit was 7% higher at R19,4m (R18,6m). Net financing costs rose 17% to R26,3m (R31m), bringing pretax profit up 5% to R19,8m (R19,3m).

Earnings rose 5% to 16c (15c) a share, and a 6% higher interim dividend of 38c (36c) a share was declared.

Beeton said Edgars had matched its interim earnings of the previous year. It had recently achieved R2bn annual sales, while Sales House had grown to annual sales of R600m off a lower base.

Sales House had "gained further market share and reported significantly enhanced profitability", Beeton said. It had an excellent reputation, good merchandise, an imaginative credit policy and was "a beautifully managed business".

Despite the fact that the cash sector of the market remained depressed, Jet Stores had materially improved its results, Beeton said. It was not yet at a break-even level, but was progressing towards "a real turnaround situation". It was focusing on basic items, and management was spending time and money on getting it right.

Manufacturing operation Celrose had suffered during the period, but the group was committed to the operation and would focus on improving its results and growing its export business.

The group had placed emphasis on improving the quality of its debtors' book and, overall, net bad debt had decreased.

Stringent cash and asset management programmes had borne fruit, and "a meaningful growth in cash flow per share" — to 217c from 192c — had facilitated the repayment of net borrowings of R47,1m, and a reduction in gearing to 55% from 58%.

Beeton said sales and profit growths for the full year should be in line with those reported in the first half.
affirmative action to reduce corporate demand for Naticos call to business

Need to demand affirmative action • Anti-Tour is aiming to reduce imbalance

By Joshua Robiscoe
Sanlam to spend millions on complex:

By Joshua Raboroko

SANLAM Properties will spend R24.7 million to create Zululand's biggest shopping centre at Empangeni through the merger of two existing centres and the creation of more space in the link.

The two centres, Sanlam Plaza and Sanlaimount, on a 64 033 sq m site, are now joined by a covered walkway.

Plans include linking the two centres into one and the creation of a further 5 637 sq m of space in the link.

The additional space will take the leasable area up to 30 350 sq m, making the centre the largest shopping complex in northern Natal.

About 260 more parking bays will be created.
SBDC polls small man

By Joshua Raboroko

Small business sector feels pessimistic about the recovery of the economy in the next twelve months:

SMALL businesses have been recognised as an important component of the South African economy.

As a result the Small Business Development Corporation (SBDC) and the South African Chamber of Business (Sacob) have initiated a quarterly survey of prevailing perceptions of small business conditions.

According to the survey...

- Respondents feel pessimistic about a recovery in the economy;
- Respondents do not seem to plan for any expansion;
- The expected higher costs of inputs would be passed on to consumers;
- Respondents are even more pessimistic about the influence of current political and social conditions on their businesses;
- Respondents identified low market demand as the most significant restricting factor in terms of increasing sales.

The vast majority (78 percent) anticipate increases in the price of inputs in the coming 12 months.

Most respondents expect political conditions in the coming 12 months to have a negative effect on their businesses.
NUMEROUS small businesses hope to radically improve their turnover - in some cases by more than double - as a result of the Matchmaker Services Fair held at Nasrec last week.

Fair organiser Ms Judy Vorster said many of the 135 business exhibitors, from all over the country, received large numbers of inquiries and several entrepreneurs landed big orders.

The Matchmaker Services is primarily aimed at linking entrepreneurs and corporates to the advantage of both.

One of the show's biggest success stories was newly-formed Natal based company Phakamani, which won the prize for best exhibition at the fair.

Founded in an education project for unemployed women in January this year, Phakamani's artistic textiles have been widely acclaimed.

It was founded by lecturer in fashion designs at Sultan Technikon in Natal Ms Gem Melville and co-founders are: Mrs Busiswa Bengu, Mrs Nokuthula Biyela, Mrs Mamile Mabasa, Mrs Mrs Makholi Afikize and Mrs Sizakelo Nthangase.

Bengu is a 19-year-old woman with two children. She is a part-time model at the Technikon Art School, but has no other source of income. This is her first job. "I like it because this is something that will help me in the future."

Biyela is 32 and has four children. She has no formal training in any field. "This is my first job. I love it. This is the work I want to do forever. I will also teach my daughter to do it," she said.

Mabasa is 24. She did a computer course at a commercial college, but could not find any work. She has since flourished at Phakamani. "This is the most wonderful job."

Afikize is 42 and has six children. To her Phakamani means "a way to progress myself and my life and to make money without going all over to look for a job."

Nthangase is 32. She said: "When I was at school I was unable to draw, now I can draw and I am happy."

Each tablecloth made by the women is hand-painted and has a unique design. It has its own design style and is seen in some circles as the beginning of indigenous textiles.
BUSINESS Building a stable future which will include

Enemies of Caesar will be vilified

By Josia Raboroko

A draft code of vigorous affirmative action to speed up economic empowerment of blacks has been proposed by small businesses.

In terms of the code, companies will have to subscribe to the advancement of blacks on their boards and in the ownership of a meaningful stake in commerce and industry.

The code was proposed by the managing director of Corporate Image, Mr Moss Leoka, when he addressed exhibitors at the Matchmaker Services Trade Fair in Johannesburg.

Many of the exhibitors at the fair agreed that a code be drafted and supplied to big companies with the aim of making them vigorously engage in empowering blacks.

The feeling was that small businesses created jobs at a time when the country was plagued by large scale unemployment. Some agreed that the informal sector should also be boosted by the Government instead of it (Government) spending millions of rand on defence.

"The war on our border is finished, we need the money to create jobs and wealth so that we can live peacefully in the new South Africa," one exhibitor said.

Leoka said: "This code should be voluntary only to the extent that companies will be able to set quotas and time tables themselves, to suit their own particular circumstances."

He warned that non-conforming companies would be publicised; their names be distributed to the nation that "they are not friends of Caesar."

The Government should not be let off the hook, and business should demand that part of the Government's huge buying budget be spent on black suppliers.

"It is only in this way that we can say we are building a stable future together," he said.

Leoka said he has met with the Government and big business in his efforts to get them to sign up to the code.

He said that South African business, especially big business, stood accused of knowingly supporting apartheid. It was their responsibility to get rid of "this wicked system."

"My appeal to business is they should voluntarily search their souls and decide on programmes that will speed up the economic empowerment of blacks," he said.

He said most black business was under-capitalised because they did not have easy access to finance.

Black manufacturers, like all small businesses, could not afford to employ hundreds of workers, nor could they afford the high capacity production machines because they lacked money.

Black businesses could not distribute their produce nationally as a result of lack of distribution networks.

They have been hamstrung by political unrest, stayaways, strikes, to sudden and unannounced cuts in electricity and water.
blacks in business

Company provides loans to buy taxis

Members will also be helped to start other businesses:

By Joshua Raboroko

THE Nafcco-affiliated National African Federated Transport Organisation has launched a scheme involving millions of rand to help their members buy vehicles and start businesses.

The organisation has formed the Dowline Enterprise Long Distance Transport Company Ltd which will make loans available to potential taxi owners and shopkeepers.

The company already has R4 million in its coffers.

At a press conference this week the company's managing director, Mr Lebina Mofokeng, said the company consisted of 28 Nafcco associations in the Transvaal and Orange Free State who wanted to improve the standard and quality of the taxi industry.

Members were expected to buy the maximum of 6,000 shares. The money would be deposited in a bank and be used to buy vehicles.

About 150 of their more than 4,000 members had already benefited from the scheme, he said.

The company offered security and the provision would also be made for old vehicles to be improved and be insured against theft, riot damage and robbery.

Lebina said that the association had built three large supermarkets in Petrus, Kroonstad and Vereeniging.

SA told to join Africa

Research shows this will create economic opportunities:

SOUTH Africa has been urged to enter into new economic pacts with the rest of the continent.

A study commissioned by the SA Chamber of Business and released in Johannesburg this week has outlined the crucial importance of cooperation with African States.

The Africa Institute of SA, which carried out the research, says progress towards full international acceptance will strengthen commercial and other bonds.

Researcher Dr Erich Leister says the African countries welcome these developments and look forward to South Africa joining regional groupings such as the SA Development Community and the Preferential Trade Area for Eastern and Southern Africa (PTA).

Western leaders and development agencies hope that South Africa will help to promote development and stability in the region.
Boymans's turnover up

MARCIA KLEIN

RETAIL company Boymans, whose interests include John Orr's, Leisons, Deans, Cyril's, John Scott and Woolfsons, reported a 23.8% drop in attributable earnings to R693,000 (R910,000) in the seven months to end-September.

Boymans changed its year-end to March in line with its new holding company Amrei.

Results compare the seven months to end-September with adjusted figures for the same period last year.

Turnover rose marginally to R110,4m from R110,2m, but trading profit dropped 32.2% to R5m from R7,1m.

Chairman Rod Logan said gross margins were maintained.

Finance costs were reduced significantly due to lower borrowings after a rights issue in April; and pre-tax profit was 23.7% lower at R1,3m (R1,8m).

Earnings dropped to 2.7c a share from 3.5c previously on a substantial increase in shares in issue.
A merger between Scoob and the Afrikaanse Handelsinstituut (AHI) could be on the cards.

Retiring Scoob president Dr. B.J.I. announced in Durban that the option had been put on the table, and working groups would be set up to discuss the proposal.

He was aware of the cultural sensitivities, but business would not be able to take on challenges in the future on a fragmented basis.

Scoob and the AHI had developed a cardinal and co-operative relationship in the recent past.

Eliminating duplication and increasing cost efficiencies would be among the major benefits of a merger.

The AHI said yesterday the possibility of merging with one or more existing employer organisations was not on its agenda at this stage. The issue would be discussed at the AHI's full executive committee on November 24.
The confidence factor

Construction companies take note — outside the greater Johannesburg region, office market prospects are best for Durban in the short term. In fact, Durban will need new space from the second half of 1994. Cape Town will only need more prime offices from mid-1995 and Pretoria, which is the worst off, only from the end of 1995.

This is the prognosis of The Property Economist (PE) published in September.

The Cape Town area has an oversupply of 82 000 m² with a further 12 500 m² coming on stream. "This should be enough space for at least the next 24 months."

Expected take-up in the larger Cape Town area — including the CBD. the Victoria & Alfred, Belville and the southern suburbs — in 1993 is between 30 000 m² and 35 0000 m². Pretoria has 120 000 m² of vacant office space with a further 11 000 m² about to come on to the market over the next year. PE believes a take-up of 35 000 m² to 40 000 m² is likely next year.

The PE notes that the problems areas in Pretoria for the next 24 months appear to be in the CBD, Arcadia, Hatfield, the eastern suburbs and Verwoerdburg.

Only Sunnyside has much upward potential, it says. This suburb has 4 500 m² of available space.

No new space is planned for the next three years, as far as is known. Achievable rentals in Sunnyside are around R21/m² gross.

While the greater Johannesburg area is not included — it was covered in PE's July edition — the report says that, with the exclusion of Bedfordview and Woodmead, most other areas in this region (11 of them) should reach equal supply and demand between mid-1993 and end-1994.

Thus their construction opportunities are greater than in Durban, Cape Town or Pretoria.

Time cycle needed

Given that "the typical office development requires a time cycle of site purchase, clearing, planning and construction of some 12 to 36 months," there is likely to be a continuous stream of new office block announcements from next year onwards, particularly in Johannesburg and Durban.

"Confidence among tenants, however, is still the vital ingredient. Construction will not take place willy-nilly," PE author Neville Berkowitz points out.

The PE reported in September that Durban currently has 40 000 m² of vacant space, 38 500 m² of that in its CBD. A further 5 600 m² of unlet space is due to come on stream during the next 12 months — "sufficient A-grade office space for the next 18 to 24 months." Anticipated take-up in the next 12 months is between 20 000 m² and 25 000 m².
Creditors rose 13%. Close control over working capital indicates the group has been able to fund its own growth as gearing has not risen following the turnover increase.

The 5% EPS growth would have been higher but for the R5,3m increase in net financing costs to R36,3m. This increase follows a surge in the tax payment, itself merely the result of timing aberrations.

Management’s cautious approach is reflected in the R10,2m drop to R24,1m in capex incurred, from 1991’s first half. “We have been selective in openings and refurbishments,” he confirms. Large openings pending include stores in Somerset West, Fourways and Westville. Computer technology spending has also been cut back as the mainframe’s life has been extended.

Stores have been closed in some outlying regions such as Carletonville but Beeton says most were insignificant. The loss-making mail order business has been closed. “We are not mail order experts,” he admits.

CBD stores continue to lead activities, indicating the black trade’s importance. Beeton predicts second-half sales and profit growth should mirror the first half’s.

William Gijholt
TRADEGRO

In the right direction

Assuming the recovery is sustained, Tradegro's results for the six months to end-August mark one of the most impressive turnarounds seen on the JSE for a long time. It means MD Whitney Basson is achieving what few believed was possible in such a short time — the restoration of Checkers to profitability.

Tradegro's year-end has been changed to comply with that of holding company Pepkor. Moreover, the composition of the group is entirely changed. It comprises only Checkers and Shoprite, after Metro Cash & Carry was sold and Smart Centre was moved out. That makes comparisons with the year-ago interim's problematic.

Shareholders' funds were affected by an extraordinary write-off of R166m resulting from the restructuring. When Tradegro bought Shoprite, the deal was financed by issue of Tradegro paper. The write-off, taken on March 1 1992, represents Shoprite's trade names and goodwill.

Of more significance, though, is the clear turnaround in Checkers' fortunes. This is a

UNIT SALES STEADY

| Turnover (Rm) | 1,280 | 1,460 | 1,410 |
| Operating inc (Rm) | 181.9 | 181.3 | 184.4 |
| Attributable (Rm) | 70.6 | 78.9 | 82.4 |
| Earnings (c) | 155 | 155 | 162 |
| Dividends (c) | 10 | 83 | 20 |

capex incurred, from 1991's first half. "We have been selective in openings and refurbishments," he confirms. Large openings pending include stores in Somerset West, Fourways and Westville. Computer technology spending has also been cut back as the mainframe's life has been extended.

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William Giffithen

TRADEGRO

In the right direction

Assuming the recovery is sustained, Tradegro's results for the six months to end-August mark one of the most impressive
Youthful consumers . . . shopping 'til they drop?

be closed. The Wall Street Journal reported recently that fierce competition from stores such as The Limited and The Gap, a weak economy and high prices already have forced 300 US outlets to close.

And in Europe outside of Italy, profits are being squeezed by low-price fashion chains from the US and France. Analysts also suggest that the company, which has always been geared to the 15-25 age group, has not kept up with the fashion trend away from casual knitwear and towards the more tailored clothing favoured by ageing baby boomers.

But in SA and other developing countries, where the average age is lower, the Benetton chain is expanding. The company entered SA 10 years ago and now has 35 stores here, including one in Diepkloof, Soweto, and there are another seven in neighbouring countries. Some are franchises and others are company-owned. This year, Benetton started a small manufacturing operation in East London to produce denim and stretch fabric for consumption locally.

"The thought goes through my mind that they see southern Africa as a potential manufacturing base," says Sid Viacello, a retailing analyst with Ed Hern Rudolph.

The Benetton chain, which made its name as a purveyor of brightly coloured wool jerseys, imports most of the items it sells here. The goods are not cheap, especially since they are burdened with heavy import duties. The company says pure cotton and wool garments are slapped with 100% tariffs.

Locally, monthly sales turnover is about R600 000 per store; the SA operation contributes less than 1% of Benetton's global turnover. "Business varies, with some good months and some bad," says a company spokesman. "This year, for example, they had both their best and worst months ever."

Despite the setbacks in its key markets, the Benetton family — Luciano founded the company with his brothers and sister in 1965 — certainly isn't hurting. Fortune magazine's recent list of the world's billionaires pegged their fortune at $1.6bn, a few notches above the Oppenheims but still a few rungs below the Ruperts.
PEKROR

Digesting and shifting

Even with all the digestion and shifting that has taken place throughout the last year, the
company is doing well. The acquisition of the
original Pop Store in Auckland for $1.5 million
in October last year has been successful.

Popkor's operating profit grew by 20% in the
first half of the year, with a 17% increase in
turnover. However, despite these gains,
operating costs have also increased by 15%.

The company is now focusing on
improving efficiency in its operations, with
an emphasis on cost control.

Without the influence of the original Pop Store,
Popkor's operating profit rose 17%, while
turnover fell 11%. The EPS rose 15% in the
same period.

Popkor's share price has risen by 20% in
the six months to August, reflecting the
improved performance.

Periodic overhead expenses are being
controlled to maintain profitability.

End of report.
SA ‘has what it takes for success’

ORGANISERS and delegates at the Sacob annual convention in Durban this week walked away satisfied they had dealt with most central issues facing business in the year ahead. These include a constitution, a social accord, global trade policy, market competition, monetary policy and taxation.

The most popular suggestion put forward at the conference was that politicians should be locked in a room until they resolved their differences and came up with a concrete plan for the future.

However, there was renewed optimism that SA had what it took for economic success, with JSE president Roy Andersen presenting a long list of SA’s resources and competitive advantages.

One delegate pointed out that if properly utilised, these would turn SA from a losing to a winning nation. This would also involve turning around Andersen’s frightening wage and productivity statistics.

SA’s 18% rise in productivity during the last 15 years has been left in the shadows.

by the 59% increase in wages during the same period. Comparable statistics for Taiwan show productivity increased by 112%, higher than the 110% rise in wages.

The convention failed to pass a motion calling for a reassessment of monetary policy. This will be redrafted by the Sacob economic affairs commission.

However, there was a hint of uncertainty in the audience about whether relaxing monetary policy would be the right thing.

The revised motion presented on the day was toned down from the original version, and based its argument on the fact that structural rigidities in the economy, such as wage and salary increases, lack of competition and the government deficit, stood in the way of achieving lower inflation. Reserve Bank response to the motion was mild, with deputy governor Jaap Meijer saying the Bank had no argument with most points brought up in the motion.

Tensions ran high during discussion on the taxation motion — a regular one at Sacob’s annual conventions. Not surprisingly, delegates heartily endorsed pushing for lower corporate and personal tax and for greater clarity and certainty in tax policy. But most debate was focused on the recent Jacobs committee report and the controversial proposal to tax pensions.

A spokesman for the Jacobs committee, Piet Robbertse, stressed there was no need to get “hysterical” about the report and that it was merely a discussion document.

Political tensions appeared on the second day of the conference, when Inkatha national chairman Frank Mdhlalose and ANC economics spokesman Trevor Manuel made individual contributions to the economic debate. Mdhlalose made an impassioned speech about his roots as a South African and a Zulu, and vigorously defended Inkatha’s history.

Manuel stood up a short while later and pointedly said it was regrettable that a speech of that nature had been made during an economic debate.
The U Build Total Homemaker Plan

A STRONG COMMITMENT TO THE COMMUNITY

The launch of the U Build Total Homemaker Plan reflects a strong and meaningful commitment to the community, according to Cashbuild chairman, Mr. Gerald Hauser.

"We have identified a real market need and come up with a package that provides reassurance, support and advice to home builders or those improving the value of their homes through additions and renovations," he said.

"In addition, we are doing so at prices that are highly competitive, realistic and affordable."

The U Build concept in the stores in Jabulani and Soshanguve is aimed squarely at the home improver, the small property developer and the homemaker.

READY MADE TRUSSES

The new U Build Total Homemaker Plan includes the only quality, ready-made roof truss manufacturing unit in Soweto.

Unlike other truss manufacturers, U Build has a computer program available to customers to design roof trusses to suit specific requirements.

The manufacture of the trusses takes place, and the completed trusses are delivered to any building site in Soweto.

"Cashbuild has been in the truss manufacturing market for many years, and we have a record of employees and equipment in the business," said Moshonwa.

"We work to the same high standards of quality and workmanship demanded by major builders in the Cashbuild group," said Moshonwa.

CUSTOMER DEDICATION

The managers of the U Build store in Jabulani, Mr. Amechambe, and the store manager in Soshanguve, Mr. Moshonwa, explained that the U Build Total Homemaker Plan had been designed to be easy to use.

"Our philosophy is that a sale is more than a sale . . . it is the beginning of a life-long relationship."

"Customers don't have to worry about a service breakdown, because we have a staff of qualified professionals who are always there to help."
A Guide to the Western Cape

Western Cape

Economy

Foreword

The Western Cape is a region of economic growth and development. Its economic growth is driven by the tourism industry, which is a major contributor to the province's GDP. The Western Cape has a diverse economy, with key sectors including tourism, agriculture, manufacturing, and finance.

Key aspects of the Western Cape economy include:
- Tourism: The province is a popular destination for both domestic and international tourists.
- Agriculture: The Western Cape is known for its agricultural output, particularly in the production of fruit and wine.
- Manufacturing: The region has a strong manufacturing sector, including the production of automotive components and electronics.
- Finance: The Western Cape is home to a significant finance sector, including banking, insurance, and investment management.

The Western Cape has a well-developed infrastructure, including a modern road and rail network, as well as access to international airports.

The Western Cape Economic Forum

The Western Cape Economic Forum is an organization that promotes economic development in the province. It aims to support local businesses and attract new investment.

The forum's primary focus areas include:
- Economic growth and development
- Innovation and entrepreneurship
- Education and training
- Infrastructure development
- Tourism

The Western Cape Economic Forum is supported by a range of stakeholders, including government, businesses, and civil society organizations.

In conclusion, the Western Cape is a prosperous and dynamic region with a strong economic base. It continues to attract investment and support innovation, making it a key player in South Africa's economic landscape.
Trolleys used as packhorses of the poor

BY BOBBY BROWN

Supermarket trolleys appear to be a viable business for "entrepreneurs" who sell them to street vendors at R25 apiece — presumably after stealing them from stores.

Three street vendors near the Standard building in Johannesburg said they bought their trolleys from unknown men who walked around pushing trolleys through the streets. These suppliers were even prepared to drop their price to R15.

Trolleys have long been the "pack animals" of street vendors and the homeless, but the practice has left the management of supermarkets with severe headaches and greatly out of pocket.

A Pick 'n Pay spokesman said his store spent more than R170,000 over a six-month period to replace stolen trolleys.

"Chains of trolleys are aware that trolleys end up in the possession of street people, but there's not much we can do," Pick 'n Pay's operations manager for Gauteng, Mel Green, said.

Green said trolleys cost supermarkets R250 apiece, but could not confirm how this expenditure affected prices in the store.

An OK Bazaars spokesman denied that trolley theft affected the price of goods. These thefts were written off as operational costs, he said.

Street vendors use the trolleys mostly for carting around their vegetables, cigarettes and sweets which they sell from street corners every day. Bricks, large tins and wood, the components of makeshift display counters, are also loaded up and wheeled away to a nearby parking spot.

For the homeless, a trolley is a pantry, a wardrobe and sometimes even a bed for a baby. More flamboyant vagabonds treat their trolleys as their friends and partners, even giving them colourful names, such as "Souped Up", "Roof Gevaar (Red Danger)" and "Kitt".

A homeless man called "Albie" claims he stores everything he owns in his trolley. But he took a while to remember where he had got his "16 Valve" from. "I picked her up," was all he would say.

The OK's Marius Niewoudt said they had tried several ways to curb the theft, but that they were "really fighting a losing battle".

"Asking shoppers for a R2 deposit before they could take a trolley out of the store had serious customer relation implications," he said.

He said one of the effective ways was to employ scholars to look after trolleys and to make sure they were returned to trolley bays.

Green said there were by-laws which allowed police to fine and even arrest people in possession of trolleys, but added that trolleys which had had their name bars removed were difficult to identify.

"How do you fine a homeless person who has no address" he asked.

A homeless woman had the last word. "These supermarkets are rich, they can afford to let us have the trolleys. Tomorrow they buy another one," she said.
Wooltrru prepares for the year 2007

Wooltrru chief executive Colin Hall despises roadshows and scenarios.

He prefers to do a Rip van Winkle for 15 years and try to imagine what SA will be like in the year 2007.

A fully Woolworths-clad Mr Hall laid his forecasts on the table at a presentation to the Investment Analysts Society in Johannesburg this week.

He said his group would now start to tackle what it would find at the rude awakening.

In brief, and incontrovertibly, black shoppers, managers, staff members would outnumber whites. Growth in the informal sector would outstrip that in the formal, urbanization would outpace rural settlements and stakeholders' needs would become demands.

Mr Hall identified seven stakeholders — consumers, communities, the Government, lenders, suppliers, shareholders and staff — and how each might wish to carve up the current white capitalist cake.

The best way to meet those demands was to make the cake bigger, which brought Mr Hall to the four Es environment, effectiveness, efficiency, ethics.

On the business environment front, he knows that the Wooltrru group attracts A, B and C income shoppers and offers too little for the aspiring C, D and E set.

While many have dominated business to the exclusion of blacks and women. Rather than see this as a threat, Mr Hall regards running a 16-cylinder car on only one valve.

"Look forward to realising the leadership potential from across the population and to run that car on full throttle." On effectiveness, Mr Hall says Wooltrru must flourish, not merely survive. Its three operating divisions offer different things to different people. Quality is the keystone at Woolworths; fashion is the business of Speciality Retail Group comprising Truworths, Topco, Truworths, Men, Daniel Hechter and Leading Concepts. Massepar's Marsh, Malco Office, Drop Inn and this week's acquisition Shield compete on pricing.

"It's no good being in the mediocre middle ground in any business, trying to be all things to all people. Yet to be in a single entity business you have to be a dinosaur," says Mr Hall, adding that Wooltrru's acquisitions since 1992 have all been for cash.

"Understanding cash flow is the most important part of any business. We have never had to come to shareholders for a rights issue to pay for excess borrowings or to expand the normal organic growth of the group."

Also, Mr Hall could report no sign of economic recovery. The year to June was a tough one for most retailers and Wooltrru's after-tax earnings fell 38% to R295-million in spite of a 15% climb in turnover to R13.8-billion.

"The main risk in this group is in how well we've bought. We bought R2.5-billion of stock last year. We buy today to sell tomorrow or even next season and take the risk."

There is a concerted effort to boost Woolworths, which has steadily lost market share in the past 10 years apart from food. Its value-for-money image is being promoted to sections of the community who have not grown up with Woolies. Management and systems information have also been beefed up and new ways of payment involving some kind of credit are under consideration.

Mr Hall declines to give the relative sizes of each division in the Wooltrru group, claiming that the comparisons would be misleading.

The JSE has treated Wooltrru harshly — one set of poor results in many years and the share price has almost halved from its peak of R57 to R45.
Businesses find refuge in the Cape

INDUSTRIALISTS are looking to the Cape as a city to conduct business under more normal conditions than elsewhere in SA, says Christie’s Property Brokers’ David Christie.

“The Cape has been regarded as the poor relation of the Reef over the years but is now coming into its own. The western Cape workforce is less subject to intimidation than in other parts of the country, while businesses are not as critically affected by strikes and mass action,” he says.

As a result, a number of businesses — ranging from one-man operations to major industrial groups — are looking to establish themselves or expand in the western Cape.

Another positive factor is industrial rentals in the Cape are below those of the Reef and Durban, with factories of 500m² or less to be found for R18/m² and larger units in good areas, such as Epping, at R6,50/m², he says.
Commerce - General

1992

Nov. - Dec.
SA retailers look north for trade

By Zilla Efrat

SOUTH African retailers and wholesalers are eying expansion opportunities in Africa's mass markets.

The companies include Pick 'n Pay, OK Bazaars, Checkers, Woolworths, Truworths and Metro Group. Most plans, however, depend on political stability in African countries. Potential difficulties are high import duties and foreign-currency shortages in many countries.

Pick 'n Pay chairman Raymond Ackerman says his chain is considering opening stores, franchising or wholesaling in Southern Africa, especially in Zimbabwe and Zambia.

Pick 'n Pay is set to open its first African store outside SA in Namibia in the next year or two.

OK Bazaars group chief executive Gordon Hood says his group has received numerous approaches in the past six months related to opening up shop in African countries. These are being examined, but no firm proposals have been made.

However, Mr Hood says OK is not too keen on the franchising option because it is difficult to ensure from a distance that the company's standards are maintained.

The company will also have to examine whether stores will use the Hyperama or OK Bazaars name. But for Africa, OK Bazaars appears to be a much more exportable commodity, says Mr Hood.

OK has been operating in Swaziland, Lesotho and Namibia for many years and has two branches in Botswana. It also has a close association with the OK chain in Zimbabwe, but is not linked to the Zimbabwean chain which was nationalised many years ago.

Truworths' "cautious" expansion plans for Africa centre on franchising.

Exports

Managing director Michael Mark believes the company will have several experimental stores south of SA in five years.

He says the response to Truworths' merchandising at a recent SA exhibition in Kenya was "amazing" and the chain's first franchise in Gaberone has proved successful.

The group owns a store in Namibia and views Zambia and Angola as possible opportunities.

However, Mr Mark says a major challenge will be ensuring that Truworths' standards are upheld in the African franchise.

Woolworths will also place the emphasis on standards when it looks at franchising opportunities in Africa in the new year.

Managing director Sid Muller says that any franchised shop will have to be like its counterparts in SA.

Woolworths has franchises in Swaziland and Lesotho, two in Botswana and four in Namibia. Its executives picked up encouraging signs on a visit to Kenya and will re-examine this market soon.

Metro financial director Dudley Rubin says his group is examining the possibility of opening "cash-and-carry" outlets in several countries, especially Mozambique, Angola, Kenya and Zambia.

Metro has an interest in the Malawi market and its exports to Africa are significant.

Shoprite Checkers also confirms that it is exploring business opportunities in Southern Africa.
No let-up in retail centre-development

IN SPITE of declining retail sales as consumers’ disposable incomes drop, financial institutions and developers continue to plough money into developing and refurbishing retail centres. Many of these developments also have office components, which are suffering the effects of the recession.

The Mines Pension Fund is completing a R40m office and retail development in Roodepoort.

Phase one of the development, known as Constantia Park, on the banks of the Klein Jokkei River, has 5 200m² of office space, a 3 000m² shopping complex, a 1 100m² restaurant and a service station.

A hotel and separate hospital complex have been zoned for future development. The complex will be officially opened on November 7 by Mine Management Services CEO Barry Botes.

Joint developers NBS Decco and Gallic have invested R6.5m in a shopping centre in Dewarglou, Edenvale. The centre has a leasable area of 2 230m². Its facilities include a supermarket, hardware store and boutiques, restaurants and parking for 130 cars.

Propnet, Transnet’s property unit, has concluded negotiations with Schoonies Een for the development of a R12.5m shopping centre with bus and taxi rank areas. The 3.8ha site is on the corner of Main Road and St Lucia Street in Minhubula and will offer shopping facilities for the 9000 to 12 000 commuters.

Propnet manager Roland Bohmer said the centre would be completed in October 1993 and would consist of more than 9 000m² of shopping centre, a 220-bay taxi rank, a 30-bay bus rank and 300 public parking bays.

Another multimillion-rand Propnet commercial and retail development, Freeway Park, has been approved for Maitland in the Cape. It will have a lettable ground floor area of 6 000m², made up of 48 micro-units ranging from 86m² to 1 550m².

Propnet’s Cape Town project manager Jan van Dijk said the first phase of the project was expected to be completed next March and the second phase at the end of 1993. While it was ideal for offices and shops, it would also be suitable for warehousing, service industries and micro-factories, he said.

Sanlam Properties is also active in the retail market. Its R200m, 60 000m² Fourways Mall centre is due to open in six months.

About 85% of the centre — 123 stores — has been let and a further 7% is under negotiation.

It is also to merge two of its existing centres to create KwaZulu’s biggest shopping centre at a cost of R24.7m.

The merging of Sanlam Plaza and Sanlamcentrum at Empangeni would take the leasable area to 30 350m² and a further 260 parking bays would bring the total to 1 145.
Workers in wages strike

JOHANNESBURG. — Workers at Soweto businessman Mr Richard Maponya's discount store went on strike on Friday to demand higher pay, the SA Commercial Catering and Allied Workers Union said. (30) CT 211192
Waltons' sales hit hard in tough trading conditions

CAPE TOWN — Sales and operating margins of stationery, office equipment and toy retailer Waltons Stationery fell drastically in the six months to end-August, resulting in a 27% decline in earnings.

The interim dividend was cut by 23.8% to 5c (7c) on earnings of 13.6c (16.7c) a share. Parent company Waltons Consolidated Investment Holdings, which has a 50.1% stake in Waltons, also declared a 5c (7c) dividend on earnings of 13.1c (17.9c) a share.

Chairman Frank Roberts said trading conditions had been the most difficult since the group's listing in 1978. The exceptions were Helios-Minolta and Lithosaver Systems which he said had produced excellent results.

Financial director Mark Davis said Helios-Minolta had gained market share and had won a number of large orders from the government and corporate sector. Lithosaver had maintained its sales momentum and plant utilization had helped offset the decline in margins. Cash generated contributed in a drop in gearing to 14%.

Drawing equipment supplier Ozalid continued to suffer from the slump in the mining and building sectors.

The stationery market remained tough and had fallen off significantly from former levels of growth, Davis said. Waltons' stationery division could, however, get a boost next year as children in Model C schools would have to buy their own books.

Year-end sales were also normally boosted by businesses stocking up with stationery.

Toy and babyware retailer Redwoods Holdings made an interim loss, although traditionally it generated most of its profit over the Christmas season. The chain hopes to derive benefits from its Toys R Us warehouse, a newly launched "Magic Card" credit facility for customers and its newly acquired Baby & Co operation.

Group turnover rose a nominal 5.5% to R376m (R358.3m) but with margins sliding to 8.2% from 11%, the operating profit plummeted by 21.5% to R30.7m (R38.7m). Davis said cost-cutting measures had been adopted throughout the group, with some divisions being merged and branches closed.

Finance costs rose slightly because of a build-up of stocks resulting from lower-than-budgeted sales. But Roberts stressed Waltons' balance sheet remained strong with gearing at about 10%.

No significant improvement in the group's performance was anticipated because of the severity of the economic climate which had shown no signs of recovery. Roberts said, however, that Waltons had traditionally a stronger trading performance in the second six months of the year.
High rentals ‘being resisted’

Retailers have resisted higher rentals over the past six months and many have seriously considered taking smaller space in prime positions, says J H Isaacs (JHI) leasing and sales MD Colin Wright.

"Lower rentals in retail strip developments created greater demand for shopping space than did shopping malls, and we expect further resistance to higher rentals in the short to medium term," he said.

Rationalisation by the major retail chains was also expected. This would contribute to near-zero real growth in the short to medium term. Despite an uptake of space by banks near or next to major shopping centres, this area has also shown a downturn.

Rode Report editor Erwin Rode agreed, saying retail rentals had gone steadily downhill in real terms from mid-1990 and were still under pressure as retail spending continued to fall.

"Once ‘rentals’ are deflated using the CPI, the tumble in real rentals becomes apparent. Even in the safe haven of well-heeled Rosebank rentals have declined," he said.

Wright said the oversupply of office space in the Johannesburg CBD and decentralised areas was also likely to continue in the short to medium term. However, the fast pace of development would slow, which augured well for the uptake of available space in all areas.

The leasing and sales division of JHI (TVI) had concluded property transactions valued at more than R120m in the past six months, said Wright.

The average value of investment transactions was between R2m and R3m.

The group had recorded good business in all areas of industrial property in the past six months. A trend towards owner-occupiers in areas close to Johannesburg had emerged in the quarter to end-September.

"The current market offers companies the opportunity to secure their positions over the next five to 10 years on favourable terms, and to gain a measure of protection against rental increases over this period," Wright said.
Ellerine seeks a better 1993

Marcia Klein

Furniture retailer Ellerine, whose earnings for the past financial year recorded the first drop since 1985, has cautiously forecast improved earnings in 1993.

Ellerine's earnings had dipped by 32% at the February interim stage, but an improved performance in the second half saw it report a full-year earnings decline of 9% to R59.4m at the August year-end.

Chairman Eric Ellerine said in his annual review that sales in the second half were 9% higher than the previous year, bringing the full-year sales decline to only 1%. Earnings were up by 16% in the second six months.

Bank borrowings had risen, but this was largely due to the amount of tax paid during the year. Gearing was at a comfortable 16.5%.

The group's expansion had continued, and 21 new stores were opened.

Looking to the year ahead, Ellerine said the group would be able to contain overheads and manage its assets effectively, and its geographical spread and expertise in its market segment placed it well to take advantage of opportunities.

The company's market had the potential for growth due to the accelerated pace of urbanisation and the emphasis on housing and electrification, Ellerine said, adding its expected improved earnings in the current year.
Far East investment should be lured

Business Day Reporter

AFRICA could attract foreign investment from Far Eastern textile and clothing companies if it offered the right incentives, Hong Kong Polytechnic academic C Chan said yesterday.

He told the productivity conference the countries of the Far East were some of the world's major sources of textile and apparel suppliers but had to move to cheaper producing countries if they wanted to remain competitive.

Foreign direct investment by Hong Kong clothing manufacturers could be beneficial to up and coming Third World nations, said Chan.

While it was difficult to estimate foreign direct investment from Hong Kong, one source had estimated it at about HK$4.3bn, of which a third was textiles and clothing.

As existing textile and clothing manufacturing countries lost their comparative advantage and protectionism by industrialised countries continued to have a restraining effect, manufacturers would continue to look for replacement sources to set up their factories.

"The African continent is the one place on earth that has the potential to host the outflow of direct foreign investment on the basis that it has a abundance of labour at a relatively cheaper cost," said Chan.

Africa needed to formulate an action plan to initiate foreign investment. African countries that had started up export processing zones with incentive packages would succeed depending on politics and infrastructure including government regulation and transport.

Generating jobs cheaply

Business Day Reporter

SMALL business development was a low-cost generator of employment, Small Business Development Corporation spokesman Edwin Basson told delegates.

The SBDC advised 2.5-million informal entrepreneurs, employing about 2.5-million people and generating about 15% of measured GDP. The process of entrepreneurship in generating growth and creating wealth should be allowed to mature at its own pace, without government intervention, he said.

La Motte 1695 Wine Estate

Now available in limited quantities at select stores

La Motte
Cabernet Sauvignon 1986
Millions spent on upgrading in CBD

IN SPITE of negative perceptions about the future of the Johannesburg CBD, individuals are ploughing millions into buying and refurbishing office blocks.

Attorney Gerald Oliitzki and his financiers have spent about R10m buying and refurbishing four buildings in the area and, while he had some difficulty obtaining finance for the first project, three institutions competed to finance the current venture.

Oliitzki’s latest R3m project entails refurbishing the 4 000m² 132 Fox Street building which once housed the Israeli embassy and bore the bullet holes of the 1975 hostage drama.

“The first three projects have been highly successful regarding letting and market acceptance,” he said.

“While the CBD is now at an all-time low; it has a long-term future.”

“Overseas, there has been a move back to the cities; after companies found the suburbs could not provide the infrastructure of a CBD. In addition, pressure on parking and an eventual shortage of staff contributed to forcing them back. We lag this trend; but it is almost certain to happen.”

The private sector would have to be primarily responsible for growth in the area. But all that was needed to change its entire character was the upgrading of only a small number of people — as he had done.

“Fox Street used to be regarded as a really downmarket part of town. Now, with the upgrading of a couple of buildings in the area, this perception has changed,” Oliitzki said.

Purchase costs were about R500/m² and refurbishment and holding costs were a maximum of another R1 000/m². This was far less than the cost of a new development, which put the refurbishment at a rental advantage.

Space is being let at R12/m², with operating costs held at R3.50/m², resulting in a gross rental of R15.50/m² — excluding electricity and VAT. This compares with other gross rentals in the area ranging from R20/m² to R35/m².

Leases are generally signed for five years at a 12% escalation. Three floors have already been let and another 1 000m² is still available. This can be subdivided into units of 100m² upwards.

The adjacent Playhouse has also been bought and, except for the facade, will be demolished to create additional parking space. This will result in a parking ratio of one bay for every 25m² and will cost R250 compared with R324 in the Carlton.

“I am able to keep rental levels so low by adopting a hands-on approach. All aspects of the development, from leasing to administration and management, are controlled within the company,” he said.

Purchase prices were “very reasonable” because of present market conditions and the derelict state of many of the buildings. In addition, competition for work was so fierce that refurbishment costs were also lower than usual.

A number of factors contributed to the success of such a project, including location and need for the building to be surrounded by other quality buildings.

The developer also had to be aware of what was going on in the rest of the market, and of the many hidden costs that could emerge when refurbishing a rundown building.

“There also has to be an acceptable parking ratio, and the needs of the market being canvassed have to be considered,” said Oliitzki.
last week's annual convention of the SA Chamber of Business (Sacob) in Durban. The two-day public meeting started with a vigorously supported resolution calling for a federal constitution in the new SA.

The strong support for regional government from the Natal chamber, which proposed the resolution, raised sensitive issues — and the final debate was between supporters of the African National Congress (ANC) and the Inkatha Freedom Party (IFP).

"The 400-500 delegates to the convention represented a wide cross-section of business, political, official and diplomatic interests. The 14 ambassadorial and 16 consular representatives from 30 of SA's main trading partners (four from Africa) reflect the wide international interest in SA's vital economic debate."

The presence of delegates informally representing the Southern African Development Community (SADC) and the Preferential Trade Area (PTA) underlined the broader regional and global importance of Sacob. Sacob also released a 23-page discussion document on SA's options for future relations with southern Africa and the European Community, written by Africa Institute's Erich Leitner.

Growing global ties

"The six motions on regionalism, a social accord, global trade policy, competition policy, taxation and the effect of monetary policy on the economy, accompanied by vigorous and in-depth debates involving Sacob delegates, top officials like Finance Director-General Gerhard Crosser and Trade & Industry Director-General Stof Naudé, and Reserve Bank Governor Chris Stals, highlighted the vital issues affecting all businessmen today," says Haywood.

East Bloc representatives from Russia, Czechoslovakia, Romania, Poland and Hungary also testified to the growing global ties of SA's premier business organisation.

But perhaps most significant was the "first-ever" presence at a Sacob convention of a non-ANC official, chief economic spokesman Trevor Manuel. He took part in the economic policy debate and expressed pleasant surprise at the vigorous discussions between Sacob delegates and officials on the one hand, and top government representatives, on the other. "I was not aware of the strong differences that exist on policy issues and was impressed by the level of the debates that ensued," he told the FM.

"The original, sharply critical motion on monetary policy was watered down and called on government to: "Re-examine the appropriateness of the current policy of high interest rates"; address the large increase in the deficit before borrowing; eliminate conflict between monetary and fiscal policies; resolve the problem of inadequate competition in "certain sectors" of the economy; and "deal" with wage and salary increases outpacing productivity growth."

On trade policy, the conference took a surprisingly liberal stance and called for vigorous implementation of the Industrial Development Corps' tariff report — as part of a comprehensive economic reform package. Naudé responded that tariff reform had to be "managed," in view of SA's special circumstances. "But there is no escape — we will have to become globally competitive," he added.

The most upbeat view on the outlook for the economy was given by JSE executive president Roy Andersen who predicted 1%-3% growth in 1993.

But politics was never far from the surface. Soviet editor Alexander Klaasen departed from his excellent prepared text on Business and the Changing SA and the concept of "Nation Building" to criticise the "myth" of the Zulu people, propagated by "the existing leadership of the Zulus in Natal" and abetted by the "tribalism" engendered by old-style apartheid. Klaasen said there was "an almost desperate desire to rebuild the dominance of old," referring to "Shaka and all that jazz" and the IFP in particular. "It is pity that the IFP changed itself from a cultural to an exclusivist political party."

This brought a spirited response from IFP secretary Izak Mdlalose: "I am proud to be a Zulu" and "We have never been exclusivists and have been a political movement for long time."

The debate fizzled out despite a spirited attempt by Sacob economic affairs commit tee chairman and JCI economist Ron Nicol to elevate it to higher levels by throwing into discussion the role of the State in the new SA.

"We will have to choose between the faller interventionist approach of the East Bloc countries, the classical laissez faire approach, or something in between, like the successful recipes used by the Pacific Rim countries," said Bethelheim.

Wits Business School honourary professor Aubrey Dickman ended the debate on a positive note: "Notwithstanding our currently dismal economic condition, the basic resilience and strength of SA's free enterprise economy is awaiting correct signals to enter the next cycle of vigorous growth."

"We will wait to outgoing Sacob president Henkie Vrijen who suggested a merg er between Sacob and the Afrikasere Handelinsituut."

Though subsequently rejected, this suggestion (as well as the presence at the confer ence of top AHF official Joe Poolman) underlined the common interests of the two organisations.

COLUMN

Managing Editor Tony Koenderman is away. His Advertising & Marketing column resumes next week.
SAFICON/BOUMAT

Into the slow lane

SAFICON’s results reflect the tough times being felt by motor vehicle and building materials distributors. Interim EPS dropped to 6c (1991: 38c). Apart from the motor distributorships, SAFICON holds 54% of listed Boumat, a manufacturer and supplier of building materials.

Management can be thankful for its diversification into building, as Boumat accounted for roughly 4c of SAFICON’s EPS. Though motor vehicles and building materials have little in common, it seems Boumat will provide SAFICON with a steady foundation when building activity picks up.

However, chairman Sidney Borsook reckons the motor operations will account for the larger slice of group EPS when both the motor and building materials arms are operating at full capacity. This indicates the extent of the motor operations’ underperformance in the first half. Interestingly, motor vehicle unit sales were maintained, but the consumer has tended to buy cheaper models.

For instance, in the VW range, sales of the City Golf and Fox Jetta have overtaken those of the more expensive Golf GTI and Jetta CLI lines. Similarly, in the Mercedes/Honda outlets, rising Honda sales have made up for slower Mercedes activity. The 9% drop in the motor arm’s turnover indicates the severity of the switch. Results were

worsened by narrower trading margins due to fierce competition in the motor industry to maintain market share.

Though one may believe motor servicing activities should provide the group with a strong underpin, particularly as servicing costs can be relatively high, CE Kurt Hipper maintains servicing is not a very profitable business as overheads are also high.

On the outlook, Borsook declines to give forecasts, an abrupt yet understandable change from the past when precise predictions were given. The volatile political and economic scenarios make it “virtually impossible” to read the future. Furthermore, he reckons the chances of improvement within the next 18 months are remote. Fortunately, as Borsook is financially disciplined, the group is in capable hands.

Though SAFICON’s share price has dropped by more than two-thirds over the past year, and Boumat’s by more than half since January, there seems little reason to buy the shares, given the gloomy outlook.

William Gilfillan
significantly bigger increase in most food items at the large chain stores in September, compared with smaller retailers. The index for all foods rose 2% at large retail outlets and 1.3% at smaller ones. Items that grew at a slower pace at the large retailers were:

- Grain products (0.2% against 0.6%);
- Fats & oils (1.1%, 2.8%);
- Fish & nuts (6.3%, 7.6%); and vegetables (1.7%, 3%).

Those that grew more were:

- Meat (2.5%, 1.3%);
- Milk, cheese & eggs (2.3%, -3%);
- Coffee, tea & cocoa (1.2%, -6%); and
- Other (1.2%, 0.1%).

Overall consumer inflation slowed in September. CPI over the 12 months to September rose 13.5%, down from 14.3% to August. The increase in the month was 0.7% — the lowest monthly increase since June 1991.

September's slowdown was largely due to a decline in the housing index of 1.7% in the month, or a year-on-year rise of only 0.5% — a result of the cut in mortgage rates by major lending institutions from the beginning of September. At 20.54%, housing has the largest weighting in the index.

Old Mutual economist Dave Mohr says it is difficult to gauge the effect of all the components in the housing index. "But we do know that mortgage rates make up almost half the weighting; so their effect is considerable."

The rise in the index for nonfood items, which went up 0.4% in the month, was 10% year-on-year. And the VAT-free year-on-year rate is 12% — a figure which, says AHI economist Nick Barnard, is the lowest since 1984, when inflation fell to 10.1%.

However, food inflation detracted from the progress made by housing, with a 1.8% climb in the month, or 27.6% year-on-year.

Large increases in the month were recorded by:

- Fruit & nuts 6.2% (38.4% year-on-year);
- Vegetables 2% (7.6%);
- Meat 1.9% (20.9%).

Mohr says the figure for fruit & nuts "may be the result of exporters demanding similar prices at home as can be obtained abroad. And the drought is responsible for vegetable price increases. As for meat, farmers are obviously restocking herds now that the worst of the drought is over."
Pick meat 'n pay less

CONSUMERS will see lower prices for red meat today at Pick 'n Pay branches and Hypermarkets throughout the Transvaal, says Blue Ribbon Meat CEO and Pick 'n Pay director Gareth Ackerman.

He said yesterday the company had allocated R3m in subsidies to reduce the price of meat to consumers. The new prices would remain in effect until the end of January.

The price for porterhouse and rump steaks dropped from R22.69/kg to R19.86, while legs of lamb and loin chops came down nearly R2/kg to R13.58 and R17.98 respectively. The price of pork chops was cut from R16.86/kg to R13.88/kg.

"We want to bring prices down in order to encourage people to start eating meat again," Ackerman said.

Ackerman predicted the price of meat could skyrocket before Christmas. Meat prices in Zimbabwe had already doubled in the past two weeks.

Meanwhile, the Meat Board said yesterday it would launch an advertising campaign highlighting the economic advantages of red meat.
Retail sector fears a dismal festive season

RETAILERS are bracing themselves for a gloomy festive season, with economic recession and political uncertainty expected to result in a 2,6% real drop in retail sales from last year.

Worst hit during the two-month holiday period are expected to be the sales of goods that usually flourish during this time. Alcohol and beverage sales are expected to plunge 4% in real terms, sports goods sales are forecast to decline 4%, furniture and appliances by 2,6% and audio and video equipment by 2%.

A nationwide Sasob survey of 300 retailers released yesterday showed retailers were generally pessimistic and expected sales to reach R13bn, up 10,5% on the R17,5bn sales in 1991. This translates to a real decline in all sectors of retail sales based on an inflation rate of 13,5%.

A gloomy Christmas will knock retailers' prospects of emerging from recession next year because traditionally Christmas retail sales constitute a massive 32% of annual sales. In some sectors, such as jewellery, furniture and appliances, audio and visual equipment and footwear, the proportion of sales is as much as 35% of total annual sales.

Sasob economist Bill Lacey said the pessimistic outlook for the Christmas period mirrored the circumstances of the SA economy as well as its underlying political uncertainty.

Low economic growth, rising unemployment and the inability to borrow more were major constraints on the consumer's spending ability, he said. An additional factor is the reluctance to spend excessive-

Sharon Wood
OK takes a knock as spending drops

MARCIA KLEIN

OK BAZAARS' earnings slumped by 72.5% to R2.5m (R3.9m) in the six months to end-September as the depressed state of consumer spending continued to worsen.

CE Gordon Hood said yesterday that personal disposable income remained under severe pressure. The OK Group, which had considerable exposure to the mass consumer market, was severely affected by these trading conditions.

This was reflected in turnover, which increased only 4.3% to R2.5bn from R2.4bn. He said sales at the Hyperamas were not bad, but OK stores' sales showed little growth.

Operating profit, which was "constrained by pressure on margins and persistent shrinkage problems", dropped by 21.9% to R38.6m from R51.1m.

After paying interest of R57m (R57.4m), and minimal taxation, profit after tax was R381 000 compared with R9.2m in the previous year.

But a R1.6m recognition of losses applicable to outside shareholders gave the group bottom line earnings of R2.5m.

Hood said these losses reported by subsidiaries in the homeland areas were largely due to the fact that VAT had been introduced where there had previously been no GST.

Earnings were down by 72.2% to 20c (71.9c) a share. In line with the OK's policy of paying out about 50% of earnings in dividends, an interim dividend of 10c (37c) a share was declared.

The group has changed its equity-accounted treatment of associate finance company Okfin to that of full consolidation. Prior year financials have been re-

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OK 6/10M 6/11/92

stated to facilitate comparisons.

Total borrowings grew by 7.6%. Hood said gearing of 20% was seasonally high, and he expected it to be reduced by year-end. Gearing also reflected stockpiling for the Christmas period as well as the fact that debtors had been brought onto the balance sheet. He said the group was working hard to improve stockturns.

Hood would make no forecasts, saying earnings for the second half would be "entirely dependent on the level of activity and on the group's ability to contain operating expenses".

But he said sales in October had shown an improvement.

The group recently opened an OK store in Swaziland, and it would open two Hyperamas, one in Pretoria next week and one in Fourways in April.

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Retailers see 'black Christmas'

Retailers are pessimistic about sales this Christmas, according to a South African Chamber of Business report. They expect retail sales over the November-December period, at R19 billion, to be only 10.6 percent up on last year, in 2.6 percent lower when adjusted for inflation. Recession and political uncertainty are to blame.

Lower economic growth, rising unemployment, and the inability to borrow more are likely to put a cap on consumers' ability to spend.
OK holders look for change

The promise of fresh leadership is one of few positive prospects for OK shareholders. Comment by CHERILYN IRETON.

Hood reiterates, will promote a quicker stock turn which should boost operating efficiency and profitability.

"These things take time and we are up against a tough economy," he says.

Mr Hood told me something similar when I interviewed him four years ago. Since then there has been further deterioration in the group's financial health and the chance of any significant improvement by the March year-end is bleak, given the forecasts of poor Christmas sales.

Recession

The recession has had a lot to do with the group's inability to perform satisfactorily in the past few years. The broad, mass-market focus of the 200-odd OK stores makes it extremely susceptible to swings in consumer spending and confidence.

Although management does not split profit figures between OK and Hyperama, it concedes that much of the 4.5% increase in turnover to R2.5-billion in the six months came from the 14 Hyperama stores.

The OK group's sales were 20% below those of the previous year, and the group's operating margin fell to 2.3% from 3.8%.

Management denies persistent market speculation that Hyperama and OK will be split up as a precursor to a JSE delisting.

The stores operate as independent chains, although management and administrative functions are merged. Financial director Brian Borchers says that there are no plans to change this arrangement.

In fact, management has become much more focused in the past six months following the appointment of Mervyn Serebro as managing director of OK Stores. He has quickly decentralised functions to regional directors in a bid to improve the shops' performance.

The financial managers have turned their attention to the high level of interest-bearing debt, which at R745-million completely overshadows shareholders' funds.

Mr Borchers says the OK's banking function is partly to blame for the high gearing ratio of 2.85 and an ideal target of 1.5 is being pursued. Some progress will be evident by the year-end.

Decade

Shareholders must hope that the market changes its opinion of OK's prospects enough to lift the share from its current P16.

This is against a net asset value of R27.50 — a level the shares last traded at almost a decade ago.

But any significant rerating is unlikely before SA Breweries tells the market who is going to step into Mr Hood's shoes when he retires. It is expected to leave the group at the end of March, shortly after his 80th birthday. No formal announcement has yet been made.
Checkers
on line

CHECKERS-Shoppers has become the first major South African retailer to implement electronic trading through its supply chain, in a bid to improve productivity and maintain costs.

Its computers will be connected to those of its suppliers by electronic data interchange (EDI). It will replace slow, error-prone manual procedures with high-speed computer-to-computer transmission of documents.

Checkers-Shoppers signed a deal with FirstNet in the First National group for the supply of the infrastructure.

Its decision to go ahead with electronic trading follows successful EDI pilot projects between the retailer and several of its suppliers in the past year.

EDI allows a retailer to meet consumer demand quickly while minimizing its stock holding.
Time to stop dithering about the environment

HARD-NOSED business people will have to accept that dithering about environmental awareness issues will lose them money in a world where energy-efficient products are rapidly gaining favour with the public.

This warning comes from Pick 'n Pay chairman Raymond Ackerman, whose company carries out regular environmental audits on items such as correct packaging, recycling, and waste and energy management.

"The public will support companies who show care for the environment as part of their social responsibility programme," says Mr Ackerman, who cites Swedish-based Electrolux, which won first prize in a competition for energy-efficient appliances and found it received orders for more than 10 000 of the units instead of the 500 guaranteed by the competition organisers.

Also, the Electrolux super-efficient refrigerators could be responsible for up to 50 percent of the company's sales in Co. many in 1995, and total market share there is expected to increase.

"It is simplistic for sceptics to label the Green issue as a seven-day wonder and to see the involvement of various organisations in it as a market ploy," says Mr Ackerman.

"Alert business people are using the environmental issue to give them a competitive edge and at the same time enabling them to give the consumer a better product.

"The environment is going to be a key issue in making companies more efficient and competitive in the 1990s. "The Japanese have gone much further than this and have published a 100-year environment plan.

"Maurice Strong, secretary-general of the Earth Summit conference held this year in Rio de Janeiro, says the Japanese Ministry of International Trade and Industry, which prepared the 100-year plan, believes the environment is going to be the driving force of the economy and the source of most new comparative advantages in industrial opportunity.

"He points out that the Japanese have lowered the energy and materials content of their unit of production to such an extent that they use only half the energy per unit of production that the USA does, to give them a comparative advantage of at least five percent on energy alone."

Mr Ackerman attended the Earth Summit conference in his capacity as a member of the Geneva-based Business Council for Sustainable Development, an international committee on which sit 50 chief executive officers of major companies. Representing the southern Africa region, he is one of four African members.

Information disseminated at Earth Summit showed the success of companies in developing environmentally sound products through a two-part programme which first involved cleaner production processes and then cleaner product development.
Marketing by phone

GAVIN DU VENAGE

THE much-maligned telephone sales remained a good marketing technique despite the abuse heaped upon it, said New Products Library researcher Derek Jermyn.

He said that when telemarketing was professionally planned and used skilled and motivated operators, the concept of a business retaining close contact with its customers around the country was essentially a good one. (Right)

"A highly trained telemarketer is as important to a company as a well-paid representative, and also doubles up as an image builder," Jermyn said.

Some companies which made telemarketing a dedicated unit had had incredible success. (Right)

A good example was Frank & Hirsch, said Jermyn, who was himself involved in setting up the company's own telemarketing division.

Frank & Hirsch was the first to hire students from Access College, an institution that trains disabled people to operate in the workplace. Today six graduates account for 25% of the company's turnover.
Namibia's labour code now law

After more than two years of negotiations, Namibia's Labour Code, which has been described as among the world's most advanced labour legislation, was made law last week.

It covers all Namibian workers, including domestic, farm and public sector employees but excluding policemen and soldiers, who have their own statutes.

It lays down a 45-hour working week, overtime pay at one-and-a-half times normal pay and three months' maternity leave with the guarantee of the same job back. In addition, the mother's contract, including benefits, is not broken by the maternity leave.

The law allows the right to strike and picket. It also prohibits the dismissal of strikers unless the business itself is forced to close down as a result of the strike.

In addition, there is no provision for employers to claim damages against a union arising out of the strike. And non-striking workers can refuse to do "scab" work without the threat of being dismissed.

Other features of the law, which was drawn up with the assistance of the International Labour Organisation and SA labour lawyers Halton Ceadile and Clive Thompson, are that it provides for a tripartite Labour Advisory Council to make recommendations to the Minister on changes and amendments. It also provides for district labour courts, where trade union officials will be able to advise workers.

Worker committees may be formed - and enjoy certain rights - wherever there are more than 10 workers. For every 25 employees, the committee is entitled to one representative. The representative is entitled to training and may collect information on conditions of employment and health and safety.

Although the right to strike is guaranteed, certain procedures similar to those in the SA Labour Relations Act have to be followed.

WITH WHOM DO THEY TRUST THEIR INSURANCE?
COMPANIES

Banks gain where retailers suffer

TIGHT monetary policy has harmed some sectors more than others, with high interest rates taking their toll on retailers while banks have benefited.

Recent financial results showed that banks had achieved inflation-beating earnings growth, while most retail companies had moved backwards in real terms.

Earnings growth of 16% a share by FNB contrasted with a 9% drop in furniture group Ellerine's earnings. Edgar's showed 5% growth in attributable earnings, which, although a decline in real terms, was considered excellent in view of the current economic circumstances.

Martin & Co analyst Richard Jeske said the banking industry's good performance had primarily been a result of wide interest margins, which reduced the impact of recession-induced bad debts. Thus, banks had managed to perform countercyclically to the downturn.

He said the reason for the banking sector's good performance had been the reason for the retail sector's bad times. "The average retail company is hurt by the huge interest payments it must make when rates are high."

However, Ed Henz Rudolf retail analyst Syd Vianello said the interest burden on retail companies had already started to ease and would become less onerous during the next six months. The cost of debt had fallen dramatically since July, he said.
Business mood 'still vulnerable'

A DEPRESSED world economy, declining consumer spending and political uncertainty continued to erode business confidence, the SA Chamber of Business (Sacob) said yesterday.

The business confidence index (BCI) — a short-term barometer of business mood — dropped slightly, by 0.1 of a percentage point in October to 90.1, on the back of a deterioration in seven of its 13 sub-indices.

Sacob director-general Raymond Parsons said: "In addition to the adverse impact which uncertainties generated by the political process have continued to give rise to, the business community has yet again been battered by the combined effects of a depressed world economy and declining consumer spending."

"As a result, business sentiment is still vulnerable," he said.

He said following a downward revision of growth prospects in the industrialised economies, the prospects of a local export-led recovery had faded.

Rising unemployment, relatively expensive credit, negative real wage and salary increases and the effects of the drought had dampened domestic demand.

Despite an "encouraging drop" in inflation in September, Parsons said the depreciation of the rand and the burgeoning government deficit had contributed to the delay in the long-anticipated Bank rate cut.

"As a result, the real cost of credit has increased, and the pressure on disposable incomes remains high."

Given expectations of wage and salary increases of between 5% and 10% in 1993, Parsons said inflation would have to fall to around 7% before pressure on disposable incomes started to subside, and consumer demand picked up.

"Despite the many negative factors there is some glimmer of hope," Parsons said.

Lower inflation and softer interest rates in the months ahead, as well as higher-than-expected turnovers over Christmas could help bolster business sentiment.

Early summer rainfalls had heightened chances of a speedy end to the drought, while recently announced measures aimed at reducing the level of violence boded well for an improved business mood.

However, Parsons cautioned that "progress on the political front remains the dominant factor in shaping business and consumer confidence".
Sales of furniture, appliances, TV and audio equipment, which have been severely depressed for most of the year, showed some improvement in September.

Figures compiled by the retailer liaison committee show that sales growth in September was up by 11.4% in nominal terms compared with September in the previous year.

The sales figures seem to support market perceptions that retail sales could have hit their lowest point in August, and could be poised to improve steadily in coming months.

Furniture Traders' Association executive director Franja Jordaan said that during September there was a significant increase in purchases made by blacks.

Sales of audio products showed good growth, but sales of TVs and video recorders were poor.

Although sales figures for September looked more promising, sales in the quarter from July to September grew by only 8.7% in nominal terms.

In the 12-month period to end-September, overall sales growth was 4.1% in nominal terms.

November and December were normally good months for furniture.
Wiese outlines retail strategy

CAPE TOWN — Cost control and internal efficiencies would be vital to the future survival of retailers in offsetting expected pressure on margins, said Pepkor executive chairman Christo Wiese.

He said SA re-entered the international market, foreign retailers would want to obtain a foothold in SA as a springboard into Africa.

"To keep on our toes, hikes in retail profit margins will have to come mainly from cost-control measures. Already in these tough times we are seeing a gradual erosion of margins due to expenses such as labour and rentals growing at a faster pace than turnover, and hence gross income. "Gross margins will have to be continually cut, while retailers aggressively grow market share, raising levels of productivity and driving increased sales volumes over the same or smaller spaces."

Food retailers, for instance, operated on high volumes and net margins of below 2%, so that controlling the inventory level along with actual selling and the funding of stock, were key financial issues, he said.

Wiese said it had been predicted the new economic mobility among blacks would result in white shoppers accounting for only 38% of retail sales (1976: 68%) and black shoppers 45% (23%).
New car sales up for second month

OCTOBER'S new vehicle sales exceeded industry expectations and gains were made in all four sectors of the market for the second month in succession, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Strong demand for new, models and various manufacturers' incentive schemes contributed to the second best monthly new car sales figure in 1992, with sales reaching 17 835 in October, 7.7% higher than the 16 520 sold in September.

However, Toyota SA marketing MD Brand Pretorius warned that it was wrong to read any strong positive signals in October's vehicle sales because economic fundamentals were not in place.

Nissan SA marketing MD Stephane Louber said October was traditionally a good month for the industry as fleet purchases were made before the end of the financial year by many companies.

Car sales

Compared with the 15 903 cars sold in the same month a year ago, October 1992 sales were up 9.2%. Light commercial vehicles, bakkies and minibus sales at 8 597 were marginally higher than the 8 544 sold in September and 1.4% up on the 8 478 sold in October 1991.

Sales of medium commercial vehicles improved 2.7% to 296 and those of heavy commercial vehicles rose 12% to 697 compared with September.

However, medium commercial vehicle sales were 23.7% lower than the 401 sold in October last year and 18.2% fewer heavy vehicles were sold in October 1992 compared with the 608 sold in the same month a year ago.

New vehicle sales continued to lag levels achieved last year, with new car sales about 9.3% below levels in the first 10 months of last year. Light commercial vehicle sales were down 8.4%, medium vehicles 21.3% and heavy vehicle sales down 3.7% over the same period.

The improved performances of the new car and light vehicle market segments were encouraging but trading conditions were likely to remain difficult in the short to medium term, Naamsa said.

Pretorius said there were indications that the positive trend would continue in November. However, the forecast of 180 000 new car sales in 1992 remained valid, he said.

Apart from Samcor, all local manufacturers increased sales over September, said Louber. Toyota was still number one with a total market share of 28.4%, followed by Nissan with 16.8% and Samcor with 15.8% of the market.
Small and walking tall

By Joshua Raboroko

The Sowetan Small Business and Entrepreneurial Development Conference last month was an important milestone for blacks in South Africa.

It marked the spirit of entrepreneurship among African participants, who were also addressed by international speakers. Among the participants of the three-day summit were African entrepreneurs, Commercial and Development Finance Bankers, International Finance and Development Agencies, representatives of the Africa Project Development Facility (APDF) and the World Bank.

The conference, sponsored by Sowetan and the Development Bank of Southern Africa, focused on how indigenous African entrepreneurs could work together and promote and maintain the spirit of competitive businesses on the continent.

It suggested that "entrepreneurs will play a central role in the transforming African economies".

Africa's future

A consensus was reached that white monopolies and policy makers and all donors believed that future development in Africa rested with entrepreneurs and markets; there were different views on how this could effectively lead to development.

Create jobs

One of the topics at the conference, APDF head economist Mr Alexander Keyserlingk, said as soon as a political settlement was reached in South Africa, "we will enter into the arena to help small business people".

"Africa needs more entrepreneurs in order to be able to create employment opportunities and wealth."

"The continent will have to address the question of poverty in a more vigorous manner," he added.

Worked on

The APDF has worked on 23 projects in 12 African countries. The projects, which include a $144 million loan has been invested, are expected to result in the creation of 2,000 jobs.

In its five years of existence, it has worked on 110 projects in various countries resulting in the creation of business opportunities for more than 11,000 people.

Victim syndrome

"We are on the right track to economically empower the people to become job creators rather than rejecting the victim syndrome and really trying to make them believe in themselves and to help growth in the country."

Speakers at this milestone conference included PAC economist Mr Siphiwe Shilwana, Ncube president; Mr Archie Nhlapu, Fabco; Mr Gaby Magomola, SABC's general manager, Mr Joe Schwanke, and the APDF's Harare-based Mr Omar Bhasin.

Small business is a vital part of our economy. Sanlam has been backing it for years.

Nearly all enterprises grow from small beginnings.

Sanlam started the same way. That is why we support entrepreneurship so actively.

The Sanlam group is one of the largest shareholders in the Small Business Development Corporation. Helping emerging business people from all parts of the country.

We also support the informal sector by sponsoring two schools of business practice - the Sanlam Centre for Small Business Management and the Sanlam Entrepreneurial and Management School.

Furthermore, Sanlam encourages ongoing business initiative through competitions which recognize outstanding performance.

In the interests of growth, Sanlam is here to offer helpful guidance and advice to all who are working towards the future.

Essentially it is part of our mission. To assure a better tomorrow for you, our country and all its people.
Banking on a growing society

By Joshua Raboroko

The environment of the small business sector for a sound and flourishing economy is just as important as education.

Expanding the small business sector ensures participation in the free-market system, which is the sound basis for economic prosperity.

As one of the largest shareholders of the Small Business Development Corporation, Sanlam is at the forefront of small business development in South Africa.

Sanlam senior public affairs manager Mr Leon Keen says: "We are fully aware of the critical importance of the small business sector in paving the way to economic recovery.

"The focus of the company’s corporate social responsibility programme is related to small business development is concentrated in two areas: the promotion of the concept of entrepreneurship and advancement thereof through training.

"To achieve the first and company sponsors several competitions in conjunction with the SABC and Sowetan to promote and encourage entrepreneurs and new business ideas.

According to Keen, Sanlam’s commitment to the area of training is diverse and includes support for organisations such as the South African Free Market Foundation, the South African Foundation for Entrepreneurship Development, Get Ahead Foundation, Africa Cooperative Action Trust, Triple Trust, Valley Trust, the Independent Business Enrichment Centre, Informal Business Training Trust and the African Businesswomen’s Development Forum.

"Moreover, in conjunction with the northern Transvaal Technikon the company established the Sanlam Centre for Small Business Management, which provides vital training for businesspeople in the informal sector.

"Sanlam has not only become an important player in South Africa’s economy as a life assurance and investment of policyholders’ funds, but its involvement in social and community upliftment, as well as education and training, clearly illustrates the company’s acceptance of a much wider role.

"I vow our deepest commitment to the future of all South Africans," Keen says.

Referring to welfare and health care, Keen says for reaching political and economic change in South Africa, as well as unemployment and health and housing problems, there placed an unparalleled demand on welfare and health services.

"Comprehensive political and economic changes provide massive challenges.

"A shortage of job opportunities, health problems such as tuberculosis, AIDS and malnutrition, as well as a shortage of housing, are making demands on the already shrinking resources of the government and also on every individual.

"This situation places a double burden on the welfare and health organizations.

"We regard it as our duty to help so that all of us can look forward to a brighter future. That is why Sanlam supports various welfare and health organizations. We must help to fulfill the country’s upliftment, and this we do gladly," he adds.

Regarding education, he says there is using many conflicting views on the future of South Africa.

Politicians, intellectuals and philosophers debate their divergent scenarios. Every business leader and the collective man-in-the-street are divided in their hopes and dreams for the new South Africa.

The only fact about which there can be no argument is that education and training will play a critical role in our shared future. Every night-thinking South African will agree with this.

"The factors which will determine our quality of life and standard of living are not simply technology, facilies or equipment.

"One major issue on which we must depend are our human capital – our individual and collective insights, abilities and attitudes. These are the seeds which, if sown wisely, will blossom into a bright future for all of us," says Keen.

"But in proper and grow these seeds need nurturing - nurturing which can only be provided through education and training.

"We at Sanlam realize this full well, which is why the major part of our corporate social involvement is allocated to education and training.

"Sanlam supports education from pre-school to university level. One of our most recent projects is the Sanlam Saturday School for black matriculants. This rewarding project is run in conjunction with the University of Pretoria.

To assist the company in its task of allocating funds for corporate social involvement, it conducts regular research to determine the areas of greatest need of its support.

In addition, the company conducts surveys among its policyholders to ascertain their preferences with regard to the allocation of funds.

"Asking for the results of this research, the company extends financial aid mainly to education and training, the development of small business sector, job creation, welfare and health-care.

But it does not stop there. It also supports nature conservation, sport, culture and several other community projects.

When Sanlam’s name is mentioned, one can be forgiven for seeing a mental picture of a huge institution involved in many sections of the economy. But the truth is that it has - at least and foremost - always been, and still is, a leading life insurer.

It therefore seems reasonable to claim that it actually performs a social function, through helping people to help themselves and through providing financial peace of mind and financial growth.

The company is owned and ultimately controlled by about 9.2 million policyholders of all population groups.
Checkers faces full boycott

JOHANNESBURG — Checkers/Shoprite is facing a nationwide boycott which could spread to all stores of the Pepkor group, the South African Commercial, Catering and Allied Workers' Union (Saccawu) said yesterday.

The boycott, which began on November 1 to demand the reinstatement of sacked workers at Checkers' Heidelberg store, has the support of the ANC, the PAC and other organisations, Saccawu official Mr Salim Vally told a news conference here. — Sapa
CNA Gallo performance beats market expectations

MARIA KLEIN

CNA and entertainment group CNA Gallo (Cnagalo) dropped its interim earnings to end-September 4.2% to R37c (38.7c) a share, but results were better than market expectations.

In April the group acquired the remaining 50% interest in Nu Metro, which was previously equity accounted. The results reflected the consolidation of Nu Metro for the first time, making comparisons with the previous period difficult.

Turnover increased 15% to R415.7m (R364.2m), but MD Dennis Cazen said turnover rose 5% on a comparable basis.

Operating profit was up 23.9% to R21.9m (R17.7m), but 45.4% higher net financing costs of R16.8m — resulting largely from the Nu Metro acquisition — saw pre-tax profit rise 11.7% to R12.2m from R11.5m.

A decline in the group’s share of associates’ earnings saw profit after tax drop 5% to R12.9m (R13.6m), and attributable earnings declined 4.2% to R12.5m from R12.9m.

The group maintained its interim dividend of 13c a share.

Cazen said despite further successes in maintaining margins and containing expenses, the lack of sales growth resulted in the decline in attributable earnings.

The retail division increased its contribution to attributable earnings from 8.4% to 11.9%, entertainment from 27.3% to 29.1% and support from 11.5% to 15%. But the contribution from associates dropped due to the consolidation of Nu Metro.

Apart from the Nu Metro acquisition, Cnagalo also acquired a 50% interest in publishing company Heinemann/Centaur and increased its stake in Waltons by acquiring 700 000 shares for R2.5m. This brings its effective stake in Waltons to 12%.

Cnagalo also expanded aggressively into the Cape Town Waterfront, where it opened an Exclusive Books, a CNA store and 11 Nu Metro cinemas. The effect of these openings would come through in the second six months, Cazen said, and initial turnover signs were encouraging.

Cazen said Cnagalo had also made a strategic decision to sell non-core and unproductive assets.

It had disposed of its shares in CTP, its 20% interest in Video Lab, Academic bookshops, Premier Freight and the Premier Freight building.

The group had already realised over R20m, and would realise a further R8m when the programme was complete. This would result in a net capital profit of about R232 000, reflected in an extraordinary item.

Cazen said CD sales had risen 85% in the period, while sales of cassettes and vinyl were down 20% and 62% respectively. Cnagalo would invest R7m in expanding the CD line.

He said the group continued “to rely heavily on trading in the peak Christmas and back-to-school seasons”. Every effort had been made to ensure that the group was well placed to capitalise on these opportunities, but the board did “not anticipate any improvement in the level of earnings for the full financial year”.

CNA Share price, weekly close

Graph: LES ENGLISH

Source: JSE
Saccawu adds fuel to boycott

THE South African Commercial Catering and Allied Workers' Union has called for the intensification of a consumer boycott against several chain stores and furniture shops.

The boycott, which started at the Checkers store in Heidelberg on November 1, is to be extended to the group's other stores throughout the country.

Also targeted for the action are Lubners-Melodys Furniture shops and the Maponya Discount Stores in Soweto.

Speaking during a Press briefing in Johannesburg, Saccawu's Salim Vally said political organisations spoken to fully supported the consumer boycott. These included the ANC, PAC, Azapo, SACP and Wasa.

Vally accused the police and the companies' management of racism and intimidation of workers, some of whom had charges of intimidation brought against them.

"There's been a pattern of intimidation and harassment of legal strikers and the charges of intimidation must be laid on the police and the companies who always call on the police at the drop of a hat," said Vally.

He said the union's immediate programme of action included a march on Tuesday next week to the offices of the Anglo American Group and the Checkers head office.

According to Saccawu shop steward Mr Faneul Masenga, the union rejected Maponya's offer of a split increase of R60 and R40 in February and August 1993 respectively.

Said Vally: "Maponya is now pleading poverty while we know for a fact that he owns several franchises with big companies."
Buy-aid group to pay out R14m in bonuses

CAPE TOWN — The R277m buy-aid organisation Cape Consumers would pay out nearly R14m in bonuses to its approximately 25,000 members, an increase of 13.8% over last year's bonus figure, GM Piet Hugo announced yesterday.

Turnover for the year was more than R277m. (10/4/72)

Bonuses paid by Cape Consumers are derived from the discounts received from the more than 2,000 contracted suppliers with whom members do business.

Bad debts were restricted last year to 0.5% of turnover. Irrecoverable debts of R14m were written off compared with R38 873 the year before. (27)

Membership grew 15% last year.
dramatic turn when Press reports indicated he would resign from the Fabcos board at the end of the year.

Magomola has denied he had violated the agreement by talking to the Press, "I don't want to be involved in controversy but I can now confirm that I have resigned from the FutureBank board and I will be stepping down as a Fabcos board member at the end of the year," he says.

He says he shares the belief that Fabcos is collapsing. He will not elaborate until after the joint statement with Fabcos.

However, Mabuza says Magomola had no respect for Fabcos' management.

It is understood that when FutureBank was formed the three had agreed the chairmanship would go to one of them.

Chapman stood no chance because he is white and Magomola was not suitable for the position because of the "suspicious" reasons why he had left African Bank in 1989. Mabuza had then become an "automatic" choice for the chairmanship.

But insiders say the move was supposed to be a temporary one and Magomola was to take over later once a trading licence had been acquired and he had been cleared by the Reserve Bank. Things did not go as planned, however, when Mabuza refused to step down even after Magomola had submitted a certificate from the Reserve Bank clearing him from the African Bank "scandal".

Eventually, Mabuza managed to win the support of the board to oust Magomola.

On his resignation Chapman indicated he would sell all his shares in Taxi SA Marketing but later changed his mind. He still has a substantial stake in the company. He has also offered to act as consultant for Sibita but the offer was rejected.

"Following that response, Chapman went on record during a shareholders meeting as being in direct competition with us. Soon afterwards we got reports that he was interfering with our structures in Pretoria and the Western Cape," says Mabuza.

Chapman has countered: "How can I go out of my way to harm an organisation I helped build up?"

But Mabuza has not taken this lying down. "If I had known that Chapman was just a white man involved in our activities to further his own personal interests, I wouldn't have defended him four years ago when he was heavily criticised.

"I did not know that he wanted me to front for him and be executive chairman to everybody else but Chapman," he says.
will reduce excessive lead times. Management is hoping the system will reduce stock by about R100m when running in all applicable departments.

The system, imported from the UK, is operating now only for the grocery and health & beauty departments. Financial director Brian Borchers says progress has been made, but much more must be achieved if gearing is to be reduced. According to Borchers, this system will be deployed in other nonfashion departments only once the benefits have been realised from the departments now operating under the system.

Despite assurances that the new computerised system will turn the group around when the economy recovers, it will need time and shareholders may well be sceptical. It must be asked how OK will fund planned growth in the business — about R51,4m has been earmarked for capex this year — while still achieving the stated aim of reducing gearing.

Hood says the high level of borrowings (R744m) is seasonal. "The stores are stocked up for Christmas and success in reducing stocks lies in buying right and we hope to have achieved this." Turnover rose only 4% and Hood concedes most of this growth came from the 14 Hyperamas. OK has been criticised for its mass-market focus, which requires it to carry ranges across the board. He contends that while some ranges have been rationalised, there is little difference in the stock carried by the Hyperamas and OK stores. The difference lies in the location. Many of the 180-plus OK stores are in outlying areas, where consumer spending is more sensitive to drought and lay-offs.

At R6, the share trades well below NAV. With the economy unlikely to provide the necessary stimulus for consumer spending, and SA Breweries doing little towards improving market sentiment, the share may weaken further. 

Marylee Ovrig
PERSONALITY CLASHES BETWEEN THREE
senior officials of the Foundation for
African Business and Consumer
Services (Fabcos) have thrown the
organisation into a crisis.

Two have resigned.

At the core of the power struggle is the
chairmanship of FutureBank and other prob-
lens regarding Fabcos’ lifeline, the black taxi
industry.

None of the three officials has denied there
has been disagreement on the issues.

The three are Taxi SA Marketing chief execu-
tive Jabu Mabuzza; the company’s former joint
managing director, James Chapman; and its
non-executive chairman, Gaby Magomola.

There are signs that the dispute is speedily
seeping down to grassroots level and is threaten-
ing to bring down the whole edifice – painstakingly
built up from modest beginnings.

In the past two weeks three major incidents,
which could have a bearing on the company’s
future, took place within Fabcos.

Firstly, Magomola resigned - it is believed he
was forced to do so and at about the same time
Project Spear, a taxi driver training scheme run
by the company, closed down. And early this
week another company wing, Ads on Taxis, also
folded.

Ads on Taxis managing director Colin Judin
said the project was scrapped because Fabcos
could not raise enough cash to sustain it.

Earlier this year Fabcos retrenched 143 of its
staff, including senior officials, which effec-
tively disbanded some of its departments such as
public affairs.

Branch offices in Cape Town, Bloemfontein,
Durban and Johannesburg have also been shut
down. “Fabcos now exists in name only but in practical terms it is no more. Funds began
to dry up a long time ago,” says a former
official of the organisation who asked not be
named.

To compound matters, First National Bank is
also reported to be angry with Fabcos following
the organisation’s failure to adhere to a promise
to deliver stock members to the bank’s club
account scheme.

The planned scheme with FNB was to have
replaced the SA Perm’s club account project with
the National Stokvels Association of South
Africa (Nassasa) after the former had pulled out.
Nassasa is one of Fabcos’ affiliates.

Fabcos’ biggest affiliate, the Southern Africa
Black Taxi Association (Sabta), is also reported
to be in tatters.

There is apparent national discontent with
Taxi SA Marketing, which is accused of
“dictating terms” to Sabta’s elected
leadership.

“We started Sabta when apartheid was
as bad as Indian chilies but these young men who
arrived yesterday want to tell us what to
do,” says executive committee member of
Sabta’s Pretoria United Taxi Association (Puta)
Mr S J Mgidi.

And Puta chairman and Sabta executive com-
mittee member Mr Enos Makena says 13 of the
17 regions in the Transvaal are unhappy with
both the provincial and the national leadership.

“That is why we were picketing during
both Sabta’s and Transvaal Taxi Association’s
(TTA) annual meetings this year,” he
says.

Moves are also afoot in the Western Cape to
undermine Sabta’s national leadership and
launch a splinter group.

Sabta officials in the region claim Chapman
is poaching their members by using a coloured
taxi association.

Chapman has confirmed he is working with
certain structures in the Western Cape but claims
he was approached to do so.

Speculation that Fabcos was on the verge of
collapse increased after Chapman’s departure
early this year. He is believed to have been
instrumental in turning the taxi industry into a
money-spinning machine.

When Magomola announced he was stepping
down at the end of the year an internal battle
which had long been simmering erupted into the
open.

“There is something seriously wrong
within Fabcos. You must note that it is no longer
myself alone who has left the organisation. Mr
Magomola has resigned as well,” says
Chapman.

Sources within the organisation are suggest-
ing Magomola was “advised” to resign following suspicions he and Chapman were
colluding to topple Mabuzza.

Initially, both Magomola and Fabcos had
agreed to issue a joint statement “to avoid
the negative impact” that his resignation an-
nouncement would have. But the issue took a

continued on next page
5% increase in turnover over the year-ago period and operating profit rose similarly, evidence that margins and costs are being watched with vigilance.

The interim dividend was maintained at 13c at expense of cover, which fell from 3 to 2.8 times — not unreasonable, considering current circumstances.

An interesting feature is that CNA has consummated its deal over Nu Metro, whose results are now consolidated. This produced some intriguing figures: financing costs ballooned more than R3m to R10.3m. It reflects an increase in borrowings from parent company Premier to R36m, nearly all applied in financing the Nu Metro acquisition.

Debtors grew to R76m, an increase of R25m from March, but most of that is accounted for by the sale of non-core assets, the proceeds from which are awaited. These are expected to be fully paid by the year-end next March. MD Denis Cuzen says normal trade debtors are under tight control.

NAV has fallen 17% to R4.92 a share. Nearly all of this is accounted for by a fall in shareholders' funds of R33m, a number which will certainly raise eyebrows. It's caused, says Cuzen, by a decision to write off about R40m in goodwill arising from the Nu Metro transaction. That is a solid, conservative approach; shareholders may not care for its immediate effects on the balance sheet but they will be pleased with it in later years.

The share is trading at R22 on a pce of 13.6. When the FM last reviewed this company, in August, the price was R21.25, then a 12-month low. That the price has gone up in a market of unredeemed gloom is a tribute to investor confidence in management.

David Gleeson
Expansion continues

**Activities**
- Sell furniture and appliances through the Bawre Group; branded merchandise through Game Discount World; and clothes through Cicbea (Bee Gee).

**Control**
- McCarthy Group 84.94%.
- Chairman: Brian McCarthy; CEO: Terry Rosenberg.

**Capital structure**
- 35m ords. Market capitalisation: R117m.

**Share markets**
- Price: 300c; Yields: 10.0% on dividend; 34.3% on earnings; p/e ratio, 2.9; cover, 3.4. 12-month high, 425c; low, 230c.
- Trading volume last quarter, 119,000 shares.

**Year to June 30**
- `92 ST debt (Rm) 113.0
- `92 LT debt (Rm) 36.4
- Debt/equity ratio 0.34
- Shareholders' interest 0.58
- Int & leasing cover 1.89
- Return on cap (%) 17.2
- Turnover (Rm) 1,219
- Pre-int profit (Rm) 131.4
- Pre-int margin (%) 10.5
- Earnings (c) 102.9
- Dividends (c) 30
- Net worth (c) 108.3

**Since the listing**
- 14 months ago, McCarthy Retail (McRetail, formerly Prefor) has taken shareholders on a bumpy ride. The share, issued at R5.5, has not traded above 475c and stands at 280c. A low of 210c was reached last month, the share being pulled down partly by negative market perception of Prefor's merger with McCarthy Group.

**The merger**
- Effective from July 1 and ratified by shareholders on October 20, makes McRetail the 100%-holding company of the former Prefor businesses, McCarthy motor group business, and gives it a 36% holding of motor parts company Midas.

**Interim results**
- For the enlarged group, should give some indication of how well the merger is working. By then, an additional 115.5m ordinary shares will have been listed, issued by McRetail for the acquisition of McCarthy's assets, as well as up to 23m ordinary shares and 63m senior and junior convertible debentures subscribed for by shareholders in terms of the offer which closes on November 20.

**CE Terry Rosenberg**
- Has stated clearly that the group's two main components — motor and retailing of durables and semi-durables — will remain separate.
- The former Prefor's respectable results to June 30 helped to nudge up the price of the ordinary shares from the September low. The junior and senior convertible debentures remain attractive, at R5 and 650c, above the premium of about R1.60 estimated by analysts at the listing.
- With hindsight, while August 1991 was a favourable time for McRetail to list, it was not a good time to buy shares. Soon after the listing, retail, especially furniture, shares weakened.

**Considering the difficult retail trading climate, the listing forecasts turned out to be too ambitious.**
- The biggest deficit was the 26% shortfall in operating profit — at R107.3m, about R28m below forecast. EPS were only 5.9c off the prospectus forecast and the projected dividend of 30c was met.
- McRetail's results are creditable in that they have been produced during an ambitious growth programme which Rosenberg wants to finance through equity rather than debt. This shows two immediate benefits of the merger — a combined pro forma balance sheet reveals ordinary shareholders' funds of R591m, rather than the present R217m, and debt/equity improves from 34% to 22%.
- Incorporation of the group in June last year, when the businesses of Prefor and its subsidiary Prefor Stores were bought for R44m, throws up some anomalies. The purchase price included R172m goodwill and R195m for trademarks and trade names, which, when deducted, leaves net worth at a negative 383c a share. Since the merger, pro forma NAV, including trademarks, is 193c.
- Expansion was concentrated on the Bears' furniture and appliances division, the biggest contributor to operating income (86%) and turnover (62%). A net increase of 27 new stores brought the division's total to 220 outlets, under 28 trade names. Sixteen new stores are planned for this year, as well as two new Bonus Building Supplies stores, a new foray into retailing building materials on credit.

**Such rapid growth should sound alarm bells but Bears' HP book is backed by Firstpref, a joint venture with First National**
ELLERINES

Second-half recovery

Protestsions that the furniture industry will do well in the medium term carry little weight with investors when a big furniture trader such as Ellerines reports its first earnings drop since 1985.

The year's trading falls neatly into two parts. Sales in the first six months were disrupted by strike action and declining consumer spending, resulting in a 32% decline in interim earnings. Chairman Eric Ellerine says the ability to contain expenses and exercise a tight control of assets turned this into a full-year decline of 9%, after an increase in second-half sales of 9% and a 16% rise in operating profit.

The balance sheet remains strong, with gearing at a reasonable 17%, though this is

ELLERINES

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he had critics, he was admired for turning his business from a one-man show into a company that now employs 1,340.

For the past year Adrian Porter, his younger brother, has been MD. He could hardly have taken over in a worse economic period for the motor industry. New car sales reached 301,000 in 1981 but are likely to be only about 181,000 in 1992. Profitable sales depend on rising margins.

Porter's margin, however, continued to decline due to the intensely competitive market and interest payments — up 26% on the previous year after a 36% increase in debt at year-end — hammering operating income, which rose by 2.5%. Though turnover grew 11%, group sales of new units fell 17.6% and sales of used cars dropped 4.2%.

Stocks rose R6.2m or 14.6% in value, reflecting a 24% climb in prices of new cars; stock volumes declined. Consequently, holding costs contributed to the higher interest bill. New chairman Brian Robinson points out the company has a solid base of conservatively valued freehold properties. No doubt consideration has been given to using these assets to create the liquidity that would eliminate much of the debt. A solution to this problem should be sought.

As might have been expected in this economic environment, the EPS of Brian Porter Motors (Porter) fell again in the 1992 year. Shortly thereafter, the group suffered an irreplaceable loss, when founder and chairman Brian Porter died in August.

Over the past few years, the FM has been critical about the company's relatively poor earnings growth. Apart from those who are directly remunerated by the group, investment in the share has offered unexciting returns.

This should not detract from the contribution Brian Porter made to the motor industry, in Cape Town and nationwide. Though
ABSA TAKING ACTION?

13/11/92

ABSA appears to be acting on its exposure to furniture retailer Rusfurn and, possibly, JD Group. A carefully worded cautionary announcement by Rusfurn this week indicated the board had learnt that negotiations were taking place, which could affect the ordinary shares and convertible debentures.

Rusfurn, which this year posted a R156m attributable loss, has Absa as its principal shareholder; a legacy of Bankorp's 42% shareholding in the furniture group. JD Group is a subsidiary of W&A, which has Absa as its principal banker. Rusfurn executive chairman Laurie Korsen declined to comment, as "very sensitive negotiations" are taking place.

Shawn Harris
Delisting plan

Premier's plan to acquire minorities' shares in Hi-Score and Score-Clicks will give it total control of these two companies and effectively lift Premier's holding in Clicks to 47.4% (37.4%), Metro Cash & Carry to 69.6% (66.6%) and Score Supermarkets to 72.4% (69.4%).

Hi-Score minorities will receive 21 Premier ordinary shares — worth R882 — for every 100 shares held (worth R880). Score-Clicks minorities will be offered 12 Premier ords for every 100 shares (a R9 premium).

Premier states that if the scheme had been in effect in the year to end-March 1992, underlying earnings of Hi-Score and Score-Clicks would have risen 2.5% and 7.2% respectively; NAVs would have increased 1.2% and 2%.

Though the premiums may seem modest, several issues should be considered. Prices of Hi-Score and Score-Clicks have risen some

17% and 6.5% respectively since early October, so the market may have got wind of the deal before the announcement.

Also, an assessment should perhaps be made in terms of dividend income rather than simply the share price. Premier's dividend growth record is good and there is potential for further growth. (Shareholders in the companies to be delisted would participate in interim dividends for the six months to end-October.) Premier is a blue-chip company with tradeable shares.
Urgent call for fraud task force

By MAGGIE ROWLEY
Deputy Business Editor

THE Cape Town Chamber of Commerce has called for the urgent appointment of a specialist task force with wide powers to ensure that all cases of fraud and corruption are brought to trial without delay.

President Mr. Herbert Hirsch, said yesterday the chamber was appalled by the erosion of respect for the rule of law in South Africa and the depths to which standards of government administration and business morality had plummeted.

The continuous stream of disclosures on government maladministration was seriously undermining business morality, he said.

Unless the degeneration of government and business ethics was halted, general disrespect for the rule of law could be expected to proliferate, resulting in widespread anarchy.

He said strong and urgent measures were necessary to send a clear signal to all in government administration and business that further transgressions would not be tolerated.

"To achieve this, the government must be prevailed upon to act in conjunction with all the other major political parties in South Africa in the appointment of a specialist task force with wide powers to ensure that all cases of fraud and corruption uncovered in the course of investigations by commissions of inquiry and others, are brought to trial without delay."

Special teams of investigators would have to be appointed for this purpose and special courts set up to try the cases.

"My chamber has urged the South African Chamber of Commerce (Sacob) to take this issue up with the state president and other political leaders as a matter of utmost urgency.

"Our concern is that unless dramatic and effective action is taken to expedite the legal process in this way, confidence in the ability of the rule of law to protect the legitimate rights and interests of citizens will be seriously undermined," he said.
Cautious consumers worry retailers

RETAILERS are worried that Christmas sales might be weak and unable to provide the usual end-of-year boost, if the year’s sluggish consumer spending continues.

The weakness of consumer spending was dramatically illustrated last week when retail giant OK -Bazaars reported that its earnings had dropped by 72.2 percent to R2.5 million in the six months to the end of September.

Earlier, the Human Sciences Research Council reported that its latest consumer confidence index had fallen to its lowest level over the last year.

But there is some hope. OK also reported that sales had improved slightly in October while the HSRC said its consumer confidence survey had been conducted shortly after the Bophelong massacre which clearly sent consumer optimism into a tail-spin.

In addition, the Cape Town Chamber of Commerce reported that retailers expect a “moderate” increase in November/December sales.

According to a survey of chamber members, sales are expected to rise between 15 and 19 percent in the footwear, clothing and toy sectors. Sales increases of about 10 percent are expected in the stationery, beverage, jewellery, sports, audio equipment and furniture sectors. Given rapidly rising food prices, it is not surprising that the value of food sales is expected to rise by a massive 25 percent.
street talking

Edwing Boyson and Lucas Mati Sound out

Opinions

What do Capetonians say about the Victoria Wharf shopping mall?
Call for anti-corruption task force

CAPE TOWN — The Cape Town Chamber of Commerce has called for the appointment of a specialist task force to bring to trial all cases of fraud and corruption uncovered by recent commissions of inquiry.

"Special investigators and courts would have to be appointed," said Chamber president Herbert Hirsch, who said at the weekend that the chamber had urged SABC to take up the issue of the stream of disclosures relating to government maladministration is seriously undermining business morality," Hirsch said.

expedite the legal process in this way, confidence in the ability of the rule of law to protect the legitimate rights and interests of citizens will be seriously undermined," Hirsch said. He said the chamber was appalled at the depths to which business morality had plummeted.

"Our concern is that unless dramatic and effective action is taken to..."
Cost-cuts, turnover hike aid Morkels turnaround

CAPE TOWN — Asset management and cost-cutting enabled furniture and sports goods retailer Morkels to generate a 21% increase in taxed profit on a more 5.3% increase in turnover in the six-months to end-September.

The result represented a turnaround from the loss recorded in the first quarter but because the recovery was still at an early stage, Morkels did not resume payment of an interim dividend.

Earnings a share rose 18% to 1.3c (1.1c) on turnover of R145.3m (R136.2m) and an after-tax profit of R524 000 (R468 000). Margins were strengthened to 6.7% (5.8%) and the relative rise in finance charges was constrained, so that pre-tax income increased. This was reduced by the assumption of tax payments.

MD Carl Jansen said Morkels was still on target to achieve the forecast 42% rise in after-tax profit to R8m (R4.2m) in the year to end-March. It would reap the benefits from the cost control strategies which had already seen key ratios improve.

However, the forecasts assumed there would be no further deterioration in political conditions or escalation of violence.

Jansen said the strategies implemented to counter the recession were gaining momentum. This was already apparent in the October figures which showed a good profit growth. The same was expected for November and December. However, Christmas spending was expected to be slow and late in starting.

Early indications were that, faced with rising unemployment and unacceptably high inflation in basic necessities, the consumer had been forced to curtail drastically purchases of Morkels' products.

In the past six months Morkels had not chased turnover, concentrating instead on improving the operating margin and reducing borrowings. Gearing at end-September was down to 138% from 165% at the March year-end.

Merchandise profitability was maximised, stock levels controlled, overhead costs were curtailed and asset growth limited.

Despite the pressure on costs the group, which employs 1 500 people in about 135 stores, did not retreat.

In a cost-cutting move which will save R2.2m over the next five years, Morkels is to relocate its Foreshore head office to the fringe of the Cape Town CBD in February.

Cash had been conserved and credit managed carefully so that debt levels were down on last year.

However, there had been a buildup in arrears as leeway was given to customers experiencing difficulties with payments and it had taken longer to collect debts.

Jansen said the objective of Morkels' survival strategy in the difficult economic times was to emerge from the recession with its business and human resources intact.
HEIDELBERG. Two local companies accused of intransigence in settling labour disputes yesterday expressed surprise at the launch of a three-month consumer boycott of white-owned businesses in the Vaal Triangle town.

The companies, Eskort Bacon and R and R Tobacco Manufacturers, were singled out by the Ratanda Civic Association which called for the boycott. — Sapa
Boycott is launched

A THREE-MONTH consumer boycott of white-owned businesses began in Heidelberg yesterday after attempts to resolve labour disputes at some businesses in the town failed.

African National Congress PWV region spokesman Mr Ronnie Mamoepa said the boycott was decided on at a meeting of political, labour and civic organisations in Rathanda, the black township outside Heidelberg on November 8.

- White-owned businesses targeted after attempts to resolve labour disputes fail:

The township has been tense for some months due to clashes between African National Congress and Inkatha Freedom Party supporters, allegedly entrenched at the Rathanda Hostel.
Several people have already lost their lives in attacks, resulting in a curfew being imposed by security forces. Activists in Rathanda claimed some businesses in the town had made no attempts to resolve labour disputes at their premises, and instead gave preference to workers from the hostel.

Mamoepa said the boycott, which would be reviewed in three months time, was supported by the Congress of South African Trade Unions, and other bodies.

- Sapa
VAT provides a boost to 1992 used car sales

VAT has boosted used car registrations, but not enough to beat the recession and lift 1992's retail trade sales above 1991's 285,034 units.

Motor Industries Federation president Errol Richardson forecast 230,000 sales by dealers this year. He said although VAT and the introduction of a longer instalment payment period had helped, used car sales by dealers in 1992 would be much the same as 1991.

Central Statistical Service (CSS) figures showed used car registrations six months after the introduction of VAT in September 1991 averaged 46,774 a month. This was 27.4% higher than the monthly average of 36,396 for the six months prior to VAT.

The average monthly ratio of used to new cars sold climbed to 5.07:1 in the six months after VAT, from 2.15:1 in the six months prior to VAT.

However, Richardson said the CSS's vehicle registration figures were contaminated by the great number of vehicles moving from one dealership to another.

Naamsa spokesmen pointed out that about 50% of used vehicle registrations consisted of those sold privately. Used vehicles sold through dealers attract VAT (on the value added portion) equivalent to about 1.8% of the selling price. VAT on new vehicles is 18%.

Used vehicles sold privately do not attract VAT.

Econometric forecasts that trading revenue for the motor industry will climb a marginal 6.1% to R37,74bn in 1992, compared with R35,57bn in 1991. Trading revenue in 1993 is forecast at R46,38bn.
EXCESSIVE price mark-ups by retailers and not heavy import duties are the main reason for the high cost of clothing and textiles, says Textile Federation executive director Brian Brink.

In the latest issue of Textile Topics, Brink said retailers, desperate to shift blame for soaring prices, were engaged in a disinformation campaign to convince the public that SA clothing and textile industries were highly protected. Similarly retail food chains blamed everyone in the supply line for increases.

Real rates of import duties ranged from 14% on yarn imports and 15% on fabrics to 15%-18% on clothing; yet retailers’ mark-ups for textiles were 100%-200%.
Sea Point hard-hit by Waterfront popularity

THE Victoria and Alfred waterfront development may have been good for the tourist trade in Cape Town, but its success appears to have been bought at the expense of Sea Point, where trading is on the decline.

However, at least one form of commercial activity — property development — remains successful, although many elderly residents complain of escalating rentals as prices rise.

Seapoint councillors John Soensberg and Joe Rabianowitz say the Jolie de Vivre previously associated with Seapoint has moved to the Waterfront, and local traders, especially those involved in entertainment, are feeling the pinch.

Rabinowitz says "no one will risk money to set up new businesses there" and Soensberg says business in the suburb is becoming seasonal.

But property developers do not seem too perturbed about the slowdown in trading activity and continue to apply for rezonings and the unbundling of stands.

The most recent example is Sanlam’s planned development of sectional title apartments, one of which recently sold for R4m to a Cape Town buyer.

Sanlam plans a hotel complex on adjoining land but first needs approval of the city council, which is "trying to be accommodating".

Town planner Neville Riley says the council is attempting to unbundle Sanlam-owned parcels of land on and around the site, and tie them together notarially to allow the hotel development to take place.

He adds, however, that there is some resistance from the community to rezonings, and residents are increasingly taking matters to court.

Another city official says that apart from a "succession of court cases" he expects resistance from residents on the refurbishment of a block of flats on the Clifton beachfront.

Rabinowitz says another problem with the Sea Point area is lack of parking, which led to the demise of Regent’s Road.

"Some hold out that a planned Woolworths development on the corner of Regents and Kloof roads is the great hope for the area, since it would come with two levels of parking. But I do not think so."

Councillor Chris Joubert, who owns a shop in Sea Point and is active in the local traders’ association, was not available for comment.
Missused - claim

Loan of R2.5m

 Allegation that money was not used for black entrepreneurs in Soweto

**Project Stumble**

By Joseph Mphoako

A new report by the Director of Finance, the Bank of Soweto, has raised questions about the misuse of funds for the economic development of Soweto.

**Development in Soweto**

Bank gave cash for business

**The Diary**

**Missused - claim**

**Loan of R2.5m**

**Business**
as not used for black entrepreneurs in Soweto

Loan of R2,5-m misused - claim

By Joshua Raboroko

A ROW has erupted in the Greater Soweto Chamber of Commerce and Industries (GSCCI) over a R2.5 million loan which it is claimed has been misused.

The money was given to the chamber's financial wing, Soweto Investment Trust Company (Sitco), by First National Bank (FNB) for the development of black businesses.

It is claimed that the money has not been used for the development of black entrepreneurs in Soweto.

The GSCCI's treasurer, Mr Sam Noge, said that that about R1 million was used by the trust to buy shares in the international company Pepsi Cola when it decided to reinvest in South Africa.

Noge, who is also a member of the trust, said part of the remaining money was used to buy shares in the Shareworld complex near Nasrec in Johannesburg.

Bank gave cash for business development in Soweto:

consent.

Sitco's managing director, Mr Macdonald Temane, yesterday explained that the money was still in the trust's coffers and a grant would be made to any entrepreneur who applied for help.

It was unfortunate that the Pepsi deal failed to bear fruit while "we got our shares back when Shareworld went under", Temane said.

Regarding overseas trips, he said that it was important to exchange views with other business people outside the
MORKELS FM 20/11/92

Market unconvinced

Efforts to maximise merchandise profitability, cut costs and limit asset growth have started to reap benefits for this furniture and sports goods chain. But can the gain in operating profit be more than a one-off result?

Interim figures show a 21% increase in attributable profit to R554 000, on marginal turnover growth of 5%. The 22% rise in operating profit strengthened margins to 6.7% (5.8%), EPS rose 18% to 1.3c.

Financial director Terry Simon believes Morkels is still on target for the 42% rise in after-tax profits forecast for the year to March, to R6m (R4.2m). But a closer look suggests it may be hard to extend this trend.

Morkels is aimed essentially at the middle-income group, which is feeling the pinch particularly hard.

Though gearing has fallen to 138% from a March peak of 165%, interest-bearing debt — particularly short-term debt — is 17% higher than a year ago. The annual report said management had decided to fund working capital with borrowings rather than raise additional equity while the shares were at a substantial discount to NAV. This could prove costly should the economy remain sluggish.

Provision for doubtful debtors remains 10% and is not considered a pressing problem. The debtors' book will stay ceded to major banks as security until gearing falls below 100%. The group continues to pursue a financing structure, which, says Simon, is more complex than the concept of joint finance companies now common in the industry.

Morkels stores remain the main profit contributor but Simon believes the rapid expansion of Totalsports and restructuring of Ajay will bring appreciable benefits.

Capex growth in the next couple of years will be slower — the group has achieved its aim of positioning itself for economic recovery. Management's efforts to gain market share at the expense of margins appear to have succeeded; clearly, the focus now will be shifted to improving the bottom line.

Nevertheless, the furniture industry is consumer-driven. While recent measures may place the group for a recovery, meaningful earnings growth will have to wait until it happens. A static share price of 55c suggests investors need more convincing.

Mervyn Grog
Barnetts poised to make most of an upturn

TIGHT operational and financial control should provide Barnetts with a solid base to take advantage of any upturn in the economy, chairman Myron Lewkowski said in the company's annual report.

The current financial year would be demanding, but the company was in the process of upgrading and improving the computer systems which should improve stock and debtors' management, he said.

"The full benefit of the newly opened stores will flow through in the current financial year while the strategic opening of stores will continue." Results were "more than satisfactory" in a year in which trading conditions were extremely difficult and consumer spending came under renewed pressure, he said.
Entrepreneurs find allies for the formal sector

An increasing number of black entrepreneurs are entering the formal business sector, and various organisations are helping facilitate the transition.

One such group, the International Executive Service Corps, has had success in helping these businessmen "without incurring tremendous capital expenses."

A non-profit company, funded by US Aid and a number of SA companies, it has recruited retired businessmen to assist non-white businesses.

For a one-time fee of R15, those who qualify receive free advice from experts in fields ranging from accounting to marketing and promotion.

Executive director Ken van de Laar says costing appears to be one of the major problems faced by black businesses. "This is where we can help by providing information on how to prepare a business plan and structure a cash flow analysis."

Van de Laar says his company helps people evaluate their needs realistically.

In 1988 Sam Tungande set up Baltic Travel, the country's first black travel agency. From the beginning, Van de Laar's company helped Tungande keep accurate accounts of his business, and plan for the future.

The training and services have often saved businesses. Tungande says he could never have afforded the services the company provided for free.

"The problem is collateral. It is nearly impossible for a black to secure a business loan without it, and very few blacks have it."

In addition to the Services Corps, British Airways has offered to train members of Afriflour, an association of black travel agents and tour operators Tungande helped establish.

The first sessions, completed this month, were designed to teach people about the travel industry. The airline plans to continue the course next year in order to help its participants become members of the International Association of Travel Agents.
Bar the Indians — angry black traders

VUYO BAVUMA
Weekend Argus Reporter

ANGRY Khayelitsha businessmen are calling for the removal of Indian traders from the township, claiming the Indians are undercutting them.

And the chairman of the Khayelitsha Business Association (Khaba), Mr Victor Mbau, said his members want the Indians out by November 30, or they will take "harsh action".

But the Indians have rejected the call as "racist and backward", claiming the Africans want them to go so they can charge exorbitant prices. Some said they would resist the move. If they left, Khayelitsha would be "empty just like we found it before".

Shoppers said they go to the Indian-owned shops because prices were lower.

Many of the African businessmen claim they have been forced to close down because the Indian traders were "stealing our customers".

They said it was "unfair" that Indian traders, who they claimed belonged to a more privileged group, should compete against Africans — the "most oppressed group" — in their own areas.

They said they could not operate in the "Indian areas" because they did not have the capital to set up businesses there.

The traders caught up in the row are operating at Thembani shopping complex where they began arriving about 18 months ago.

Matters came to head when the African businessmen approached Khaba for assistance in their battle to keep their businesses alive.

A heated meeting followed, where the African businessmen decided that the Indians be told to leave the township by November 30.

Mr Mncedi Joko, who closed his business last year, said African businessmen were unable to compete on an equal footing with Indian businessmen partly because of decades of oppression, and partly because Africans could not get backing finance as easily as Indians.

"We have been arrested for pass laws and not allowed to own property in the Western Cape.

"We now are trying to lift ourselves, but the Indian traders are trampling us down by opening their businesses in the township."

Mr Tembekile Sigwela, a general dealer who has been operating in Site C since 1965, said his monthly turnover of R30 000 had shrunk to less than R10 000 because his customers flocked to the Indian businesses.

"Ever since the Indian traders came to this township, our businesses have suffered enormously.

"They are stealing our clientele. We don't know who gave the traders permission to operate in our areas when we are unable to open up businesses in their areas.

Ms Xoliswa Fungile of Nobuzwe shop in Site C said her business was doing well until the Indian businessmen came to the township.

"To save our businesses, these traders should leave the township. We also want to develop our businesses just like other groups.

Khaba chairman Mr Victor Mbau said the association sympathised with their members plight and fully supported their decision.

Turn to page 3

Angry traders

From page 1

"It's clear that the traders have the resources to set up any business in the townships as they please. They did not even consult us.

"If we are to talk about the new South Africa, we should first help the African traders who have been discriminated for so long to be able to operate their businesses, for example, in town."

Mr Mbau said the removal of the discriminatory laws shouldn't mean that the groups who had comfortable positions could just walk into the townships — and compete with small businesses.

Indian shop-owner Mr Abdullah Parker, who has been operating in the area for four months, said he would die rather than leave.

"If they chase us out what about the people we are employing? The reason they want us is because they want to overcharge the people.

"The people are buying from us because they are tired of being exploited. These traders can't tell us what to do. The political organisations should decide our fate."

The managing director of Gold Star, Mr Salim Chemla, who has a R22-million investment in the area, said the decision was regrettable because the people had accepted his businesses.

"We employ 17 people and constantly give out to the people something in return.

"The people don't have to travel by taxis or buses to buy their groceries in Claremont or in the city. They can do all of that on their doorsteps and they are enjoying it.

"Let's put away our prejudices and ill and work in harmony. The traders are feeling the pinch because of the downturn in the economy and now they are blaming us."

Yesterday, shoppers told Weekend Argus that they bought their groceries at the centre because it was "cheap" and the shops were within "walking distance."
Recession tips for small businesses

SMALL business operators have to be extra careful and super-alert if they are to survive in these tough times.

At a recent meeting of the Cape Town Chamber of Commerce’s Small Business Forum, a panel of experts gave sound advice to small businesses. Some examples of the questions and answers included:

**Question:** How can I survive the recession?

**Answers:**
- Do not deviate from what you are good at. Stick to what you do and do it well.
- Identify your mission and the steps you are going to take to achieve it. Never lose sight of your target.
- Improve your efficiency.
- Collect your debts faster and beware of extending credit to unreliable people.
- Take stock of your income and expenditure often. Have systems in place where simple records can be checked weekly to give you an idea of where you stand.
- Beware of spending money on “nice to have” improvements or equipment, and concentrate on “need to have” goods.
- Split your business between large and small customers so that if a big customer withdraws, you are not left high and dry.
- Do not take too much money out of your business for personal use.

**Question:** Should I go on advertising my business?

**Answers:**
- Yes. You must continue making customers aware of your product, but advertise as cost-effectively as possible. Make sure your adverts are reaching your target market.
- Any business should have a marketing plan, goals and objectives.

**Question:** How can I save on labour costs?

**Answers:**
- Scale down your staff if necessary and make sure than salaries and wages are in keeping with the jobs being done.
- Consider employing people on short-term contracts. This will save the cost of retrenchment packages. But be sure that the letter of appointment is drawn up properly.

There is a distinction between employing someone on probation, which is regarded as permanent employment, and employing someone on a three-month contract.
Consumer group to extend services

By FRED ROFFEY

CAPE Consumers, one of the largest buy-aid organisations in South Africa, is to extend its range of services and products next year.

Discounts are currently negotiated on foodstuffs, wine, clothing, travel and motor equipment.

Early next year discussions will start with suppliers for discounts on furnishings, white goods, videos and hi-fi's.

The discounts are paid back to members at year-end in the form of bonuses based on a percentage of the amount they have spent during the year.

This year Cape Consumers is to pay out nearly R14 million in bonuses, 13.9 percent higher than last year.

The record turnover of more than R27 million was spent by about 25 000 members with more than 2 000 suppliers of goods and services.

Cape Consumers guarantees payment to suppliers and so enforces tight credit control and monitors overspending by members.

General manager Piet Hugo said bad debts had been restricted to 0.5 percent of turnover, on par with last year.

"Next year we are budgeting for a turnover of about R310-million," he said.
Trade ‘time-bomb’ in Mitchell’s Plain

CLIVE SAWYER
Municipal Reporter

PROTECTION racketeers and intimidation by informal traders have struck fear into formal businesses at Mitchell’s Plain town centre, a tenant says.

In the past two weeks, in two incidents, informal traders smashed shop windows when tenants complained about them trading too close to shop entrances.

A tenant, who declined to be identified for fear of intimidation, said tenants who complained were threatened with violence by informal traders.

"Now the centre is bursting at the seams and traders leave filth at the end of the day. It is a hygienic time-bomb," the tenant said.

"The centre is becoming unsafe, because the skollies are trying to take over, charging tenants and hawkers protection money."

Meetings had been held with the police, city council and traffic department.

"We have been told nothing can be done and everyone blames the other," the tenant said.

There was frustration among traders, who paid rates and service charges, because they believed they were subsidising hawkers.

Administrator Kobus Meiring and MECs were due to meet the city council executive committee today for quarterly talks, with proposals to devolve control of informal trading to the city council high on the agenda.

Meanwhile, the Cape Peninsula Informal Traders Association is to meet 13 taxi associations for talks tomorrow night on ways to resolve looming conflict over the station deck.

Utilities and works committee chairman Mr Kenny Penkin said the city council was pushing ahead with moves to shift the Strand Street minibus taxi rank to the station deck.
PWV has plans to send trade missions abroad

PRETORIA — A concentrated foreign trade promotion programme to meet the needs of small and medium-sized businesses in the PWV area was announced last night by Johannesburg Chamber of Commerce and Industry (JCCI) president Stuart Morris.

Speaking at the chamber’s half-yearly general meeting, Morris said the programme involved visits by chamber missions to the UK, France, Pacific Rim and sub-Saharan Africa countries in the first half of next year, with more foreign missions likely later in the year.

Eight missions had so far been planned for 1993. They were aimed at strengthening existing ties with traditional partners, establishing ties with new partners and creating new trade links in the sub-Saharan trading bloc.

The first mission, in February and March, would visit Singapore, Bangkok and Hong Kong, with optional extensions to China and Macau.

April-May visits had been organised to France and Britain.

The mission to France would attend a major investment and trade seminar in Paris. The mission to Britain would concentrate on regional economic areas like the Midlands and Scotland.

Morris said a third vital programme objective would be to focus on African trade. Six missions would visit African countries selected for their trade potential.
The oversupply of office space forces cuts in new projects.

Over/Supply of office space forces cuts in new projects.

Footnotes:

1. Source: The Property Economist

The chart shows the oversupply of office space, with the oversupply index reaching a peak in 2002 and declining steadily since then. The decline is attributed to the overall economic downturn and the shift towards remote work. The oversupply is expected to continue in the near future, with further cuts in new projects.
The failure of the local economy to show any signs of a recovery and the likelihood of a continued world recession holds little short-term hope for the commercial and industrial property industry. Economists have revised their forecasts of a market improvement to early 1994, although this depends on political and economic developments. PETER GALLI reports.

The R450m Lincoln Wood office park development at Woodmead is 60% let because of market demand for this type of low-rise decentralised office accommodation.

Moves towards decentralised office parks continues

The move towards decentralised office parks continues as tenants escape traffic congestion and lack of security in CBD areas.

In addition, many executives are locating their businesses closer to their homes and, given the network of black taxi routes, staff are finding this more acceptable.

While opinion differs as to what constitutes a true office park development, general sentiment is that it should be low-rise and contain a large amount of open space.

Despite the high level of vacancies in the Woodmead area, north of Johannesburg — standing at about 35% or 30 000m² of empty space — the AECl pension fund will spend about R450m on its Woodlands office park development.

Signed

The 43ha development is expected to take between five and seven years to complete. Deloitte & Touche have signed a 15-year lease for 16 700m² in five office blocks.

"We have examined seriously the impact of the development on the environment and have set aside about 22ha of open space outside the building envelopes," says AECl property manager Pat Sterling.

The project was taken over in March 1991. There is an existing 9 500m² office block available at a net rental of R25/m².

"A total of 128 000m² of bulk is planned and we will not move on to the next phase until the existing phase is well let. We have been marketing the development fairly hard over the past few months and recently signed Perry & Associates for 700m² for five years," he says.

However, the fierce competition in the market is seeing existing landlords offering tenants deals "they cannot refuse".

An office layout designer has also been employed, at AECl's expense, to draw up plans and show prospective clients how to utilise the space in the most effective way.

Security

Access and security are key aspects to any tenant's decision to rent and an electric fence surrounds the estate, which is monitored 24 hours a day.

RMS Syfrets has also gone the office park route at Woodmead, building a R40m 10 900m² development known as Lincoln Wood, which has been sold to the Unilever Pension Fund.

The buildings vary in size from 1 500m² to 2 400m² and net rentals of R25/m² are being achieved with operating costs of between R3/m² and R4/m². Parking is provided at four bays per 100m².
The battered experience of the commercial and industrial property market over the past 12 months is likely to continue for at least another year, leading economists, analysts and market sources say. The failure of the local economy to show any signs of a recovery, combined with the prospect of little growth next year and the likelihood of a continued world recession, holds little short-term hope for the industry. Property economists have revised their original forecasts of a market improvement in late 1993 to early 1994 at the soonest, but say this is dependent on political and economic developments.

As a result, demand for space is expected to remain depressed, rental levels will be placed under further pressure and the construction and building industries will see the noose tighten even further in the coming year.

In some cases, firms are tendering at a level that merely covers fixed overheads and allows them to retain staff. Others are tendering at below cost merely to gain work so some staff can be retained ahead of the upturn.

Economists have expressed concern as to how long the industry can continue to do this. The smaller building and construction firms have been the hardest hit and indications are that up to 300 of them will go to the wall by year-end.

But the effects of protracted recession are also felt by larger companies. As the level of available work decreases and an increased number of firms vie for the same contracts, future order-books have started to look less healthy. But, on a more positive note, the fact that construction can be achieved at advantageous prices is stimulating demand, while tenants are capitalising on the cut-throat nature of the rental market.

The latest buzzword in the property market at the moment is "niche markets" or areas of growth. While many companies are loathe to reveal their secrets, demand does still exist in certain quarters.

Well-located neighbour-hood shopping centres are considered a growth area, while smaller, low-rise office park developments that retain each tenant's identity remain popular.

An increased number of new developments that were started in more buoyant times are coming on stream and have exacerbated an already oversupplied market.

Increased vacancies and a static number of tenants shopping around for the best possible deal have placed landlords and brokers under pressure. Incentives are being offered by nearly all major players to lure prospective tenants into their buildings. These include generous relocation and fitting allowances and substantial rent-free periods.

Tenants, who are aware that 1994 is probably the last chance for them to secure a long lease at a favourable rate, are playing one landlord off against another. In some cases, landlords are taking over the tenant's existing lease and signing him up in a building of their own under a long lease.

As a result, rentals have generally shown no growth at all and are at levels achieved two or more years ago. However, the predicted upturn in 1994 will see this tenants' market become a landlords' market.

Viable

Once the supply/demand curve begins to equalise and the glut of surplus space is reduced, new buildings will become a viable option for developers and large-scale construction will resume. This increased demand will result in a massive increase in building costs and a huge jump in rentals.

The inflow of foreign investment so desperately needed to stimulate the economy has not materialised, and political uncertainty and violence will continue to prevent foreign investment. In addition, much prospective investment is dependent on an interim government.
'Pay attention to good property management'

PROPERTY owners should pay attention to good housekeeping and property management, even if this means rescheduling rental structures downwards, SA Institute of Valuers member Graham Ewing says.

"Owners who find their commercial and industrial properties heading for a negative equity situations in today's declining market may do well to look to the professional property valuer for a strategy to deal with this difficult problem."

The economy is forcing some values into negative equity and holding owners hostage to their investments. Most are having to accept market driven rentals. Offices in the Johannesburg CBD are finding themselves the hardest hit by the recession, exacerbated by continued decentralisation.

A new valuation technique - the top slice method - is coming into its own as a method of valuing properties in a falling market. It provides an estimate of the current market rent and market yield applicable to the property, which is then subtracted from the current rent to identify the "slice" of rental income considered to be over-rented or above market.

"A valuation using this method may help the owner in renegotiating mortgage and bank loans," Ewing says.
Economists predict another tough year ahead.
Bezoning promotes shopping activity.

Since the town council rezoned community development to industrial uses, the new shopping center has been established. The shopping center is located on a major highway and many businesses have relocated to the area. The original plan was to make the area more industrial, but recent rezoning has come as a surprise to many residents. The new center is expected to attract more visitors and generate more activity in the area.
Kearney replaces OK's Borcherds

OK BAZAARS financial director Brian Borcherds had left the group, OK confirmed yesterday. \[
\text{MARCIA KLEIN} \quad \text{30}
\]

Borcherds was previously tipped as a possible successor to CE Gordon Hood, who was expected to announce his retirement soon.

Sources said yesterday holding company SA Breweries would become more actively involved in the OK. They said SAB was not considering formally splitting the OK Stores and Hyperamas, leaving Hyperama as the listed vehicle.

Market sources said they believed he had taken up a post at Woolies subsidiary Massmart, the holding company of wholesaler Makro.

Borcherds, who joined OK in 1997, was appointed to its board in financial 1998. OK former group corporate planning director Geoff Kearney has filled his position.
Stay in business
Reduced rates to companies other industrial property
Forecasting will help developers in Durban

The latest B.A. Property Owners' Association survey has Durban at the top of the list of CBD office vacancies, with more than 30% of its A-grade office space unutilized. Sheila Williams of Durban's Debona-based William Palmer Associates says that while demand for commercial space has been fairly static this year, it is showing "encouraging signs" of business confidence for 1995.

Spread

"Although the building boom of 1986 led to an oversupply of office space, a large proportion of this space was spread over various buildings and opportunities exist for tenants to take advantage of favourable rentals and relocate to these new buildings," she says.

Present office rents are running between R160 and R200 per square meter for newly completed premises, while compounded escalation rates of 28% a year are commonplace, she says.

Meitheam property broker Marc Carroll says that while the "scarcity of decentralization has worn off", the market is oversupplied. Vacancies remain static in the area and rents are expected to remain under pressure next year.

Investment

Indian entrepreneurs are buying investment properties that have a "break up and sell value", like office blocks or flats with retail facilities. These buyers are also forming syndications.

The Durban City Council's commitment to upgrading the city centre and its pedestrianization has encouraged landlords to redevelop and upgrade their office space, Williams says.

"This positive phenomenon has improved the confidence of tenants and led to a reduction in the flight of businesses to the suburbs," she adds.

The council's management committee has given the go-ahead for the development of a convention centre at the old prison site, which can only lead to enhanced confidence in the city, she says.
Tenants benefit as rental levels take a tumble

OFFICE and industrial tenants are the only people benefiting from the present economic downturn, as rental levels have fallen in both real and nominal terms in many areas.

The commercial property market has seen absolutely no rental growth in certain areas during the past year, says Mortimer Property Group MD Paul Maddison.

"Bleak"

Except for the possible exception of Rosebank, where good deals are still being done at rentals of up to R600/m², we are seeing rentals remain at the same levels they were two years ago," he says.

The outlook remains bleak for the next year as there are no fundamentals for emerging demand to drive rental growth.

Some landlords are also keeping space empty rather than outlay relocation and alteration allowances demanded by tenants.

However, when the upturn does come rentals will "go through the roof" as the supply/demand curve evens out and landlords and developers move to recoup their losses, he says.

Anglo American Property Services chairman Gerald Leissner agrees, saying rentals in the commercial market have fallen in both nominal and real terms.

"Good tenants whose five-year leases are maturing are renegotiating their rental levels and these are invariably lower than what they were paying before the lease expired," he says.

Once demand increases and the glut of space is taken up, rental levels will move upwards.

Ampros recently announced it was offering new tenants 30% off their net rent, in certain buildings, for the first 30 months of a five-year lease signed before December 30.

However, the discount excludes operating costs and rates, which can account for as much as 40% of the rental, while lease escalations are believed to be higher than the industry average.

**Pressure**

Another market player says: "You get nothing for nothing and the tenant will ultimately pay for the discounted rental. This campaign has put the market under tremendous pressure to match this offer unilaterally, which is not possible for space in all buildings."

Ampros' Braamfontein Centre and Liberty Life's Jorissen Place will increase A-grade space in the area by 44 000m². Vacancies at present stand at 17%, which must be of concern for landlords, he adds.

However, Leissner says there is considerable interest in space, and negotiations are underway for some of this.

The vacancy for A-grade space in Parktown has remained fairly constant at about 9.5% or 22 479m², but about 21 500m² will be coming on stream and push the vacancy factor up to 17.7% unless a few major deals are concluded, Maddison says.

"There is a definite trend towards shorter leases and some tenants are renewing their leases for between four months and a year although the industry average is about three years," he says.

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*Graphic: LEE EMERTON  Source: THE PROPERTY ECONOMIST*
Focus on black unity, peace

A FOUR-DAY national congress of the Azanian People's Organisation begins at the Great Centenary Hall in New Brighton, Port Elizabeth, tomorrow and is to focus on black unity and peace.

The main speaker will be Mr. Ibbo Mandaza of Zimbabwe, editor-in-chief of the Southern Africa Political and Economic Monthly. Azapo president Mr. Pandelani Nefoluvhodwe will give a "state of the nation" address under the congress theme Black Unity, Peace, Power and Liberation.

Topics to be discussed include President FW de Klerk's "reforms", the role of women in the struggle for liberation, a solidarity front and international involvement.

About 2,000 delegates from all Azapo's branches countrywide are expected to attend and speakers from other political organisations have been invited.

Mayoral election goes on

THE Diepsloot Council will hold its mayoral elections tomorrow despite the threat by the Transvaal Provincial Administration to suspend it because of its shabby financial affairs.

According to the Black Local Authorities Act, the mayor and the deputy mayor have to be elected every year, while councillors' terms of office last for five years. Current mayor Mr. J. Matala was elected amid controversy and division within the council last year.

The elections will be held at the mayor's residence, known as the chief's house.

Cops escort heart doctor

A CAPE Town doctor arrived in Durban yesterday to transport a heart donated from a "fairly young" patient at St. Augustine's Hospital.

A St. Augustine's Hospital spokeswoman said the heart was to be removed by a team of heart specialists and taken to Cape Town. Police would escort the doctor to ensure no time was wasted once the heart was removed.

Special Cabinet post urged

THE Cabinet has been urged by the National Industrial Chamber to introduce the special post of Minister of Small Firms to spearhead a drive to launch thousands more black entrepreneurs into mini-businesses of their own.

The creation of the new position, with Cabinet status, should be made a priority in setting out future industrial strategies, argues the NIC in a policy document it has submitted to the National Economic Forum.

The NIC, the industrial arm of the National African Federated Chambers of Commerce, also proposes the appointment at senior civil service level of a Commissioner of Small Firms to remove unnecessary red tape acting as an obstacle to mini-business operations.

Mandela talks to leaders

ANC president Mr. Nelson Mandela is to hold talks with Botswana President Quetse Masire tomorrow and Mozambican President Joaquim Chissano the next day.

Spokesman Mr. Carl Niehaus said yesterday the talks would focus on Southern African issues. The visit follows on the ANC's crucial national executive committee meeting in Durban and ahead of Mandela's forthcoming summit with State President FW de Klerk next week.
Plan gears Sandton for the 21st century

The structure plan developed by Sandton's town council in 1989 is having a positive effect on new development in the area, says Mortimer Property Group MD Paul Maddison.

As more than 500,000 m² of office space was expected to be developed in the Sandton area during the next 13 years, an overall policy on office development was needed, he said.

Uncontrolled growth of offices in the Sandton area had created problems such as traffic congestion, noise, intrusion of residential areas and environmental deterioration.

As a result, Sandton town council initiated the structure plan - released in April 1989 - which stressed that allowing office development on an ad hoc basis would be suicidal.

The council decided it would be possible to restrict offices to new nodes, minimising the effect on residential areas while accommodating growth.

A "dual strategy form" was created to address areas of growth in residential, retail and schools, while a study was done on expected future trends.

Graph: LEE EMERTON

The structure plan identified options for growth nodes in the area.

Four were established - Sunninghill, Foursways, Eskom/Woodlands and Rivonia.

As a result, office policy recommendations were formulated for Sandton.

According to the recommendations, no further office growth should be permitted on the periphery of Sandton's CBD except in localities identified as interface areas, on a scale that did not generate significant traffic volumes.

The Sunninghill node, bounded by the N1 freeway in the south, should be promoted as a node for high density office development with a floor area ratio in the range of 1.5 to 3.0, it said.

The area, which could theoretically accommodate only between 300,000 m² and 350,000 m² of office space, lacked infrastructure.

The council should concentrate on developing this.

Maddison said a detailed development plan for the area should be prepared.

Development of the Woodlands site had set an example for the area, and was an indication of the success of the plan.

The plan recommended that an area around Woodlands be used for low-density office park development at a bulk in the range of 0.2 to 0.6.

"The area is suitable only for low-density use because the existing rights granted in Woodmead and Megawatt Park are of such magnitude that difficulties at the Bothasfontein interchange would, in all likelihood, be experienced even with the upgrading of the facility if higher density uses were permitted," Maddison said.

The council would support rezoning applications in the four nodes and refuse them elsewhere, ensuring that development was concentrated in identified areas.
The Lowdown on Franchising

Franchising is a quick way for businesses to expand and enter new markets. By franchising, a company can quickly grow its business without having to invest in new locations. Franchisees pay a fee to the franchisor, which includes a percentage of sales and a one-time franchise fee. The franchisor provides training, marketing support, and a proven business model.

Franchise Business

A franchise business is a proven system that provides a proven business model. Franchisees receive support from the franchisor in areas such as marketing, operations, and training. Franchisees also benefit from the brand's established reputation, which can help them attract customers.

Entrepreneur and Unprecedented

Franchisees are entrepreneurs who own and operate their own business. They are responsible for managing their franchise, including day-to-day operations. Franchisees benefit from the franchisor's expertise and resources, allowing them to focus on running their business.

Franchising

The Lowdown on Franchising

Franchising is a business model that allows entrepreneurs to operate their own business under a proven system. Franchisees benefit from the franchisor's support and resources, allowing them to focus on running their business. Franchisees pay a fee to the franchisor, which includes a percentage of sales and a one-time franchise fee. Franchisees are responsible for managing their franchise, including day-to-day operations. Franchisees benefit from the franchisor's expertise and resources, allowing them to focus on running their business.
Retailers face R300m loss from shrinkage

Consumer Reporter

Retailers could lose R300 million this Christmas because of shoplifting and pilfering by staff members and customers, the managing director of a company specialising in shrinkage warned yesterday.

Lodge Services managing director Errol Ashman said shrinkage costs would be 1.6 percent of the retail sales during the festive season. With Christmas retail sales estimated at R19 billion this year, losses could run into millions of rands, he said.

However, Ashman said shoplifting was not on the increase at this time of the year.

He explained that retailers dealt with more people during the festive season than at any time of the year. This contributed to increased volumes and therefore more shoplifters, he said.

Shrinkage — including shoplifting, theft of company property, bad stock control and collusion between customers and employees whereby cashiers rung up lower prices — was built into company costs, Ashman said.

According to the company’s newsletter, Loss Control Review, a survey that was done from November last year has shown a 100 percent increase in pilferage of cash.

This was as a result of cashiers not ringing up the correct prices, or ringing up lower amounts.

Shrinkage as a result of cashier error varied from 20 percent for permanent staff to 70 percent for casuals.

Ashman said shrinkage in the Transvaal was much higher than in the western Cape, Natal and Port Elizabeth.
Letting agent RMS is forced to cut deals

HIGH vacancies had seen RMS Property Holdings attempt to let any space falling vacant as soon as possible, resulting in it compromising on rentals received, chairman Peter Gerard said.

In the RMS annual report released yesterday, Gerard said many vacancies had occurred as a result of poor economic conditions and tenants going insolvent or consolidating operations. RMS had not been able to recover operating costs in some cases. It had also been unable to relet certain premises.

"We have a vacancy rate of 10.48%, but expect to reduce this over the next few months," Gerard said. This would allow for an increase in income not only from present escalations, but from income derived by reducing the budgeted vacancy level.

In the year to end-September, turnover dropped to R30.41m from R32.07m, while net income fell to R239,000 from R290,000. The share was untraded yesterday at its November 19 low of 400c, but reflected a seller at this level.
Milstan falls deep into red

Milstan Holdings plunged deeper into the red with an attributable loss of nearly R2m in the half year to end-August after increased competition put pressure on margins.

The directors said the company, catering for the photographic and consumer electronics market, had restated its results for the previous two years after discovery of "unrecorded liabilities" and the overvaluation of stock during the period.

This restatement reduced 1991 earnings a share to 8.3c from 8.9c and increased the previously reported loss for 1992 from 8.2c to 5c. The said expense and delay in restating the interim results would have been out of proportion to their value to shareholders.

Turnover declined slightly to R67.8m, with an operating loss of R1.3m.

Interest payments absorbed R643 000 and tax R39 000. The attributable loss was equivalent to a loss of 7.2c a share.
However, in spite of the vacancies and depressed rentals, Dunlop Heywood analysts believe Cape Town’s office market is healthier than generally perceived.

But they agree that a substantial take-up in vacant space is necessary before rents can show any significant upward movement. Rents are expected to remain at current levels until at least the middle of next year.

TYGER VALLEY CENTRE

Walls of plenty

A labour of love is how Monex Development Co MD Martin Wragge describes the new R90m extension to the Tyger Valley Shopping Centre in the western Cape. It was officially opened this week.

Though Wragge and his backers — Metropolitan Life and the Eskom and Mobil pension funds — may have taken a risk by adding 113 shops to the original 165, plus six cinemas (making 10 in all), they have crossed the first hurdle. Tenants have been found — including a new Dion — for all but eight line shops. Wragge is confident that shoppers will do the rest.

More than 600 000 A, B and top-end of C shoppers visit Tyger Valley each month — 80% from within an 8 km radius. Wragge hopes this will swell to 1m a month as a result of the extensions. He believes Tyger is now the largest centre in the Cape and the fourth biggest in SA.

“The addition from start to finish took 13 months to conceive, design and build and is probably the most intricate interplay of elements ever compressed into any retail environment created in SA,” he claims. The focal point is an entertainment, food and banking court over four levels round a 30 m diameter well under a 34 m-high roof light.

Wragge has taken the US retail adage, that shopping should be an entertaining experience, to a new extreme. He says: “I see a shopping centre as a theatre with the shops as the actors there to entertain shoppers as the audience.”

The “actors” should then be ably assisted by the theatre — the shopping centre extension — which has been styled after turn-of-the-century New Orleans, with a 13 m-high Mississippi paddle steamer dominating one end and a 7 m by 5 m video wall the other.

Wragge is enthusiastic: “At the lowest level, most of the major banks and building societies face an 18-hole miniature golf course which includes a meandering stream on which children can ride in cookies made from wine barrels. I would have liked this adventureland dimension to have been much bigger, but these are still new concepts in SA retailing and must prove themselves.”

The second level is a mixture of retail and fast food with seating suspended above the golf course from which customers will be able to watch sport, music, Ster-Kinekor trailers and other film vignettes on the video wall. The wall is “another area where we are breaking new ground in retail centres and doubtless other centres will follow us if it succeeds in spite of the R5m price ...”

“The third level is a mix of retail and restaurants — all of which have a wrap-around view of the video wall. Because Tyger is on a sloping site, the first three levels to the entertainment court have direct access to ground-level parking. The fourth floor, which is effectively a mezzanine, houses tenants like the 600 m² Spur, which will also have views of the screen. In all, with the completed extensions, Tyger will boast 33 food outlets.”

Shopping areas within the extension follow the formal — though updated — design of the original Tyger Valley complex. This is scheduled for refurbishment next year though it opened only seven years ago.

CAPE TOWN OFFICE RENTALS

Looking for a correction

Cape Town office rentals have decreased on average by about 40% in real terms over the past three years, according to property manager and broker Dunlop Heywood.

In its latest survey of office space in the city, the company says a sustained upturn depends mainly on political stability and an improvement in the economy.

Rents in Cape Town would virtually have to double simply to close the gap between current levels and the latest consumer price index. Though this seems unlikely, it is possible.

The survey points out that between 1980 and 1982, some rents increased from R5/m² to R15/m². Between 1987 and 1989, there was also a steep rise from R14/m² to R26.50/m² in some areas. Historical corrections over long periods show that rental values throughout the world increase with inflation, which makes property an effective hedge against it.

Cape Town CBD vacancies are now around 12%, which represents about 50 000 m² of A-grade space — almost two years’ take-up based on historical data. In Claremont, Cape Town’s secondary CBD, vacancies have declined from about 20% a year ago to 10% due to some major lettings.

In Bellville, traditionally the best let area in greater Cape Town, vacancies have increased from 4% to about 7%, which represents about 14 000 m² of A-grade space.
Brave expansion

Given the nature of its business, a circumspect investor would not expect Barnett, a furniture group, to have had a good year. It didn’t. The market knows this all too clearly, which is why the counter is trading at its 12-month low of 35c and even that may be a generous estimate: the last trade was on October 6 and the spread is now between buyers at 32c and sellers at 45c.

Turnover improved by a substantial 22% to R63.6m, much of this coming from a determined expansion in Botswana. However, a noticeable feature of the increase in volume is that it was achieved at the expense of trading margin, which fell substantially; since trading conditions were unrelentingly harsh over the year, that is not surprising.

The effective tax rate was 26.3% but it won’t last. Deputy MD Bala Pillay says he expects a significant increase in the rate for 1993, and a consequence is that it will be even more difficult to raise earnings next year.

Stocks rose nearly R2m over 1991. Under normal circumstances that would raise queries; with Barnett expansion into Botswana, however, the increase is at least explicable. Pillay says stock-turn is running at around 4 to 4.5 times. This ties in also with the increase in accounts receivable, which rose R2.4m to R38.3m. Pillay says the debtors book is carefully monitored and cash received as a percentage of outstanding debtors the preceding month is 6%-7%.

Barnetts appropriates fully for deferred tax; on the partial method adopted by many competitors, the earnings for the same period would have been 17c and NAV 208c. That compares with the year’s reported results of earnings of 12.5c and net worth of 135c. Whether this makes shareholders happier is debatable: that the policy is prudent and conservative is certain, but investors pockets don’t benefit in the short term.

MD Myron Lewkowski says the full advantage of the newly opened stores will flow through over financial 1993, and he confirms the “strategic opening of stores will con-
Fabcos president denies organisation is sinking

Fabcos president James Ngooya said yesterday all was well in his organisation and reports that the business federation and its affiliate Saba were disintegrating were false.

There have been reports of discontent and breakaways since two executive members, Saba national adviser James Chapman and Fabcos marketing executive chairman Gaby Magomola, resigned.

Ngooya said Fabcos felt the two men's new ventures posed no threat.

Speaking after the Fabcos AGM in Pretoria, Ngooya said: "Fabcos is stronger now than ever before, because the rationalisation that detractors branded as collapse is beginning to pay dividends."

Financial statements have just been adopted by the management council.

"Against slanderous allegations that we are collapsing, we are now in a position to reopen offices we had closed, and are re-employing workers whom we had retrenched," Ngooya CE Jabu Mabuza has been quoted as saying.

Chapman's teaming up with Saba's Pretoria region Puts, to launch certain schemes for members, was "driving a wedge into the taxi industry" which could result in violence.

Ngooya invited Chapman and Magomola to rejoin Fabcos.
Help for credit card buyers of mail orders

Consumer Reporter

Consumers using the convenience of credit cards to buy mail-order goods can get their money back if the goods are not delivered as promised.

This reassurance comes from the SA Direct Marketing Association (SADMA) after renewed concern about an increase in the number of television adverts urging people to “call now”, with their credit card numbers, for a wide range of household goods.

However, SADMA said few customers had complained about not receiving goods after placing an order through the television advertising sales.

SADMA spokesman Gillian Williams said the few people who had complained about not receiving goods were given their money back after SADMA had intervened.

“Even if you are dissatisfied with the quality of the goods, we would make sure you get what you ordered or your money back.”

Williams added that companies advertising on television were thoroughly scrutinised by M-Net and the SABC before their adverts were accepted.

Further checks were also made by the banking institutions.

Amalgamated Bank of South Africa (Absa) spokesman Gavin Webster said: “We make sure these companies are reputable and quite strong financially before we accept them as merchants.

“However, we must stress that we only act as agents between the buyer and the seller.

“But if there is a dispute, we may have to do an investigation — and the seller would have to prove there was a bona fide transaction. If he cannot, then we reverse the transaction.”
Success on tap, but only for the prudent.

Franchisee licence to make a killing.
Foschini leaves the rest behind

FOHCHINI must be the ultimate in organic growth by a retailer — not since 1968 has an acquisition been made and the youngest division was launched 23 years ago.

For consistency, it cannot be matched. Only once in the past 34 years has annual profit not exceeded the previous year’s.

In the midst of SA’s longest and deepest recession, Foschini raised net income by nearly 21% to R18.8-million in the 26 weeks to September 26. Recession? Informal sector challenges? Foschini makes the other retailers look second class.

The group has four divisions. By far the largest is Foschini, with 300 stores. American Swiss and Pages each have 150 shops and Marks&Spencer slightly more than 100.

Group managing director Clive Hirschsohn came into the group 25 years ago when Foschini bought American Swiss, the jewellery business established by the Hirsch sohn family.

Mr Hirschsohn says: “We went with a view to putting American Swiss boutiques into Foschini stores, but the premises were generally too small. However, Foschini chairman Stan Lewis made an offer for American Swiss because he was looking for diversification. I was part of the package.”

A year later, Foschini bought Marks&Spencer, the men’s fashion retailer, and in 1999 launched Pages, the fashionable black women’s clothing chain.

Since that flurry of activity more than two decades ago, all Foschini has done is grow.

All the senior management has been nurtured from within, almost all qualified for long-service medals.

Outsiders might think it could become moribund, but fashion retailing is like opening a business every six months, says Mr Hirschsohn.

Mr Lewis acquired a major shareholding in Foschini in 1958, control coming later.

Living in England, Mr Lewis controls Oceana Development Corporation plc, which owns 35% of British fashion chain Etam, among other investments.

Foschini has a 33% stake in Oceana, which yielded R760.099 income in the six months under review. “It is a little bit of a rand hedge for us,” says Mr Hirschsohn.

To pay for Oceana without borrowing, Foschini issued scrip instead of cash as dividend. Members will receive one Foschini share for every 45 held. Holders of pyramid company Lefic will receive one share of every 48 held. Fractions and odd-lots can be cashed.

Scrip dividend has not improved the tradability of the tightly held group. Nor is it clear whether the market has taken into account the effect of the increase in Etam’s share price on Oceana and thus Foschini.

Mr Hirschsohn sounds like a good boss.

If someone here fails, we look to see why we prevented him from succeeding. We build sound foundations with a common focus on retailing.

Almost everyone can step into someone else’s job in the group. Even the new boy has been with Foschini for 11 years.

Technological investment has been primarily in merchandising. Productivity is improved, information flows, and are all reflected in the bottom line.

The group employs 5,600, so with more than 700 stores, head office is hardly overmanned. Attention is focused on information technology, finance and human resources so that the people in the shops can get on with the business of selling.

Foschini decided three years ago to centralise credit control.

“It was not that we had big bad debts, but we could never optimise the bottom line when many managers applied their own interpretations.”

The group should be under the central credit policy by mid-1993. Foschini’s book of R69-million is spread over about 1.8-million accounts, giving an average exposure of less than R250 on an account. Foschini funds the debtors’ book itself for optimal return.

Mr Hirschsohn says the group’s success lies in its appeal to Mr and Mrs South Africa, its good customer service, credit facility and value for money. Foschini occupies the premier chain in plateau and rural areas where it was established.

The interims carry the harshest information, but Mr Hirschsohn welcomes legislation requiring greater disclosure from April.

Foschini shares last traded on Wednesday at R4.95 on three deals totalling only 400 shares. It is little wonder there are few sellers when the returns are so good.

Group Five in Moscow.
CAPE TOWN — Clothing retailer Foschini increased its after-tax income by 20.7% in the six months to end-September, making strong gains in market share and defying the cutbacks in consumption expenditure which have eaten away at the profits of other retailers.

The results were produced off a high base and maintained a consistent record of earnings growth.

To conserve cash and reduce gearing, a scrip dividend valued at R40 a share — equivalent to one new ordinary share for every 45 held — has been declared.

Parent company Lewis Foschini Investment Co (Lefic), which derives all its income from Foschini, declared a scrip dividend of R21.50 a share, equal to one new share for every 45 held.

Foschini’s pretax income rose 19.6% to R72.9m (pro forma, R61.8m), tax increased by 18.3% and after-tax income by 20.7% to R59.8m (R49.2m).

All the chains in the group — Foschini, American Swiss, Marks & Spencer and Pages — performed well, financial director Roy Norman said, and had outperformed the industry’s sales average.

While group turnover growth had been lower than profit growth, it had been well above the inflation rate of about 14%. With fewer markdowns and a tight control of expenses, margins had improved slightly and the bottom line had also benefited from much lower interest rates.

Gearing was cut significantly to slightly more than 50%.

An amount of R760 000 (nil) was derived from Foschini’s investment in Oceanas, which increased its after-tax profit by 3.6%. Oceana’s main subsidiary — clothing retailer Etam — was battling the deep recession in the UK economy and was more cautious about its results for this year, Norman said.

MD Clive Hirshohn said all the chains in the group had gained from a concentrated focus on the broad middle-income market and had performed strongly in what was traditionally a relatively weak half of the year. “Although total personal disposable income has decreased, our target market shows a steady increase with the consistent entry across the board.”

Norman said the bad debt position had worsened as the recession took its toll and as the group’s credit control system was centralised.

Hirshohn emphasised the important role played by the group’s investment in sophisticated information systems in credit and merchandise control. Marks & Spencer and Foschini had converted to a centralised credit system which would be in full operation for the whole group by July. A total of 17 new stores were opened during the period.

Hirshohn expected satisfactory profit and earnings growth for the full year to end-March, especially as the second half was usually the stronger trading period. Norman added that Foschini expected a real growth in turnover at Christmas.

Due to the change in Foschini’s year-end to March, pro forma figures for the previous interim period have been provided.
People worship in the malls

Religious coalition claims Christmas has become a carnival of mass marketing. GEORGE CORNELL reports from Washington.

With the annual holiday shopping frenzy at hand, a national coalition of religious leaders complained that commercialism has reduced Christmas to "a carnival of mass marketing."

"Consumption has taken on an almost religious quality: malls have become new shrines of worship," the 25 Protestant and Roman Catholic leaders said in a letter to church organisations.

The coalition urged "all people of faith to speak out against the over-commercialisation of Christmas in our media and malls."

The leaders said sermons should direct the focus of Christmas to thoughtful giving and helping others.

"We have seen the spirit of Christmas reduced to a carnival of mass marketing."

"Regrettably, many people find it ever more difficult to separate Christmas from commerce," it said. "Good will towards all, concern for our communities and love for our families are goals that come from the heart."

The statement was co-ordinated by the Centre for the Study of Commercialism based in Washington. Signatories included several heads of Protestant denominations and Catholic bishops, as well as leaders of ecumenical and social-concern organisations.

"Christmas ought to be a time when we let our hearts be touched by God's enormous gift of love," said the Rev Joan Brown Campbell, general-secretary of the National Council of Churches.

"Only those who sit in darkness believe that love can be bought and sold."

"Making Christmas real means, in part, making giving personal, altruistic and reflective," the letter said.

"For some, this may mean giving the gift of family, baking and breaking bread with old and young alike. It means opening our hearts to family and friends, and more, to those we do not know personally but whose needs we recognise."

Source: AP
Foschini

went from
strength

By Stephen Cranston

Foschini had a strong first half, increasing net income by 20.7 percent to R38.8 million in the six months to September.

As a dividend Foschini will offer one new share for every 45 held. This is the fifth scrip dividend and is in keeping with Foschini's current financial policy.

Operating subsidiaries Foschini, American Swiss, Markhams and Pages reported strong trading in the traditionally weaker first half of the year.

MD Clive Hirschsohn says this success is due to the tight focus on the broad middle-income market.

"Although total personal disposable income has decreased, our target market shows a steady increase along with the consistent entry of new customers across the board."

A total of 17 stores were opened during the period, with Markhams opening six, including its 100th store at the Victoria Wharf, Cape Town.

Hirschsohn says sophisticated information systems in credit and merchandise control have played an important role in the group's continued profitability.

Merchandise mix

"We don't buy turnover by pushing stock into stores. We have a highly efficient merchandise mix and distribution system in place, which enables us to provide stores with a coherent, consistent and co-ordinated supply of fresh merchandise, tying in with promotions."

"This eliminates the need for a warehouse, and our distribution centre simply moves stock swiftly to the stores."

"As a result, we aren't excessively burdened by interest payments on inventories."

Markhams and Foschini have converted to a centralised credit system, which should be in full operation by July next year.

Hirschsohn says the system introduced a far more sophisticated form of credit management and selection, as well as increasing dynamic marketing and merchandising opportunities.

"It also allows store management and staff to focus completely on the customer."

Hirschsohn says he is confident about Foschini's prospects for satisfactory profits and earnings growth in the year to end-March 1993, considering the stronger trading expected in the second half.

Pyramid Lewis Foschini Investment increased total earnings by 20.7 percent to R19.8 million and will offer one new share for every 48 held as a scrip dividend.
Indians defy pressure to leave

EDWARD MOLONYANE
Staff Reporter

INDIAN traders in Khayelitsha are staying put, defying pressure put on them by local businessmen to leave and ignoring accusations that they are "stealing" customers.

The 15 Indian businessmen were given an ultimatum by the Khayelitsha Business Association (Khaba) "to leave voluntarily by November 30 or face harsh action."

But it was business as usual at busy Tembani Shopping Centre yesterday, although several policemen were present.

An officer declined to say whether police were there because of threats against the Indians. He said they were on "routine duty."

Indian traders said they were not going to leave because they were a "great help" to the people of Khayelitsha.

Supermarket owner Mr H Rawood, who employs 70 people, said Khaba did not "control" Khayelitsha.

The South African National Civic Organisation controlled the township, he claimed.

"There have been assurances that the civic is opposed to the threats against us. That is why there is no reason to panic," he said.

Shoppers said they were buying from the Indians because their merchandise was cheap.
AHI ‘not interested’ in merger

Afrikaanse Handelsinstituut president George Huysamer has poured cold water on the idea of a merger with the South African Chamber of Business.

He said Sacob’s suggestion last month that an investigation with a view to a possible amalgamation of the two business organisations was being conducted, had not occurred.

“The executive committee (of the AHI) holds the view that this is an inappropriate time for initiatives of this nature,” he said.

Mr Huysamer said the different business organisations in South Africa had different roles to fulfill at this stage of the country’s transition.

Sacob had suggested a merger with AHI and possibly other black business organisations like Fabcos and Nalcoe to enable organised business in the country to “speak with one voice”.

Mr Huysamer said however that the AHI was willing to continue to work with other employer bodies and participate in the National Economic Forum and the Business Forum. — Sapa.
Premier should still outperform market

By Stephen Cranston

Earnings from the Premier Group will increase by 21.3 percent in the year to April 1992 and by a further 26.4 percent in the following year, Qavis Borkum Hare analyst Manny Pohl forecasts.

Pohl says the demand for Premier's mass market food products lends assurance to long-term growth and profitability.

Earnings will be boosted by the increased contribution expected from Metro Cash 'n Carry, which has a market edge in its strategic distribution channels and dominant market share.

Premier Food is no longer encumbered by unperforming poultry and animal feeds businesses, and benefited substantially from the lower interest burden resulting from these disposals.

Over the longer term, the bread market is expected to grow at a rate approximately equal to the population growth.

At present, significant price escalation which deregulation created at the retail level, together with a depressed economy and unrest and violence has given rise to a static bread market. And because of the surplus of baking capacity there has been intense competition and pressure on margins.

Premier reversed the losses it had made in its edible oils division as sales volumes of its products, principally Blossom and Kraft margarines, increased substantially.

Consumers buy down as disposable income reduces, which has benefited Premier, and opportunities exist for the sale of basic foods into countries to the north.

Much of Premier’s growth prospects in milling and baking depends on government fiscal policy.

The drought has necessitated the import of massive quantities of maize and wheat, on which the government exacts a tariff giving it a R30 to R40 a ton profit margin.

This will give the government a R150 million profit which could be passed on to consumers or primary producers.

In the longer term any future government will initially be less enthusiastic to raise floor prices or to resist price controls. Accordingly, there is a reasonable chance of lower input prices for Premier.

There is also pressure for the reintroduction of subsidies on bread and maize and for the zero rating for VAT of basic foodstuffs, which will stimulate volume growth and enhance divisional profits.

Premier's pharmaceutical interests will be stimulated by group strategy to provide cheaper products as the country becomes more cost-conscious.

State expenditure levels on health care are expected to rise significantly.

Pohl says that if Premier’s wholesaling interests can return to the profit margins of the mid-1980s, in which there was a pre-tax margin of 3.5 percent, pre-tax profits will surge from R30 million to R145 million.

Since earnings and dividend growth should exceed that for the industrial companies in general it should continue to outperform the market.
MARKETERS like to think their audience is far more sophisticated than it is, says Markinor chairman Nick Green.

Spelling out guidelines for Third World marketing, Green said that within a few years the average South African would be black, 15 years old, fairly unsophisticated and talking "a kind of English".

"On the other hand," said Green, "we marketers and advertisers will be 40-plus, more sophisticated and perhaps a little out of touch with what is happening, unless we remember a few key points."

The first of 12 elements Green laid down concerned brand value. The less sophisticated an audience, he said, the greater the value of a name.

Brands had become a language — for instance, in some markets there was no such thing as vodka — it was Smirnoff.

Then came the exploitation of aspirations. Ads showing blacks and whites mixing in up-market situations touched on something many hankered for.

As an example, Peter Stuyvesant, the best selling cigarette in the middle socioeconomic groups, used exotic travel destinations in its advertising.

Green also advised:

- Use simple language, and avoid word-play. English is a common language of communication, but not everybody's mother tongue.
- Visuals and pictures can overcome nuances and language difficulties.
- Use role model endorsement. "You do not need long copy or explanations. The associations and visual elements do it all for you if you use Brenda Fassie as a spokesman.;"
- Use sports sponsorships. Research has shown that sport is high on the list of SA priorities;
- Use music, which is a powerful common interest in the youthful metropolitan market. Coke's use of Mango Groove had grabbed an instant youth vote for their product;
- Appeal to the emotions. Unsophisticated markets are less analytical and more emotional, and are less likely to react to dull and boring advertising;
- "Grab the educational sponge." Advertising works when it teaches people how to use a product, or how to behave socially;
- Beware of change. The Castle Lager label switch created a tremendous negative effect for SA Breweries, said Green;
- Consider the use of media. Television, radio and print are obvious vehicles, but new avenues, such as home videos and taxi-tapes, should be considered;
- Finally, never ignore word-of-mouth recommendation or criticism, which could affect the progress of a product or service. This was especially true in the townships where the extended family and good neighbours really did exist, said Green.
AHI rejects Sacob amalgamation plan

HILARY GUSH (35)

SUGGESTIONS that an amalgamation of the SA Chamber of Business (Sacob) and the Afrikaanse Handelsinstituut (AHI) be investigated have been rejected by the AHI executive committee.

AHI president George Huysamer said yesterday it was an inappropriate time for such an initiative.

"The country is confronted by serious economic issues which demand our full attention jointly and severally, and we would not be serving the best interests of our country or our members if we allow our attention to be diverted by a matter like this at this stage."

Last month Sacob suggested a merger to enable business to "speak with one voice".

Huysamer said such a merger, which excluded other organisations such as Seifsa, Natcroc and Fabcos, would risk creating an impression of "ganging up" which should be avoided at all costs.

While the AHI did not want to surrender its identity and role, Huysamer said: "The AHI wishes to reconfirm its willingness to co-operate with other employer organisations in promoting our common national and regional goals.

"Our co-operation in the national economic forum and the business forum are telling examples hereof. We are also in touch with the moves which are afoot to establish an overarching employer organisation representing the entire SA business sector, and we will make our inputs in this regard in due course."

Sacob deputy director-general Ron Haywood said: "We have nothing to add to the AHI statement."
New Jet campaign targets Woolworths

A CONTROVERSIAL advertising campaign for Jet Stores, launched in the weekend newspapers, is likely to cause a stir in the retail and advertising industries.

While the adverts do not name names, they compare the quality of Jet's clothing with that of a competitor, apparently Woolworths.

Woolworths' director Farrell Ratner said yesterday there was no doubt the adverts were referring to Woolworths. Woolworths was investigating the content of the ads, and would be approaching the Advertising Standards Authority, he said. Comparative advertising is forbidden by the ASA code.

Jet's new campaign stressing quality — in three double page spreads — made bold statements measuring its standards against those of the competitor.

Jet's marketing director Sandy Barnes said Jet, which is in the Edgars group, did comparative testing of its products on a regular basis. Previously, the quality of its clothing did not compare well with that of its competitors. But it had upgraded its products, and tests in July and August showed "some stark results".

Barnes said a comparison between Jet's clothing and the products of rival companies perceived to be of top quality made the results of the research — and the advertising — more convincing.

The adverts identified three garments — for women, men and children — and did an "ours" and "theirs" comparison on aspects of quality and price. Jet's products come out remarkably well.

Barnes said that through the campaign, Jet was committing itself to the niche market of "classic core merchandise" that had top quality and good pricing.

He said the adverts were factual, and presented the garments fairly by using the same models, size of clothing, washing process and model poses. The tests had been meticulous and Jet scrupulously ensured the copy was accurate.

Jet had for some years been repositioning itself in the market and was achieving its goals. The advertisements reflected this repositioning in an exciting way, and were aimed at changing perceptions about Jet Stores.

The adverts marked the emergence of Jet as a force to be reckoned with. Jet had "put its neck out" with confidence.

Jet had increased its adspend budget for print, radio and TV advertising substantially. The campaign might have raised a few eyebrows, Barnes said, but plans in store for next year were "destined to knock off a few socks, too".
Old Mutual drive cuts CBD vacancies

PRONOUNCED leasing efforts in Johannesburg CBD resulted in Old Mutual Properties letting more than 4 000m² of space in the quarter ended September.

Marketing manager Tommy Osborne said Old Mutual had reduced vacancies in its Johannesburg CBD office and retail portfolio by 17%.

Lettings were primarily to professional and smaller organisations.

Property investment manager Ian Watt said total vacancies had decreased despite the tough market. Rental levels were softer across the board, but the group was not offering rent-free periods because tenants needed to consider the implications over the whole five-year period.

Watt declined to give Old Mutual’s CBD vacancy levels this was “difficult to determine”.

Some empty buildings had been bought for redevelopment and could not really be regarded as vacancies, he said.

While there had been movement away from the CBD, there had been nearly as much new space developed as in Sandton.

“The perception has been created that everybody is leaving the CBD and that there is nobody to replace them. This is not so. A number of businesses have to be located in the area,” he said.

Demand for space in greater Johannesburg had also quickened, with new lettings totalling 35 185m² between July and October. About 18 000m² was for industrial property and 17 100m² for commercial space.

In the industrial sector, a new factory/warehouse complex was nearing completion at Droste Park off the M2 East and Eldon Stationery had signed a five-year lease for 3 462m².

At Isando, E vapco SA had taken 2 905m² for three years in the old Mather and Platt building, while Marathon Materials Handling was committed to 554m² over three years. The building was now fully let.

Other Isando leases were for 1 460m² with Xerotech and for 814m² with Numech at Old Mutual Business Park.

On the commercial front, Kelly Greenoaks signed a 10-year lease for the 1 300m² Crosswell House in Parktown.

Other commercial leases were with Sandton Sentry Security for 502m² for five years at 9 Charles Crescent in Eastgate Sandton, Travel and Trade Publishing for 267m² at the “Early Bird Centre in Richmond, and Grays Security Services for 370m² at 5 Wellington Road, Parktown.”
Business

New GSCCI president Sam Noge will forge links with "Misused Funds" GSCCI still awaits a financial report from Sitco on R2.5 million.

By Mzimkulu Malunga

The Greater Soweto Chamber of Commerce and Industry will strive for unity among business organisations operating in the area, says the new president, Sam Noge.

"We have an organisation like the Soweto Independent Shopkeepers Association with which we worked together on a number of things. "I do not see the reason why we cannot be one body," he said.

The new GSCCI's leadership hoped to close the old chapter of divisions and concentrate on the advancement of Soweto business people.

"We work tirelessly to improve efficiency through training programmes run jointly with the formal sector," he argued.

Already, the chamber had forged a relationship with the Chandor Training Centre to train members in strategic planning and meeting procedures.

Noge said relations with the Johannesburg Chamber of Commerce and Industry (JCCI) as well as the Johannesburg Afrikaanse Sakekamer (JAS) would be improved.

The two organisations came to the rescue of the GSCCI when the latter was experiencing financial problems.

In an effort to combat increased crime directed against business people in the township, the chamber initiated the Soweto Anti-Crime Initiative with a coalition of community organisations, he said.

SACI was already functioning and two workshops on crime and effective policing had been held.

However, the road ahead would not be rosy, he said. The GSCCI still had to resolve problems with its commercial arm, the Soweto Investment Trust Company (Sitco).

Despite the fact that Sitco was one of the projects of the chamber, the GSCCI had not received any report from the company since its formation in 1987, said Noge.

He cited the Sitco issue as one reason which triggered the formation of a breakaway group, the Greater Johannesburg Chamber of Commerce and Industry, three years ago.

There had been allegations and counter claims between the chamber and the Sitco management recently on the whereabouts of the R2.5 million received from First National Bank for the development of entrepreneurs in the township.

Noge said a substantial amount of the money bought shares in a trans-national company, Pepsi Cola, when it launched an investment comeback in South Africa.

According to him, the remaining sum bought a stake in the Shareworld complex near Nasrec in Johannesburg.

There was widespread belief in chamber circles that when both ventures crashed, the funds went down the drain.

Noge has also alleged that some of the Sitco funds were squandered on overseas trips which the chamber knew nothing of.

However, Sitco's managing director, Macdonald Temane, denied that the company's funds were misused. He referred the Sowetan to a report delivered by the outgoing president, Philemon Makhetha, at the GSCCI's AGM last week.

In his report Makhetha, who is also chairman of the company's trustees board, said Sitco had funded various projects in Soweto, among them the Soweto Chamber News - GSCCI's monthly piece.
Clicks maintains its growth record

TOILETRIES and gifts retailer Clicks has maintained its consistent growth record, justifying its high rating on the share market by reporting a pro-rata 24% increase in after-tax profit to R10.3m for the half-year to end-October.

The group, which changed its year-end to October in line with holding company Premier, said yesterday the comparative results were for the eight months ended October 1991. To facilitate comparison, pro-rata figures were presented for the six months to end-October.

CE Trevor Honneysett said the group's Clicks and Diskom stores had turned in outstanding performances in an extremely difficult and challenging environment.

The Musica chain, which had been making big monthly losses when it was acquired in April, had, "in an amazing turnaround", made a profit for the first time in October. All indications were that Musica would stay in the black for the rest of the year.

Turnover increased by 32% to R38.4m (R23.4m) and operating profit by 14% to R20.5m (R18.5m).

Honneysett said turnover had been boosted by the inclusion of the Musica chain's sales for the first time. Core businesses had, however, shown real growth.

There was a R2.9m turnaround on the interest line as the proceeds from the group's R52m rights issue in April resulted in interest received of R50.6m compared with an outflow of R2.4m last year.

Pre-tax profit advanced by 35% to R21m (R15.6m). A slightly higher tax rate limited the increase in after-tax profit to 24%. Earnings a share, diluted by a larger share capital base — to 22.6-million from 20-million — rose by a tenth to 45.4c (41.4c). The interim payout was 15c a share.

Honneysett said Musica had closed a few stores and opened more for a total of 59 throughout the country.

Clicks, which remained the mainstay of the group, had opened five new stores during the period bringing the total to 135. Diskom opened 15 new outlets, bringing its total to 84. The group would have 200 stores by the end of the financial year compared with the present 278.
OK appoints Serebro to follow Hood

MERVYN Serebro has been appointed to succeed OK Bazaars' CE and group deputy chairman Gordon Hood from next year.

Hood said yesterday Serebro, MD of the group's OK Stores division, had been appointed group MD. In view of his pending retirement early in the new year, Serebro would take the position from January 1.

Hyperama MD Philip Grover was appointed group deputy MD.

Serebro said yesterday he had "specific views on where the OK should be in terms of its customers and in terms of its acceptance in the marketplace". But it was premature to comment on any changes.

He said that functionally, he and Grover would continue to manage the OK and Hyperama businesses, but they would both be involved in group strategic thinking.

Serebro, who joined the OK 27 years ago as a trainee manager, was proud to have been "entrusted with the responsibility of orchestrating the business through a period of change".

The OK share moved up 25c to 575c yesterday on the news.
Reports could help put a lid on food prices

PRETORIA — The Board on Tariffs and Trade’s (BTT) final report on food price escalation will be submitted to the Ministers of Agriculture and Trade and Industry on Monday and the Kassier report on the Marketing Act and 22 control boards will be in the hands of government early in the new year, says committee chairman Eckart Kassier. 3/12/1992

BTT director Helgaard Muller said yesterday his organisation’s first report was purely a discussion document which, among other things, suggested that the control boards be stripped of their statutory powers.

The Food Logistics Forum was expected to submit a report to government in February. Forum member Raymond Ackerman of Pick ‘n Pay said government would then have all the information needed to lead a campaign to keep food price hikes down.
Boycott fails to materialise

By Abel Mabelane

A consumer boycott launched by the East Rand Clyie Association (Eerca) in Boksburg has failed to get off the ground. Consumers yesterday went about their shopping as usual.

Eerca general secretary Makgabu Moloto confirmed that the launching of the boycott did not materialise. He said pamphlets were being distributed to consumers to make them aware of it.

The boycott was launched against Boksburg shopkeepers because the council allegedly helped the Vosloorus Town Council to confiscate the furniture of residents who owed rent.

The Boksburg acting town clerk denied the allegations.
Call for brand new health care system

FIVE children die every hour in SA of malnutrition-related diseases, and 12 die every day of tuberculosis, spokesman for health organisations said yesterday, calling for a fundamental restructuring of the country's health care system.

Speaking at a news conference, National Progressive Primary Health Care Network chairman Prakash Vallabh said latest figures from the Department of Health and the SA National Tuberculosis Association showed the desperate need for transformation of health care services.

"The unfair allocation of health resources in our country has led to widespread death and suffering. What we need is a fundamental restructuring of the health care system."

The network, together with the SA Health and Social Services Organisation, the two largest NGOs in the health sector, said they would hold a conference next week to formulate a health policy to guide SA through its transition phase.

The conference would be addressed by medical experts from 10 developing countries which had important lessons for SA.

Speaking at yesterday's meeting, Cuban doctor Leonardo Mejias said that through the development of a strong primary health programme, his country had almost eradicated diseases such as measles, which plagued SA. Cuba had also achieved a low incidence of malnutrition and tuberculosis.

SA Health and Social Services Organisation spokesman Asham Dasso said the conference would focus on the most serious needs of SA communities, especially in rural areas and squatter camps where lack of water, sanitation and refuse removal systems had contributed greatly to poor health conditions.

The conference would also discuss ways of making the private health care industry — which Dasso said was "running rampant" — more involved in community health.

Conference spokesman Max Price emphasised that a focus on primary health would not mean tertiary and specialised care would be disregarded. But, there would have to be a reallocation of resources.

Specialised care had an important role to play, especially in keeping medical experts and academics in the country, maintaining high standards and giving citizens a sense of security, said Price.

Rent summonses spark Vesloosrus stayaway call

THE Vesloosrus Civic Association has called for a stayaway in the East Rand township today to protest against summonses served on rent defaulters.

The association's official Ali Maziya said yesterday the stayaway had been called to coincide with the appearance of some residents in the Boksburg Magistrates' Court in connection with non-payment of services.

Vesloosrus town clerk George Prinsloo said dwindling revenue from residents who had forced the council to take steps against rent defaulters.

These included severe water restrictions.

Prinsloo said less than 10% of the residents were paying their accounts. As a result, the town council had been forced to cut the water supply to residents for 15 hours every second day.

A measure came into effect on Sunday, and according to Prinsloo, it — as well as power cuts and legal actions against rent defaulters — had been taken after a deadlock in negotiations on the payment of services between the council and the Vesloosrus Civic Association.

Meanwhile, a boycott of Boksburg's businesses by residents from Vesloosrus, Villa Lisa, Reiger Park and Palm Ridge entered its second day yesterday.

The boycott, called by the East Rand Civic Association, was aimed at putting pressure on the Boksburg City Council to stop the Vesloosrus municipality from attaching properties belonging to rent defaulters.

Boksburg acting town clerk Robert van der Merwe has said his municipality would not tell Vesloosrus — an "autonomous" municipality — what to do.

However, Boksburg's management committee was prepared to meet the East Rand Civic Association to discuss their grievances, van der Merwe said.

Boksburg Chamber of Commerce and Industries vice-president Sandra Morris said a snap survey of 30 businesses had shown that the boycott was in force.
Musica dampens
Clicks earnings

CAPE TOWN — Clicks Stores lifted turnover by 31,5 percent to R426 million for the six months to October, compared with the same period last year.

Pre-tax profit of R21 million was 34,5 percent up from R15,6 million previously.

Overall margins fell to 4,8 percent from 5,5 percent.

Despite the increase in the number of ordinary shares from 20 million to 22,6 million, earnings a share rose 9,5 percent to 46,40c (41,48c).

Figures

An interim dividend of 19c has been declared.

Chief executive Trevor Honneysett says profit figures were negatively affected by the Musica retail chain which it acquired last April.

In line with conservative accounting practice, goodwill of R3,5 million on Musica was written off as an extraordinary item, but was not included in determining earnings per share.

Musica was operating at big monthly losses when it was acquired, says Mr Honneysett.

A number of Musica stores had been closed and four new outlets opened to make a total of 59 operations countrywide.

“This strategy is already beginning to show results, so much so that, in an amazing turnaround, Musica hit profits for the first time in October and all indications are that it will stay in profit for the rest of the year,” he says.

The rest of the group — Clicks and Diskom — turned in “outstanding performances in an extremely difficult and challenging environment”, he says.

Barring any major deterioration in the political and economic situations, he expects the group to increase earnings and margins for the full year. — Sapa.
Township traders in price war

Staff Reporter

Defiant Indians to stay

DEFIANT Indian traders in Khayelitsha are continuing to trade in the township — and are charging less for basic foodstuffs than local shopkeepers, a snap survey has revealed.

This follows pressure by black businessmen to get the Indian traders out of the township following accusations that they are "stealing customers".

An ultimatum was issued to the Indian traders by the Khayelitsha Business Association (Khaba) demanding that they "leave voluntarily by November 30 or face harsh action".

A survey revealed that Indian supermarkets are undercutting black supermarkets. Shoppers said they were buying from Indian traders because their merchandise is cheaper.

Indian traders at the Tembani Shopping Centre, who were wary of speaking to the press for fear of reprisals, said the South African National Civic Organisation had given them the go-ahead to continue trading and they would continue to do so as long as they served the needs of the public.

Indian traders interviewed said the fact that customers supported their owned by black landlords," one trader said.

Customers said they preferred shopping at Indian stores because the merchandise was cheaper.

A Cape Times survey revealed the following:

- The Indian-owned Goldstar Supermarket in the Tembani Shopping Centre charged R19.99 for 12.5kg cake flour; R12,99 for 12.5kg of mielie meal; R1,19 for 500g of Van Zyl beans; R1.68 for a loaf of white bread; R2.99 for a 1.5 litre of Coke; and R18.99 for a 250g tin of coffee; and R10.99 for 2kg chicken pack.

- The Khayalethu Supermarket, owned by a local trader, charged R21.99 for cake flour; R12.49 for 12.5kg of mielie meal; R1.99 for 500g of Van Zyl beans; R1.85 for a loaf of white bread; R2.95 for a 1.5 litre of Coke; R4.99 for 250g of the same brand of coffee and R11.99 for a 2kg chicken pack.
Metcash fortunes improve further

MARCIA KLEIN 4/12/92

THE reversal of fortune of Metro Cash and Carry (Metcash), which began when the Premier group assumed control last year, continued in the six months to end-October.

The group, which includes wholesale and retail chains Metro, Trade Centre, Stax and Metbuild, reported attributable income of R24,1m for the six-month period.

MD Carlos dos Santos said turnover was R265,5m, about 20% higher than the previous year. Operating income was R22,7m.

But results are not directly comparable as the corresponding period included only four months following a change in Metcash's year-end. Nevertheless, the results reflect a significant improvement against income of R2,3m in the four months to end-October 1991 and R28,5m in the 10 months to end-April.

Metcash declared an interim dividend of 6c a share, after passing its dividend payment in the previous four-month period and paying a dividend of 6c a share in the 10 months to end-April.

Dos Santos said no new stores had been opened during the period.

The group, which had net cash resources of R25,8m at end-October, received interest of R6,9m, after paying interest of R9,7m last year. By end-April, it had received interest of R8,4m.

Dos Santos said the income before tax margin had improved to 1,5% from 0,5%.

The group had succeeded in restoring financial disciplines, reducing overheads and improving shrinkage controls. But gross profit margins remained tight.

Taxation of R13,5m reflected a 34% tax rate, and Dos Santos expected the tax rate to remain at this level in the coming year.

Earnings were 14,7c on additional shares in issue following the group's rights issue in November last year. Earnings in the four months to end-October were 2,2c a share, and were 17,3c a share in the 10 months to end-April.

Extraordinary income of R6,8m included mainly the reversal of excess provisions created in previous years.

Dos Santos said results were "well ahead of expectations", reflecting a strict cost control programme, financial discipline and reduced shrinkage. This was achieved in spite of competitive gross margins.

Four small Metro stores had been closed, and one Trade Centre in Pretoria and one Metro outlet in Upington were replaced by new stores.

The group has 178 Metro outlets, five Trade Centres, four Stax stores and 11 Metbuild builders' hardware outlets. It also has trading interests in Malawi, Mozambique, Portugal and Hong Kong.

Dos Santos said "the volatility of the environment and the poor economic conditions" remained a major concern. But he expected the second half to be better than the first, with Christmas and Easter trading still to come.

Market reaction to the good results saw the share rise by 28c or 0,5% yesterday to close at a new high of 475c.
JOHANNESBURG. — A two-day-old consumer boycott launched by civic associations against Boksburg has caused a 50% drop in turnover in the town's CBD.
Foschini FM 4/12/92

A rare bird

Foschini is a rarity among retailers. It has continued to produce real earnings growth through this long recession. For a business that markets fashion goods rather than basic merchandise, this is a remarkable feat. It speaks volumes about the capabilities of the board and its policies, and the quality of management down to the shop floor.

The interim reports have always been short on detail, and this year’s trading figures for the 26 weeks to September 26 are no different. All that’s disclosed is a rise in pre-tax income of 19.6% against pro forma figures for the same period in 1991, which, with the effective tax rate barely changed, leaves net income rising 20.7% to R38.8m.

Notably, EPS showed a similar increase, even with the further expansion of issued shares through the scrip dividend. Included in the attributable earnings is R760 000 sourced from the 35.5% investment in Ocean Investment Corp Plc.

An interim scrip dividend of R38.6m, equivalent to 88.89c a share, has been declared. That represents real earnings growth of about 6%. In the three areas in which the group trades, the year-on-year August retail trade statistics show nominal sector growth as: women & babies 0.2%; men and boys 3.6%; and diamonds & jewellery 6.3%.

MD Clive Hirschsohn says income from Ocean accounts for only a nominal amount in the interim figures. Oceana’s second-half earnings will produce a much greater contribution to the group’s second half because it will include the Christmas season’s earnings from UK fashion retailer Etam, held 34.4% by Oceana.

Seventeen new stores were opened during the first half (Marks & Spencer, Foschini four, American Swiss eight). Hirschsohn emphasises that discounting of merchandise was not part of the strategy. The performance was derived from solid management and information systems that enabled better merchandise and credit control, and a more effective distribution system that eliminates the need for warehousing.

Hirschsohn says borrowings are within the planned range. Though the debtors’ book has grown — the collection rate has slowed over the year — he is confident every ratio will be back where it should be according to the three-year plan initiated when the Oceana interest was bought.

Foschini has long produced consistently good profit growth, above and below the line, without depending on acquisitions. For many years the stock market has recognised its superior earnings capability by rating it as one of the most valued shares in the retail sector. Even during this recession the returns have remained good. Through the Oceana holding there is a rand-hedge element that will be an advantage if the rand continues to depreciate against sterling.

The obvious inference is that if the group can prosper so well in these bad times, it should outperform most of its competitors when the economy recovers. It justifies its superior rating.

Gerard Hirschsohn

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Deal still possible

A deal with W&A's JD Group may still be on the cards, despite last week's announcement by Absa Merchant Bank that negotiations on a possible change in ownership of Rusfurn had been called off.

New Rusfurn CE Keith Jenkins, who with Absa's Piet Badenhorst, Danie Cronje and Danie Britz took control when executive chairman Laurie Korsten and two other directors "resigned," says there is little he can say about his plans after being at the helm for only a few days.

Jenkins is seen by the market as a caretak-
Expensive mistake

All they want for Christmas is a reasonable level of consumer spending. A simple, yet crucial, request from management at electronic retailer Milstan.

It needs to make up lost time, and funds, after a restatement of 1991 and 1992 results drained resources and left losses of R1.4m at the February 1992 year-end. Financial director Laurence Etkind says it was only after the 1992 figures were released that irregularities became known.

During financial year 1991, liabilities amounting to R2.2m went unrecorded and stock was overvalued by R1.2m. Auditors failed to detect the mistake and the error was carried into the next financial year. Etkind says the oversight was purely a weakness in procedure.

It was an expensive mistake. NAV fell from 68c to 57c a share. Etkind says fraud has been ruled out. Nor are management changes planned. It’s hoped the introduction of computerised stock control will prevent a recurrence of the fiasco which slashed 1991’s EPS from 8.9c to 0.3c and deepened the 1992 loss to 5c from 0.22c a share.

Latest interim results paint a worse picture. Milstan now finds itself almost R2m in the red. Trading conditions deteriorated further in the six months to August. While turnover declined only fractionally, intensifying competition placed further pressure on already stressed margins, resulting in a significant reduction in operating income and a loss of 7.2c a share for the half-year.

Etkind says a feature of the increased competition is the growth of the grey market in branded electronic imports similar to those stocked by Milstan. And electronic goods, being luxury items, are one of the first items to be struck off the Christmas shopping list. Milstan’s liquidity before the restatement of the figures allowed the board to declare reasonable dividends. These, too, have fallen by the wayside.

With prospects for retailers looking bleak in the short term, positive earnings this year seem doubtful. The share has weakened against the retail sector over the year, having fallen from the 12-year high of 50c to 28c. It has not traded in three months and there is little incentive to buy.
Local drive

EM 412192

In a move regarded as a major step towards consolidating the Western Cape’s growth potential, political, community, business and labour leaders were due to meet in Cape Town this week to establish the Western Cape Development Forum.

The forum, the first of its kind in SA, is expected to interact at national level with initiatives such as the National Housing Forum and the National Economic Forum. It aims to agree on strategies to increase employment and improve the quality of life.

Proposed areas of focus include urban development and housing, improving the competitiveness of business in the western Cape, and issues related to black economic advancement.

David Bridgman, executive director of Wesgro, the regional economic development promotion organisation, says inclusiveness is crucial to the forum’s success. “This has been achieved with stakeholder bodies confirming their active participation.”

The 22-member steering committee established earlier this year has worked to coordinate the efforts and interests of as many interested groups as possible. “The response has been tremendous,” says Bridgman. “So far, about 90% of the bodies we hoped would participate will be there.”

The forum structure makes provision for three tiers: a plenary body where the highest decisions will be made; a steering committee; and several commissions responsible for addressing substantive issues related to regional economic growth. Decision-making will be based on consensus.

Bridgman says it is now accepted that regions drive national economies and make nations internationally competitive, rather than vice versa, and so it is in the national interest to sustain the Western Cape’s growth rate, which is now well ahead of the national average and expected to remain so for the foreseeable future.

The region maintained an average growth rate of about 3% during the Eighties compared with a national average of about 1%.
FRANCHISE ENTERPRISE

Franchising has become one of the fastest growing generators of economic activity in the US, where a third of all retail sales are now said to take place through franchise outlets.

In SA, franchising is still in its infancy. An estimated 6% of all retail sales are currently conducted through franchise operations. Lately, however, there has been more interest in franchising with the SA Franchise Association reporting an average of 30 calls a day from people interested in moving into franchising.

This is one of the reasons the US Aid-funded Black Integrated Commercial Support Network (BICSN), together with the International Franchise Association, is organising its first-ever franchising conference in SA at the Carlton Hotel in Johannesburg on December 8 and 9.

The FM is hosting the conference and Deloitte & Touche, NedEnterprise and Webber Wentzol are sponsors. Delegates will be able to attend workshops held by about 15 major US franchisors on their franchise systems.

BICSN is hoping that black businessmen will be among the major beneficiaries. Says BICSN’s Olivia van Melle Kamp: “We believe franchising is a potent method of developing new enterprises.”

Inquiries can be directed to BICSN PO Box 1936, Randburg 2125, or telephone (011) 789-3141. Fax (011) 789-3438.

The fee per delegate is R990.
Rent boycotts to continue

The time was not yet ripe for the SA National Civic Organisation (Sanco) to advise its members to suspend rent and services boycotts, Sanco president Moses Mayekiso said yesterday.

He said in an interview that Sanco did not want to “encourage the culture of non-payment of services”.

However, a number of things had to happen before Sanco advised its constituencies to suspend the boycotts. These included “sufficient movement towards the democratisation of government - at both local and national levels”, the scrapping of the Interim Measures for Local Government Act and the Provincial and Local Authority Affairs Amendment Act and the forging of a single tax base for towns and their neighbouring townships.

Mayekiso said while negotiations were continuing in the Local Government Negotiating Committee - which comprised government and civic - authorities should not “penalise our people by cutting services”.

Former Local Government Minister Leon Wessels said recently government was prepared to suspend the Interim Measures for Local Government Act and the Provincial and Local Authority Affairs Amendment Act if boycotts of rent and services were lifted.

In another development, a working group of the Local Government Negotiating Committee met this week to finalise a draft document on the establishment of a local government forum.

The document would be submitted to the committee in the new year for discussion.

The document, which Sanco has circulated to its regions, contains three options for local government:

1. The inclusion of extra-parliamentary groups in the Council for the Coordination of Local Government Affairs;
2. The scaling down of this council to make it more cost-effective and less unwieldy; and
3. The establishment of a completely new forum for local government.

It is understood Sanco will push for acceptance of the third option.

PAC to seek black businessmen’s help

The PAC is asking black business and the black professional community to work with it in finding solutions to the country’s political and economic problems.

PAC president Clarence Makwetu said yesterday his organisation believed business and professional people’s contribution to current political debates was vital to SA’s future stability and prosperity.

A two-day conference attracting around 250 people would be held at Midrand at the weekend “to explore and develop possible synergies” between the PAC and black businessmen, Makwetu said.

Key speakers will include PAC deputy president Dikgang Moeneke, Nafco president Archie Nkonyeni and National Sorgum Brewery executive chairman Mohale Mahanyele.

Witness fails to recall events

POLICEMAN Eugene Riley, identified by two witnesses at the Webster inquest from an identification of a suspect in the murder of Witwatersrand University academic David Webster, testified yesterday he could not remember what he had done on May 1, 1989, the day of the murder.

Riley said the date had no special significance for him.

The police counter-insurgency unit member told the court he and former CCB agent Ferdi Barnard had been friends since 1981.

Riley said after his suspension from the police force - he had been charged with attempted murder and robbery in Bophuthatswana - Barnard had hired him as an informant for MI last year.

Barnard worked for MI from May to December last year.

Riley said Barnard had paid him for his services until August last year.

Earlier yesterday Judge M Stegmann refused an application by counsel for the Webster family, E Bertelsmann SC, for an order compelling the investigating officer to identify a source who approached him during the first week after the murder and suggested he direct his investigation towards CCB MD Joe Verster.

The judge said there was nothing, to suggest that the source could offer information that was not already before the court.

The court adjourned until January 19 when counsel will present their closing arguments.
All along the Waterfront

On Cape Town's Waterfront, suburbia seems to have concentrated all its assets in one place. Add a bed or two, and you'd never have to leave. TONY KARON limits himself to a day trip.

The Book of Savannah's renaissance of the Argus Press, Polity journalist Rozaf Zielinski describes how a "wooden city" sprang overnight in Lisboa when Portuguese settlers emptied their homes into large crates on the streets. The"wooden city"moved to Luanda's harbour, where it remained for a time. One day, without warning, it simply disappeared, packed onto departing boats as the settlers fled.

The exclusive books outlet in The Wharf - the latest addition to Cape Town's Victoria and Alfred Waterfront - does not have Kapuscinski's book on their shelves.

And the Waterfront's concentration of suburbia's favourite things into a gated compound certainly conveys the sense of a culture uncertain of itself in time and place. Launched two years ago, the development has been a massive boost for tourism and successfully reconnected the city with the seafront.

While Greenmarket Square traders report a falling off of business and Sea Point restaurants close by the dozen, the Waterfront is surging. It is most recent addition is The Wharf - a giant shopping mall whose 110 stores include branches of Cape Town's trendy clothing stores, and everything from computer software shops to a Pick n Pay.

The Wharf also brings a plethora of new restaurants and bars, which push the total in the Waterfront to 54. Many of them present live music (mostly jazz), which together with three theatres and an 11-screen Nando's cinema make up the bulk of Waterfront nightlife. The entertainment complex has parking for 3,700 vehicles, with a further 2,500 spaces planned. Even then, it is sometimes difficult to find parking.

The Waterfront's pleasant environment - pretty little boats bobbing in the harbour, and the view of gulls, sea air and the like - has attracted the public to its promenades. When asked to assess the Waterfront, a young shopper in a designer boutique shopping a CNA packet waves enthusiastically: "I have never seen such a success. It reminds me of when I went to San Francisco. Very cosmopolitan."

In its first year of operation, the Waterfront drew seven million visitors. This, says the V&A Waterfront's top development into the same league as San Francisco's Pier Five (which attracted 10.5 million visitors a year) and Euro-Disney (which alone its 11 million) in scale.

A comparison, unfortunately, fails for character as well. According to an audio-visual presentation given every half-hour in the Waterfront's information centre, the development is "turning back the clock" to the era when the harbour was the centre of Cape Town's city life (which may account for some of its idyllic "period" accountants, like the security guards' Door Boys wearing white pith helmets.).

This, says, is in keeping with the global trend, citing glitzy development in San Francisco, Boston, Baltimore, Vancouver and Sydney. Again, a telling association.

Because each of these developments probably has more in common with the other than with anything else in their native cities.

Waterfront developments of this type are a little like Club Meds. Whichever the Majoreca, Mauritius or Miami, it's all the same holiday: all that really changes is the content of the club shops. They can make you feel like a tourist in your home town. The only other institution capable of that first is the travelling carnival, which visits once a year.

Despite the permanence of its fixtures, the Waterfront excels the transient feel of a carnival, as if all your favourite restaurants and shops had suddenly relocated to Victoria and Alfred Waterfront for the Rand Easter Show. Of course, at a carnival, you expect to find anything food stalls scattered from each other only by bits of cheese. But when 34 restaurants, pubs and fast-food diners are erected, almost over-night, within humping distance of each other, something else is created - A mall.

And yet this is exactly what attracts the punters. Ask shoppers and staff down at the Waterfront why the development has been such a success, and after saying they're "different", they'll emphasise that the appeal lies in the concentration of the public's favourite venues in one place.

"It's different," a Sea Point jolly tells me in a conspiratorial bar. "All the shops are together in one complex, so you can visit all of them in one night." A young salt River man in Riders cap concurs: "Everything you want is in one place, and you can enjoy yourself on foot." A waiter at the Spa seems slightedly defensive: "It's different. Something that South Africa has never seen before. It's just different." He

No stalls here... The Waterfront Mall

Photo: GUY TILLIM

The Waterfront Mall's emphasis is "like a festival. Very festive." Back at the Spa, a young waitress emphasis convenience: "You can do your shopping at Pick n Pay, then buy a dinner at Joes Beach, have a meal at any restaurant and then you can go and watch a movie. And there are about twenty different pubs here."

Her sentiment is echoed by the proprietor of a small craft shop: "Everything is here. You just need a bed, and you'd never have to leave."

Convenience aside, these concerns suggest a subconscious fear of the unknown. Uncertainty of self and escalating social disintegration and hostility, suburban culture seeks to concentrate in a safe bastion with a defensible perimeter. For the tourists, the Waterfront is Cape Town scrubbed, perfumed and polished. It invites them to discover the city on the same terms as a paint-by-numbers picture postcard.

There are no beggars or street traders on the Waterfront. No obvious prostitutes, no hawkers and no street traders. Even its craft market is limited to "a score of carefully-selected craftsmen and women."

The only sailors you're likely to find at the Waterfront are seen from the Cape Town Yacht Club. Those who come off the Titanic from the Louise Oxygen-ice-breaker heads down to the bottom end of the city, where slave traders survive (barely)

At the other end of town, Greenmarket Square overflows in colour and chaos, spreading its way down to the St George's Street mall. City traders challenge Council's urban regulations amidst the cheery colour of Cape Town's culture existing in each other on the street. Eventually, St George's Mall will be joined to the Waterfront by a canal.

But they will remember the experiences of Cape Town's past: the Waterfront feels a little like Kapuscinski's wooden Laanda. One morning it may be gone.
Khayelitsha threats 'racist'

Political Staff

THE threats against 15 Indian businessmen to quit Khayelitsha by a local business association were sinister, racist and shocking, the Democratic Party said yesterday.

The party's regional executive had taken note of the recent threats to the effect that "15 businessmen were given ultimatums by the Khayelitsha Business Association (Khaba) to leave Khayelitsha voluntarily by November or face harsh action," its Western Cape chairperson, Mr Jasper Walsh, said in a statement.

Mr Walsh said that to the extent that it had been correctly reported that Khaba had threatened the businessmen with action, the DP utterly condemned them and their decision.

"The Cape needs economic growth, not witch-hunts," Mr Walsh said. "We call on Khaba to reconsider their views, to desist from applying any further pressure."

(30) CR5/12/42
Budgeting gives a firm direction

IMPROVING sales and profit growth are the usual financial goals of the small-business entrepreneur, yet the lifeblood of the business, cash, often gets less attention than it deserves.

One of the common causes of small-business failures is the entrepreneur's lack of financial expertise.

A fundamental financial tool seldom used by the small business is budgeting and, in particular, cash-flow budgeting.

A budget is a financial plan for the business, detailing expected levels of income and expenditures. Budgets are usually prepared at monthly intervals and should, ideally, cover a period of three to five years.

Yardstick

A major advantage of the budgeting process is that it forces the entrepreneur to spend some time on assessing what his financial goals are and, importantly, to plan how to get there.

Another common cause of business failure is lack of detailed planning. An advantage of the monthly budget is that it provides a yardstick whereby the entrepreneur can measure his performance. This comparison of actual to budgeted performance is an extremely useful control measure as it allows differences to be investigated and corrective action taken.

The budget could also act as a motivating tool for the entrepreneur. "Going it alone" in a small business can be a lonely venture and a monthly budgeted turnover could act as an incentive.

The extent of budgeting is determined by the size and complexity of the business. Larger companies might have a detailed budget for each major division as well as for different accounting areas such as raw materials and sales. However, the small business will suffice with a monthly income statement, cash flow budget and year-end balance sheet.

The current recession is causing many small business to experience cash flow shortages. A monthly cash budget should therefore be regarded as a necessity by the entrepreneur. This budget is different from an income statement in that it is based on the expected cash inflows and outflows on a monthly basis. It ignores non-cash expenses such as depreciation and eats for the fact that all debtors do not pay on time.

The easiest way to prepare a cash-flow budget is to convert the monthly income statement budget into cash amounts which slot into the period in which they are to be paid or received.

The prime advantage of a cash-flow budget is that it provides advance warning of a cash-negative month and allows timely action to be taken. The entrepreneur's banker is far more likely to grant temporary loan facilities on the basis of a timely request supported by a well-planned cash budget than on a last minute cry for help.

A cash-flow budget will also reduce the likelihood of the business exceeding its overdraft limit and possibly incurring a much higher interest rate than that charged for the overdraft limit.

The budget allows for efficient cash management. A month-end cash surplus can be put to work in a higher interest-earning account instead of sitting in a low-interest current account.

Harry Rubin, partner of Ernst & Young's Business Services Group, provides a number of pointers on the cash budget. "It is common-place for bankers to require a cash-flow statement and it is also common-place for the entrepreneur to submit an overly optimistic statement. "A far better relationship with your banker will develop if your cash budget is realistic."

Expenses

Rubin points out that many small-business entrepreneurs forget to budget for their individual provisiona tax payments. This results in the business being hit with an abnormally large cash requirement two or even three times a year. Rubin suggests that a monthly amount be put aside for the tax charges.

"December and January should be regarded as 'expense months' for most businesses. Not only will year-end bonuses have to be paid out, but these months are traditionally quiet months," he adds.

Budgeting is a useful tool for the entrepreneur. However, it must be used on a regular basis and not filed away "for future reference".

An aid to wise investment

MAGNUS HEYSTEK'S book "The World of Money" is available from The Star at an inclusive cost of R35.

It offers everything you need to know about, for example, unit trusts, the JSE, retirement planning, the secrets of successful investment, the effects of inflation, making money with property, getting with tax, managing credit, preparing for a career and even the implications of AIDS in the investment world. Send your cheque or postal order, made out to The Star, to:
The Star, Finance Dept., Box 1014, Johannesburg 2000. Or call at 47 Sauer Street between 9 am and 4 pm. Also available at CNA.
Retailers share customers’ woes

By JANET MILLS and JEROME O'REGAN

Sappi made a R1-billion rights issue late in 1991 to recapitalise the balance sheet and shortly thereafter acquired 90% of Hanover Paper Germany. The R900-million consideration for this was raised here and abroad and Sappi is now listed in London, Paris and Frankfurt.

The deal has resulted in turnaround now being sourced a third each from exports, domestic sales and foreign interests.

Packaging companies have done reasonably well in difficult circumstances. Leading packaging company Nampak has been significantly rerated this year.

Holdains, another diversified group which owns Kohler among other businesses, announced that it would buy 50% of Crown Cork, which has until now belonged to its American parent.

In spite of reasonable retail clothing sales, the textile and clothing manufacture sectors have had a difficult time. Textile manufacturers have been affected by huge imports and earnings have been under severe pressure.

STAKE

Frame, the largest manufacturer, is incurring large losses. A consortium led by the Swadler group bought a large stake in the business in the hope of turning it around. Institutional investors, however, have shied away from the entire sector, unwilling to invest in an area where the Government’s strategy seems to change by the month.

This has been reflected in a severe downturn. A more favourable attitude to the sector must await signs of improved demand and a less capricious government approach to the industry.

Janet Mills and Jerome O'Regan are investment analysts at Martin & Co Inc.
Glut of office space in CBD, so firms ‘move up’

A HUGE glut of office space in Cape Town’s city centre has resulted in an average 30 percent reduction in rentals, allowing many firms to move to more prestigious accommodation.

Landlords have also reacted to market pressures by offering incentives to attract potential tenants — including several months’ rent-free accommodation and, in some instances, assistance with their relocation costs.

This situation results from a combination of excessive office space and the current recession.

And the supply of available office space in the CBD is set to increase even more when several new developments — including Samo House and Dynamic Life Centre — are completed early next year. This is expected to keep rental levels relatively static for at least the next six months, property rental sources said this week.

But, despite the glut, there is still activity in the leasing market, but nominal rents have remained almost constant since the beginning of 1990 — although allowing for inflation, rentals have effectively decreased by almost 30 percent, allowing many companies to move to more prestigious accommodation.

Mr Barry Eramus, a director of DCF Properties, said, “Many companies, both big and small, who had their relocation plans on hold, are now reaching the stage where decisions have to be made, and certain large enquiries and leases just negotiated confirm this.

“Renegotiation of leases by some companies, particularly in lower rentals, is also happening more often, he said.

There is, however, a difference between old and new buildings. There is a relative shortage of accommodation in established “A” grade buildings — those at the upper end of the market, usually with indoor parking and service lifts.

In contrast, there is a surplus of space in some newer “A” grade complexes, and there is an 11.5 percent vacancy rate in the “A” accommodation and a 32.8 percent rate in the “B” grade segment.

The rental market is largely dependent on the economy, but there are already signs of recovery.

For example, a number of companies have become less inclined to wait for a political settlement, and are carrying out long-term plans which have previously been kept on the back burner.

These will almost certainly have a knock-on effect and help to stimulate a recovery — eventually affecting the commercial rental market.

Although it is accepted that any upturn in 1993 will have a direct influence on rentals, this may not happen immediately. Mr David Russell of Dunlop Heywood, said rentals have been static for three years and there is no chance of them moving over the next year.

“Even if there was a massive turnaround in the economy, it would take 12 months for existing rentals to go up.”

This is because there is nearly 100 000 square metres of “A” and “B” grade office space in and around the CBD.

On a more positive note, say rental sources, when the upturn finally comes, it will happen first in the CBD.

Most property brokers believe that — unlike Johannesburg — there is no trend towards decentralisation here and they expect the CBD to go from strength to strength, remaining the hub of commercial activity well into the next century.

“Decentralisation was not as popular in the Peninsula as elsewhere in South Africa, but more developments are likely to occur,” says Barry Eramus.

The CBD is popular because it provides a good, safe working environment, said Mr Russell. This has been enhanced by council-sponsored developments like as Thibault Square and St George’s Mall.
**STRONG**

Price of the market—what it is expected to do—serves as the stage for all investing activities. A well-informed investor, interested in profit and expansion, will review fundamental causes for changes in the market and make decisions accordingly. "Rat" investors will buy only when their Buy signals are displayed.

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**BROWS**

The profile of a company's earnings over time reveals much about the potential of the company. For example, the PEPRGO company's earnings have been declining steadily over the past few years, indicating that the company may be facing financial difficulties.

**WOMEN**

Women in the world of finance are making strides in the investment field. Many women are now entering the workforce and are taking on roles that were once exclusively held by men. This trend is expected to continue as women continue to gain more experience and confidence in the financial industry.

**FOOK WH'O DOIST?**

"Who are we ordine?" By Julie Walker
Mas Holdings in red though turnover up

Mas Holdings reports its first loss as both the SA and UK operations experienced a drop in profits in the six months to end-August. Turnover of the mail order and direct selling group rose from R97.8 million to R110.8 million, but the group showed a loss of R871 000 at the operating level, compared with a profit of R5.9 million in 1991.

At the attributable level the loss was R620 000 (against a profit of R5.8 million), equal to a loss of 3.56c a share.

No interim dividend is being paid.

In addition to the poor trading environment, Mas warns that its newly acquired subsidiary, Magic by Mail, could be subject to claims against its vendors as the result of an enquiry by the UK Customs and Excise Department.
Ignore call for boycott — tycoon
 Residents of Mapetla in Soweto have been urged to resume a boycott of the businesses of tycoon Godfrey "Godfather" Moloi.
 Pamphlets distributed in the area say this should be done to pledge "solidarity with his victims".
 Moloi said yesterday: "The campaign is just to destroy my business, but whoever did it, I'm appealing to the rest of the community to come and pray with me." He said he would not be threatened by "faceless and anonymous" people.
COMPANIES

Directors to acquire Racy Enterprises

THE Racy Group is to sell its operating subsidiary Racy Enterprises to directors Cyril Elliot and Ralph Hendler for R2.75m cash from January 1, 1993, it was announced today.

Racy Group is the holding company for its long distance transport subsidiary Racy Enterprises, trading as Hendler's Industrial Carriers.

Hendler's Industrial Carriers owns diesel engine workshop company Dinsa Holdings which trades as Diesel City.

Racy will be constituted as a cash shell with cash resources equivalent to about 51c a share. Racy was untraded at 47c on Friday.

Racy's listing is to be suspended following the disposal and should no further assets be acquired within eight months, the listing will be terminated. Racy Enterprises's shares and claims against Dinsa Holdings is to be sold to Racy Group chairman Ivor Jacobson for R5.5m.

EDWARD WEST

Directors gave as rationale for the disposal the capital intensive nature of Enterprise's transport fleet and reduced margins in Enterprises and Diesel City.

They said in current conditions, a dividend was unlikely to be declared at the end of the financial year to March 31, 1993.

In the six months to end-September 1992 Racy Group's turnover increased to R33.2m from R32.4m at the same time last year. However, operating profit fell substantially to R1.4m (R3.4m). Operating margins dropped from 10.5% to 4.2%.

Leverage came down to 39.1% from 39.8%. Interest payments were lower at R887,000 (R1.1m). The after-tax rate fell to 32.1% (42.6%) and tax paid income plummeted 77% to R318,000 (R1.4m).

Earnings a share amounted to 1.2c compared with 5.4c in 1991.

Ill-timed expansion drags down Mashold

CAPE TOWN — The 38-year-old mail order and direct selling group Mas Holdings (Mashold) reported its first loss of 3.55c (R3.56) a share in the six months to end-August, due mainly to its ill-timed expansion into the UK.

An operating loss of R71.6m (R5.9m profit) was suffered on a 13.5% rise in turnover to R1.109bn (R97.6m). This translated into an attributable loss of R80.6m (R5.6m profit).

Neither Mashold nor its parent Mashold Consolidated Investment Holdings declared an interim dividend and no improvement in the results were expected for the full financial year because of the difficult economic conditions.

However, group MD Marco van Embden said the group was expected to return to profitability in the following financial year.

Newly acquired UK mail order subsidiary Magic by Mail performed far worse than expected due to the UK recession, group financial manager Brian Taylor said.

He added that an inquiry was under way in the UK regarding claims against the vendors of the company in terms of their warranties arising from queries by UK Customs and Excise over the basis of valuation of imports for VAT and duty purposes.

Also, the activities of Wondercooker UK, which was launched towards the end of 1991, had to be curtailed severely because sales did not meet forecasts and this, together with overhead costs, had resulted in losses.

Van Embden said marketing and overhead costs of the two UK operations had been cut and all fixed costs for Wondercooker UK had been converted to variable costs relative to sales.

He said remedial action had to improve profitability throughout the group and consolidate the business.

"The group has taken swift action in cutting overheads and has rationalized all non-profitable areas. A stock reduction programme is currently under way and a one-year strategic plan has been implemented for each subsidiary to ensure optimum performance during the course of next year."

The core mail order subsidiaries catering for black consumers had shown improved profits over last year despite deteriorating trading conditions and fierce competition from a flood of cheap imported, second-hand clothing.

However, the recession, unrest, mass action and violence had affected direct selling subsidiary Tablecraft severely and the Grolier subsidiary, which sells books, encyclopaedias and such like, also experienced a drop in profit.

Van Embden said Mashold, one of the largest customers of the Post Office, had negotiated a bulk user reduced rate structure with effect from this month and this would improve the group's cost structure.

The export development programme into Africa had continued and new markets, with great potential, had been accessed.

LINDA ENSOR

EXECUTIVE SUIT
Market responds favourably to approach of OK's incoming MD

By Stephen Cranston

Mervyn Serebro, incoming MD of OK, has a formidable task in front of him. But the market is already encouraged by the contrast in his approach to that of predecessor Gordon Hood.

Hood insisted there was nothing wrong with the OK's market positioning, which was unashamedly aimed at a universal target.

A key component of Hood's strategy was to build stores big enough to take all the major departments.

Smaller ones, which could not be expanded, even a few profitable ones, were axed.

Serebro has questioned this commitment to a breadth of merchandise, and indeed to a breadth of customers.

He says the OK's focus should be firmly on the C, D and E income groups.

Syd Vianello, an analyst at Ed Hen, Rudolph, says a great deal can be read into the few statements Serebro has made so far.

"At last the OK has identified its target market correctly. It has an 89 percent consumer acceptance in the black market."

Vianello says it would make sense to rename the middle-to-upper-market stores Hyperamas.

To meet the lower-income market, the OK would have to speed up its plans to move into the townships and into fringe shopping centres, he says.

Ideally, the OK will need to be recapitalised and, given that there is unlikely to be much enthusiasm from minorities for a rights issue, its delisting by parent SA Breweries must be an option.

SAB, however, is unlikely to commit itself until it is happy with Serebro's strategic plan.

The results of Metro Cash 'n Carry and Checkers improved dramatically in a matter of months, but there are several reasons to suppose that the turnaround of the OK will take longer.

Metro and Checkers are exclusively cash businesses, and could start afresh after appropriate stock write-offs.

But the OK has to fund a sizeable HP debtors' book and has a far wider merchandise mix.

And there are powerful vested interests within the OK which would resist a rationalisation of merchandise.

Says one former OK director: "The group will have to consider dropping whole categories, or only keeping certain departments in a few selected stores."

"But there are political pressures. For example, if cutlery is no longer supplied in all stores, it diminishes the power of cutlery buyer significantly."
Moloi slams reports about planned boycott

Pamphlet was distributed in one street only:

By Thami Mazwai

SOWETO businessman Mr Godfrey "Louis Layt" Moloi yesterday slammed reports in Soweto that Mapetla residents have been urged to resume a boycott of his businesses.

He said a "pamphlet" calling for a boycott of his businesses was issued by nameless people and residents had ignored it.

"It was distributed a week ago and only in one street," he said.

"My businesses have not been affected and I am operating normally," he continued.

He added that preparations for the annual party for the elderly he sponsors were in full swing.

He also objected to continuing negative reports that, "only created conflict in the community and ignored the good being done."
Huge discrepancy in price of loaves

While many supermarkets are selling bread for up to 15c below the recommended price, many cafes and smaller shops are selling it for up to 30c more, according to the Consumer Council.

The council's executive director, Jan Cronje, said in a statement on Friday that although the recommended price for an 800g loaf of white bread was R1.75, many cafes were selling it for up to R2. While the re-

commended price for brown bread was R1.50, cafes were selling it for as much as R1.60.

Cronje appealed to retailers to clearly mark the price of bread on the shelves where it was displayed, to enable customers to decide whether the price was acceptable before they reached the checkout counter.

Consumer Council senior manager, Ina Wilken, said supermarkets were selling white bread for R1.60 and brown for R1.36.
Shopping centres in tune with demand

MAJOR retailers are confident they are not over-exposing themselves by continuing to invest in shopping centres, particularly in the north of Johannesburg. They say market research shows there is still a demand for such facilities.

Edgars group property development manager Mike Lewin said any decision was based on whether the business generated by the new store was sufficient to justify its establishment.

"We will not embark on a new store if it is merely going to take shoppers away from existing stores. Every store requires a substantial financial commitment to fill out the store, as well as to stock and staff it," he said.

OK Bazaars MD-elect Mervyn Serebro said a considerable amount of market research was completed before a decision was made to invest in new space. The Fourways Mall had good growth potential and the major chains were committed to the centre.

"We do not believe our new store at Fourways will have any effect on the Hyperama in Sandton City. That store is not large enough and is under some parking pressure," he said.

Northgate was also not a threat as it was situated some distance from both Sandton City and Fourways Mall, he said.

"It would be very short-sighted for any of the majors to take new space that could possibly affect their present stores.

"Our expansion hinges on several factors. These include the market need, economic climate and the general climate within SA. We have confidence in the future of the country and our business will grow as necessary," he said.

The fact that three major shopping centres were located in relatively close proximity — Sandton City, Fourways Mall and Northgate — did not make the majors feel uncomfortable, he said.

The reason for this was that people wanted to travel shorter distances and spend less time shopping. This allowed the industry to sustain three centres so close to one another, he said.

Interleisure MD Mike Egan said each centre and its location was thoroughly considered before any cinemas were built. However, he did not feel there had been over-development in the area north of Johannesburg.

"Increasing numbers of people are living in the corridor between Johannesburg and Pretoria — particularly young people, which is our target market," he said.

Movie attendances in the suburbs were increasing at the expense of the CBD, but a drop in audiences was not expected at Sandton City when Fourways Mall opened.

"Constructing any new shopping centres north of Rosebank in the next few years would be foolhardy, but it will probably happen five years from now," Egan said.

Fourways Mall, which opens in March, is 95% pre-let. The 19 000m² second phase of Northgate is 75% pre-let, with 311 major tenants in place including Ackermans, Dion, Clicks, Boardmans and Ster Kinekor.
Score is ready to delist after buyout

MARCIA KLEIN

PREMIER Group subsidiary Score Supermarkets, which improved earnings to 1.8c a share in the 27 weeks to end-October from a loss in the previous year, has announced a management buyout which will result in it delisting from the JSE.

Score announced yesterday that agreement had been reached between Premier and a consortium made up of Score's executive management, in which the consortium would acquire control of the firm.

Score was formed through the merger of the retail interests of Metro Cash & Carry and Score Foods after Premier Group acquired Metro.

Score reported an operating loss of R14m in financial 1991.

Results to end-October cannot be compared with those of previous periods as 1991 results reflect the first trading period of the group since its inception in June 1991, and a change in Score's year-end.

Turnover in the 18 weeks to end-October was R307,4m from R201,1m in the same period a year earlier. Operating income was R3,8m.

(R2,2m). After recapitalisation the interest bill was reduced to R1m from R4,1m in the prior year and R5,6m at end-April. Score used R55m of the proceeds of Metro's R142m rights offer to reduce borrowings. After-tax income was R1,8m against a loss of R2,8m in October 1991.

Attributable income was R1,4m against a loss of R3,1m a year earlier and income of R77 000 at end-April. No interim dividend was declared in view of the proposed buyout.

Directors said turnover reflected modest growth.
THE Black Integrated Commercial Support Network intends binding big and small business in 250 marriages that will see black-owned enterprises flourishing in the next five years, says CE Leyland Hazzlewod.

The network is a USAid-funded, five-year project established to lift black businesses into the mainstream of the economy. It organised a two-day international franchise conference which started in Johannesburg yesterday. The co-organiser is the International Franchise Association (IFA), whose president, William Cherkasky, is former executive director of the US Senate's select committee on small business.

Hazzlewod told the conference that during the five-year period it had been granted, the network aimed to train 500 new entrepreneurs and undertake "a range of additional activities that strengthen the role of black business people in the SA economy".

He said the network was "not a social responsibility programme. Its aim is to make an impact on economic development by targeting growth-oriented enterprises and helping them grow as fast as they can.

"We have targeted franchising as one of our business development strategies because of its potential to transfer sound business systems and approaches to SA's new entrepreneurs who have the challenge of creating the bulk of new jobs needed in the country.

"Franchising has been called the single most successful marketing concept. In the US a new business opens every 17 minutes. It is the success story of the 1990s and is poised for takeoff in SA."
Score will lose listing

By Sven Lünsche

A management consortium has bought control of Score Supermarkets which will result in the delisting of Score from the JSE.

As part of the buyout shareholders will receive 28,49c a share and Score will sell Score Retail Holdings and Fairways Supermarkets to the consortium for R22,3 million.

Score was formed after the Premier Group acquired Metro Cash and Carry (Metcash) and included the retail interest of Score Foods and Metcash.

Premier will retain a 10 percent interest in the consortium, which includes Absa Merchant Bank and DMB Holdings.

Score will have a net asset value of 29,49c a share.

For the 27 weeks to end-October Score Supermarkets reports attributable earnings of R1,4 million, compared with a loss of R2,1 million in the 18 weeks to end-October 1991.

Turnover rose to R307,4 million from R291,1 million and operating profits to R3,8 million (R2,2 million).

Score’s previous holding companies, Score-Clicks and its pyramid Hi-Score, also report strong results before their incorporation into the Premier group.

Score-Clicks lifted earnings per share to 6,6c in the six months to end-October this year from 3,4c in the eight months to end-October 1991, while the interim dividend is up to 4c (3,5c).

Hi-Score’s earnings were up to 18,4c (11,1c) and the dividend 6,7c (6c).
New car sales go into reverse

By Sven Linsche

New car sales reversed their October upward trend when they fell in November by 8.1 percent. The National Association of Automobile Manufacturers (Namas) reported yesterday that sales fell to 15,654 units in November from 17,055 in October.

They did, however, show an improvement on the 14,206 units sold in November 1991.

Sales of light commercial vehicle sales were also sharply lower at 7,534 units from 8,597 in October.

The total volume of new vehicles sold, including medium, light and heavy commercial vehicles and cars, was down 7.8 percent to 24,882 (October: 26,427).

However, November 1992 figures still showed a marked improvement on the 22,574 new vehicles sold in the same month last year.

From January to November, this year a total of 283,862 new vehicles were sold, compared with 286,664 in the corresponding period last year — a reduction of 7.9 percent.

Commenting on the fall in car sales, the MD of Nissan SA Marketing, Stephanus Louboer said yesterday: “Although November is traditionally a good month, there is some uncertainty in the market this year, hence the drop in sales.”

In store

“This lack of consumer confidence has led to companies stopping their purchasing of new vehicles early this year to see what the new year has in store in terms of the economy.”

“We expect new passenger car sales to top 182,000 this year.”

“Next year should be marginally better and the industry expects new car sales to be 190,000,” Louboer said.

Other analysts felt, however, that the year-on-year comparison provided some reason for optimism as it pointed to higher Christmas sales.

The launch of a number of new models had contributed to this improved trend, they said.
Car sales decline 'bottoming out'

NOVEMBER'S new car sales fell 8.2% to 15 644 from 17 035 sold in October, according to National Association of Automobile Manufacturer's of SA (Naamsa) statistics released yesterday.

However, the year-on-year monthly improvement in vehicle sales for the second month in succession suggested the market was bottoming out, Naamsa said. November vehicle sales improved 6% to 24 382 from 22 974 sold in November 1991.

Car sales reflected a similar trend, and were 10.2% higher than the 14 200 sold in the same month last year. Light commercial vehicle sales of 7 934 fell 7.7% compared with October's 8 597, but climbed a marginal 1% over November 1991's 7 854.

Sales in the low-volume, medium commercial truck (MCV) market recorded a 3% monthly drop to 288, and sales of heavy trucks (HCV) fell 4% to 495 against October's figures.

Compared with November last year, MCV and HCV sales fell 18.1% and 12.7% respectively.

Naamsa forecast continuing difficult trading conditions.

Toyota SA marketing director Brand Pretorius said the improvement in sales during the past two months over the comparative 1991 period was the first indication of a sustained improvement in sales. Consequently the outlook for December and the next year was more positive.

The revival was underpinned by demand from the corporate sector, where fleet replacement had become unavoidable. New models also stimulated sales.

BMW SA marketing director Tony Firthon said although the market appeared to have bottomed out, it was still a long way from recovery. Sales this year were unlikely to match those of 1991. Nissan, Toyota and Mercedes-Benz SA had forecast 182 000 car sales this year, compared with 197 736 sold in 1991.

Toyota SA was market leader in November with a total share of 30.1%, followed by Nissan with 17.6% and Saimcor with 15.5%. Toyota's new model, the Camry, made its debut on the SA market in mid-November, and became the third best selling vehicle last month with 1 167 sales.

Increased production gained BMW SA a 12.4% market share, which it claimed was the highest recorded in any BMW market in the world.

Low interest rate schemes boosted MBSA's sales, and after selling an average of 560 Mercedes-Benz a month since June, November saw sales climb to 621.
Shopping centres in tune with demand

MAJOR retailers are confident they are not over-exposing themselves by continuing to invest in shopping centres, particularly in the north of Johannesburg. They say market research shows there is still a demand for such facilities.

Edgars group property development manager Mike Lewin said any decision was based on whether the business generated by the new store was sufficient to justify its establishment.

"We will not embark on a new store if it is merely going to take shoppers away from existing stores. Every store requires a substantial financial commitment to fit out the store, as well as to stock and staff it," he said.

OK Bazaars MD-elect Mervyn Serebro said a considerable amount of market research was completed before a decision was made to invest in new space. The Fourways Mall had good growth potential and the major chains were committed to the centre.

"We do not believe our new store at Fourways will have any effect on the Hyperama in Sandton City. That store is not large enough and is under some parking pressure," he said.

Northgate was also not a threat as it was situated some distance from both Sandton City and Fourways Mall, he said.

"It would be very short-sighted for any of the majors to take new space that could possibly affect their present stores."

"Our expansion hinges on several factors. These include the market need, economic climate and the general climate within SA. We have confidence in the future of the country and our business will grow as necessary," he said.

The fact that three major shopping centres were located in relatively close proximity — Sandton City, Fourways Mall and Northgate — did not make the majors feel uncomfortable, he said.

The reason for this was that people wanted to travel shorter distances and spend less time shopping. This allowed the industry to sustain three centres so close to one another, he said.

Interleisure MD Mike Egan said each centre and its location was thoroughly considered before any cinemas were built. However, he did not feel there had been over-development in the area north of Johannesburg.

"Increasing numbers of people are living in the corridor between Johannesburg and Pretoria — particularly young people, which is our target market," he said.

Movie attendances in the suburbs were increasing at the expense of the CBD, but a drop in audiences was not expected at Sandton City when Fourways Mall opened.

"Constructing any new shopping centres north of Rosebank in the next few years would be foolhardy, but it will probably happen five years from now," Egan said.

Fourways Mall, which opens in March, is 96% pre-let. The 19 000m² second phase of Northgate is 75% pre-let, with all major tenants in place including Ackermans, Dion, Clique, Boardmans and Ster Kinekor.

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Long list of objections extends hotel hearing

THE controversy surrounding the proposed Grace Hotel adjacent to The Mall shopping centre in Rosebank continued as the Town Planning Tribunal began to hear both the council’s application and the numerous objections last week.

However, the matter was not resolved as the list of objectors was so long the proceedings could not be finalised in the day allocated. The matter has been postponed to next year.

The Johannesburg City Council has applied to rezone erf 46. If it succeeds, the council will be able to sell the site, a 2 140m² narrow strip of land near the corner of Tyrwhitt and Cradock avenues, to the owners of The Mall for the construction of a 10-storey hotel.

Rosmarin & Associates director John Rosmarin, representing the council as applicant, said it had been decided to reduce the height of the proposed hotel from 45m above ground level to 34.5m, and to drop the floor area to 11 000m² from 14 000m².

The proposed hotel did not contravene any height restrictions or create a precedent for the area, while traffic and parking in the area would hardly be affected, he said.

Irma Hugo of City Planning supported the call for rezoning, saying there was a need for a five-star hotel in the Rosebank area. The proposed development complemented The Mall shopping centre.

However, more than 1 000 objections were lodged by residents and other concerned parties.

Opposition has been co-ordinated by the Rosebank Action Group (RAG), which says the development will contravene the council’s own bulk guidelines, affecting traffic, parking and service requirements.

"This move will also pave the way for other similar developments, which will turn Rosebank into another Braamfontein or Hillbrow. We have also launched an inquiry into land dealings and rezonings," RAG co-chairman Julian Lep said.

He said the group recently met officials to discuss issues including the sale of prime land to developers at less than R700/m² when the municipal valuation was more than R950/m²; the apparent circumvention of parking requirements; and how an area supposedly subject to a height restriction of three to four storeys was now subject to developments of 10 storeys and more.
Excellents' sell: Sworn

"The Retailers' Centre Forom in Pretoria..." Seminareents.

480 - and introducing or operating the
very same day centre in the Rondebosch Area..."

We have introduced an excellent daily
programme of shopping and food to

- Centres to tap Black commuter market

- assume that the proceeds of 29.49 cents per share are re-invested at the average earnings and
dividend yields of the JSE Industrial - "Retailers and Wholesalers" Index of 5.4% and 3.3%
Mixed Reaction to Chinatowns

NEWS FOCUS

The proposal is one of four this month by the group with the support of the group to plan multi billion dollar urban projects to Chinatowns, including the development of Chinatowns. The projects would be in partnership with local government and private developers, and include construction of new Chinatowns, development of existing Chinatowns, and the expansion of Chinatowns. The proposals are part of a broader effort to improve the economic and social conditions of Chinatowns. The proposals have been met with a mix of reactions from the Chinatown community. Some have welcomed the proposals, seeing them as a positive step towards the development of Chinatowns. Others have expressed concerns about the potential impact on the community, including issues of gentrification and cultural preservation. The proposals are currently under review by the city council and a decision on whether to proceed is expected in the near future.
Subsidiaries boost Premier's earnings

PREMIER Group increased its attributable earnings 23% to R89,5m (R72,8m) in the six months to end-October on the back of a significant drop in its interest bill and good results from some of its major subsidiaries.

The group’s earnings rose 14% to 11c (9c) a share on an increased number of shares in issue. It declared a 13% higher interim dividend of 36c (32c) a share. Interim results for the previous year, which covered seven months, were restated to facilitate comparison.

Premier’s 21% higher turnover of R5,4bn was not strictly comparable with the previous year’s R4,9bn as results of Metcash & Carry (Metcash), which was incorporated last year, included only four months of trading.

Trading profit increased 9% to R212,7m from R194,8m.

Premier chairman and CE Peter Wrighton said the group continued to benefit from the reduction in interest rates and interest-bearing debt. The group’s interest bill was reduced by 55% to R17,7m from R39,4m, resulting in a 26% rise in pre-tax profit to R193m (R156,3m).

Profit after tax was 29% higher at R127,1m (R98,1m), and after minorities

With effect from April 30, Premier had disposed of its controlling investment in Score Supermarkets to a management consortium for about R15m, retaining a 10% interest in the consortium. Score’s results were not included in the interim figures.

Wrighton said sales in November had been poor, and economists were predicting a 2.5% drop in Christmas retail sales in real terms.

Profits for the full year would depend on a recovery in consumer spending and on reasonable trading during the Christmas and Easter periods. It would be unrealistic to expect profits in the second half to improve at the same rate as in the first.

Food inflation was expected to come down to 15% during the next few months, “with an eventual target of not more than 10% in the foreseeable future”. It would be difficult for food companies to produce the same profit increases as in the past in this deflationary climate, which put margins under considerable pressure.
Premier turns in solid performance

By Stephen Cranston

The Premier group increased earnings per share by 14 percent to 113c in the six months to October, compared with the first half of last year.
An interim dividend of 36c has been declared — a rise of 13 percent.
Attributable earnings increased by 23 percent to R90,5 million.
Turnover increased by 21 percent to R5,42 billion, but operating income increased by just nine percent to R212,7 million.
Chairman Peter Wrighton says margins were down in most divisions.
The bakery division was affected by violence, with some parts of the country being turned into no-go areas.
Oils and fats were hit by the drought. Defatted germ meal produced from the maize currently being imported from the US does not meet European Community standards and has to be sold locally, rather than exported.
Highest turnover growth came from Metro and Clicks, which operate on lower margins than the food and pharmaceutical businesses.
Metro now accounts for 49 percent of group turnover and for 15 percent of operating profit.
Interest paid halved from R394 million to R177 million, thanks to tighter asset management, the proceeds of the rights issue to fund the Metro acquisition, and the cash generated by Metro.
Gearing fell from 47 percent to 18 percent.
Results of Score Supermarkets have not been included because Premier disposed of its controlling investment in May for R15 million.
But the group has retained a 10 percent interest in the ownership consortium controlled by Score's executive management.
The transaction will have no material effect on Premier's earnings.
Wrighton says the results are pleasing and that Premier has kept its earnings growth two or three points ahead of its competitors — its growth of 14 percent compares with 11 percent for Tiger Foods.
But he says trading since year-end has been tough and that prospects for Christmas and Easter trading, both vital for Premier, are not bright.
Economists are predicting Christmas retail sales will drop 2.5 percent in real terms. Wrighton says it would be unrealistic to expect profits to improve in the second half at the same rate as the first.
Turning to divisional performances, he says Premier Food performed satisfactorily and that Metro surpassed expectations.
Premier Pharmaceuticals did not achieve real growth in turnover as it is rationalising its product range, but a reduction in costs and good asset management resulted in a creditable increase in earnings.
The results of Gresham Industries and PDC Holdings, which could soon be taken over by Prepharm, were poor because of trading conditions and persistent pressure on margins.
Premier remains in dispute with the Krok brothers over the proposed takeover, but is proceeding with its offer of R10 a share to Prepharm minorities.
Wrighton says the deal will bring about rationalisation and cohesion to the benefit of the respective operations.
Of Premier's retail interests, Click Stores performed well, despite an aggressive new store opening programme and the absorption of the Musica chain, which had been making losses.
CNA Gallo was affected by reduced discretionary spending and showed slightly lower profits.
Less work for officials

MORE EFFICIENT First meeting last week allocated duties to all members:

"We feel that this gesture will make the executive committee much more efficient with all its members having a specific task to fulfil," said the GSCCI's new president, Sam Noge.

After its first meeting last week, the organisation's new nine-person executive divided itself into three sub-committees to implement next year's programme of action.

The first sub-committee will look into management issues, the second has been charged with strengthening the chamber's projects while the third will be in charge of public relations.

Vice-president Wilfred Mokoape heads the management sub-committee.

Promote image of chamber

General secretary John Ngwenya will lead the projects committee with committee member, Makana Tshabalala, spearheading the public relations section.

"The projects sub-committee will be consulting with the membership on the ground to establish suitable programmes to meet their needs while the public relations has to promote image of the chamber and liaise with our sponsors," said Noge.

"The management committee will look into the functions of the executive as well chamber's staff needs." A.

Additional office to is to be opened early next year to cater for members' interests.

Noge said the "incubation" office was being established with the financial assistance of retail giant, Metro.

Metro would also sponsor 12 seminars for members to be held in 1993.

The main objective of the seminars was to train the organisation's members in strategic planning and competitiveness, he said.
Retail sales for September drop 4% in real terms in September compared with the previous year. Central Statistical Service (CSS) figures show.

The figures, released yesterday, indicated a recovery from August, when sales plunged 10.3% in real terms.

The figures showed September's sales of R7.1bn were 0.4% higher than expected by 100 major retailers in the second week of September, pointing to a slight upturn in the second half of the month.

Retailers which showed the largest decreases in sales were butchers (a drop of 17.2%), book stores and stationers (14.7%) and grocers and other dealers in foodstuffs (13.3%).

Although sales showed an improvement over August, analysts said the fact that they were still down in real terms did not bode well for the rest of the year and for the peak Christmas period.

However, October's figures would be measured off similar weak trading conditions in the previous year, when sales had started to slow markedly on the back of a sharp decline in consumer spending exacerbated by the introduction of VAT.

A recent report by Irish & Mell Rosenberg said preliminary sales statistics for October, in which sales were expected to drop 1.7% in real terms, indicated "that the rate of growth in economic activity may have hit its nadir in August". The report said activity had slumped in June, when retail sales showed a real decline of 10.1%. The deterioration slowed in July, but the stayaway in the first week of August resulted in the economy coming to a virtual standstill. September and October figures continued to reflect the trend established in July.

Sacob recently announced that retailers were expecting a gloomy Christmas, saying that sales over the period were likely to decline 2.6% in real terms compared with the previous year.

The Afrikaanse Handelstydstyd said a survey of its members showed most were experiencing a real decline in sales compared with the same period last year. This was disconcerting as the 1991 Christmas period had been poor. It said chain stores were keeping turnover at last year's levels but cutting profit margins.
Traders in Khayelitsha ‘fear for their safety’

EDWARD MOLOINYANE
Staff Reporter

FIFTEEN Indian traders, who said they feared for their safety, did not turn up for a meeting with Khayelitsha Business Association (Khaba), which wants them to leave the township.

Khaba chairman Mr Victor Mbauli told about 60 members of the organisation gathered at the Site C hall, yesterday that the Indians said they had been given too little notice.

They said the meeting should be postponed until Monday, when they would ensure police presence because they feared for their safety, said Mr Mbauli.

An Indian businessman said the Khaba invitation to the meeting was delivered about noon yesterday. The meeting was scheduled for 4pm.

"It simply didn't make sense," he said.

According to the Khaba invitation, the agenda included "background to Khaba's problem with outside traders, Press reports and solutions".

The row between the two groups started last month when Khaba called for the removal of the Indians, accusing them of undercutting them.

Khaba and the Indians have blamed the media for "blowing the dispute out of proportion".

The Indians, who trade at the Tembani centre, were given an ultimatum to leave by November 30 or face "harsh action". They rejected the call as "racist and backward".
A fund to help finance new business ventures would be set up for black entrepreneurs as soon as political stability had come to South Africa, an international conference on franchising heard yesterday.

The two-day conference in Johannesburg was jointly organised by the International Franchise Association and a US aid project, Black Integrated Commercial Support Network (BICSN).

Leyland Hazelwood, chief executive of BICSN, told delegates: "It is clear that one of the biggest obstacles to black entrepreneurs in particular is that of finance."

**Equity fund**

"BICSN is committed to setting up an equity capital fund of significant size to assist entrepreneurs, and we have investors waiting to put money into it."

"The fund will be put in place as soon as political stability comes to the country. It could be of major assistance to franchisees."

The conference was also told that the Agency for International Development was investigating setting up a loan guarantee fund with banks in South Africa to help make venture capital available for black entrepreneurs.

Chairman of the South African Franchising Association, Eric Parker welcomed the BICSN equity capital fund and the loan guarantee fund as a potentially major boost for franchising.
Signs of bottoming out

There is growing evidence that the industrial, commercial and retail property markets around Durban may have bottomed out. But taking on a larger commitment at this stage is probably only for the bold — it may be premature to expect dramatic gains.

JH Isaacs (Durban), one of the area’s leading brokerages and property management companies, has taken a mildly bullish view of the market. In a just-published analytical property survey, it concludes that property buoyancy is a function of economic prosperity. That in turn hinges on business confidence — something which has been lacking for some time.

However, JHI believes this could change thanks to falling interest rates and the renowned resilience of SA business. Hence it offers guarded encouragement to take advantage of the buyers’ and tenants’ market.

Though JHI may sound as if it is talking to its book, the advice might not be far-fetched. Its views are endorsed by Old Mutual chief economist David Mohr — one of the first to predict no economic revival this year. Last week, he forecast a brighter 1993 with lower inflation and declining interest rates. Business could, he said, look forward to a better year, benefiting from good rains, the lifting of sanctions and the gradual upswing in the already improving US economy.

This also reinforces the views of property economists Erwin Rode and Neville Berkowitz who say Durban’s commercial and industrial markets could be among the first to recover (Property November 6).

Weighed against this must be continuing violence and political uncertainty. They could postpone an upturn indefinitely. JHI director Guy Lavine says business confidence is at its lowest ebb since 1986. But there is, he says, a steady level of interest in well-located land and premises for purchase and lease.

Even so, availability of leased premises has risen 20% in the Durban core and surrounding areas. Actual recently achieved rentals range from R5/m² for a 3500 m² open-sided warehouse at Congelia to R12/m² for 1200 m² at Springfield Park. The average seems to have been in the small (up to 600 m²) range with rentals in the R8/m² to R10/m² bracket.

Nevertheless, demand is keen for all types of well-tenanted investment properties in the R500 000 to R1m range. Interest in blocks of flats has also risen sharply though stocks have been substantially depleted by the success of shareblock sales, which were pioneered in Durban.
Upbeat results

Results for the six months to October were weakened by the loss-making Musica retail music chain. Apart from Musica, operating income recorded real growth.

Financial director Peter Green says results were “drastically” affected by Musica, acquired during the period. Losses have now been stanchted and the subsidiary produced its first profits in October. He expects the profit flow to continue, following re-stocking and a heavy promotional programme.

Clicks stores continued to trade well in spite of the tough economy. Five new stores were opened. Green says results show continued expansion of market share. Clicks provides solid earnings and cash flow growth.

But, he says, Diskom’s exciting results indicate this chain has reached a “grown up” phase and is contributing materially to earnings. To an extent, its success has been de-

MUSICA PLAYS ON

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* Proforma.

fell back to R23 in August and has since recovered to R26. It remains one of the most attractive industrial stocks and should be accumulated on weakness. Gerald Hirschon
METCASH

Where to next? (30)

Metro Cash & Carry (Metcash) is comfortable, having gone back to what it does best; cash-and-carry distribution to the retail market. The October interim confirms this, though year-on-year comparisons are difficult as the previous interim covered four months, following a change in year-end.

An improvement in pre-interest operating margin from 0.96% in October 1991 to 1.2% reflects outs in overheads and shrinkage (theft). Finance director Dudley Rubin says shrinkage is well below 1% of turnover, which is below his estimate of the industry average of about 1.5%.

With Metro's high turnover the gearing effect of a small improvement in margins can be significant. For example, on turnover of R4.1bn (10 months to April 30 1992) a 0.5% increase in the operating margin of 1.1% would have added more than R20m, or nearly doubled, operating profit.

But can Metcash improve margins further, with shrinkage already low and staff reductions not being contemplated? The two-to-three-year capex programme to update management information systems, including scanning equipment, stock control and networking, should help.

And how sustainable is earnings growth, once margin improvements have filtered through? The traditional market of C- and

STILL GOING STRONG

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* Reflects 4 mth trading period.
† Unaudited.
shop to shop for the best bargains) has clearly become much more common.

The number of different stores visited every month by consumers in the Witwatersrand/Vaal area has risen steadily since the 1986 survey, from 1.41 then to 1.92 now. “When times are tough, people shop around more,” says bureau chairman Noel Coburn.

Conducted primarily as an aid to selling the advantages of local newspapers, the survey provides detailed micro-marketing data on local shopping patterns, obtained through huge samples.

For the latest survey, 7740 interviews were conducted in the Witwatersrand/Vaal area and 4290 in Natal.

The result is that you can find out where people buy shoes and clothing in Sandton, because the sample size for that town alone is 460, or which stores in Rosebank and Killarney, Johannesburg, are preferred for durables. Information about the relative affluence of each area is also quantified.

There is data about trends relating to each retail chain and the results here are salutary. Asked, for example: “At which single store have you spent most of your money?” 30% of Witwatersrand/Vaal shoppers said Pick ‘n Pay Hypermarkets and 22% said Checkers/Shoprite, both markedly up since 1989. Pick ‘n Pay supermarkets were unchanged at 20% but OK Hyperamasc were up from 10% to 15%.

The really bad news was for OK Bazaars, down from 7% to 4%, exactly matching the rise of Spar from 4% to 7%. However, while the survey is not racially biased, it is conducted only among adults with telephones in their home and thus excludes most blacks.

For durables, the Hyperama remains the first choice, though purchases of durables have declined since 1989. Pick ‘n Pay Hypermarkets have lost ground relative to the Hyperama, probably because they do not offer credit facilities, as has OK Bazaars.

Tony Koenderman

FINANCIAL MAIL • DECEMBER 11 • 1992 • 57
INDIAN traders and their African counterparts in Khayelitsha are to meet later this week to discuss the presence of the Indian traders in the township.

The meeting will decide the fate of the Indian traders who have been trading in Khayelitsha for the past two years.

Businessman Mr Victor Mbauli said the meeting was absolutely necessary "to iron out differences".

Mbauli said the plan for a meeting followed "false newspaper reports" that African businessmen had demanded that the Indian traders leave the area.

According to Mbauli, the Khayelitsha Business Association had not demanded the withdrawal of the traders. It was only certain members of the association who had done so.

"No one has officially said they should leave or stay, but we are still going to discuss the matter in our meeting this week," he said.

The Indian businessmen, who are trading in the leased Thembani shopping complex, are accused of undercutting the prices of African businesses.

However, most of the residents interviewed in the area were happy with the service provided by the Indian traders and most agreed that they should remain there.

Mrs Margaretha Matini said: "The Indian shops are cheaper than the shops of the Africans. The Indian shops sell 12,5kg cake flour at R19.99 while the shops operated by the African people sell it for R25.00."

Khayelitsha resident Ms Nomandla Solomon said: "The Indian shops sell plenty of fresh food and vegetables."
Seeing the light leads to expansion

IT WAS fortuitous that Eric Ellerine, furniture retailer par excellence, was seated at my table at the Business Times Top Companies Banquet two weeks ago.

For when guest speaker Derek Keys appealed to the business community to do something about the doubt creeping, confidence in the country's future, Mr Ellerine volunteered something positive to say.

Not unconditionally, of course. But the signs of recovery, the seeds of optimism, are growing steadily for the leading furniture retailing chain aimed at the black market.

"Everyone overreacts when things look tough and it becomes self-fulfilling," he says. "When nobody can see the light - as is happening now - things have a habit of turning for the better."

Pent-up demand is one possible reason for the increased flow of feet through Ellerines' 360-plus trading stores - 168 by that name as well as Town Talk, Royal, Oxford, Rheingold and FurnCity.

"We have opened seven new stores in the last month alone and are continuing with our expansion," says Mr Ellerine.

Talk in the furniture retailing trade is also of mild improvement. The disarray among some of his competitors might be good for his business, but it brings no satisfaction to Mr Ellerine. His group has always adopted the full method of accounting for deferred tax and made plentiful provisions, whereas many other companies that operate a debtors' book have gone for the partial method, which flatters earnings.

"Deferred tax is only a disguise to dress up the balance sheet. A business must build from retained profits because you can't spend more than you earn. We believe that we are winning a bigger market share."

Mr Ellerine scathes the notion that black people are immune to high interest rates. "Furniture prices have risen by only 8% in the last 13 months. Falling interest rates make the instalments more affordable, but you cannot charge what you like because the competition is great. Shoppers are more sophisticated and shop around for the best deal."

Ellerines has managed to keep borrowings down to a minimum. Asset control remains a priority and collections are satisfactory under the circumstances.

The group's recovery started in the second half of the financial year to August, when sales grew by 9% and earnings by 16%. This was on top of a poor first half, and earnings for the full financial year were down 5% on 1991.

Nonetheless, Ellerines earned more than R7 a share and the current share price is R157.

"Mr Ellerine says Christmas sales are looking good and there appears to be an increase in consumer spending."

"The business is cyclical and I believe that we are coming to the start of an upswing. GDP growth of 2% plus next year, which although not good in general terms, would be a huge improvement two years of negative growth. It would make a big difference to the economy."

A year ago, Mr Ellerine had a message for the masters of SA's economy: lower interest rates before the country collapsed. It took months before rates were lowered, and it is to be hoped that this year's message to the politicians will be heeded sooner.

"We need to get an interim government in as quickly as possible, and it must do something about joblessness and violence."

"We have come a long way in the group towards better understanding between management and the unions. I am a great believer in freedom of association, and communication on our part has improved enormously."
SLOW SEASONAL SALES PUT SQUEEZE ON STORES AS HARD-HIT CONSUMERS SEEK VALUE FOR CASH

Stores bank on tourists to lift sales

By FRED ROFFEY

WESTERN CAPE businesses are pinning their hopes on the large numbers of tourists, who are expected to pour into Cape Town from this weekend, to trigger off a Christmas sales spree.

Christmas sales have failed to take off. They have been held back by recession-hit consumers' concern about spiralling debts, the threat of retrenchments and rising prices.

Another reason for poor sales is that many Transvaal and other visitors are setting out for the Cape a week later than usual to cut costs.

Many, who in previous years have used much of their annual bonuses to pay for their holidays, have opted instead to use them to meet alarming increases in living expenses.

Although turnovers at the beginning of December were slow, by this weekend stores were feeling the pressure of a Christmas rush as Transvaal-registered cars began streaming into the city.

Also, national and international flights have begun leaving passengers at D F Malan Airport.

By the end of the week the tourist influx had grown to about 3,000 cars a day — and this figure is expected to swell to 5,000 a day from next week.

Hotel bookings are running as high as 90 percent and many hotels expect to put up house-full signs before Christmas.

Stores such as Clique, CNA, OK Bazaars and Shoprite/Checkers say sales have picked up since early December, but spending on luxury items has been limited as consumers are looking for value for money.

A spurt in spending is expected just before Christmas, but although stores are planning promotions and extended shopping hours, few expect bumper sales.

Stalls in the Grand Parade are to remain open on Wednesday, the Day of the Vow, but the Beaumarkt in Greenmarket Square will be closed.

Excitement

Many traders at the two markets expected sales to be the same as last Christmas which, they said, were not particularly good.

At the Victoria and Alfred Waterfront, the new Victoria Wharf complex has had good sales since its opening in October.

"We expect a good Christmas because the complex offers excitement for all the family," said Margot Morrison of the V & A marketing department.

The Tyger Valley shopping centre in Bellville also reports good sales.

"It's a money-conscious Christmas, although sales have picked up and we expect this to continue," said Alan Baxter, general manager of Pick 'n Pay food supermarkets.

"Food sales are on a par with last year, but people are being careful with non-food items.

"There's going to be Christmas rush, but shoppers are leaving it late.

"Over the past three years Transwalers would arrive in Cape Town soon after the schools closed. However, this year they are staying at home a week or more to cut expenses."
Govt 'starving small business sector'

PRETORIA — Government had virtually starved the small business sector of funding, costing the economy thousands of potential jobs, DP trade and industry spokesman Brian Goodall said at the weekend.

During the past financial year, only R2m had been set aside for the Small Business Development Corporation, while R2bn had been budgeted for an export incentive scheme.

"It is an economic tragedy that a great development potential is being ignored and entrepreneurship stifled because of a misallocation of state funds," Goodall said.

An SBDC spokesman said around 1200 inquiries and applications were being received every day by the corporation from entrepreneurs wanting to start their own businesses.

With only two out of eight applications currently receiving approval for funding by the corporation, the demand for assistance was expected to escalate next year as the economy remained bogged down in recession. The spokesman said the corporation was granting loans to the limit of its resources, amounting to around R2bn a month, and this came mostly from its own cash inflow.

The corporation could utilise at least double this amount to set up small and medium-sized viable business enterprises, he said.

Currently there were 910 000 formal businesses in SA and 91% of them, or about 720 000, were small or medium size. They contributed 59% of the country's GDP and employed 2,4-million workers.

The informal sector probably employed another 4,4-million and contributed around 15% to total GDP.

Small and medium-sized business development was recognised internationally as the cheapest way of creating new work, Goodall said.
CAPE TOWN — Conditions were improving in the retail industry with a large majority of retailers reporting higher real fourth-quarter sales than last year. Stellenbosch University Bureau for Economic Research (BER) director Ockie Stuart said in a statement at the weekend.

Furthermore, sales in the first quarter of 1993 were expected to be higher in real terms than a year ago.

"As a result, more retailers are placing more orders with suppliers and anticipate placing even more orders in the first quarter of next year. The confidence level of retailers has improved substantially from the all-time low recorded last quarter. These results would seem to imply that the plight of consumers is not quite as bad as was indicated by many analysts," Stuart said.

He said retailers were concerned that the disastrous business conditions might not continue to bottom out during the first quarter of 1993.

Another finding of the survey was that no less than 28% of the respondents said the level of their first quarter 1993 selling prices could drop below the level which prevailed in the 1992 first quarter. They were also adamant that the rate of increase in selling prices was set to decline in the first quarter of 1993.
Surge of business in property from private investors

By Frank Jeans

The leasing and sales division of JH Isaacs (Transvaal) has had a surge of business, with deals totalling more than R120 million concluded in the past six months.

Colin Wright, managing director of the division, says almost 40 percent of the transactions involved private investors, with the balance handled by institutions and property funds.

The average value of the investments was about R2 million and deals ranged from R200 000 to R25 million.

Wright says there was a reasonably high level of activity in central Johannesburg, Hillbrow and the northern areas of the city.

"Throughout the period under review retailers maintained a resistance to high rents and, as a result, they seriously looked at smaller space in prime positions," he says.

"Lower rents in retail strip developments created greater demand for space than did shopping malls. Another discernible trend was an uptake of space by banks near or next to major shopping complexes."

JHI foresees rationalisation by the major retail chains and this trend will contribute to near-zero growth in the short to medium term.

Looking ahead, Wright predicts a continuing oversupply of office space in Johannesburg's CBD, especially in B and C grade premises.

Industrial

Commenting on industrial property, Wayne Wright, industrial leasing and sales director of JHI Transvaal, says: "In this, the toughest of recessions in history, we are still able to conclude deals.

"The brokers realise the strength of tenants in this market. However, as we near year-end, leases are expiring, making demand for property for the coming year good."
Wholesaler goes out of business

By Des Parker

DURBAN — Directors of the Kadodia family-owned Avoca Wholesalers business — based in Durban — a major supplier to black-owned trading stores — have obtained a provisional order from the Supreme Court to liquidate the assets of two group companies.

Sources said the application for the orders on MS Kadodia (Pty) and Avoca Wholesalers of Empangeni were brought after a major creditor, Merchant Trade Finance, had obtained a court order enabling it to seize stocks of the companies.

They said the directors hoped to start negotiating with creditors on an offer of compromise after liquidators were appointed.

According to court papers, the assets of MS Kadodia, which trades as Avoca Wholesalers, were put on a liquidation sale basis at R32 million and its liabilities at R42 million.

The Empangeni company had assets of around R2 million. Its liabilities were unclear.

The group's trading premises at the Zululand town and at Isipingo and Phoenix and in Pietermaritzburg have been closed.
Successful Firm of Business Venture:

SA Behind

Franchise businesses are more successful than any other kind of business. They are not perfect but they work.

By Mzikahlu Malema

Business Caution must be exercised before the signing of any contracts.
No ‘innovator’ chosen for 1992

SA CONSUMERS were being bombarded with more than 1,200 messages a day, double the number of 15 years ago, Media Director’s Circle (MDC) chairman John Montgomery said last week.

Although this indicated that new ways had to be found to reach consumers, no one had risen to the challenge, he said. Because of this, MDC had not chosen a media owner or individual for the Media Innovator of 1992 award.

This was unfortunate, as innovation was the life blood of the industry, he said. “In our opinion there has never been a better opportunity for creative media thinking than in this past year.”

One of the reasons for the lack of innovation was that most media types were dominated by monopolies, making media “more expensive, less targeted, less flexible and more complacent,” Montgomery said.

The National Association of Broadcasters had made proposals to lead broadcasting regulations “out of the dark ages”, but these had not progressed because of political inertia.

Free enterprise and commercial broadcasting principles were in everyone’s interest, particularly that of marketeers who funded 80% of broadcasting.

Agencies had also had a role to play, as conventional media strategies had become inadequate.

Promise

Montgomery said CCV, which had the ideal opportunity to position itself as the television station of the future SA, had not capitalised on the new political climate.

In addition, TVI’s promise of better, brighter programming and innovative sales packages had not materialised.

“Instead, we are faced with a fall in prime time and total white, coloured and Asian TV viewership.”

Recently announced programme, channel and rate structures had moved radio backwards, Montgomery said, and outdoor, cinema and print groups had also not provided enough new media opportunities.

NEWS IN BRIEF

Ad of the month

GILLY & Mather RS&T & M Cape has won the Association of Advertising Agencies’ (AAA’s) October ad of the month award for radio for its Prince Charles ad for Car Magazine, and in the outdoor category for its Crash Test ad for VW SA.

Cape-based agency The White House won in the magazine category for its No Flies ad for Opel, and it won the AAA and Newspaper Press Union’s newspaper award for its You’re Looking at Them ad for Woolworths. Hunt Lascaris TBWA won the TV ad of the month for its Fiji ad for the SA Optometric Association.

Reckitt account

DARCY, Masius, Benton & Bowles has been appointed to handle a substantial part of the Reckitt’s Household account. This year the agency won the Plascon, Tabletop, Schweppes, TVI and Reckitt accounts.

Partnership

PARTNERSHIP has been appointed to
Pavement hawkers anger shopkeepers

HAWKERS selling their wares in front of Johannesburg shops represented unfair competition because they did not pay rent or rates and had no overheads, shopowners said yesterday.

But the greatest cause for alarm was the “next-to-nothing” prices Chinese and Korean hawkers — new arrivals on the Johannesburg CBD’s pavements — charged for their goods.

Shopowners in King George Street expressed dissatisfaction with the increasing number of hawkers invading pavements and trading in front of their doorways, and blamed this for falling sales.

A general dealer said she had been trading in the area for 10 years, and things had always been good.

"Then came the hawkers and things changed. Our sales have been affected because we are trading in competition with hawkers who don't have to pay rent or rates," she said.

Asked if she had complained to the authorities, she said: "No. We don't complain, because it is people earning their living."

The owner of Buxton's Watches, Radios, Clocks and Shoes said the greatest problem was the Chinese and Koreans, who sold their goods for "next to nothing".

"A pair of jeans which we sell at R20 is sold by these people at R15, and their watches go for R20," said the trader, who asked not to be named.

The trader also complained of competition from people who had no overheads. "They don't have to pay for water, lights or staff," he said.

A dealer in babywear, children's clothing and footwear, Yusuf Mayet, told of a recent incident when a man walked into his shop and grabbed dresses from the rails. "But God will replace those stolen goods — he always does," he said.

Hawkers' council chief says president Lawrence Mavundla could not be reached for comment yesterday.
NEWS IN BRIEF

Report on food pricing

THE Board on Tariffs and Trade had completed its final report on the price mechanism in the food chain. Trade and Industry Director-General Stef Neude announced yesterday that he said the report would be forwarded to Agriculture Minister Kraai van Niekerk and Finance Minister Derek Keys.
Retailers face festive theft loss of R300-m

By Philip Zolo

The retail industry faces an estimated R300 million loss through staff pilfering and shoplifting over the Christmas period, according to a survey.

South African Chamber of Commerce (Sacob) economist Keith Lockwood said a Sacob survey — based on forecasts compiled by retailers — showed an expected loss of R300 million due to shrinkage (staff pilfering and shoplifting) during the months of November and December alone.

This figure translated into an expected loss of R1,8 billion for the year, he said.

Overall, retailers expected 1,6 percent of the industry's turnover to be lost through shrinkage, a slight increase from last year, Lockwood said. But actual shrinkage could be offset by the fact that many retailers had implemented measures to improve security.

He said the deteriorating economic circumstances, the general absence of a social security net and the increase in the number of unemployed would tend to boost shrinkage levels.

"This increases the pressure to stay alive by taking that for which they (the shoplifters) cannot pay," he said.

He said the fact that many people were desperate explained the higher shrinkage forecasts in the food and clothing sectors of the industry.

Witwatersrand police spokesman Captain Eugene Opperman said that shoplifting increased every year during the Christmas period, as stores were more crowded and schoolchildren were on holiday.

He said although prevention of shoplifting was the responsibility of the stores themselves, police were compelled to investigate any complaint, regardless of the age of the alleged culprit.

It was unfortunate that a large proportion of shop theft was committed by schoolchildren, Opperman said.

Edgars executive director Fred Haupt said increases in shrinkage were expected in the Christmas period.

About 60 to 70 percent of the shrinkage resulted from actions by staff members. Shoplifters were responsible for the rest.

Haupt said collusion between customers and staff — which he described as the least risky form of shoplifting — often took place. Other shoplifters committed their crimes simply for the fun of it, he said.

A spokesman for Shoprite Checkers said the shoplifting problem was becoming "more and more serious with each passing year", and that losses were larger during the school holidays. The main targets were toys, compact discs, cosmetics and gift sets.

The spokesman said security measures would be stepped up over the period in anticipation of an increase in the number of customers.
Trends look promising for retail companies

DESPITE gloomy predictions for retail sales over the Christmas season, the emerging trend towards improved sales is a good sign for retail companies next year, analysts say.

One said there was likely to be a slowdown in holiday tourism as people stayed at home rather than spend money on accommodation and travelling.

This and lower interest rates would induce consumers to spend more money on Christmas gifts, clothing and, to some extent, furniture and appliances.

This trend of increased consumer spending, which analysts expected to continue into the coming year, should be reflected in retailers’ results during 1983.

One analyst said spending in the lower end of the market would be depressed as there was simply no money and no opportunity to obtain credit, affecting the performances of groups like Pepkor.

Credit-based companies, or those operating in the middle to upper market, were expected to report creditable but not spectacular results. These included Edgars, CNA Gallo, Dion and Game.

Analysts were expecting an improved performance from Woolworths, which had recently pulled down holding company Woolru’s results. Woolru subsidiary Makro was also expected to fare better as the introduction of VAT was now out of the system.

A decline in disposable incomes, high debt levels and unemployment saw retail sales decline 6.4% in real terms in the first six months of 1982 compared with the same period in the previous year. The largest declines occurred in sales of food and inedible groceries.

Mass action slowed sales in August, and sales to the black market, which had been buoyant for some time, remained subdued. But since September, sales had started to show some improvement.

The retail sector had bottomed out in August, and had outperformed the industrial index since then.

A recent Saco survey showed that retailers were expecting a subdued Christmas season, with sales expected to increase only 10.3% — a decline in real terms.

Analysts said next year would be a better year for retailers, although the improvement would not be dramatic.

Inflation in the retail sector had declined significantly, but some retailers’ costs remained high, so it was difficult to increase margins. This meant high earnings growth was unlikely. Nevertheless, some earnings growth was expected.
Liquidations Annual Totals

Thousands

1991: 1.809
1992: 1.881
1993: 1.573
1994: 1.563
1995: 1.590
1996: 1.590
1997: 1.573
1998: 1.539
1999: 1.590
2000: 1.807

At the rate of 10 a day
Business-going under

MAC HASSPERS

Bweeney still

ALMOST 10 businesses went into

12/31/92

30
Aimark sells Aim business and delists

CONSUMER durables company Aimark, which today reported a net loss of R3.7m (R366 000 profit) in the six months to end-June, is to dispose of its Aim business to director and shareholder Martin Klein for R1.1m.

The disposal, which follows a cautionary announcement in November, will result in Aimark delisting from the JSE's DCM sector.

Directors said the remaining non-Aim business of importing, warehousing, selling and distributing products had "severely weakened Aimark's financial position", and exacerbated the loss.

They had decided to restructure the group, which would result in a reduction in debt and enable Aimark to focus on non-Aim businesses.

It was unlikely that there would be a short-term return to profitability or dividend payments, and it was not in the interests of minorities to keep the company listed, directors said.

They said Aimark's ordinary shares — other than those held by management shareholder Ivan Cohen — would be converted into redeemable preference shares. These would be redeemed for 10c a share, and the company would be delisted.

The payment by Klein would be settled in cash, and the disposal was effective from September 1 1992. It would result in earnings of 50c a share, compared with a loss of 2.1c a share. NAV would increase from 58c to 1 986c.

Aimark's results to end-June show a R3m loss before interest and taxation compared with profit of R1.2m the previous year. The interest bill of R66 0000 was 30% higher than the previous year's R50 000.

It showed a loss of 23.2c a share from earnings of 2.3c in 1991, and did not declare an interim dividend.
**December is becoming minorities month**

Earlier, Powertech’s takeover of Pickard companies resulted in a stream of minority protests and eventually an enhanced offer. Then Micor’s board announced it had accepted an offer to buy out the business on terms which have infuriated some minorities.

Now Premier has told minorities in Score Clicks and Hi-Score, two linked pyramids which effectively control Clicks and hold smaller positions in Metcash and Score Supermarkets, that it intends taking them out — at a discount to underlying NAV. Predictably, that is not pleasing the minorities.

However, the Premier deal is being constructed as a scheme of arrangement in terms of S311 of the Companies Act, so more than 75% of the affected minorities must vote in favour. That gives dissenting minorities a sporting chance of muster sufficient support to defeat the proposals.

Matters of concern to stockbrokers acting with minorities are, first, that the deal is being offered at a discount to net worth. “That’s not unreasonable,” responds Premier chairman Peter Wrighton. “Other holding companies like Anglo frequently trade at substantial discounts to the underlying net value of their investments. All we’re doing is taking cognisance of that.”

However, the comparison with Anglo is spurious: Anglo is not a pyramid. Rather more meaningful is a comparison with Libvest, the top company in the Liberty group. It has traded consistently at a premium since it was listed. Another example is Pekwik, holding company for Pick ’n Pay, which has traded almost exactly in line with the value of its underlying assets.

The second objection is that there’s no cash underpin to the deal. Shareholders in the two pyramids are being told they must accept Premier shares in exchange for their holdings. “We are being told that if we don’t want Premier shares, that’s our bad luck. It is grossly unfair to minorities,” says a fund manager.

Third, analysts believe it is unreasonable to remove from the marketplace one of the few ways into Clicks, a stock which is usually in demand but in which trading is limited.

“Finding Clicks shares is difficult enough,” says one analyst. “Removing the only alternative will make it much more difficult to acquire a meaningful and focused holding.”

Broker Ed Hern analyst Sydney Vianello says the essential question for investors is whether they want to be in Clicks or Premier. “Presumably, they bought their shares in the pyramids originally for their focus and their cheapness relative to the principal underlying business. They’re unlikely to be happy with a situation in which they’re forced to accept Premier paper.”

Vianello says Clicks is one of the few retail businesses that are expanding their trading space rapidly. “Trading space is one of the keys to success in that business, and Clicks’ forward expansionary policy will pay off marvellously in future. It is a very good business; it’s hardly surprising Premier wants to consolidate it.”

A fund manager who insists on anonymity says it is strange Premier did not canvass institutions thoroughly before announcing the deal. “Frankly,” he says, “the offer is too thin. We would have appreciated the opportunity to discuss the proposal in detail; all we can do now is await the documentation.”

Wrighton says Premier has no wish to coerce minorities. “It simply isn’t our style.” But he does see benefits for shareholders in eliminating the two pyramids: “They will be getting a much more marketable share (Premier). And they will be shareholders in a company with substantially larger earnings and dividends.” Wrighton adds that if Premier’s proposals merely fuel shareholder resentment, he will consider withdrawing the scheme.

However, there are few approaches better calculated to offend shareholders, institutional or private, than the cavalier take-it-or-leave-it attitude they detect in Premier’s latest corporate manoeuvres. “We have noticed lately that wherever Premier is involved, there’s also a public argument,” says another broker. “That’s grossly unreasonable,” responds Wrighton. “Premier is involved in only one other alteration (with the Kreings in relation to Premapharm). If that is the public perception, then it’s very unfair.”

Premier’s proposals may need to be shrewdly adjusted to ensure general acceptance.

David Glisson
After recently growing earnings at a faster rate than competitors, mainly Tiger Oats, Premier Group's share price is finally showing the benefit. Premier's 14% increase in interim EPS to September, compared with Tiger's 11% for the full year (see Com-

panies), now has the rival shares on almost the same rating.

At the same time, profit profiles of the respective groups are diverging apart. Once the obvious comparison in the JSE's food sector, Premier and Tiger are starting to look more like apples and pears.

For one, Premier received a strong boost from six months' inclusion of Metro Cash & Carry. Year-on-year comparisons are not strictly comparable as Metro was only included for four months in the last interim; still, the effect on earnings is quite dramatic.

Metro increased its contribution to Premier's earnings over the year from about R2.9m (on figures restated to six months) to R16.1m, which means it now accounts for about 18% of earnings compared to about 4% a year ago. The strong cash flow generated by Metro has helped Premier reduce borrowings and bring gearing down to a comfortable 18%, against 1991's 47%.

At the same time, the food division has reduced its contribution to earnings from about 58% a year ago (R42m) to 51% (R45.8m).

Premier's deliberate policy of focusing on branded staple foods, while competitors like Tiger followed the value-added route is paying off in the current recession, despite problems in the bakery business, which executive chairman Peter Wrighton says stem from a drop in bread consumption, aggravated by distribution problems to troubled black areas.

But when the economy turns up, will Premier's focus on staples leave it behind competitors who have moved into higher-margin products? Wrighton argues not, saying growth will be in the mass market for some time to come. "We don't believe the A- and B-income sectors will ever grow as fast as the C and D sectors, which we have targeted, even when there is an upturn," he says.

The food division was also boosted indirectly by the disposal of a large part of Premier's poultry and animal feeds interests, which has helped cut the interest bill by more than half to R17.7m.

Wrighton says contributions from Premier Pharmaceuticals are creditable, with earnings from this division up 22%, and now accounting for about 19% of earnings.

But, while the dispute with the Kroo brothers over the acquisition of pharmaceutical businesses controlled by Gresham industries continues, and will probably be settled only in court, contributions from this sector dropped by a disappointing 66% to about R1.1m. That's a small portion of Premier's earnings, but it remains hard to fathom why the group is so keen to add what appear to be underperforming assets to its pharmaceutical business.

Certainly, there is little apparent reason why the acquisition should benefit Premier Pharmaceuticals. The share, now seemingly on the rating it deserves, is not cheap at R52.50. Still, Premier seems to be offering more long-term value than it did a year ago. Shawn Harris

### CASH BOOST

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† Seven month period restated as six months.
VAALTRUCAR

Downhill ride (30)

Vaaltrucar and its 81%-held operating arm, Vaalauto, did little in financial 1992 to encourage investor confidence. The weak new- and used-car markets severely constrained earnings, depressing EPS to a 17c loss. Turnover fell 12.5%, reversing 1991’s R4,2m operating profit to a loss of R123 000. Inevitably, the dividend was passed.

Short-term debt almost doubled to R6,2m, lifting gearing to a high 79%. Chairman Sarel Germishuizen says closure of the Brits branch and sale of the Verwoerdburg branch, with the inflow of funds from the disposal of the interest in Spareco/Eddies to IGI, should ease the situation.

A sectoral breakdown shows that while results were disappointing, they were in line with the trend in the motor industry. New and used vehicles, in which 38% of assets are employed, contributed a negative 57% and 75% respectively to operating income.

The parts division, with assets employed similar to those of the new vehicles division, lifted its contribution to operating income by 46%. And the smaller service and petrol arm raised its contribution 186%. By far the bulk of assets, about R3m, are in property, whose real return is realised only on disposal.

Interest and leasing cover, as well as debt cover, have deteriorated steadily and, by year-end, reached nil. The unprofitable investment in Spareco/Eddies constrained cash flow. The disposing of this should see a reversal of these trends. But Germishuizen sees no early signs of economic recovery.

Though car markets remain depressed, the latest adjustment to Phase Six of the local content programme raises the local content minimum. It is hoped this will benefit the motor parts replacement market.

Last month’s interim results show turnover down 20% on last year, but operating income almost quintupled to R584 000. Finance costs fell from R1,3m to R515 000, which resulted in pre-tax income of R69 000, compared with the R1,2m loss last year. Current liabilities are down by a third and there is a write-off of R1,5m previously claimed as deferred tax.

The share, under pressure in recent weeks,
The Durban City Council has announced its largest single investment — a R180-million convention centre. The council’s management committee chairman, Peter Mansfield, says the centre will be a catalyst for further development of the city. It is expected to generate foreign earnings of R120-million a year and create around 2500 jobs in ancillary industries.

The centre, to be located on the Walnut Road — Central Jail — site adjacent to the existing Exhibition Centre, should attract private sector investment well in excess of its costs.

It could “internationalise” Durban as a destination, tapping a slice out of the huge but competitive, international convention market, estimated to be worth well over $150-billion a year.

It is expected to be completed in September 1996 and will be run by private sector experts on a profit driven basis. Its income is forecast to exceed its operating costs within three to five years.

The council believes that Durban’s infrastructure, hotels, visitor facilities and services make it an ideal destination for conventions. The city also has the largest accommodation capacity of any centre in southern Africa.

Marketing of the centre will start immediately, as international conferences usually take at least four years to organise.
Retailers expect good sales but low margins

THIS year's Christmas shopping, which has been characterised by buying down, would result in fairly buoyant sales volume but lower margins, according to major retailers.

Retailers estimated that sales would be up by between 16% and 12% in rand terms for the December period.

This is more or less in line with recently released figures from the Central Statistical Service (CSS), which show that retail sales were expected to rise by 11.2% over the festive season, or drop by 3.3% in real terms.

The CSS estimated December's sales would increase 2.2% to R11.4bn from the previous month after seasonal adjustment. At this time last year, retail sales were expected to rise by more than 14% over the Christmas season.

A recent Sacob survey showed that sales were expected to rise 10.5% over the Christmas season.

But some pessimistic retailers said they would be lucky if sales went up by more than 6% in real terms, as trading was slow and higher-priced items were not selling.

Sales increases for the first half of the month, generally, had been marginally higher than in 1991. But retailers warned this week would be critical: Retail sales over the last two months of the year accounted for more than 20% of sales, and of these a significant proportion was made in the last week before Christmas.

One retailer said the Christmas rush was starting later each year, and this was not good for retail sales. This year sales would feel the effects of unemployment, lower wage increases set for the coming year and less purchasing on credit. Last year credit sales were still relatively buoyant.

A Shoprite-Checkers spokesman said the chain was doing well in the run-up to Christmas. There was less spending on luxury items, and consumers were "looking rather for value for money in the food and grocery lines as well as economical gift items".

The popular lines had been cheaper toys and gift sets, chicken, cornish hens and turkey.

OK marketing director Arthur Solomon said sales levels were as expected. The OK knew beforehand that this would be a tough Christmas season.

Customers were buying more of the basic items than previously, and back-to-school items were being bought as Christmas gifts.

CNA retail MD Andries Smith said sales in the first two weeks had been slow, although they were marginally better than those of the previous year.

He said people were buying down, and the lower-priced items were moving volumes. However, this meant also that lower sales in real terms were being realised.

Customers were looking for value and were buying specials.

Retailers said although they were not expecting fireworks in terms of sales, rationalisation and a focus on containing costs should enable them to maintain or increase profitability over Christmas and in the coming year. However, margins would remain under pressure, they said.

They said also that sales in the fourth quarter had shown some improvement, and this trend was a good sign for the coming year.
Christmas sales volumes to rise

From MARCIA KLEIN

JOHANNESBURG. — This year's Christmas shopping, which has been characterised by buying down, would result in fairly buoyant sales volumes, but lower margins, according to major retailers.

Retailers estimated that sales would be up by between 10% and 12% in rand terms for the December period.

This is more or less in line with recently released figures from the Central Statistical Service (CSS), which show that retail sales were expected to rise by 11.2% over the festive season, or drop by 2.1% in real terms.

The CSS estimated December's sales would increase 2.3% to R11.4bn from the previous month after seasonal adjustment. At this time last year, retail sales were expected to rise by more than 14% over the Christmas season.

A recent Jacob survey showed that sales were expected to rise 10.5% over the Christmas season.

But some pessimistic retailers said they would be lucky if sales went up by more than 5% in rand terms, as trading was slow and higher-priced items were not selling.

Sales increases for the first half of the month, generally, had been marginally higher than in 1991. But retailers warned this week that the second half of the month would be critical. Retail sales over the last two months of the year accounted for more than 20% of sales, and of those a significant proportion was made in the last week before Christmas.

One retailer said the Christmas rush was starting later each year, and this was not good for retail sales. This year sales would feel the effects of unemployment, lower wage increases for the coming year and less purchasing on credit. Last year credit sales were still relatively buoyant.

A Shoprite-Checkers spokesman said the chain, was doing well in the run-up to Christmas. There was less spending on luxury items, and consumers were looking rather for value for money in the food and grocery lines as well as economical gift items.

The popular lines had been cheaper toys and gift sets, chickens, cornish hens and turkey.

OK marketing director Arthur Solomon said sales levels were as expected. The OK knew beforehand that this would be a tough Christmas season.

Customers were buying more of the basic items than previously, and back-to-school items were being bought as Christmas gifts.

CNA retail MD Andries Smith said sales in the first two weeks had been slow, although they were marginally better than those of the previous year.

He said people were buying down, and the lower-priced items were moving volumes. However, this meant also that lower sales, in rand terms were being realised.

Customers were looking for value and were buying specials.

Retailers said although they were not expecting fireworks in terms of sales, rationalisation and a focus on containing costs should enable them to maintain or increase profitability over Christmas and in the coming year. However, margins would remain under pressure, they said.

They said also that sales in the fourth quarter had shown some improvement, and this trend was a good sign for the coming year.
Decor to sell timber arm

RETAIL and wholesale group Decor Investments would dispose of its timber products division either on a piecemeal basis or comprehensively at prices which would keep capital losses to a minimum.

In his statement for the year ended June 30, chairman Charles Graham said the group's efforts to reverse the downward trend in the timber division had "been in vain". The group reported a $25.86m loss for the period.

Decor would scale down operations in the division to a break-even level, he said. The financial position of the wall-covering division remained strong.

Parties had expressed interest in the timber division plant, its products and foreign customer base. He said it was essential to maintain adequate liquidity levels during the scaling down of operations.
Workers want their Indian bosses to stay in Khayelitsha

EDWARD MOLONYANE
Staff Reporter

By insisting that Indian businessmen should leave black townships, the Khayelitsha Business Association is trying to maintain apartheid, say workers who are likely to lose their jobs if the Indians have to leave.

Angry representatives of the more than 200 workers spoke to The Argus after a meeting between Khaba and the 15 Indians.

At the meeting, Khaba reiterated its call for the Indians to leave Khayelitsha.

The workers said they were told this by their bosses.

Details of the outcome of the meeting could not be obtained from Khaba or the traders.

Khaba chairman Mr Victor Khzului was said to have gone to Transkei.

A spokesman for the Indian businessman declined to comment, saying "they were no longer interested in the press".

The workers said they were opposed to the threat against the Indians because it meant they would lose their jobs.

Apart from the economic reasons, the call was politically naive as it meant maintaining apartheid which all the political organisations were fighting to eradicate, they said.

"Most of us here are breadwinners, we have families to support and accounts to pay."

"If these Indians leave is Khaba going to feed us?" asked Mr Marcus Botha, who with 12 other staff has worked as an assistant to a television and hi-fi dealer for two years.

"Mr Botha said he had been unemployed for four years before he found his present job.

"I looked for a job everywhere, including black businesses in the township, but I could find nothing."

"If the Indians leave, I doubt whether Khaba people would employ us as they normally take on their own families only," said Mr Botha.

Others also appealed to Khaba to reconsider its stand.

The row between the two factions started last month when Khaba asked the Indians to leave the township because they were undercutting them and "stealing our customers".

Another reason was that the Indians' business acumen and financial abilities were obtained through apartheid and they were not competing on an equal footing, Khaba said.

The Indian traders have slammed this as "racist and backward" and have stayed put.

It is understood the parties will meet again on a date which has yet to be decided.
Premier announces share details

THE Premier Group has announced details of the scheme of arrangement in which Hi-Score and Score-Clicks will become wholly owned subsidiaries.

In a circular to shareholders, Premier chairman Peter Wrighton said the Hi-Score and Score-Clicks shares did not reflect "the market value of the underlying holdings in those companies".

Before this arrangement Premier had a 78.8% holding in Hi-Score which owned 65.9% of Score-Clicks.

Score-Clicks shareholders have been offered 12 Premier shares for every 100 shares held, and Hi-Score shareholders have been offered 21 Premier shares for every 100 shares held.

Score-Clicks' shares closed yesterday at 510c, Hi-Score at R10 and Premier at R90.50.

The listings of Hi-Score and Score-Clicks will be terminated from close of business on February 12.

Apart from its 100% interest in Hi-Score and Score-Clicks, Premier would have a 47.4% interest in Clicks and a 62.6% interest in Melcash.

It would also have a 10% interest in the management consortium which recently acquired Score Supermarkets.

The scheme is subject to the approval of shareholders and the Supreme Court.
Strict steps shake up rocky Rusfern

LARGEScale remedial action should enable the troubled Rusfern group to show operating profit before interest in financial 1993, newly elected chairman Dume Cronje said in the annual report.

But he cautioned that the 41-store furniture group's high gearing would result in an attributable loss for the year ahead.

Russells and Dion, which accounted for about 70% of turnover, were running on schedule to meet their profit budgets.

Cape stores were making progress and would show a profit before interest, while Wanda-Frasers would reflect a loss before interest on the 'back' of reorganisation costs: Wanda-Frasers was expected to make a positive contribution in financial 1994.

Cronje said 1992 was a 'grim year'; the worst since Rusfern listed in 1987. The R133,9m loss, which followed a loss of R79,2m in the previous year, was not surprising given remedial action taken during the year and the slowdown in economic activity.

Since July 1991, Rusfern had launched a comprehensive recovery strategy to restore it to profitability. 'As part of its strategy to secure adequate funding and bank support, the group held a R250m rights issue. At the end of November Rusfern was using R394m or 57% of its bankers' facilities. Only R106m of the facilities was expected to be used in the coming year.

Rusfern had implemented conservative accounting policies, resulting in a R20m reduction in ordinary shareholders' interest. It had tightened credit control and risk management, and debtors' provisions were increased to 38,7% from 30%.

The group was restructured into three divisions, the middle-upper and the middle-lower furniture divisions and the mass merchandising division. Savings from this rationalisation were expected in the coming year. Cronje said the 'unfortunate acquisition' of Furniture Fair in 1989 had cost the group R250m. The Furniture Fair and Arrow chains had been closed.

Wanda-Frasers was being rationalised and the middle-lower furniture operations in the Cape were consolidated into one business, Capefurn.

Staff numbers had been reduced by 23% across the board and this had resulted in substantial savings, Cronje said.

Since year-end, Laurie Kostren resigned as chairman and CE, and was replaced by Cronje as chairman and Keith Jenkins as CE. The board was also reconstituted.
JOHANNESBURG. — SA can enter 1993 with cautious optimism following signs of progress again on the political and economic fronts, and excellent early summer rains over most of the country, Sacob president Spencer Sterling said.

"What will be required of the leaders of this country in all walks of life will be vision, courage, conviction, honesty and integrity, and I believe it will be forthcoming," he said in a new year message.

The current year, he noted, started with much promise but brought significant retrogression; with the breakdown of the constitutional negotiation process, an escalation in violence, drought and progressive deterioration in the world economy, all of which were devastating for the local economy.

"Seldom, if ever before, has this country been faced with so many daunting political, economic and social challenges," he said.

To move towards future peace and prosperity, constitutional negotiations must be resumed, violence must be curbed, and the local economy must be restructured to provide for economic growth with meaningful wealth creation and equitable distribution, he said.

In this respect, recent public statements of commitment to the ending of violence and a negotiated political solution on the part of all main political groupings, with the process toward a resumption of constitutional negotiations early in 1993, were encouraging.

So was the recently established National Economic Forum, he added.

— Reuter
OK forced to stop selling toy AK-47s

COMPLAINTS from the public have forced the OK Bazaars to stop selling toy replicas of AK-47 assault rifles.

OK marketing director Arthur Solomon said yesterday the sensitivity surrounding the sale of this “controversial toy” had prompted the chain store to remove all stock from the shelves immediately, rather than discontinuing supply once stock was sold.

The store said the toys, imported from the Far East, had sold well.

The SA Consumer Council did not criticise the sale of the replicas, with spokesman Paul Roos saying the council felt the replicas presented a political, not a consumer issue.

National peace committee chairman John Hall, speaking in his personal capacity, said he was “horrified” by the selling of the replicas. “It is criminally irresponsible... in a violence-wracked society to sell these replicas which only serve to promote the destruction of human lives and further deaden the minds of many who are already semi-anaesthetised to the horror of death.”
Boycott postponed

A CONSUMER boycott of businesses in Boshabelo near Bloemfontein, called last week by the National Education Health and Allied Workers Union and its allies, has been postponed indefinitely.

A spokesman for the organisers of the boycott, Mr Tshokolo Dichabe, said the boycott was ineffective because other organisations had refused to take part.

The aim of the boycott was to force the Provincial Administration of the Orange Free State to reinstate about 256 dismissed workers who took part in a hospital strike early this year. - Sowetan Reporter.
MILSTAN HOLDINGS

Christmas wish list

Activities: Retail electronic consumer products.

Control: Directors and staff 61%; W&A 31%.

Joint MDS: S Etkind, M Etkind.

Capital structure: 27.3m ords. Market capitalisation: R7.9m.


Year to Feb 92

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Perhaps Milstan's wish for a reasonable level of consumer spending this Christmas will materialise; perhaps it is premature. After an exhaustive advertising campaign, December trading has started favourably, according to joint MD Stan Etkind. One can only hope this trend will continue.

The demise of the long-playing record increased the demand for compact disc players last year. And, though the demand has slackened somewhat, Etkind says the introduction of the laser disc to SA in the next year or two will be a second wind for electronic retailers. It's a boost they desperately need.

Milstan's financial hiccup after five years of reasonable trading came from an unexpected source — a weakness in accounting procedure. Only now, with the publication of annual accounts for year-end February, can the damage be quantified.

The R3.2m oversight was twofold: unrecorded liabilities (R2.2m) and overvalued stock (R1.2m). What does come to light is that the unrecorded liabilities occurred in the Stans arm of Milstan, while an overvaluation of stock was found in both subsidiaries. The expensive weakness in procedure will not result in a change in management in either subsidiary.

Considerable attention has been given to rationalisation. Etkind says a few stores which were not in favourable locations were closed. Two new stores will open in 1993.

Etkind hopes financial 1992 was both the first and the last time earnings will be in the red. For that to happen, results for the current six months will have to be particularly good, given the R1.9m after-tax loss for the six months to end-August (Fox December 4).

In the 1992 year, the negative bottom line drained R3.9m from cash resources and pushed the current ratio to 1.09 — the lowest since listing. At last year-end this retailer remained unearred. The cash reserves were large enough for a dividend payment, though it was uncovered by earnings. But, should losses increase, the dividend is obviously in jeopardy.

Investors do not share the same confidence as Etkind. The share is at a 12-month low, 48% below NAV. As a short- to medium-term buy, it holds little promise. Kate Rushan
Touch and go as stores struggle to meet budgets

By Don Robertson

It was touch and go whether retailers would meet Christmas budgets this year.

Most believed a last-minute rush on Thursday would enable "very conservative" budgets to be met.

Some clothing retailers, however, found it necessary to offer discounts to encourage sales in an effort to clear their floors of summer garments ahead of winter restocking.

Sales at OK Bazaars stores have been "somewhat pedestrian", says managing director Mervyn Serebro, "but this is what we had anticipated. Christmas appears to occur later each year and it was only on Wednesday and Thursday that things picked up," he says.

"Customers have switched to buying basic goods. Mothers are buying back-to-school items such as suitcases and clothes for Christmas presents to avoid having to buy these later in January. Adults are also buying more clothes as Christmas presents."

Sales at the Edgars, Jet, Sales House and Express chains were on target during December, according to Fred Haupt, executive director of corporate services.

"We are hoping for Christmas sales growth to be above the inflation rate."

The Edgars group usually offers discounts at this time of the year, but "we have been much more aggressive in our marketing than we were last year."

Volume sales at the Milady's fashion stores were about 15% better than last year, says assistant operational manager Olkie Strom.

The group will be stocking up with winter clothes in the first week of January and has been offering discounts at all its stores to clear the summer range.

"This has put some pressure on margins and we will struggle to reach last year's figures. Nevertheless we are selling more and have been advertising more on TV and in newspapers."

Tremendous

David Summar, chairman of the Wooltra group, says his company is "running according to budget", but he will not put a figure on sales because the company is due to produce interim results soon.

With Christmas on Friday, there was an extra two days of selling during the week, which he said would help. The company concentrated on the sale of medium-priced goods.

The human resources manager at Sterus says there was a tremendous start to December and this carried through.

"It exceeded all our expectations and unit sales have doubled. Average prices, however, were lower than last year as people bought down. This meant that sales in rand terms were slightly lower than last year."

This buy-down syndrome has also affected liquor sales and the scotch will not be flowing as it did last year.

Johnny Tyropolis, owner of Jumbo Liquor stores, says sales on Wednesday and Thursday "were like any other day. Their were no fireworks."

Mr Tyropolis says sales in December were at least 50% below those of last year.
CONSUMER education programmes are essential to counter ignorance and exploitation, the Consumer Council says. Its editorial in the SA Consumer said a survey had found that low-income consumers in particular were unsophisticated in the market place and unaware of their rights and responsibilities.

The need for more guidance to consumers on how to obtain product knowledge and where to search for information had also become clear.

As a result of the survey, the Consumer Council would revise and update its information brochures and guides and was planning educational seminars. The editorial said consumer education programmes should stress the benefits of using available information.
Property faces
glum prospects

The next year is unlikely to see any improvement in the tough conditions experienced by the commercial and industrial property markets in the past year, leading economists and market sources say.

The failure of the local economy to show any signs of a recovery, combined with the prospect of little growth next year and the likelihood of a continued world recession, hold little short-term hope for the industry.

Economists have said that while the next 12 months will be another difficult period for the industry and property players will have to continue to tighten their belts, there is some light at the end of the tunnel.

"Indications are that the market will start to turn in 1994. The property market follows the economy and will thus be dependent on positive developments there," property economist Neville Berkowitz said.

The present general oversupply of office space was expected to continue next year and an improvement was unlikely only in 1994, he said.

Rode Report editor Erwin Rode said the past year had been characterised by a substantial drop in demand for office accommodation and the resulting oversupply of space had placed rental levels under pressure.

Mortimer Property Group MD Paul Maddison said over the past year the commercial market had shown absolutely no rental growth. The outlook for next year remained bleak as there were no fundamentals or emerging demand to stimulate rental growth.

Anglo American Property Services (Ampros) chairman Gerald Leissner agreed. He said rents in the commercial market had generally fallen in both nominal and real terms.

"Tenants whose long leases are maturing now are renegotiating their rental levels and these are invariably lower than they had been paying before the lease expired," he said.

Office and industrial tenants were the only people benefiting from the present economic downturn and were taking advantage of the oversupplied markets to get the best deal possible.

As a result, landlords had been forced to offer a variety of incentives other than lower rentals to lure prospective tenants.

The war on rent-free periods had gained momentum when Ampros announced it was offering new tenants 30% off their net rent, in certain buildings, for the first 30 months of a five-year lease signed before December 30. However, the discount excluded operating costs and rates, and lease escalations were believed to be higher than the industry average.

But, in some cases, landlords were keeping space empty rather than finance the relocation and alteration allowances demanded by many tenants, who also wanted to commit to shorter leases.

Developers and investors had also been forced to look for options to traditional markets. The buzzword was niche markets -- identifying new growth areas and keeping ahead of the competition.

Health care, smaller office buildings offering corporate identity and neighbourhood shopping centres were all possible growth areas.

The construction industry also took a battering this year as building levels dropped and competition for existing work became increasingly cutthroat, with many players finding themselves at breakeven point or below.

Credit Guarantee economist Luke Doig said earlier in the year indications were that close to 300 building and construction companies would go to the wall by the year-end.
Functional goods
buoy festive sales

MOST major retailers have reported a
good Christmas sales period, with some
companies posting figures well above ex-
pected levels.

Shoppers, as retailers predicted before
Christmas, opted for more practical goods.
Retailers said this would allow for a buy-
ant sales volume but lower margins.

Retailers estimated that sales would be up
by between 10% and 13% in rand terms
for the December period.

However, Edgars public affairs director
Fred Haupt said the group's stores (Ed-
gars, Sales House and Jet) had all achieved
budget, with Sales House performing far
better than expected.

"There has been a 20% improvement on
last year's figures and we are very
pleased," he said.

Haupt said the fact that Christmas was
on a Friday had boosted the group's sales
tremendously. "Although this year was no
exception to the Christmas rush starting
later each year, shoppers had a whole
week in which to purchase their goods."

OK Bazaars operations director Nor-
man Nunn said the company had fared
better this year than last in the period
leading up to Christmas.

ROBERT WICKS

"The furniture, household appliances
and sound departments fared well and food
was able to hold its own," said Nunn.

He said the four days before Christmas
had proved to be a powerful selling period.

Shoprite-Checkers consumer affairs di-
rector Adele Gouws said the group had
enjoyed a buoyant festive season.

"Spending on luxury items was limited
and consumers were rather looking to val-
ue for money in the food and grocery lines,
as well as economical gift items," she said.

Clicks MD Trevor Honeysett said the
group had enjoyed a very comfortable
Christmas sales period. Both major subsid-
iaries, Diskom and Musica, had posted
above-budget sales figures.

He said there was a definite trend to
greater added value and practicality in
gift giving, which suited Clicks well.

CNA CE Ian Outram was happy with
sales figures, which had met expectations.

Dion CE Janine Eis said the group's
results over the Christmas period had been
fair. Sales of major appliances such as
television and video had been poor as
consumers opted for smaller items.
SBDC seeks cash from businesses

ANDREW KRAMM

THE Small Business Development Corporation (SBDC) has appealed to financial institutions to lend it at least R400m in "petty cash" to create tens of thousands of much-needed jobs in 1993.

SBDC director Dirk Conradie said yesterday job creation was the top priority of the SA economy.

The R400m required made up about 1% of the projected R40bn cash flow in the long-term insurance and pension fund industries in 1993.

Conradie warned that should institutions not assist freely in job creation now, they might be forced to do so in future. "Asset prescription by a new government would be a pity, since the enforced prescription of investments will restrict the operation of the private sector," he said.

Conradie said the establishment of employment opportunities was virtually ignored by long-term insurers and pension funds due to their seemingly narrow focus.

"It is unbelievable that the major creators of capital in the private sector have not woken up to the fact that it is in their long-term interest to assist job creation."

Compared to the potential contribution from long-term insurers and pension funds, banks had a small role to play.

He said that by lending R400m to the SBDC at market-related rates, these institutions could help create nearly 40 000 jobs in 1993— and generate a return.
CONSUMERS' efforts to reduce their debts were creating a sound basis for a recovery in private spending, Deputy Reserve Bank Governor Jaap Meijer said yesterday.

Figures in the Quarterly Bulletin show consumers saved more as they cut back on their debt burden. The ratio of personal savings to disposable income rose from less than 1% in the third quarter of 1990 to 3.5% in the third quarter of this year. There is further evidence of individuals' reluctance to add to their debt burden in the monthly statistics on money and banking—credit extended to the private sector is rising at an annual rate of less than 9% against about 18% a year ago.

Meijer saw the reduction in consumers' debt burden as a positive factor for the economy next year, but cautioned against expecting fireworks. "We do not expect an increase in private consumption spending in the next year, but rather a slowdown in the rate of decline. Consumption spending should bottom in 1993."

He said other factors that should break the fall in spending were pent-up demand for durables and more normal demand for non-durables.

He described the continued decline in consumption spending this year as "highly unusual". Private consumption spending fell by an annualised 3% in the third quarter of this year. The Bank expected moderate economic growth next year, Meijer said. However, robust quarterly growth rates would be required to bring the level of GDP back to where it was at the beginning of 1992.

The Bank is understood to have scaled down its growth forecasts for next year from almost 2%. Meijer did not want to disclose exact figures for forecasts.

The key economic variable for next year would be the 1993/94 Budget, Meijer said. SA's longer-run economic health required a drastic reduction in the fiscal deficit, but short-term pressures would create problems in meeting the challenge.

Meijer said the Bank accepted that a drastic reduction in the deficit to 3% of GDP from its present levels was "out of the question".  

*See Page 3*
Encouraging Christmas Outlook

Sales brighter than ever - outlook for a further 30% credit cards for a further 3

No 2012

 encou
APPLICATIONS for gun licences have increased this month by almost 25% compared with December last year as South Africans attempt to secure their personal safety.

The bulk of applications, 15,237 from December 1 to 27, was for handguns to be used for self-protection, an SAP spokesman said yesterday. In December 1991, 12,878 applications were received.

During the period October 1 to December 27 alone, almost 50,000 licence applications were received, he said.

Police could not comment on the number of licences issued, but gun dealers reported the number of applications rejected had dropped significantly over the past year.

"Two years ago an average of 20 applications a month were not granted to customers who had applied through our store. But in recent months the number has dropped to about five a month," one of Johannesburg's largest dealers said.

Although the amount of money spent on firearms had not increased, more of the cheaper firearms were bought, he said.

Small calibre handguns, bought to be carried on the person, were by far the most popular, but inquiries for shotguns were received regularly.

"The trend a few years ago of buying a large handgun to be kept in a safe has shifted to the purchase of pistols and revolvers which can be carried in holsters.

"People who in the past vowed never to carry a firearm now constitute the majority of our customers. They are all buying arms after falling victim to criminals," the dealer said.

Trade in other security equipment, such as burglar and other alarms, security lights, self-defence sprays and even bullet-resistant clothing, was also steadily increasing, dealers said.

And retail stores in suburban shopping centres offer full riot gear, including helmet, gas mask, shield and batons. They report that business is good.

"Although it is rare for an individual to walk into our store and purchase riot gear, the interest in bullet-resistant clothing is high," a Bramley security equipment dealer said.

Full riot equipment was sold mainly to security companies and private security personnel. "But, we do not question anybody about the motive for the purchase and will supply anything that is within the law," she said.

The law prohibited the sale of automatic firearms and tear gas, dealers said.

Although it was difficult to obtain a licence for semi-automatic weapons, these were available for sale, they said.
COMMERCE - GENERAL

1993

JANUARY - MARCH.
Festive sales buoyant, say retailers

Johannesburg. — The recession didn’t keep South Africans away from the shops at Christmas, although many people cut down on luxury purchases. Most retailers reported buoyant sales.

Pick ‘n Pay MD Hugh Herman said the group achieved some volume growth: “The usual gifts were bought, but many had less to spend.”

Game merchandising director Barry Clements said sales in most departments were up 15 percent to 18 percent. There was a move towards more basic merchandise, with many back-to-school items being bought as presents.

There was a swing to credit.

Sales of toys were disappointing, but clothing, sports goods, CDs and housewares sold well. Stationery had an outstanding season.

The predominantly credit-based Edgars group increased sales by 20 percent on top of an 18 percent increase the previous Christmas.

OK Bazaars operations director Norman Nunn said the season was disappointing, with sales of clothing and housewares particularly poor.

Purchases tended to be smaller, with a greater emphasis on the practical.

Dion MD Jannie Els said there was good support for smaller gift lines such as CDs and do-it-yourself goods and stationery.
Acquisitions help Wooltru turn around

By Stephen Cranston

In spite of what CES Colin Hall describes as the most dismal trading conditions for some time, Wooltru has started to climb back after a year of declining profits with a 17 percent increase in earnings per share to 1992.

Profits before tax for the first six months to December 1992, rose 19 percent to R127.2 million on a turnover increase of 52 percent to R3 billion.

Much of this increase is accounted for by the acquisition of Drop Inn and Shield Trading; without them the comparable sales growth was 13 percent.

The interim dividend was maintained at 77c, as the group intends to increase dividend cover to three times or more in the future.

The balance sheet was stronger, with a 30 percent decrease in borrowings to R205 million.

Hall says the group is well-placed to acquire retail businesses which come on the market, but says that at a time when the economy is being restructured Wooltru does not have a pro-active acquisition policy.

There is still speculation that Wooltru will look to buy Dion from the troubled Rusfurn group if it comes back on the market.

Speciality Retail Group (SRG) again performed best of the operating companies, registering a sales growth of 18 percent and increasing market share.

Truworths sales rose 20 percent with Truworths Main again showing impressive growth and Topics increased sales by 18 percent.

Organic growth

Hall says that SRG still has considerable potential for organic growth. The pleasing result was the reward for good control at Truworths of operating expenses and markdowns, a reduction in interest payments and well planned stock inputs.

Cash chain Woolworths, which suffered most in the recession, showed a profit increase for the first time in 18 months for the second quarter. Sales for the full six months rose by 8 percent.

Hall attributed the reversal in the downward trend to the impact of the new strategies, structures and management introduced at Woolworths since 1991.

"The only way to achieve high quality at realistic prices is to make a lot of the same item, which means focusing on classical, core merchandise.

The original core of Massmart, Makro and Makroffice increased sales by 12 percent. Earnings were helped by tight control of assets and working capital throughout Massmart, together with the improved performances generally in Makro and Makroffice and first time contributions from Drop Inn and Shield.

Hall says there is still potential for operational improvement and profit growth, especially in the case of Drop Inn.

He says that the recent acquisitions have substantially increased Massmart's buying power and there are opportunities for further synergies. For example, Shield franchisees would be able to source general merchandise from Makro stores.

Although comparable sales for the group for the first seven weeks since December were up 19 percent, Hall expects consumer spending to remain weak for the second six months.
Climbing back

Wooltrubs’ interim earnings caught the market off guard; they were not expected to be so good.

In one form or another, signals about a company’s progress filter through to the market. In this recession, these signals are sometimes puzzling rather than clear. While analysts were hoping that Woolworths — Wooltrubs’ main profit earner until the poor 1992 year — would recover soon, there was little expectation that its profitability would improve much while the recession continued.

Group sales rose 52%, largely because of the inclusion of recently acquired Shield Trading (Fox September 11, 1992) and the comparatively small Cape-based liquor retailer chain Drop Inn. Otherwise, there was no spectacular increase.

The performance of Specialty Retail Group (SRG) remains outstanding. With the decline in Woolworths’ 1992 earnings, SRG became the biggest divisional profit contributor. Sources say SRG, consisting largely of Truworths and Topics, is maintaining this position. Its operating profit has grown at least as strongly as its sales growth of about 20%.

The larger Truworths and, to a lesser extent, Topics, together with the boutique chains in SRG, met consumer demand for fashionable merchandise and controlled expenses and stock, applying minimal markdowns. Operating margins were at least maintained. Trading exceeded expectations during the last two weeks of December.

Excluding Shield and Drop Inn, Massmart — essentially Makro — lifted sales 12%. This generally reflects the acceptance of the new Makro wholesale outlets developed over the past three years. It seems Makro’s operating profit grew much faster than sales. That was easy because it came off a small base. But it is a favourable development which, if sustained, indicates Massmart will become an increasingly important contributor to Wooltrubs’ operating profit when the economy improves.

Woolworths’ sales performance was mixed. Its market share of clothing, footwear and textiles declined on a sales increase of only 6%; foods held market share with 6% growth.

Still, Woolworths’ overall 8% sales growth is encouraging. It marks the probable end of an 18-month downward trend. Understandably, the sales growth is not yet accompanied by an equal growth in operating profit. Management is working at controlling costs, though they reckon it will take some time before the merchandise range and operating profitability reach the targets set.

Wooltrubs’ CE Colin Hall notes that while comparable sales for the first seven weeks since December are up 19%, consumer spending is expected to remain weak for the rest of the financial year.

Even so, if each division’s second-half sales are as good as those of the first half, operating profit and attributable earnings could show better growth by year-end.

Investors have already taken note of this. The share was trading this week at R60, well above the 12-month low of R41 reached last August. It has gained 450c since the results were released.

SALES BOOST

<table>
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<tr>
<th>Six months to</th>
<th>Dec 31 ‘91</th>
<th>Jun 30 ‘91</th>
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<td>Dividends (c)</td>
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Gerard Huxley
Wooltru may issue R100m in paper

TIM MARBLANK

WOOLTRU was considering issuing unsecured commercial paper worth up to R100m on the money market, Wooltru Finance MD Jon Lavies said yesterday.

The move could make Wooltru the first listed company to do so, sources said.

Lavies said the firm had already issued about R40m of secured commercial paper.

In essence, commercial paper is an IOU issued by a company to a lender and is similar to instruments such as bankers' acceptances with fixed or variable interest rates. Under new rules gazetted in January, companies meeting certain requirements, such as holding net assets of more than R100m, can issue paper that does not have to be endorsed by a bank.

This means funding costs are reduced, because having a bank secure debt can be costly. The paper has also to be issued in denominations of at least R1m.

Lavies said it was pointless for larger firms to have banks — which could have smaller asset bases — endorse their paper.

The paper could be issued at a rate similar to the non-liquid bankers' acceptance rate — currently about 12.06%.

Lavies said Wooltru had held talks with institutions and the response had been favourable. But there was no urgency surrounding the possible issue, he said.

Wooltru already had a money market operation, as it managed its debt on a daily basis, so few changes were needed to issue the paper. The paper would have maturities of up to 12 months, he said.
All is not quiet on this Waterfront

ONE night last week Mervyn Kushner, owner of the Greatest Little T-Shop in the Whole Wide World, managed to close its doors for Cape Town’s spectacular new Waterfront development at 5.45pm. The staff were exhausted and we were running out of stock again,” said a tired but cheerful Mr. Kushner.

“We tidied up the shop, and by mistake one of the staff left the doors open when we went home. In they came again, buying T-shirts, shorts, shirts — you name it.”

Mr. Kushner’s policy of never closing as long as customers still want to buy.

“We finally got the doors closed at 5.45pm — it’s time to restock before we opened again at nine,” he said.

Mr. Kushner, father of six, says his waterfront shop has exceeded his wildest expectations and, believe you me, I can dream.

“I’ve been in this business 30 years, but I’ve never seen retail demand like it — it’s phenomenal.”

Mid-afternoon on Thursday and there’s not a seat to be had inside or out at the chic San Marco ice-cream and coffee house.

The tired young manager was fighting to get the stream of orders out to his clients.

How’s business?

“Please, man, I haven’t got time to stop and talk now. Try me one evening about five. Maybe things will have calmed down.”

“It’s the same all over the Waterfront,” says David Jack, managing director of the Victoria & Alfred Waterfront Company. “People are doing fantastic business.”

About two million people will pass through the Waterfront this month alone, all of them clocked and analysed by the Waterfront’s electronic metering system.

There can be little doubt that Cape Town’s Waterfront is an amazing success.

South African business has had its share of failures in recent years. JEREMY WOODS reports on a runaway success: Cape Town’s Waterfront

MOST nights the action around the harbor is moving into top gear about midnight. Live music is hopping across the water from the pub at Berliet’s Landing, while disco music beats out from the Sports Cafe, where teenagers queue up for half an hour to get in.

Families, with babies asleep in backpacks, wander round with the crowds of tourists from “up country” (no one mentions the word Transwaal in Cape Town at the moment), through the brightly lit malls and piazzas, window-shopping or looking for somewhere to eat.

Shops are selling, tills are ringing and most of the restaurants are full. On New Year’s Eve, some made cover charges of R5 a head.

Sitting amid all this spending having a late-night drink, it is easy to forget that South Africa is at the bottom of its longest recession this century.

Surprisingly, solid support for the project came from a corner of the economy not renowned for its swift, inclusive, entrepreneurial flair.

The V & A Waterfront Company is a wholly-owned subsidiary of Transnet, which is owned by the state.

“One of the reasons why this development has worked is that it’s the flexibility of the Transnet management and its positive response to what could be considered outlandish requests.”

Last week there was a jazz-and-blues concert for 4,000 people in a working drydock. By next morning, when workers appeared for work, there was no sign of the concert.

That’s the sort of co-operation we get,” says Mr. Jack.

And it was that way right from the start.

“Transnet thought it would have to put in seed capital of R25-million over several years,” says Mr. Jack. “We said No, it’s R60-million over 18 months. We did our homework, we showed it was a viable concern and we got our money.”

TRANSNET has so far put R260-million into the first and second phase of the development, and this has been matched by a further R160-million from banks and other private-sector sources.

“Most of these funds should be repaid within three years,” says Mr. Jack. “It’s looking like a very good investment.”

If Transnet and Portnet can turn this once-disused, oily docks into some of the hottest space in the country, what other assets and opportunities are sitting idle, waiting for the kiss of life?

The Waterfront is a splendid success story. Now if only this kind of new thinking can be applied to the country as a whole.
All is not quiet on this Waterfront

ONE night last week Mervyn Kushner's Greatest Little T-Shop in The Whole Wide World managed to close its doors in Cape Town's spectacular new Waterfront development at 3.30am, having traded hard all day and most of the night.

"The customers had been coming at us in waves all through the day and most of the night. The staff were exhausted and we were running out of stock again," said a tired but elated Mr Kushner.

"We tidied up the shop, and by mistake, it of the staff left the doors open when he went home. In they came again, buying T-shirts, shorts, shirts - you name it."

Mr Kushner says his shop has a stated policy of never closing as long as customers still want to buy.

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Mr Kushner, father of six, says his waterfront shop has "exceeded my wildest expectations and, believe you me, I can dream."

"I've been in this business 33 years, but I've never seen retail demand like it - it's phenomenal."

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"That's the sort of co-operation we get," says Mr Jack. "And it was that way right from the start."

"Transnet thought it would have to put in seed capital of R22-million over several years," says Mr Jack. "We said: 'No, it's R32-million over 16 months.' We did our homework, we showed it was a viable concern and we got our money."

TRANSPORT has so far put R280-million into the first and second phase of the development, and this has been matched by a further R200-million from banks and other private-sector sources.

"Most of these funds should be repaid within three years," says Mr Jack. "It's looking a very good investment."

If Transnet and Portaflour turn disused, oil-tyrined docks into some of the hottest space in the country, what other assets and opportunities are sitting idle, waiting for the kiss of life?"
Nail-biting Christmas rush boosts retailers

BETTER than expected Christ-mas retail sales would enable some retailers to show real growth for the period.

Major retailers said yesterday that sales had picked up significantly in the “nail-biting” last few shopping days, and this would provide a slight boost to their budgets for the year.

But most warned that although there were indications that the eco-nomy would pick up over the year, trading conditions in the retail sector would remain extremely difficult on the back of high VAT, fuel levies and interest rates and increased unemployment.

Edgars executive director Fred Haupt said the group’s sales were 20% up on the previous year, with Sales House and Jet Stores exceeding expectations and Edgars meeting its forecasts.

Haupt said Jet’s sales had been excellent in a cash-only market, and it was on “a turnaround trail”.

But he warned that trading condi-tions in 1993 could be a repeat of the previous year. There were few indica-tions that 1993 would be a better year, and retailers would still battle for sales.

Retailers wishing to keep their heads above the water would have to work on their marketing and on im-proving their focus, he said.

Growth

Amrel MD Stan Berger said there had been an improvement in sales across the board in the last two months.

Although he was waiting for final figures, he said that Christmas had been better than last year. CNA CE Ian Outram said CNA had met its targets, and had achieved real sales growth over the Christmas sea-son. He said budgets for the current year would be set later this month, but he was “fairly bullish” about the first six months, which would be mea-sured off a low base of the previous year.

He added that he was not pessimis-tic about 1993, as there were signals that inflation was under control.

Pick ’n Pay MD Hugh Herman said the Christmas period was reasonable, and the last two weeks were quite strong as people deferred shopping until the last moment. Although there were customers in the stores, they were buying less with their reduced disposable income.

Herman said there were indica-tions of a slightly better economy in 1993, and Pick ’n Pay was planning for “a somewhat better 1993”.

Retailers were divided on the ef-fect of shrinkage over the Christmas period. Some said shrinkage was lower as a percentage of sales due to the significantly higher sales figures.

But others said December was always a high-risk month, with a larger amount of people in the stores and pressure on employees in the stores in terms of ringing up goods correctly and monitoring the move-ment of goods.
Key factors favour retail property growth

There are many cries of an "overshopped" retail property market in South Africa, but this is generally truer only of certain micro-sectors. There can be little doubt that the key factors influencing retail development are positively disposed.

As far as politics are concerned, there is obviously still uncertainty, but the dismantling of apartheid and in particular the Group Areas Act is especially significant when one considers the likelihood of retail development in primary residential areas, such as black townships previously not provided with shopping facilities.

And, while the economy is likely to continue to be depressed for some time, one must remember that development is essentially an entrepreneurial activity and that the small business owner has a vital role to play in urbanisation.

The ongoing movement of people to the country's major centres is unlikely to decline, which will bring opportunities for development, albeit with caution.

Specific needs
As our cities change character, the retail sector will have to adapt, creating a need for carefully planned developments aimed at specific needs.

Run-down areas will have to be revitalised, and then increasing residential take-up will need to be met with more facilities and services.

On the financial side, South Africa still suffers from an under-supply of major tenants.

However, the existing groups are expansionist and are, almost without exception, trying to achieve entry into and greater penetration of the lower end of the market.

In addition, most retail groups need to add trading area to facilitate growth in their own financial programmes.

Meanwhile, the informal sector has been growing at an enormous rate.

In the short term, this may have a negative influence on established traders, but there is no doubt that the trend is generating more shopkeepers, who will eventually strengthen the formal retail tenant market.

Many factors, including the availability of institutional finance, are positive. But there are also a number of warnings to be heeded.

For example, developers should beware of overbuilding - providing facilities too big for their target markets - or creating centres where none can demographically be justified.

Also, they should not provide too many shops within one centre or make the existing stores too large.

These problems can be avoided by conducting proper research - and not misinterpreting the research recommendations.

Greater wealth
The affordability of rentals in the hands of traders are also not to be ignored. Greater urbanisation does not necessarily mean greater wealth.

Demand is still likely to be led by food, followed by pharmaceuticals, clothing, recreation and then furniture - which means rental affordability for the small traders will not be large.

But we must take great care not to compromise on quality of facility.

All consumers are demanding good quality environments, which cannot always be at the rentals tenants are able to afford. As a result, developers are going to be hard-pressed to "balance the liability books".

All in all, though, 1993, looks set to be an interesting - and active - year, especially with regard to the developments now in the melting pot.

Watch out for urban renewal projects, for developments in black residential areas and for new activity among the existing major retail groups.
New year bomb for white ANC man

8/1-14/1193

BY SHADLEY NASH
Port Elizabeth

The new year started badly for Malcolm Hepburn, the only white member of the African National Congress in the conservative Karoo town of Patensie. An explosion just before midnight on Sunday woke Hepburn and his family. A minute later a second bomb ripped through his store, less than 100m from the farmhouse.

The fire was put out, but clothing, food and other goods were destroyed. The police believe commercial explosives were used, fuelling speculation that the bombers were rightwingers.

Hepburn, known as Qwathi to his Xhosa-speaking friends, believes he was targeted because he is an ANC man. Now he fears for his life.

Hepburn, 62, and his wife Loraine, 60, moved to his 12-hectare farm in 1986. They found their white neighbours unfriendly. But their trading store, on a road which links the farm to Patensie's black township, was successful.

Hepburn, who grew up in the Transkei, was christened Qwathi by an old friend with whom he spent time at an initiation school. A supporter of the then United Party, he shifted his allegiance when Transkei became independent and his family were forced to sell their property. In Patensie, Hepburn quickly made township friends.

"In 1991 when VAT was intro-
duced a consumer boycott was launched and my business suffered badly," said Hepburn. He decided to attend a township meeting to discuss the boycott. "The chairperson wanted to know who invited the 'boer' to the meeting." But he demanded to be heard, and later contacted the ANC's Port Elizabeth office.

By Christmas the boycott had been lifted and he was asked to join the ANC. Today he is an executive member of the local branch. The attitudes of Patensie's whites towards him hardened when he joined the local civic and began campaigning with township residents. "It was after one meeting with the council that a councillor warned me that I was treading on dangerous ground."

When a second consumer boycott was launched late last year, Qwathi store was the only white-owned shop that thrived. But Hepburn began receiving death threats. An anonymous caller said: "You are going to be burnt out before Christmas." Christmas passed peacefully, but he spent many nights patrolling the farm.

Despite the bomb attack, Hepburn remains unwaveringly in support of the ANC. This week he began fortifying his home and what remains of his store. The mood among politicised youths in the township, who have been angered at the bombing, was restive. — Pen
Pricing the war

UK supermarket chains, with margins the envy of food retailers worldwide, have embarked on an aggressive marketing campaign and they are prepared to pay for a larger slice of the market. A high-profile move was made last week by the biggest chain, Sainsbury, which promised to reduce prices on 750 lines — on some items by as much as 50% — for an unspecified period.

Sainsbury says it beat its demanding sales budget in the run-up to Christmas and the increased profits generated are providing ammunition for the company to cut prices selectively and expand market share.

The campaign has been carefully hyped, say analysts, to extract the maximum publicity and increase on volumes from carefully chosen price concessions. It is expected that suppliers will bear some of the price cuts in the hope of higher sales.

The publicity has not all been favourable. The London Sunday Times points out that, according to figures released by the chain on Saturday, only grapefruit, at 15p each, came close to being halved in price. "Only 24 out of about 100 items highlighted by the company as major bargains were cut by more than 25%. Of those, only four were branded products that are less profitable for retailers than their own-label goods."

The newspaper says Sainsbury refused to provide it with a complete list of its discounted items and "refused to reveal what impact the cuts would have on a typical shopping basket of 35 everyday goods chosen by the Consumers' Association."

The chain's principal competitors, Tesco and Safeway, responded with details of their own January promotions, which they say had been planned some time ago. Tesco's offer related to more than 1,000 lines with cuts of at least a third on more than 100 items. Safeway says it already had 1,000 special offers and will launch a New Year promotion which includes 50% off some basic items.

All three companies deny starting a full-blown price war, reminiscent of the Seventies. Sainsbury made a similar move last year at the same time, when sales are traditionally slow. It succeeded in dominating headlines and prompted speculation of a price war that never materialised.
Metkor loses foreign edge

In an annual review, chairman Pieter Potgieter said the company’s competitive edge in foreign markets was being eroded through unacceptable trade union action, high wages and low productivity.

In the financial year to end-September, turnover increased marginally to R3,323bn from R3,223bn. Many of the companies in the group recorded poor results in 1992.

Several divisions, including Derbyl, reported losses, with Wescor Holdings and Metkor Industries falling further into the red.

Restructured Uako managed to record a small profit in 1992.

Metkor should benefit from the disposal of loss-making Metkor Industries and from the recapitalising of Uako, Potgieter said.
Parkmore residents oppose development

By Monica Oosterbroek

Hundreds of angry residents voted unanimously against any further business development in the quiet Sandton suburb of Parkmore at a noisy meeting last night.

More than 500 people packed into the Montrose Primary School hall to object to plans to expand and develop a small existing shopping centre in Olympia Avenue.

Residents also voted unanimously against plans to demolish five Holt Street homes to make way for a garage and petrol station off the William Nichol Highway.

Sandton town councillors Bruce Burns and William Hefer made it clear at the meeting that they opposed the two developments but said every application had to be considered on its merits.
Sycom's shopping-centre focus pays off

SYFRETS and Commercial
Union Property Fund (Sycom) would continue
investing in well-located
shopping centres — a strategy which increased its
earnings last year in a de-
climing property market,
UAL Property Fund Man-
gers MD John Peters said
in Sycom's annual report.
Sycom's portfolio con-
sists of 27 office and retail
properties, managed by
UAL Property Fund
Managers.
Peters described the
company's performance
last year as satisfactory
considering the deteriora-
tion in the property market,
weak economy and the inci-
dence of bad debts.
The company increased
its net income to R50,4m
from R41,8m in 1991. This
translated into 77,80c a unit
— an increase of 34% over
the previous year.
In the year to September
30 1992, Sycom continued
its strategy of weighting its
portfolio towards the retail
sector, especially by par-
icipating in well-located
centres in Johannesburg,
Cape Town and Pretoria.
In line with the strategy,
the company sold Bathgate
(Pty) Ltd, which owns the
Bathgate Building in Rose-
bank, Johannesburg, for
R2,67m and reached agree-
ment in principle to acquire
a 22% undivided share in
Somerset Mall, a regional
shopping centre in Somer-
set West.

Construction of the cen-
tre was due to be complet-
ed in September this year
and was anchored by Pick
'n Pay, Woolworths and
Edgars. The cost for Sycom
was expected to be R28m.

However, Peters expect-
ed a decline in Sycom's
earnings this year, follow-
ing a "significant reduc-
tion" in interest earned as a
result of lower interest
rates and a progressive
commitment of capital to
property investments.
CBD may well return to its former glory

Continuing migration from the Johannesburg CBD was one of the main forces driving the property market on the Reef during 1992.

Movement from the city centre had the dual effect of stimulating demand for office space in decentralised nodes and creating vacancies in prime office building in the CBD area at extremely reasonable rentals.

Reduced take-up and the resulting lower rental base means there is now excellent value to be had in the CBD.

The huge infrastructure available to users in the city centre adds to its attractiveness.

We therefore expect that, in the event of an economic upturn and a boost for the small business sector, take-up in the CBD should improve particularly as overheads, including rentals, increasingly come under the microscope.

Of the major decentralised nodes, Rosebank, Randburg and some parts of Sandton such as Woodmead, Epsom Downs and Wierda Valley were in greatest demand in 1992.

There was less take-up of office space in areas such as Bedfordview, Parktown, Rivonia and Braamfontein than in previous years.

Another feature of the market was a discernible movement out of first-generation office blocks in decentralised areas to new developments further north.

An encouraging trend was the entry into the market of international companies.

Many of these were airlines that took office space in the Illovo area, owing to its prime location relative to the major commercial centres on the Reef.

Overall, the number of new office developments was sharply down on 1991, with developers reacting negatively to the depressed market and anticipating slack demand for additional office space during 1993.

The depressed economy also resulted in reduced demand for office space from business start-ups.

I expect that in the coming year a number of large corporations will finalise major relocation decisions which will become effective in 1994-45.

Les Well, chairman of the giant JHI brokerage group, outlines factors which will affect the office market in greater Johannesburg.

Outlook '93
Bomb rips West Rand shop centre

**Sowetan Correspondent**

A powerful bomb ripped through a West Rand shopping complex early yesterday in what is believed to be a revenge attack for the beating of two young black shoplifters.

One of the boys died in the Baragwanath Hospital two days after the beating on October 1, possibly as a result of the assault.

The Elite Cafe and neighbouring Shorty’s Fruit and Veg were completely destroyed and 18 other shops were badly damaged in the 11.10am explosion in Station Street, Randfontein.

Damage amounting to millions of rands was reported but no one was hurt.

Police said a person purporting to be a member of Apala telephoned the police toll-free number this morning claiming responsibility for the blast. But police do not suspect the organisation at this stage.

The attack was apparently aimed at the Elite Cafe belonging to Jackie de Sousa.

This was the second blast at one of De Sousa's shops. On January 4 his Zuurboom shop was badly damaged in a limpet mine explosion.

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161 children spent Christmas in jail

**Sowetan Reporter**

A total of 161 children under the age of 14 spent last Christmas in jail.

A statement from the Deputy Minister of National Housing, Mr Glen Carelse, yesterday confirmed that "between December 1992 and January 7 this year 161 children aged 14... and younger trial were detained in police cells and prisons countrywide".

Sixty-one have since been placed in "alternative care", 43 reunited with their parents and 16 in "places of safety" and two in reformatories.

“At the moment 36 cases are being investigated and these children will probably soon be placed in alternative care.

The remaining 64 children are being detained for serious crimes, such as murder and cannot be transferred because they pose a danger to the community,” he said.
Car sales stall in December

10 best-selling passenger ranges

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DECEMBER vehicle sales ended 1992 on a weak note after a modest recovery in the previous three months, with annual sales falling for the fourth successive year, the National Association of Automobile Manufacturers of SA (Naamsa) said.

New car sales fell 16.7% to 19 022 units compared with 15 644 units sold in November 1992 and 3.1% when compared with 19 446 sold in December 1991.

Light commercial vehicle sales were 18.3% lower at 5 884 compared with 7 394 sold in November 1992 and 12.7% lower than the 7 424 sold in December 1991.

Medium commercial vehicle (MCV)

Car sales 1/10/93

Sales at 202 were 5.6% lower than December 1991's 214, while heavy trucks and bus sales (HCV) increased 12.1% in the same period when 527 were sold.

MCV sales declined 26.8% compared with 278 sold in November 1992, as did HCV sales, down 27.2% compared with the 508 sold the previous month.

Naamsa was optimistic that slightly improved sales of September, October and November would continue into 1993 as early indications from vehicle manufacturers and financing houses suggested January 1993 new car and light commercial vehicle sales had improved considerably.

Toyota marketing MD Brand Pretorius said December's lower sales were no surprise but still disappointing in that they reflected a slight reversal of the improved sales trend in the last quarter of 1992.

Toyota believed the market had bottomed out, which underpinned a more confident outlook for 1993. "Toyota's 1993 car sales forecast is 2.2% higher at 187 000 compared with 182 906 sold in 1992." Naamsa also expected a steady improvement in sales in line with an expected modest economic recovery.

Nissan SA marketing MD Stephanie Loubser said it was clear the car market was not yet back on the road to recovery, but there were some positive signs that things could start improving in the third quarter.

New vehicle sales in 1992 were 284 025, 7.8% lower than 1991's 308 120. Naamsa forecast 1993 sales to be 3.3% higher. 
A flat 1992 for motor industry

By Sven Linsche

Car sales fell in 1992 for the fourth year in succession, but the industry is optimistically forecasting a slight improvement this year.

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday show that sales fell to 182,908 units, a decline of over 15,000 units on 1991, and the lowest level since 1987.

Similar percentage falls were recorded by other sectors. Sales of mini-buses and bakkies dropped to 92,420 units (1991: 106,410), medium commercial vehicles to 3,278 (4,127), and heavy commercials to 5,413 (6,867).

The association attributes the decline in sales to the lower level of disposable incomes, reduced corporate investment spending and ongoing socio-political uncertainty.

* While car sales in December fell sharply to 13,522 from 15,842 previously, Naamsa is optimistic that the improved sales trend of September, October and November will continue this year.

"Early indications suggest that so far in January new car and light commercial vehicle sales have picked up considerably," it says.

Naamsa foresees a gradual improvement in new car sales this year to about 187,000 units, in line with the expected modest recovery in the economy.

Brand Pretorius, managing director of Toyota SA Marketing, echoes Naamsa's more optimistic outlook for 1993.

"The positive trend in passenger vehicle sales for the last quarter of 1992 provides an indication that the market has indeed bottomed out," he says.

This is underpinning a more confident outlook for 1993 and Toyota's forecast for passenger vehicle sales for the year is 187,000 units, up 2.2 percent on 1992 sales.

The Naamsa figures show that Toyota regained its market share in all sectors, after experiencing a temporary slump following the strike at its Durban plant.

For 1992, Toyota's share of the total vehicle market was 27 percent, followed by Nissan with 17.7 percent, Samcor 17.2 percent, VW 14.2 percent, Delta 10.7 percent, Mercedes 7.2 percent and BMW 5.5 percent.
Cashbuild: Recognising the losses

Activities: Retail building materials for cash through Cashbuild. Buy 'n Build and U-Build outlets.

Control: Pepkor 56%.

Chairman: C H Wisse. CE: G R S Haumont.

Capital structure: 21.4m odds. Market capitalisation: R867m.

Share market: Price: 450c. Yields: 3.0% on dividend; 7.4% on earnings; p/e ratio, 13.5; cover, 2.5; 12-month high, 800c; low, 250c.

Trading volume last quarter, 1.1m shares.

The release of Cashbuild's disappointing preliminary results for financial 1992 in mid-October had little impact on the share price, which had been languishing around 265c on a dividend yield of 5.1%. Over the past six weeks the price has recovered by about 70%, but this is unlikely to be on account of the annual report, in which figures have been restated with favourable effects on year-on-year comparisons.

According to CE Gerald Haumont, the figures concerned now include additional liabilities which have been recognised in the periods in which they originated. These related principally to a change in accounting policy in the treatment of an off-balance-sheet property investment.

Haumont says R10m borrowed from an institution was used to build seven stores. The agreement was that Cashbuild would pay interest annually, with the capital to be repaid at the end of 10 years. The stores in turn pay rent to Cashbuild, but the amount is based on a lower interest rate than was incurred by Cashbuild. Annual rent escalations of 10% will result in break-even being reached in six years (two have been completed), but until then the property company is making a loss on the plan.

Tradegro was happy with the accounting arrangement; the property company at the time was not wholly owned. When Pepkor became the holding company in October, it insisted that the losses should be reflected in the years they were incurred. This, says Haumont, was behind the threefold increase in finance costs, to R670 000, in the 1992 year.

Preliminary figures, before restatement, showed earnings having dropped for the first time in 10 years, falling 9.5% on 1991. On restated figures, EPS marginally increased to 33.3c, on turnover up 10%. Poor trading conditions resulted in squeezed margins and a 4% decline in operating income, to R15.3m. A lower effective tax rate offset the higher interest bill, resulting in a marginal increase in attributable profit to R7.1m (R7.0m).

Cashbuild's expansion plans are to go ahead this year, says chairman Christo Wisse. Because the new stores will continue to be financed internally, it was decided to reduce the dividend by 10%, bringing the final payout to 8.5c (10c), a measure taken to protect reserves.

Cashbuild remains the biggest divisional contributor to profit, although Haumont conceded that in terms of return on sales, Buy 'n Build tops Cashbuild, whose market is more mature. He adds that of the new stores planned, focus will be centred on the Buy 'n Build stores.

Trading conditions have been difficult for Cashbuild, this year, says Haumont, and it is only since November that sales have turned around.

Because this is not a typical year — to comply with Pepkor's financial year-end the next reporting period will be for the eight months to February 1993 — many of the supply rebate targets will not be achieved. This, in addition to the high fixed costs spread over the eight months, will be adverse for Cashbuild's next results, making it difficult to maintain earnings.

Though the share has offered value in the past, investors may want to wait for evidence that the earnings record is not being unduly curbed by the recession, before committing new funds.

Cashbuild's Haumont... additional liabilities

Rusfurn: Plumbing the depths

Activities: Retail furniture, appliances and consumer durables. Finances consumer credit.

Control: ABSA 39.3%.

Chairman: D C Cronje; MD: K N Jenkins.

Capital structure: 17.4m odds. Market capitalisation: R2.86m.

Share market: Price: 17c. 12-month high, 330c; low, 10c. Trading volume last quarter, 1.3m shares.

Year to June 93

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This company has plumbed the depths of commercial misery, shareholders must be wondering, considering their own wealth in the group has effectively been wiped out, where it will go from here.

During 1992 Rusfurn lost R136m. No wonder new chairman Danie Cronje describes it as "a grim one for the group and certainly the worst since its listing on the JSE in 1987." That's reflected in the share price, now down to 17c. The odds give a market valuation of R3.3bn on turnover of R1.4bn — and that just about says it all.

Still, it's worth considering some of the more intriguing aspects of the saga. It's not so long ago that the somewhat reserved and icy polite former banker Laurie Korsten was persuaded by his colleague Piet Liebenberg to take on the job of nursing Rusfurn back to health. Liebenberg had plenty to be worried about. As boss of Bankorp, he was...
Last year's motor industry downturn and the drought prevented an upswing for motor group Urquhart. With the knowledge that the interest bill would increase, chairman Gavin Urquhart forecast taxed profits for financial 1992 would be similar to those of the previous year.

And, assuming that there would be no material improvement in the economy, he predicted ordinary shareholders would receive dividends of 12c a share. Unfortunately, this was not to be.

Ford franchises

Total industry unit sales of cars fell by 12.6% and those of commercial vehicles fell 13.5%. Because of the drought, there was almost a complete absence of tractor sales in the Ford franchises.

Explanations for the shortfall, in earnings and dividends, include pressure on gross margins and retrenchment costs. Urquhart's staff has been cut since the September 1991 restructuring, from 770 to 670, despite the acquisition of two new dealerships. A R500,000 retrenchment bill was paid.

The balance sheet moved from cash flush into gearing as R13.8m was spent on new properties and a R24m special dividend paid to ordinary shareholders. Financial director Mike Broome contends that while 1992's pre-interest profit may be compared with 1991's, there is little point in comparing post-interest profits.

The group was completely restructured in 1992. The nature of the business changed, resulting in an amendment to the listing and a name change. A new MD was appointed. The share, formerly Sinclair Holdings, moved from the Industrial Holding to the Motor sector.

Broome says the first six months of the 1993 year will see pre-interest profits little changed from last year's, though the figure should be up at year-end. He says maintained or slightly improved earnings should be regarded as satisfactory in this industry but management is hoping for better. Urquhart is looking for acquisition opportunities. The board is working towards a 3 times dividend cover.

The share has recovered from its 35c November low but the price remains one of the lowest in the motor sector. The Urquhart family controls almost 93% of the issued shares, so the stock rarely trades. It nevertheless needs to prove its worth before it will become attractive.

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† Undiluted. ‡ Trading as Sinclair Holdings.

URQUHART MOTOR GROUP

No upswing yet

Activities: Investment holding company focusing on motor retailing and investment in property.

Control: Urquhart family trust 94.9%.


Capital structure: 12,9m ords. Market capitalisation: R7.7m.

Share market: Price: 60c. Yields: 10.0% on dividend; 24.5% on earnings; p/e ratio, 4.1; cover, 1.7. 12-month high, 140c; low, 36c.

Trading volume last quarter, 29,000 shares.
Gambling on green

Green products may be hot sellers in supermarkets overseas but in SA environmentally friendly products, such as household cleaners and toiletries, appear to be bombing badly.

Following the lead of counterparts in the West, SA companies were quick to champion the green issue. Debates raged over the use of CFCs and ammonia in household sprays and cleaners, and some green ranges were launched, but in the main the local revolution hasn't taken off.

Pick 'n Pay has an in-house range of environmentally friendly household products. Director Richard Cohen maintains that "some categories like recycled paper and liquid detergents do very well," but he admits other products aren't high fliers. The chain earns about R30m a year from its green products. One problem is a public perception that green products are more expensive than other brands and aren't as good. The ingredients have to be biodegradable and are, therefore, often dearer.

However, Cohen maintains that while the price of green products isn't as low as

name brands, "there is price parity with the brand leader."

The Housewives' League's Sheila Lord adds that its studies on the pricing of green products are inconclusive. "We certainly didn't prove they were more expensive." She says that in SA consumer awareness of environmental issues isn't very high and the league has never been approached to push or endorse green products. Moreover, poor people generally buy the cheapest product. "They're more concerned about where the next loaf is coming from than whether the environment is in trouble," she adds.

SA Wildlife Society ecologist Andrew Duthie says the environmental ethic in Europe and the US isn't present to the same degree in SA. "It's related to levels of affluence and, while there are affluent people in SA who can afford to be environmentally aware, our national psyche is more geared towards fundamental issues such as poverty alleviation."

Cohen says green products will have to be repositioned in the market. But progress is being hampered by a lack of standards to which products must comply. "There is no laid-down standard, but there are various symbols and signs, which only creates confusion," he adds.
THE bank indemnity scheme initiated three years ago by the Small Business Development Corporation (SBDC) for small and medium enterprise developments had freed more than R65m to date, the SBDC said yesterday.

Financing had been granted to 201 business entrepreneurs in the joint project between the SBDC, the state and SA’s major commercial banks, SBDC assistant GM and head of business financing Kees de Haan said in a statement.

The Finance Department had provided an initial R20m to launch a bank indemnity fund administered by the SBDC, he said.

The scheme underwrites a portion of the risk to which banks are exposed when considering loans to small and medium enterprise clients who cannot meet standard security requirements.

De Haan said the scheme enabled banks to maintain their usual risk standards, while making the financing expertise of hundreds of bank managers — at more than 1 000 participating banking outlets countrywide — accessible to a wider range of would-be business entrepreneurs.

Launched in 1990, the scheme had developed slowly during the first two years, with only 100 small and medium enterprise clients assisted and development capital of R25m utilised. Since a public announcement six months ago, the number of clients had doubled and capital mobilised had increased to R65m, he said.

To date the success rate of clients in the scheme was nearly 80%, but the stability of enterprises could only be effectively assessed in their third year.

The financing capital unleashed by the scheme originated from the participating banks, entrepreneurs and third parties.

De Haan said the multiplying effect of the scheme had already proved its effectiveness as the R20m indemnity fund had generated more than three times that amount in development capital for the small and medium enterprise sector.

He said he hoped government would make further contributions to the fund, and that the life insurance and pension fund industries would give it consideration.
JOHANNESBURG. —
The Small Business Development Corporation (SBDC) initiated bank indemnity scheme, started in 1990 with R20m, mobilised development capital to R65m in the last six months.

The SBDC said yesterday that over 200 small to medium business entrepreneurs had been granted financing in the scheme run by the SBDC, the 'government and the major commercial banks.'

SBDC assistant GM Kees de Haan said the bank indemnity scheme had proved its effectiveness by tripling, through the 'multiplying' effect, the starting R20m indemnity fund to R65m.

The success rate of clients in the scheme is nearly 80%.

In the light of the accelerated growth rate of the bank indemnity scheme and the SME (small to medium-sized enterprises) sector's effectiveness in job creation and economic recovery, we hope the government will make further contributions to the fund," he said.

The scheme underwrites a portion of the risk to which banks are exposed when considering loans to SME clients who cannot meet standard security requirements.

It enables the banks to maintain their usual risk standards, while making financing expertise accessible to a wide range of entrepreneurs. — Sapa
Unions brake proposal for after-hours car repairs

By DICK USHER

South Africa's urban sprawl, huge travelling distances and paucity of public transport, private vehicles can hardly be considered a luxury. The ability to repair and maintain them in the shortest elapsed time is of the greatest importance.

The association said that with the increased rate of urbanisation in the wake of removal of influx control, transport demands were likely to rise "alarmingly" in the next decade.

"The demand for the skills and facilities of workshops is likely to rise far faster than the skills base can be expanded," said the AA.

Without increased efficiency in the industry, customers could find themselves faced with sharp price rises because of a growing scarcity of facilities.

Unions say they are unclear what employers intend by proposing extended trading hours.
to put SMEs on track

Two-pronged strategy

OBSTACLES

small business include issues such as securing external funding and developing a company's strategic plan.

RISKS

The main risks to look out for are:

1. Limited market reach
2. Competition from larger companies
3. Financial instability
4. Regulatory requirements

BY KEVIN DAVE

THE MARKET
Serebro cuts OK board

OK BAZAARS' main board will lose nine directors and alternates in a major re-organisation of duties instituted this week by new MD Mervyn Serebro.

Just two weeks into his new job, Mr Serebro has announced that four directors and two alternates are to retire in March. 7111973

Another three will step down to the new operational boards that he has set up to control the activities of OK Stores and the Hyperamas.

Mr Serebro, who moved into former CE Gordon Hood's office on January 1, believes a leaner corporate board and the introduction of the two operational boards will improve the group's focus.

"It will allow us to focus both on critical strategic issues and on the targeted consumers of each of the trading divisions," he said.

The market has already shown muted support for Serebro's plans. The share price ended the week R1,35 firmer at R6,69; well above its October low of R4,60.

OK's attributable income has slipped from R19,8-million in 1988 to R9,5-million at end of March 1992.

Retiring

Former main-board directors Bob van Colle, Mervyn Kratzisk and Jack Coombes move from the corporate board to the new operational board of OK Stores.

The new-look corporate board includes Mr Serebro and deputy MD Philip Grover, SA Breweries' two representatives, Meyer Kahn and Selwyn MacFarlane, retain their seats. Richard Blackwell, Keith Hartshorne, Geoff Kearney, Norman Numan and Arthur Solomon are the other directors.

Gerald Manns, 89, and Melville Peltz, 77, who have been with OK for over 40 years, are retiring.

So too are Taffy Howson, 88, Gerrie Snyman, 69, and the group's alternate directors Leon Bubb, 61, and Joe Novello, 69.
Big plus for small business

Small business creates jobs. Yet little state money goes this route while billions flow into big projects.

Comment by KEVIN DAVIE.

The clamour for more money to be channelled into small business is fast becoming a crescendo.

The Reserve Bank, Standard Bank's Platform for Investment, the Development Bank, the World Bank, the Small Business Development Corporation (SBDC), a study sponsored by the life industry, all say that growth in small and medium enterprises (SMEs) is the way forward.

"SMEs are the light cavalry of the economy," says the SBDC's Ben Vosloo. "This is the worldwide experience." The argument is that job creation in this sector should be put at the top of development priorities.

The housing kickstart popularised by the Nedcor-Old Mutual scenario is still bogged down in the political process. It is also better to create a job for a man so that he can buy his own home rather than put him in a house at great cost to the taxpayer. It would be nice for every South African to be given a home, but resources simply do not stretch that far.

The Nedcor-Old Mutual team also wanted a gear change whereby SA would sell value-added exports in foreign markets.

The gear change is well under way. The state-owned Industrial Development Corporation (IDC) is pouring billions into projects such as Alesaf and Columbus which will benefit from imported and local minerals.

Many favour a two-pronged approach where both labour- and capital-intensive industries are supported, but while the big projects are fully financed, small business is still waiting for the begging bowl to be filled.

The SBDC, which has created 300,000 jobs since 1988 at a cost of R5 million a job and a 85% success rate, received no support from the Budget this year.

It has curtailed its activities, turning down seven good prospects for every two which are accepted. Inquiries meanwhile are flowing in at a rate of 1,000 a working day. The SBDC last year examined its growth prospects and decided it needed R1-billion.

Newspaper headlines report negotiations between the SBDC and 50% shareholders, the State in the form of the IDC, whereby the SBDC unsuccessfully tried to secure finance from the IDC.

The IDC agreed to make funds available only if it could increase its own on the SBDC board where the private sector owns 50% of the shares but has 75% of the vote.

State funds of R1-billion controlled by the IDC will be invested in Columbus to create just 33 new jobs. The SBDC could create 100,000 jobs with this money.

The huge disparity illustrates SA's economic policy options very neatly.

For me the choice is simple. I would put the R1-billion into SMEs. Tens of thousands of people would be able to use bricks to build homes rather than throw at one another.
OK Bazaars has used the retirement of two of its most senior directors to rationalise its management structure at board level.

Newly-appointed group managing director Mervyn Serebro announced on Friday the retirement of Gerald Manne and Melville Pels, after 40 years service with the company, and the reduction in the number of directors serving on the corporate board from 19 to nine.

In addition to the streamlined corporate board, two operational boards have been set up to run the trading divisions, OK Stores and Hyperama.

"The leaner corporate board and the introduction of two operational boards will enable the business to focus both on critical strategic issues and on the targeted consumers of each of the trading divisions," Serebro said.

OK's share price has been rising sharply in anticipation of the announcements. On Friday alone the share added 100c to 660c, bringing its gains for the week to 25.7 per cent, or 155c.

The corporate board is headed by Serebro, and deputy group managing director Philip Grover. Serebro will also have management responsibility for OK Stores and Grover for Hyperama.
OK's reshuffle pushes share up

From MERVYN HARRIS

JOHANNESBURG. — OK Bazaars shares rose sharply on the JSE on Friday on news of sweeping changes in the management of the company at corporate board level.

The share rise of 17.8% or 100c to 660c lifted its gains to 25.7% on the week and took the price to its highest level since October.

Changes in its organisation see the retirement of two senior directors, Gerald Manne and Melville Peis, who have each been with the company for more than 40 years, and a reduction in the corporate board from 19 to nine members, including chairman Meyer Kahn and group financial director Selwyn MacFarlane.

An announcement on Friday said the company would be managed at corporate level by a board of directors and at operational level by operational boards running the two trading divisions, OK Stores and Hyperamas.

The leaner corporate board and the introduction of two operational boards would enable the business to focus on critical strategic issues and on the targeted consumers of each of the trading divisions.

The new structures take effect from April 1.

New group MD Mervyn Serebro said the reorganisation marked a major strategic shift in the way the business was structured. "The retirement of two senior directors provided the opportunity to take a critical look at the entire structure of the main board."

He added that speculation about the opening and closing of stores was "merely flying a kite."

Apart from his corporate responsibilities, Serebro would handle management of the OK Stores trading division. Deputy group MD Philip Greiver would be responsible for management of the Hyperama trading division.
ROSEBANK LAND ROW

Who checked the fine print?

EM181192.

Rosebank Action Group's continued onslaught against JHI House and Rosebank Mall (Property May 8) has resulted in a Johannesburg City Council investigation. The group's basic allegation is that the council granted irregular zonings and sold property at a fraction of market value.

City secretary Howard Veal, who led the investigation, says "an apparent error on the part of the Administrator of the Transvaal in 1980, who was then responsible for Johannesburg land rezonings, conferred additional office rights for about 31 181 m² to the Rosebank Mall's consolidated Erf 233. "All that had been applied for was an extra 5 000 m² of retail rights, seven years before, to allow it a total of 28 671 m² of retail rights. The applicant was the then owner of Rosebank Mall, Rapp & Maister, which already had about 23 671 m² of retail rights. Rapp & Maister subsequently sold control over Rosebank Mall to Centrecity Property Fund in about 1985 or 1986." Veal deduces that, "together with the new retail rights granted for 5 000 m² an asterisk in Amendment Scheme 1/398 of 1980 — referring planners to coverage and height allowances — therefore simultaneously conferred an extra 31 181 m² of office and other nonretail rights . . ."

"Subsequent consolidation and rezoning of the site by JHI Property Management (Tvl) — which is managing agent for Rosebank Mall owner Cenprop — thus enabled it to transfer these office rights to the present site of JHI House . . . As far as the public was concerned, though, the owner did not advertise that it would increase the height of this development from four to what JHI alleges is only eight storeys ultimately."

JHI has responded by saying that while it has not had the time to investigate the allegations in detail, "Stand 50 (the site of JHI House), together with certain other stands adjacent, were acquired by the Rosebank Mall (pty) Ltd for the purpose of further developing the complex known as the Rosebank Mall. The negotiations with the council were conducted on an arm's-length basis and the price at which the properties were sold was arrived at in the course of normal commercial negotiations."

In November 1987, an application was made, in terms of the provisions of the relevant town planning and townships ordinance, for certain rezonings to accommodate, inter alia, the erection of a multi-storeyed office block . . . The application was approved by both the Town Planning Tribunal and the Director of Local Government and promulgated by Notice 1320 in the Provincial Gazette 4679 dated May 16 1990 as Amendment Scheme 2 729. In terms of the scheme, the applicant was allowed a maximum height of 11 storeys and floor area of more than 28 000 m² for office space. JHI House falls well within these parameters.

"The plans of JHI House were approved by the city council and the building has been erected in accordance with these plans. The directors are accordingly of the opinion that JHI House has been erected in accordance with all the legal requirements and that no case exists for any demolition."

Questions asked

Veal says the council has now requested the Administrator to rectify the Provincial Gazette notice which approved the scheme whereby the Mall acquired additional office rights with consent of about 31 181 m². The owner of the Mall should explain the following points:
□ Why it relied on Amendment Scheme 1/398 for additional office rights when it should have been aware that the granting of this office right was done without public notice and was either an error or a nullity;
□ Why it did not disclose to council that it intended to rely on Amendment Scheme 1/398 to spread rights on to Erf 50 Rosebank (the JHI site) when it had previously claimed that Erf 50 had no potential other than for parking; and
□ Why it is in contravention of the town planning scheme by its failure to provide the required number of parking bays.

JSE DISTRICT

Lots of movement

Tenant movement from Sino African Properties' AA Life Centre at 27 Diagonal Street, in Johannesburg's stock exchange district, has prodded the rumour that rental hikes are to blame. Three tenants have left this year and another two are on the verge of moving out.

First to leave was Deles Restaurant at the end of April. (Landlord Sino says it is negotiating with a potential restaurateur.) Then stockbroker Irish & Menell Rosenberg Inc last week moved into the JSE building. And in January, stockbroker Mathison & Hollidge is to relocate into Ampro's 32 Diagonal Street. According to a Sino spokesman, all three tenants' leases expired this year. Current office rentals in his building are within the market-related range for A-grade space in the CBD — R25/m² to R35/m² gross.

In the case of Mathison & Hollidge, Sino is up against stiff competition with Ampros negotiating deals including rent-free periods and discounts in selected buildings within its portfolio.

While 32 Diagonal Street is not in this selection, rents are attractive and Ampros says it will contribute towards "reasonable" office layouts.

Irish & Menell Rosenberg confirms that lower rents are also to be had in the Johannesburg Stock Exchange. According to the JSE, its gross rental from January 1 is R27/m² excluding Vat.

Wagging tongues

Sino says Diagonal Street Inn — a cantine run by Fedics for a consortium of members of the stock exchange in 27 Diagonal Street — will continue for the foreseeable feature. This facility is continually reviewed by Fedics and operates on a month-to-month lease basis.

Coupled with these departures are those that have been necessitated by the liquidation of two tenant stockbroking firms — hardly the fault of the landlord — Andrew Forbes & Co and Ben Janse van Rensburg & Co.

 Rumours that Davis, Borkhunm, Hate & Co will move are unfounded. The stockbroker still has five years to run on its lease in AA Life Centre.

With all this activity, and some empty floors, it's no wonder that tongues are wagging. But times are tough for stockbrokers and efforts to save on rent are not surprising.
OK BAZAARS shares rose sharply on the JSE on Friday on news of sweeping changes in the management of the company at corporate board level.

The share rise of 17.3% or 100c to 660c lifted its gains to 25.7% on the week and took the price to its highest level since October.

Changes in its organisation see the retirement of two senior directors, Gerald Mamme and Melville Pels, who have each been with the company for more than 40 years, and a reduction in the corporate board from 19 to nine members, including chairman Meides Kahn and group financial...
Prime office rentals slip back to 1989 levels

By Meg Wilson
Property Editor

Prime office rentals in central Johannesburg are now at 1989 levels of between R26 and R27 a square metre, down from the 1990 peak of R30 to R31.

However, according to the latest Rode Report on the South African Property Market, things are looking up in the decentralised office nodes of Randburg, Parktown and the Sandton CBD (see graph), where vacancies have been edging down since the beginning of last year.

And, although Sandton and Rosebank rental levels both fell in the last quarter of 1992, the typical rent-free periods reported in these areas declined.

In fact, the report says, rental holidays are shorter all round — even in Braamfontein, where vacancy levels shot up last year as new stock hit the market (see graph).

Some 44 000 sqm of this was A-grade space in Liberty Life's Jorissen Place and Southern Life's Braamfontein Centre.

According to a report on Braamfontein compiled by the research department of Anglo American Property Services (Ampros), almost 17 percent of the area's total office space was vacant in December.

However, vacancies in the A category were well above this, at 26.5 percent of the space available; despite the fact that about 40 percent of the Braamfontein Centre had been let by November, and Liberty's own property division had filled a large chunk of Jorissen Place.

According to Ampros, which administers Braamfontein Centre, A-grade rentals in the area have remained "fairly constant" at R24 to R24.

While the median R25 seems likely, and there have been new lettings since December, a further 9300 sqm due to come to the market in April, in the second phase of Sanlam's Braamfontein development, is likely to hold rentals down for several more months.

Meanwhile, while A-grade vacancy levels have begun falling in the Johannesburg CBD, rentals have not risen accordingly.

This is probably due to the fact that most CBD development at present is for owner occupation which means, as the Rode report points out, that A-grade vacancies are only dropping at the expense of B-grade space, which increased to almost 17 percent in the course of 1992.

The problem becomes more evident when one looks at the take-up figures, which usually parallel changes in vacancy rates.

In the six months to August 1992, the CBD showed a negative net take-up of around 7000 sqm, due largely, according to Rode, to deteriorating B-grade occupancy.

For now, tenant-power is likely to keep rentals at the 1989 levels — and developers are likely to be prudent, at the very least, about spec developments.
Scattered signs of hope offset the gloomy outlook

CAPE TOWN — Pockets of activity in the decentralised office market and in some sections of the residential market offset the gloomy outlook for the property market, said the latest Rode Report on the SA Property Market.

Editor Erwin Rode said that apart from office rental increases in the Sandton CBD, Parktown and Randburg, many prices and rentals were in reverse. Prime office building capitalisation rates had also increased almost across the board, thereby eroding capital values.

While the capitalisation rate for the Johannesburg CBD remained static at 10.1%, Cape Town recorded the biggest increase, with a rise to 10% from the 9.7% of the previous quarter.

Capitalisation rates for shopping centres were mixed, with the lowest rate reported being the 8.5% for Witwatersrand regional shopping centres. The trend for prime industrial leaseback rates was generally upward, except in Port Elizabeth.

Rode said prime CBD office rentals in Durban and Cape Town notched another small increase while decentralised nodes, particularly in Johannesburg and Pretoria, fared better. A few falls in rental escalation rates resulted in a rate of 12% nearly across the board.

"The big shock for office vacancies was in Braamfontein, where grade A vacancies shot up from last quarter's 5.4% to 17.4% as the newly completed stock hit the market."

Durban's "frighteningly high" A-grade vacancies also edged up again. Elsewhere however, the trend in vacancies was largely static, or even downwards, particularly in decentralised nodes.

Nominal rentals for industrial property dropped during the quarter except in the East Rand and far East Rand for almost all sizes of units, and in East London and Cape Town, which experienced a rise for all except the largest units. Industrial vacancies across the board were static or rising very slightly.

"There was a definite, if not always strong, trend towards higher reported industrial land values this quarter. The only major exception was the West Rand, where prices were down for all stand sizes," Rode said.

House prices in the lower and middle price category continued to rise more strongly than those of upper price houses, although the gap was narrowing considerably. Rode said upper price houses in Durban and Cape Town had performed well during the quarter.

Flat rental growth was slowing down, particularly for larger units. Rentals in Cape Town, Port Elizabeth and Bloemfontein were under pressure. Vacancy levels in some areas were also beginning to rise.

Rode said building construction, particularly in the non-residential sector, had nosedived and only townhouse construction had moved up strongly in response to the drop in interest rates and the rampant crime rate.

Non-residential building costs were rising at about 3% a year.

The attractiveness of property unit trusts had been enhanced relative to financial and industrial shares with the spread between their respective dividend yields reducing. Rode said that relative to directly held property, property unit trusts still offered exceedingly good value as they offered an extraordinarily high initial historic yield which topped 11%. 
Call to boost small businesses

PRETORIA — Government funding of small businesses in SA should be increased from R800m a year to R4bn to stimulate growth and employment in the economy, Frankel Max Pollak Vinderine, chief economist, said yesterday.

The increase, from 0,5% of GDP to 1,3%, would generate more than 200 000 jobs a year and would shift SA to a more competitive and efficient economic structure, Brown said.

He was one of several speakers addressing businessmen in Pretoria yesterday on means of improving investor confidence in SA.

The Platform for Investment conference, which included contributions from senior executives of Sanlam, Ernst & Young, Frankel Max Pollak Vnderine and the HSRC, was the result of comprehensive research undertaken locally and abroad, Sanlam media relations senior manager Boet van der Spuy said.

Brown said the contribution of small businesses to SA's GDP had increased from 5% in 1980 to 17% by 1991. 'We are not doing anything to encourage it and yet it is happening."

The advantages of investing in small business development included the low capital cost of job creation (R15 000 per job as opposed to R50 000 in the formal sector), the political acceptability of encouraging small business, the fostering of an entrepreneurial spirit and the promotion of regional development.

Brown said multiplier effects also had greater resonance when applied to the lower income community as a result of capital savings and improved labour intensities and consumer power.

The promotion of small businesses could be achieved by the establishment of a more sympathetic operating environment.

This included tax incentives, deregulation and the reduction of bureaucracy as well as the provision of education and training, business skills and access to technology. Linkages should also be generated between small and big businesses by encouraging subcontracting, tendering and by lifting barriers to competition.

The stimulation of small businesses, with higher government and private sector expenditure on housing and development infrastructure, would improve SA's economic health and make it more attractive to foreign investors.\p
McCarthy Retail battles adversity
By Des Parker

DURBAN - Inflation hit sales in December in all the operating divisions of Natal's biggest and newest retail conglomerate, McCarthy Retail.

But given the poor state of the economy, the fact that the group's stores and motor showrooms traded at or above the levels of Christmas 1991 is cause for satisfaction, says chief executive Terry Rosenberg.

The group, formed from the merger last year of McCarthy Group and Prefcor, and which owns Game Discount World, the Beares furniture chain, the Bee Gee clothing outlets and SA's biggest motor dealership, McCarthy, rang up sales of R540 million last month.

The market for new vehicles appears to be over the worst, although significant growth in the near-future is out of the question, says Mr Rosenberg.
The OK has not been living up to its name for some years but new group managing director Mervyn Serebro has already left his mark on this R5 billion-a-year trading giant. STEPHEN CRANSTON reports.

Give me two years, says new OK boss

STAYL 22/1/93

Investors should give OK Bazaars about two years to turn around, says Mervyn Serebro, the new group managing director. Serebro says strategic plans have been formulated and he has no doubt the OK will return to its former glory.

In the past 10 years the OK's position has eroded so much that its share price has fallen from almost R30 to about R7.50 today. Serebro recognizes many of the causes of this decline.

"We ceased to be market and sales driven. We need to offer the customer the merchandise he or she needs at an affordable price as quickly and professionally as possible.

"The core business is retailing and all other activities in which we operate, such as store development and information technology, should act as a support function. In the past it was often a case of the tail wagging the dog."

Serebro's first task is to reduce stock sharply and achieve targets which have been agreed with management on the ground.

The OK will then have to take a hard look at its range of merchandise and might even move out of entire categories.

In touch

He says furniture's sales have remained strong and that department has remained in touch with its customers but there is room for improvement in the OK's three other areas of operation - food, clothing and housewares.

Nevertheless, the OK still boasts some outstanding merchandise such as the Ladybird range of children's clothes and the Pot o' Gold housebrand. It is still the market leader in certain merchandise categories, including records and sweets.

"Many years ago the OK had little competition and so it developed on a wide front of merchandise but more recently significant competitors have emerged which specialise in just a segment of our range."

Serebro does not rule out the possibility of certain OK outlets specialising. There are already stand-alone furniture outlets but the OK is considering a range of other opportunities such as food only or perhaps non-food only.

Serebro will not be appearing in television commercials as he believes that no one person can represent the OK. "I might be the conductor but it is the musicians who make the music."

"It is no good trying to rule by fear. People need to believe in me and managers have to be entrusted with responsibility. They might learn from me but I certainly learn from them."

"I knew nothing about store development when I took over that department eight years ago but my colleagues taught me how to read an architectural drawing."

In that time he saw that some of the stores the OK had been building were too large, such as the Vereeniging and Vanderbijlpark ones which were over 12 000 sq m. He began to build 5 000 sq m outlets instead.

"The OK is becoming more decentralised in line with Serebro's philosophy. His style is more informal and less autocratic than his predecessor, Gordon Hood."

The OK has been divided into 10 regions, which allows the regional directors to visit their stores regularly. Under the old system of three provinces some stores were visited only twice a year.

Decision-making at the top has been streamlined by the reduction of the corporate board from 17 to seven and the formation of separate operational boards for the OK and Hyperamas.

"We've recognised that they are two totally different businesses, with different cultures and target markets."

He points out that the Hyperamas were turned into a successful business with skills which were nurtured in the OK. "We still have a depth of skills. We just need to use those skills properly."
'Soft drink price will stay while stocks last'  

Although an increase of 11.5 percent has been announced in the wholesale price of soft drinks, some major supermarkets said yesterday they would not increase their prices until current stocks ran out.

But at Checkers/Shoprite outlets consumers should soon expect to pay about 32c more for a litre and 57c more for a two-litre bottle of soft drink.

A Shoprite/Checkers spokesman said the retail price would go up by 12 percent. Current Shoprite/Checkers prices are R2.69 for a litre bottle and R4.79 for a two-litre bottle.

OK director Mervyn Kraitzuck said the stores would hold their prices until February 1 at least.

Pick 'n Pay director Richard Cohen said he would also maintain current prices while stocks lasted.

Soweto consumers are already being charged increased prices.

An Orlando East shop assistant said his prices went up on Monday. He said he now charged R3.20 for a litre of soft drink which previously sold at R2.55.

The SA Federation of Soft Drinks Manufacturers president Henkie Viljoen said that during the past year container, sugar and wage costs had gone up and contributed to the input costs in the industry.
A proposal by a claimed majority of Illovo West property owners to rezone 21 ha of their prime northern Johannesburg residential area to commercial use has set the cat among the pigeons.

Predictably the plan, which is the logical consequence of scattered de facto commercial development in the neighbourhood, is being vociferously opposed by residents against any further commercial encroachment in Illovo. Both sides have briefed town planners to act for them and the battle lines are being drawn.

The problems associated with commercial rezonings in Illovo have had a long history. In September, town planning consultant Van der Schyff, Baylis, Gerice & Druce submitted, on behalf of 11 property owners representing 14 properties, individual rezoning applications to the Johannesburg City Council. A further 20 are to follow soon. Attached to each is a proposed development plan for the area, bounded by Harries Avenue in the north, Melville Road to the west, Dompas Road in the south and Oxford Road to the east, drawn up by Intaprop director Tim Middleton, a former Johannesburg City Council deputy director who is acting as development facilitator for the residents.

Johannesburg's assistant director city planning Jean-Luc Limacher says the applications have not been dealt with. He adds council has indicated to the residents' consultant that its initial response will be negative — until such time as "a development plan for Illovo West is approved by the council."

"The council is considering the process for a co-ordinated development plan for the area. About an eighth of the area, comprising eight office blocks, some still under construction, is zoned commercial. Another eighth consists of high density residential development, mainly flats and townhouses. The rest are houses."

Meanwhile, the opposing residents have formed a steering committee, the Illovo West Action Group, under the chairmanship of Celia Riach. The committee has approached town planning consultant Rosmarin & Associates to act for it. However, "pending deeper research into the matter," the consultant has yet to decide whether to accept the brief.

Director Stephen Jaspans says: "We have to see whether the development plan prepared by Van der Schyff, Baylis, Gerice & Druce has any town planning merit. It has been submitted to council for comment and is obviously being used as a document to lobby support. Their argument clearly has certain weaknesses."

Middleton maintains he is acting on behalf of about 75% of the residents in Illovo West. This area excludes properties fronting Oxford Road and includes 58 houses. "Of the 58, we represent 39 owners in favour of commercial zoning. Eight oppose rezoning, while 11 are either undecided or have not yet been contacted."

Middleton argues that the whole of Illovo should be treated as a development node. This would include the properties in the mid-block to Oxford, all those between Oxford and Rudd roads to the east and those south to North Road in Melrose. The area already has 38 commercially zoned properties, 46 high density residential properties (including 10 on the west side of Oxford between Hurlingham and Chaplin) and the 58 residences.

Because of his planning experience, Middleton became involved with the residents' "cause" a year ago. He was approached by broker, developer and valuer Leadenhall, which had managed to pool together owners concerned about the encroachment of high density residential and commercial development, in the absence of a development plan. Many, he notes, are in limbo, not able to sell at fair residential value because of changes taking place and unsure whether the area will eventually be zoned commercial.

Middleton says council should come up with a plan to develop Illovo along the lines of Rosebank within the context of a citywide plan. He argues that Illovo satisfies all the criteria for development as a decentralised, commercial node and that this is the way cities grow. Over the past 20 years, he says, 1.3 m² of offices have been erected in Parktown, Rosebank, Illovo, Hyde Park, Randburg and Sandton. Natural expansion within these nodes, excluding further business decentralisation from the Johannesburg CBD, he says, should amount to approximately 50 000 m² a year.

"How and where does the council intend to deal with the next 20 years of natural growth from these areas if not in some planned and comprehensive manner?" he asks.

A development plan for Illovo, therefore, should be able to cope with high demand for commercial rights in the area over such a period — including the consideration of Illovo as a Maasstran stop along the proposed northernly route. This would obviate, he believes, the willy-nilly spread of commercial growth into other residential areas. Middleton is offering to facilitate that by undertaking a full planning exercise, including public participation, to ensure a comprehensive evaluation of the idea.

"The development plan the council has is a conceptual one. The principles involved have to be fleshed out with the parties concerned and must include a consideration of the 20 000 m² of offices between Oxford Road and Wanderers and future infrastructural planning, including Oxford Road itself, as well as the high density residential area," says Middleton.

Meanwhile, Northern Areas Group chairman Margrit Wolff responds by saying: "In a new SA, everything must be done to protect the northern areas from further commercial growth, while everything should be done to upgrade third world areas."

Residents opposed to the plan have retained attorney Philip Pencharz of Edward Nathan & Friedland, Inc to act for them. Pencharz says he is still awaiting full details of the development plan but assures the FM residents are resolute in their determination to oppose it.

About 20 owners recently turned out at a preliminary meeting. Riach estimates the number was closer to 25 or 26, including residents from areas which would be affected by the proposal, such as Dunkeld and Sandton.

Middleton's argument might be persuasive. Certainly, Illovo is badly blighted by commercial development and the need for a co-ordinated development plan is paramount. Sadly, commercial encroachment is a fact of life in many of Johannesburg's northern suburbs. The problem is where do you draw the line?
Forecasts for SA retail sales lowered

JOHANNESBURG. — South Africa's retailers have lowered their sales' expectations for January this year compared to four months ago, figures released by the Central Statistical Services yesterday show.

However, actual retail trade sales in October 1992 worth R7480.5m were 4.7% up on retailers' expectations and is the first time in over two years that real sales have shown a year-on-year increase.

Real retail sales for October increased by 2.7% over the same month in 1991 and are 4.6% higher than September 1992 after seasonal adjustment.

CSS said retailers expected sales to be R6601.8m in the first month of the new year but it represents a 4.4% decrease from October 1992 after seasonal adjustment.

Manufacturing

— Meanwhile, the physical volume of manufacturing production in November 1992 contracted after a healthy increase in the previous month.

The index of the physical volume of manufacturing production in November decreased by 3.1% after seasonal adjustment from October.

Compared to November 1991, the index decreased 1.4%.

The food, paper products, metal products and motor vehicle industries experienced the biggest fall off in volumes of manufacturing production.

CSS said decreases in production were recorded in 18 of the 27 major manufacturing groups.

However, the change in the physical volume of manufacturing production in the three months to end November 1992 is 5.1% higher than the three months to August. — Sapa
OK BAZAARS 22.11.93

Gambling on change

When 97% of operating income is used to service debt the options are limited. But seldom do the measures used to turn a company around take on the radical form of halving the board of directors. That extreme action triggered a 43% jump in the share price, to 750c, in less than a week.

But, says OK’s home-grown MD Mervyn Serebro (People January 8), “while such measures are needed, it’s unfortunate that a machine this size doesn’t turn as quickly as one might hope.” Market expectations are high — and perhaps unrealistically so, given that Serebro has been in the MD’s office just three weeks.

The OK’s ballooning debt is at the top of the list of priorities. Serebro believes the key to lower gearing (203% at September 30) lies in reducing stocks. “Stock levels are appalling but remedial measures have been in place since September and are bearing fruit. Stocks are drastically reduced in stores and warehouses.” He believes success in the critical area of stock control will come only if management at all levels accepts responsibility. But he cautions it’s still early days.

Believing retailing has changed greatly over the decades, Serebro says with an organisation this size it’s easy to lose sight of its core business. Of vital importance, he adds, is the need to focus on what the consumer wants. “An operational board for each of the OK’s businesses has been established. Each serves different markets, with OK stores traditionally focusing on C- and D-income groups and the Hyperamas targeting the A and B groups. This allows the businesses to run as separate entities.”

The new centralised warehousing and distribution system, with computerised space allocation and ordering systems, will cut excessive lead times. Management hopes the system will reduce stock by as much as R100m.

Serebro contends too much emphasis has been placed on negative aspects of the business. “The OK is a R5bn-a-year business, so it must be doing some things right," he says. “A sizeable percentage is in Hyperamas, but the OK stores have an advantage in volumes, and it’s through volumes we can grow the business back to health.” How he achieves that is what the market is waiting to see.

The philosophy of new management will be critical — euphoria about Serebro's ability to change OK for the better seems to be behind the move in the share price. Equally important is the ability to sustain this optimism. It begs the question of whether the new management can impose the changes needed after more than a decade of deteriorating financial ratios.

The successful turnaround in the late Seventies of the smaller Hyperama chain, which emerged significantly stronger, shows what can be achieved. Even so, some analysts believe Serebro is inextricably a part of the old OK culture and, as such, isn't a good choice for the top job.

Financial director Geoff Kearney cites a three-pronged plan to reduce debt. This involves profitability, improvement in the HP book and leaner stocks. The R340m book, of which one-third is held by Hyperama, is funded by banks (rather than SA Breweries). To improve it materially will require further costly infrastructure.

Kearney says the gearing target has been put at 1:1, but before this is achieved some radical measures will have to be effected. “The building blocks are in place but it will be some time before the results will be reflected in the income statement.”

Shareholders will hope the new management team is more committed to reducing gearing than its predecessor. Some R51.4m was earmarked for capex during this financial year. Apart from refurbishment of stores, the spending programme includes three new Hyperamas, which hardly seems in keeping with a debt-reduction strategy. Serebro says the OK will lighten its belt in financial 1994, with capex focused on upgrading rather than expanding. “Closure of stores is not a priority at this stage,” he adds. But he may find it difficult to avoid this.

What the market has agreed is that there is scope for a rerating of the share. Attractive profits are a long way off.

The end-March interim results are expected to show a R50m loss for the OK stores, which would leave the group struggling. That will probably send the share into another decline, though it could also offer a buying opportunity.

Minority shareholders, no less than controlling shareholder SA Brews, will be watching anxiously; and the results should be forthcoming over the next year to 18 months. There will be some early warning signals.

Mary Lou Greg
LEASE RENEWALS

Downward corrections

Major Johannesburg CBD landlords Ampros and Sanlam Properties admit that leases are currently being renewed at rentals lower than those previously negotiated — and it appears the older the lease, the greater the downward correction.

Says Ampros divisional manager for office leasing John Maynard: “Obviously, the more recent leases of a year or so, are either expiring at market rentals or just under”. Maynard adds that most of Ampros’s expiring CBD leases have been renewed. However, he says there were few large leases that came up for renewal last year, nor are there many this year. Most of the larger leases in the portfolio will only begin to expire from 1994 onwards.

While some property experts are of the opinion that rental escalations in the late Eighties were typically pitched at 15% and that these, too, will come up for correction, Maynard says Ampros is still asking 15% on long leases and 12% on shorter leases.

As for the length of leases, Maynard says Ampros used to insist on five-year leases. But as the market has deteriorated, three-year leases have become the norm.

Sanlam Properties regional manager for the CBD, Johan Keuler, says Sanlam has renewed about 95% of its expiring CBD leases. 1992 was marked by the expiry of almost a third (or about 40 000 m²) of its leased space in the CBD. Most of these leases have been renewed for three years and a couple for two years.

“The trend is definitely downwards. From a year ago, rentals have come off by 10% on average and by slightly more from two to three years ago. There was virtually no movement in rents last year, while at the beginning of 1992, they were down on 1991. We’re doing deals at the same level as in 1991. In some cases, because of all the attractive deals on offer, we’ve had to come down further to keep tenants. Fortunately, we haven’t experienced an exodus from our buildings to others in the city, though some tenants have left for the suburbs.”

Sanlam Properties is asking 13%-14% rental escalations — as in the case of a two-year lease it concluded last week. In some cases, it asks 12%. “It depends on the lease. The main factor is the first year’s rent. If rent is lower in this year, the escalation will be higher. If rent is what was asked, then escalations will vary between 12% and 14%.”

Not dissimilar to Sapo’s latest CBD rental figures, Sanlam Properties is generally asking R29/m² gross for A-grade space and around R22/m² gross for B-grade space.

Keuler believes the moment the office market turns, maybe in three years’ time, rents will double.
December retail turnover at Cape Town’s V&A Waterfront is estimated at R25m — about R10m higher than normal monthly income for the precinct. Broken down into income per m² this figure must represent one of the top trading precincts in SA. V&A Waterfront financial executive Derek van der Merwe says turnover figures of 30 tenants are still outstanding. The R24.9m total therefore excludes their incomes for the month.

The retail precinct comprises Victoria Wharf, the newest centre to open, with 108 shops; Alfred Mail in the V&A Hotel, 20 shops; the Waterfront Trading Co (the main arts-and-crafts market with an average 120 traders); the Red Shed arts-and-crafts village (22 permanent traders within the Victoria Wharf complex); plus restaurants and pubs throughout the Waterfront.

Van der Merwe says traders exceeded the expected 50% increase in turnover in December by a comfortable margin. So far, from figures available, the increase over budget is at least 67%.

Restaurants and fast-food outlets performed best of all. Measured by trading density (turnover per m² for that category), they performed exceptionally well — “way above expectations.” Van der Merwe cannot disclose actual figures.

Next, he says, comes outlets for T-shirts and casual clothing. This category was followed by speciality goods, for example sweets, leatherware, curios, gifts and jewellery.

Van der Merwe says most tenants maintained stock levels to offer a high volume of merchandise. Most factories are closed in December so special arrangements had to be made, either in stockpiling or ensuring that some factories remained open. Van der Merwe believes that the one or two shops that did not perform as well as the rest can attribute this to insufficient stock.

In the jewellery category tenants reported their biggest sales were to foreign tourists.
is Romens, a DCM-listed men’s clothing retailer. A small capital base and high elasticity of demand for its products curbed Romens’ earlier plans to become a national retailer and confined the business to the western Cape.

For the past three years, Romens has been rationalising its operations, controlling overheads, closing two stores and moving away from its policy of franchised outlets; it reduced the number of franchised stores to two out of 14. But chairman Danny Kahn does not rule out further controlled expansion of branches.

Negative earnings over the past three years can be blamed primarily on high interest charges on low operating profits. Dividends have been paid for the past four years. According to Kahn, a dividend will not be paid in 1993, or until the group is in a financial position to do so.

The improvement in pre-interest operating profit was encouraging; the year’s figure moved to a R400,000 profit compared with a loss of R500,000 in 1991, on turnover of R17,2m and R14,2m respectively. Though interest charges were cut by more than two-fifths, from R1,13m to R600,800, this still did not produce a positive operating profit, but it was a significant improvement.

No tax was paid as there are tax losses exceeding R3m. There was an extraordinary charge of R400,300 (1991: nil) for rationalisation costs in 1992. Kahn expects the extraordinary charge to be smaller in 1993.

Since 1989, gearing has come down from over 200% to 87% now, though it rose from 70% in 1991 because of an increase in short-term debt. A rights issue in January 1990 brought in about R2,8m, from 8,6% convertible cumulative preference shares of no par value. There are arrears of R500,800 on the preference dividends.

Loans over the past three years have hammered cash flow but it was marginally positive in 1992. This was aided by the improved working capital requirement, which fell by a third, despite a hefty increase in stocks.

The share, listed in 1987 at 40c, stands at 10c. It is unlikely to improve until consumer spending picks up. The best Romens can do now is to keep chopping away at overheads, streamlining asset control and reducing gearing. Investors will be less cautious about holding a DCM-listed stock when there is fundamental improvement in profitability and an end to the recession is in sight.
Traders still defiant

DEFAULTING Lebowa traders have vowed not to pay their income tax and licence and site rental despite having received summonses to do so.

At a highly charged meeting over the weekend, about 400 businesses reiterated a decision taken last year that they will not pay the Lebowa government until their problems were solved.
Forum aims to boost economic and development forecasts.

POLITICAL, labour and business organisations on Thursday launched the Pretoria-Witwatersrand-Vaal Economic and Development Forum aimed at boosting growth and alleviating the job crisis in the country's most productive region.

Described as "possibly the most representative economic forum in the country", the new body includes the African National Congress, Pan Africanist Congress, the Congress of SA Trade Unions, the National Council of Trade Unions, the SA Chamber of Business, the Transvaal Provincial Administration, the Afrikaanse Handelsinstituut and the Civic Associations of the Southern Transvaal.

Reading out the forum's aims in Johannesburg, TPA MEC Dr Olaus van Zyl said the main objective was the promotion of the growth and development of the PWV area in the interests of its inhabitants.

"The Development Forum will, within its means, consider and... initiate action respecting the full spectrum of socio-economic and physical development issues, related to the political context within which the region functions."

...
Bad time to raise taxes — business

ORGANISED commerce and industry have called on government not to increase taxes, as the timing was not right while the economy remained in recession.

Government was asked formally at an economic forum process committee meeting last week to avoid addressing the deficit problem by raising taxes, sources said.

While the private sector provided government with inputs on the Budget last week, labour representatives have not yet provided economic policymakers with any formal input, although they have signalled their opposition to tax increases.

While the suggestions handed to government at the forum meeting could not be obtained, business representatives spoke out openly against tax increases.

Sacob, in a reference to speculation that the VAT rate would be increased, said yesterday: “While Sacob is not opposed to higher rates of indirect taxes in principle, there is concern at the timing of such an increase. Imposing a higher rate of VAT on a contracting economy is likely to increase the severity of the recession.”

Sacob said the move could result in only a minimal increase in VAT collections and a reduction in collections of other taxes, because of the effects of a recession on government revenue.

The organisation also opposed raising the fuel levy and said a petrol price increase at this point in the business cycle might affect the economy more than in previous years. A higher fuel levy would be inflationary and would also result in lower collections in other areas.

Sacob said direct taxes were already too high by international standards and SA could not afford a more uncompetitive tax regime, as this encouraged companies to transfer profits offshore.

The Afrikaanse Handelsinstituut (AHI) is expected to present Finance Minister Derek Keys with a similar view when the organisation meets him today. The AHI expressed opposition to an increase in the VAT rate last year.

Sacob’s calculations show that a deficit of about 6% of GDP is possible without increasing taxes, provided government keeps the increase in spending below 7%.

On the basis of prevailing tax rates, and assuming real GDP growth of 1.5% over the fiscal year, government could raise about R1,5bn in additional tax revenue.

The organisation said the only option that could really work in addressing the deficit problem was to cut state expenditure.
Office workers locked out

ABOUT 50 office workers were locked out by the management of Checkers-Shoprite at the company's divisional offices in Goodwood yesterday, said Ms Zoe Holland, a South African Commercial Catering and Allied Workers Union (Saccawu) spokeswoman.

She said the lockout follows moves by the company to increase the working hours of workers there from 37½ hours to 45 hours a week.

"The company used the lockout to force workers to accept this increase," she said.

Management was not prepared from the outset to negotiate about the matter and the lockout may continue today, she said.

Ms Holland said Saccawu was concerned the decision to increase working hours may be taken at other divisions.

A Checkers/Shoprite spokeswoman was not prepared to comment.
German billionaire to finance project

CAPE TOWN - German billionaire industrialist Dieter Bock is to finance a R200m retail and office development on Cape Town's foreshore. 27/11/93.

Bock, who recently became Lonrho's biggest shareholder, already has extensive property interests in the city.

Bock, 53, is said to have made his fortune in property in Germany, the US and SA. He recently moved in on Lonrho when he snapped up a majority stake in a £169m rights offer. He had already paid £35m for more than half of Lonrho CE Tiny Rowland's 14.3% majority stake.

The new project, which is subject to approval by the Cape Town City Council's executive committee, is being undertaken by Devland Construction, which reached agreement with the council on swapping land on the ICS/Power Station site.

Council development co-ordinator Philip Theron said yesterday the 35 000m² underutilised bulk which Devland held would be swapped for adjacent council-owned land to enable Devland to develop a building with less height. Devland originally had bulk rights for a 65 000m² high-rise building, and Theron said it was far-sighted of both parties to look at rezoning the total land area.

The land swap deal would be presented to the council's executive committee in the next few weeks.

The council owns 5ha and Devland 1.2ha of land on the site, which forms the gateway between Cape Town's CBD and the Waterfront. The council, Devland and the Victoria & Alfred Waterfront have also begun discussing a proposed canal link between the CBD and the Waterfront across the ICS land.
Ampros plans new look for Carlton

IN A BID to maintain the Carlton Centre as a premier retail centre, Anglo American Property Services (Ampros) is to spend R20m creating a new-look shopping mall for the centre.

The money will be spent on upgrading and reshuffling tenants to create the new Carlton Mall. The new centre will not pick up the existing finishes of the Carlton, but will have its own identity in keeping with the general theme,” said Ampros Johannesburg retail leasing manager Derek van der Bergh.

Construction would start next month and was expected to be ready for shopping by September 1, to allow tenants to be ready for the new fashion season.

The scheme follows the move out of the centre by Garlicks, which occupied about 11 000m². Garlicks, which had renewed a long lease three years ago, was approached by Ampros about the possibility of vacating its space.

“We negotiated for some time and eventually settled on a lease cancellation fee that was acceptable to both of us. This allowed us to reconfigure the space and bring in a variety of strong national fashion traders,” he said.

The reconfiguration was “much more financially viable” as Garlicks had been on a historic lease with turnover clauses.

Rentals ranged from about R100/m² on the ground floor to R50/m² on other floors.

The mall would have a trading area of about 8 000m² and the key developments of the project included constructing a “new generation” Clicks store of 1 450m² on the street level and opening a 400m² Milady's fashion store on the ground floor, linked to another 1 100m² on the 100 Level by internal escalators.

Shoe retailer A & D Spitz would open a 235m² store on the ground floor, Benetton would take larger premises on the ground floor and CNA would relocate to 800m² occupied by Garlicks on the 100 Level.

The space previously occupied by CNA would be subdivided to accommodate Poschiini (350m²), American Swiss (60m²), Markhams (210m²) and other traders. The Truworths store on the 100 Level would be enlarged to 442m².

The external facades of the space previously occupied by Garlicks, facing the Garden Pavilion, would be opened into a window format.

Steakhouse and restaurant chain Porterhouse had taken 499m² on a 16-year lease and had refurbished the 210-seat restaurant on the ground floor of the central court.
Seeff Organisational Holdings pulls Execuprop into its fold

Seeff Organisational Holdings is still on the acquisition trail, having just bought commercial and industrial property Execuprop for an undisclosed amount.

The acquisition ties in with the group’s strategy of buying established companies with a sound market reputation and incorporating them within its fold.

Chairman Lawrence Seeff said yesterday: “Execuprop is a medium-sized brokerage operating in the PWV area and has 18 brokers. It will be renamed Seeff Commercial and Industrial Properties and the deal will be effective from March 1.”

All staff would be retained under the leadership of founder and MD Colin Blacher, who started the company four years ago. He would retain an equity stake in the company, Seeff said.

Seeff intended to combine its infrastructure and experience in the field with Execuprop’s expertise to form a company that would become a “major force in the PWV area”. It would probably eventually have about 25 brokers, including one in the Pretoria area.

“We are still talking with both residential and commercial and industrial firms in Durban. I hope we will have a deal on the residential side quite soon. Finding a suitable commercial company is expected to take longer,” Seeff said.

Blacher said the Seeff group’s diversity and its “clout in the marketplace” had been the main reason behind his decision to allow Execuprop to be incorporated within the group.

“We have huge growth projections and aim to address our weaknesses and consolidate our strengths,” he said.

The group had previously concentrated largely on the industrial market but would now be actively addressing the commercial and retail markets. It also intended to offer its services to institutional and pension fund clients.
BUSINESS Black shopowners hit by recession

Bleak times for township businesses

Shopping centres snubbed by shoppers:

By Joshua Raboroko

Shopping complexes in black townships in the PWV area are on the brink of collapse. Most retailers have closed down and retrenched workers because the complexes are not economically viable.

They said that white shopping malls on the periphery of the townships are booming as most consumers patronise them.

Also preventing development is black businesses' defensive tactic that white capital should not be allowed into black townships unless blacks are allowed to trade in CBDs.

Up-market suburb

One of the hardest hit centres is the R20 million shopping centre that opened in the upmarket suburb of Spruitview on the East Rand.

At least 15 shop owners out of 45 outlets have closed their businesses because of high rentals and the absence of shoppers.

A shop owner in Spruitview said: “I am intending to close my store at the end of January because there is just no business here. Few people come by here. I am not making any profit and the rent is high.”

The other centres are Lexedi-in-Voslooms, Letsholo in Katlehong, Nafoc in Soshangwe, Emvillage Plaza and Blackchain in Soweto and Taxido in Sebokeng.

Most shop owners in Spruitview complain about the high R350 sq m rent.

“I pay about R14 865 rent a month in a 425sqm shop,” a shop owner said.

Spokesman for the Spruitview Centre Mr Steve Anticechich said the centre was not properly marketed by previous owners.

He said they were contemplating reducing the charge to R250 sq m.

In Voslooms, four shops and offices have closed down. African Bank and the SA Perm have withdrawn their services because of a spate of robberies and burglaries.

“The Letsholo Centre in Katlehong is completely surrounded by informal traders (hawkers, taverns and spaza shops) who are serious competitors.

The president of the Katlehong Chamber of Commerce, Mr Joshua Namane, said retailers were forced to leave the complex to start their businesses elsewhere.

Political instability and violence were also eroding the development of retailing. Suppliers were unable to get into the townships to deliver goods. Stayaways, forced strikes and other protest actions were also impacting on business development.

White elephant

The R11 million Nafoc Shopping Centre in Soshangwe is almost a “white elephant” with many shops closed.

The Blackchain Shopping Centre near Baragwanath is also going through hard times despite the taxi rank and banks in the neighbourhood.

The Taxido centre in Sebokeng was destroyed by fire, two banks have pulled out, the Mphetlatetsane Hall in the neighbourhood has been vandalised and property estimated at thousands of rands stolen.
Bottle stores happy to be open longer

Staff Reporters

BOTTLE-store owners would be happy to stay open longer on Saturdays, if a new proposal to existing legislation is passed — but they would also like to do business on Sundays.

This was the response of liquor-store representatives interviewed after the second day of the first regional meeting of the SA Liquor Stores Association (Salsa).

Wine-writer Mr Michael Fridjohn and chairman of the Aroma liquor chain Mr Mike Kovensky said it should be up to individuals to decide whether or not to open their liquor stores on Sundays.

A spokesman for Rebel Discount Liquor store, Mr Johan Kotze, said: "It is inevitable that even the law will one day allow us to sell on Sundays because that is when people go shopping."
Minorities Score narrow win

A PYRRHIC victory is how Hi-Score and Score-Clicks chairman Gordon Utan described the narrow rejection by minorities of the schemes of arrangement aimed at delisting the two companies.

Hi-Score is a pyramid holding company of Score-Clicks, which owns Clicks, Metro Cash and Carry and 10% of the consortium which bought Score Supermarkets.

Premier argued that as most of the intermediate holding companies, the share prices of Hi-Score and Score-Clicks stood at a discount to underlying value and that the shares were hard to trade in. There are many exceptions, such as Pikwik and Lefic.

The De Beers Pension Fund, Martin & Co stockbrokers representing Shareholders, UAL, Foerd & McIntley and Protea Assurance all voted against the scheme, which required the approval of 75% of minorities. Score-Clicks got 72% approval and Hi-Score 98%.

Winston Floquet of Martin & Co says he recommended rejection of the offer on several counts: people had invested in Clicks because of its good record and such shares are an irreplaceable asset. Premier shares are always available at any time but it is hard to buy Clicks.

Adding insult to injury, says Mr Floquet, Premier’s offer is at a discount to the value at which the two should trade if the market correctly reflected the underlying assets. The scheme documents echo this view, but dwell on the actual market price.

Premier offers 12 of its own shares for 100 Score-Clicks and 21 for 100 Hi-Score. On Friday morning, 12 Premier were worth R612 and 21 were worth R1,071. Mr Floquet says that 100 Score-Clicks were technically worth R740 and 100 Hi-Score R1,352.

"Companies should be unburdening their assets, not taking out minorities and concentrating power further," says Mr Floquet.

Mr Utan says Premier was fulfilling an undertaking in making the offer, which he believes were fairly priced. He adds that minorities can still accept the Premier offer until February 12 even if they voted against it at the scheme meeting. He believes that the share price of both Hi-Score (R1 1 year ago) and Score-Clicks (R1 4 last March) have been pushed beyond a realistic value, and expects them to retreat.

Score-Clicks was R5.10 before the scheme, now R5.85, Hi-Score was R10, now R10.50. Both prices are 23 times earnings. Premier (R10 last January) was R9.75 before the terms were announced, and is now R10.50 on a 19 PE.

Mr Utan believes that the tradeability of the two counters will be non-existent; Mr Floquet says it makes no difference because trade was very thin anyway.

Of concern to minorities is their vulnerability to a change in dividend policy by the management of Hi-Score and Score-Clicks. Mr Floquet says it would amount to extortion if dividends ceased.

Mr Utan found it unusual that those voting against the scheme chose to say nothing about their objections at the scheme meetings, reports of which will be made to the Supreme Court next month.

One Hi-Score member said at the meeting that should the scheme fail, Premier and not his company should be obliged to pay the R700,000 costs. Score-Clicks’ costs were R600,000.
January sales expected to be poor

MARCIA KLEIN

AFTER a relatively buoyant Christmas period, January’s retail sales are expected to reflect a traditionally poor start to the new year.

Recently released CSS figures showed retail sales in January were expected to decline 7.3% in real terms compared with January 1992. Sales would drop 6% in real terms compared with the previous month after seasonal adjustment.

Sales would be R6.6bn, which compared with an expected R11.3bn in December.

Actual sales figures for December have not yet been released but expected figures indicated a 12%

increase over the previous year in nominal terms.

The expected sales for December were more or less in line with major retailers’ estimates.

Most retailers said they had budgeted for sales growth in the region of 10% and 12%.

Analysts said traditionally January and February are the lowest months in terms of retail sales.

But the 4% increase in actual values was far lower than the 11.8% increase in January 1992’s figures over the previous year.

In October, sales rose in real terms for the first time in more than two years, according to the CSS. But in November and December, sales increases were between 10% and 12%.

According to the CSS figures, actual sales rose 8.2% in the three months to end-January. This reflected a 3.3% drop at constant 1990 prices.

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<th>Year</th>
<th>Retail Sales (Rm)</th>
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<tr>
<td>90</td>
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Inflation is shown as a trend curve superimposed on the data.
Jo’burg still has most head offices

THE Transvaal is still the hub of commerce and industry. More than 70% of the Financial Mail’s top 300 companies have their head offices in the region, according to a report compiled by Anglo American Properties (Ampros) research department.

The Johannesburg CBD and periphery heads the list, with 41 or 16% of head offices of the top 300 companies, followed by the area east of Johannesburg (40), Sandton (38), the northern suburbs (27), west of Johannesburg (18), south of Johannesburg (16), Midrand (10), Pretoria (9) and Randburg (7).

The greater Johannesburg area remains the most densely populated head office area. Sandton’s rapid growth is reflected in the fact that 23 head offices are now located there. Almost 43% of leading beverage, hotel and leisure companies have their headquarters in Sandton, as do 33% of electronic companies.

While the PWV is the strongest area, there are geographically preferred areas for certain commercial sectors, the Ampros report says.

“Towns and suburbs to the north of Johannesburg, including Sandton, Randburg, Midrand, Parktown and Rosebank, are popular with electronic companies, housing 84% of the national total, and 56% of pharmaceutical and medical companies. Towns east of Johannesburg — from Bruma to Springs and Klondrstein — have the highest concentration of engineering companies at 58% and 38% of those in the electrical and battery sector.”

Outside the Transvaal, the western Cape has the highest number of head quarters at 47, with Natal at 30 and the Eastern Cape with seven.

“Cape Town CBD remains the hub of the western Cape with 29 of the region’s 47 head offices. This region remains the preferred choice for retailers and wholesalers (89%), clothing, footwear and textile operations (56%) and fishing (56%),” the report says.

Eight of the top 300 companies are outside the major centres in areas including Pietersburg, Vereeniging, Middelburg, Witbank, Ga-Rankuwa and Namibia.

Knightsbridge sold out in two days

GROUP Five Homes launched a fifth Good Address Small Home (Gash) housing development at Knightsbridge in Bruma on the weekend, which sold out in two days, MD Rob Ballentine said yesterday.

“Once again sales were beyond expectations. The 72-unit project sold out over the weekend,” Ballentine said. Units were priced from R29 000 and offered facilities such as satellite TV, security, a clubhouse, laundrette, pool and gym.

The Knightsbridge development followed the rapid sellout of four previous projects based on the Gash formula.

“At our previous project, the 60-unit Templeton Green in Berea, Durban, people were queuing to buy two-bedroomed units priced from R189 000. The development was sold out in four hours,” he added.

All projects were built using fast track methods by Group Five subsidiary Goldstein Housing. “The complexes appeal to young executives and the upwardly mobile element, and attracted a number of property investors who account for a large proportion of sales,”

Group Five Homes planned to launch a second phase at Khyber Rock in Sandton next month. The 24 second and third phase units would be priced from about R250 000.
'New' attitude needed

PRETORIA — It is vital that local businessmen reappraise their attitudes towards the competitive sector as SA re-enters international markets, says Competition Board chairman Pierre Brooks.

"We are moving from what in many respects is a closed economy to being part of the international community and there is still a lack of appreciation for the way effective competition is supposed to work."

Consumers did not realise that introducing competitiveness did not necessarily mean the immediate lowering of prices, he said. On occasion, such as when the market sharing arrangement between bakeries fell away and increased transport costs had to be included in the price of bread, it could mean the opposite.

Brooks said some businesses were too selective in their commitment to the private enterprise system and apparently did not recognise an effective competition policy was one of the system's cornerstones. With the Competition Board established only in 1980, SA's economy had a long history of non-competitiveness.
Schlemmer predicts a more stable future

Businessmen urged to take part in mapping out the future:

By Mzimkulu Malunga

South Africa's medium-term future will be more stable than currently expected, says general manager of the Human Science and Research Council Professor Lawrence Schlemmer.

Addressing an investment conference in Sandton last week, Schlemmer said the business community should develop a basic coherence to prevalent uncertainties.

"Business must not defend its interests negatively but proactively by insisting on its right to negotiate and be part of the policy formulation that affects it," he said.

Even after a political settlement had been achieved current problems would not disappear, hence it was important for business not to panic but instead put the uncertainty into perspective and speak in one voice.

"The future operating environment will be somewhere between a second and third prize situation, but certainly not the booby prize," he said.

Speaking at the same conference, Mr Mike Brown, the chief economist at Frankel Max Pollack Vinderine Inc, said South Africa's survival depended on four key issues.

One was setting the economy on a growth path, then creating a climate conducive to investment, finding mechanisms for some form of wealth distribution and employment creation.

Labour-intensive ventures, promotion of small to medium-sized enterprises as well as infrastructural construction in low income communities were some of the mechanisms which could set the economy on a growth path.

"We cannot rely on foreign investment, but it is a critical facet to kick-start the economy," Brown said.

Distribution aimed at stimulating an entrepreneurial culture had to be embarked on. "International experts refer to South Africa as a country of the missing middle," he argued, referring to the absence of a strong middle class.

While it cost R50 000 to create one job in the formal sector, about R15 000 was required in the informal sector.

Mr Ian MacKenzie, national director of a tax consultancy firm, Ernst & Young, said South Africa had to lower its corporate tax if it were to lure in international investors.

The current 48 percent corporate tax rate was among the highest in the world and the medium-term objective should be to cut it to 40 percent.
CAPETOWN — Mass retailer Pepkor had performed very well in the current financial year to end-February, considering the exceptionally difficult circumstances, and earnings growth of 13%-16% could be expected, executive chairman Christo Wiese said yesterday.

At the interim stage the group achieved 16% growth in earnings a share and Wiese said these results would be matched in the second six months.

Christmas sales, although late, had been satisfactory but conditions thereafter had been sluggish. There were as yet no signs of a turnaround in the economy. Economic conditions would continue to be tough, at least for the next two quarters although the political outlook was positive.

Wiese said Pepkor had budgeted to perform marginally better in the year to end-February 1994 but would have to confront the huge pressures on operating margins caused by a low inflation rate. While costs such as wages and rentals were being driven by the old inflation rate, selling prices would be dictated by the lower, most recent rate.

Further uncertainty would be the impending VAT increase on consumer spending although Pepkor was budgeting for a neutral effect. Also, there had been a surge in theft, especially on the Reef.

LINDA ENSOR

Checkers/Shoprite had made slightly better than expected progress in the first year of the four-year programme to improve its operating margin to about 2%.

Rationalisation steps such as moving the Checkers head office to Cape Town, establishing regional offices, and consolidating the buying department had reaped greater benefits than initially expected. “There is a new mood of greater enthusiasm and morale in the business,” Wiese said.

Pep, he said, would produce static if not marginally lower results as it had been hard hit by economic conditions. Pep Botswana had done reasonably well despite the drought, and several store openings were planned for this year.

Trade &go’s property division is co-ordinating the proposed R100m development of a regional shopping centre in Gaborone, to be financed by Botswana financial institutions and pension funds, Wiese said. The shopping centre would house Pepkor’s retail operations.

Pepkor’s 30-store UK chain, Your More Store, had suffered as a result of the severe UK recession and would make losses this year.

Cash holdings would probably stand at about R400m at year-end, some of which had been earmarked for acquisitions.
Hi-Score also voted in favour of the scheme. Considering the ease availability of Section 228 of the Companies Act which requires only a simple majority to approve far-reaching resolutions, there is some surprise that Premier chose to go the route of a Section 311 scheme of arrangement instead. Section 311 requires a scheme be approved by a 75% majority and, in this case, the approvals excluded the votes of the controlling shareholder. Premier deputy CE Gordon Utian says the company wanted to make certain minorities were given every opportunity to express their objections. But the resolutions failed to receive the necessary 75% approval. Asked what action Premier intended taking, Utian says the company wanted “doing nothing.” Hi-Score and Score-Clicks will remain listed. “They will have,” adds Utian, “a difficult and thoroughly boring future.” He is concerned, however, that the shares will have a limited tradability.

Premier’s moves to have the two pyramids constituted as wholly owned subsidiaries stemmed, says Utian, from the expressed wishes of the JSE in May 1990 that at least one of the pyramids should be removed from the main board. Premier’s offer to minorities will remain open for acceptance until February 12. Utian says he’s confident Premier will pick up some more of the shares. He brushes aside complaints that the costs of the schemes rightfully should be borne by Premier, not by Hi-Score and Score-Clicks. “In fact,” explains Utian, “most of the costs in the disclosed estimate relate to marketable securities.” Since the schemes won’t be going ahead, those costs will fall away. What’s left is small and Premier will carry this for its own account.”

Stockbroker Martin & Co’s MD Winston Floquet, largely instrumental in orchestrating minority resistance to the Premier scheme, says there are alternative methods of achieving Premier’s objectives. “Of course, we have to let the dust settle first — there’s no point in rushing in while the existing scheme still has currency.”

At the root of the disagreement was the prices being applied by Premier in fixing its share swap offers. Premier used one method; minorities preferred another. Floquet, contacted in London, confirms that any alternative proposals will have to take into account “real value.”

Meanwhile, Premier’s offer to minorities in Prempharm, its principal pharmaceutical arm, has turned out to be a damp squib, with shareholders holding just more than 500,000 shares accepting Premier’s offer. Utian disagrees. “We are rather pleased with the results. A wholesale acceptance would have been interpreted as a vote of no confidence in Prempharm. Acceptance by as little as 12.5% of minorities says the opposite.”

Premier’s offer arose out of the recently negotiated arrangement with the Krok family, in terms of which Premier’s control over Prempharm was consolidated through a re-structuring of the ownership of holding company Twins Propan. Since it could have been argued that a change of control had occurred, though Utian denies this, Premier extended an offer to minorities at R10 a share — on the same terms as the arrangement with the Kroks.

Of concern to the JSE should be the acute lack of shareholder spread; about 97% of Prempharm’s issued equity is accounted for between Premier and Twins Propan. How can the JSE allow itself to be painted into this kind of corner? David Cleewsh & Kate Rotheun.
Morkels restructuring

The Morkels Group has converted its Morkels furniture chain-store company into an independent business unit and plans to separate its two other trading companies.

"The retail group's chief executive, Carl Jansen, said yesterday that the recession had hurt the Morkels Group's business and it was therefore necessary to 'concentrate on restoring our corporate well-being'. Once Totalsports and Ajay Sports are split to join Morkels furniture as independent business units, they will be supported by a 'lean corporate operation, encompassing finance, marketing, research, planning, development and labour resources,' he said.

"We are now focusing on bringing our strategic programmes to fruition with the intention of extracting the benefits very quickly, not in five years' time," Jansen said.—Sapa. (30)
Soweto traders oppose new malls
Langeberg expects earnings drop

CAPE TOWN — Food processing and canning group Langeberg Holdings would produce lower earnings in the six months to end-March than the previous period, MD Ray Brown told in an interview after the Tiger Oats subsidiary's AGM on Friday. After a difficult financial year, the annual results would also be slightly down on last year.

In the year to end-September Langeberg generated an increase in attributable income to R78.9m (R611m) on a 15% rise in turnover to R741.6m (R625.8m).

Brown said volumes on the local markets had fallen sharply while the rand realisation of exports would be much lower with the softening of prices and demand in the UK, Europe and the Far East. Exchange rate fluctuations had not offset the fall-off in international demand.

Local prices had risen over the year but cost increases had been kept less than 12%.

The benefits of Langeberg's cost-cutting programme would be felt partially this year, but mainly in subsequent years.

Brown said the focus this year would be on reducing costs and asset management, though attention would be given to possible acquisitions in the food processing and canning sector.

NISSAN SA experience a "champagne year" in 1992, establishing a strong second position in the motor industry. NISSAN SA marketing MD Stephen Loube, said at the weekend, overall sales had increased 11.2% and NISSAN had shown the strongest growth in passenger vehicle market share.

The company's success was attributed to the launch of the Sentra, the steady performance of the Maxima and Uno, and NISSAN's good reputation in commercial vehicles.

"Everything fell into place in 1992 with the total production line being brought up. NISSAN received much attention from fleet owners who bought more than 80% of all products," Loube said.

He foresaw a lean year in 1993 with no improvement in the overall vehicle market. No new model launches or shareholdings changes were expected. NISSAN would concentrate on improving its market share.

"We have no intention of overtaking TOYOTA. We are achieving our objective of establishing NISSAN as the strong number two in the market and will work on maintaining this position and narrowing the gap with TOYOTA," he said.

The company showed solid profit for 1992 and was proud of its success in a market that shrank 7.3% from 1991.

"We achieved and exceeded our budget for 1992, which is quite an achievement in this industry. Our dealers were more profitable and this money has been re-invested in dealerships to enhance service," he said.

The company had experienced supply shortages in almost all categories and had to increase production substantially. This was difficult as there is not much flexibility with equipment and intake. Some changes were made to our paint equipment which had been a bottleneck and we plan to continue productivity and re-routing programmes to enable employees to switch assembly lines," said Loube.

Increased production had brought unit costs down and enabled NISSAN to keep price increases for 1993 at 5% across the range. Loube said the company had targeted for a 10% increase (excluding VAT) for 1993.

NISSAN's Roslyn plant has five robots and the company plans to move gradually towards increased automation.

"We must keep our manufacturing process in line with the higher levels of technology required. However, the small vehicle market does not justify the investment needed for a complete switch to robotics. It is also in the interest of the country to keep the industry labour-intensive," said Loube.

No staff cutbacks were expected for 1993 and NISSAN hoped to maintain its previous two-year employment level.

Morkel's aims for flexibility

CAPE TOWN — The benefits of Morkel's cost containment and asset management programmes, which had begun to filter through to the bottom line in the six months to end-September, should be enhanced by the restructuring of its furniture chain, financial director Terry Simon said.

To tighten management control and control of assets, the group had announced the creation of a separate business unit under MD Dodi Brand and the restructuring of regional operations, Simon said last week.

This was the first move to position operating units as separate entities supported by a lean corporate operation encompassing finance, marketing, research, planning, administration and labour resources.

Simon said Morkel's aimed to introduce more flexibility with decision-making being taken by operating units so that response times to specific market conditions and consumer demand could be quickened.

A profit increase for the year to end-March would represent a turnaround for the furniture and sports goods group which suffered a 36% decline in attributable profit last year when market conditions in the retail trade had been exceptionally tough.

Not much growth had been experienced at the level of sales which had kept below last year's inflation rate with profit being generated mainly by tighter controls exercised internally.

The slowdown in the intense store opening programme, which last year saw the operating margin slumped from 10.6% to 6.9%, had reduced the cost burden and resulted in an improvement in margins.

Attention had also been given to widening margins in product lines where market conditions allowed.
Commercial crime unit outlines its successes

COMMERCIAL crime unit detectives have arrested 62 people countrywide on charges ranging from fraud to possessing forged banknotes with a face value of about R26.7m. Police said the arrests took place over three weeks.

Yesterday East Rand police arrested two men allegedly in possession of fake R50 notes with a face value of R16 000. They will appear in the Benoni Magistrate's Court today.

Detailing the commercial crime unit's successes, the SAP public relations division in Pretoria said a man was arrested in Johannesburg for allegedly committing fraud by depositing an empty envelope into an ATM. An amount of R790 000 was involved.

Other arrests included that of a Johannesburg man for the alleged theft of R1.5m in company funds.

Bloemfontein police arrested four men for allegedly trying to sell fake R50 notes with a face value of almost R1m. They also arrested four other men who had forged R50 notes amounting to R58 000.

Pretoria detectives arrested three men on charges of fraudulently depositing cheques worth R1.6m. Another man allegedly deposited stolen cheques and withdrew R1.5m in cash.

Another three men, allegedly in possession of forged R50 notes with a face value of R5m, were arrested by the Pretoria police.

In Cape Town, a man was arrested for fraud after appropriating investments involving R8.7m from clients for his own use, police said.

Few worried about AIDS

IN SPITE of efforts to create awareness about AIDS, South Africans are not doing much to protect themselves from contracting the disease, a study has found.

A five-year Markinor survey says 40% of whites and 20% of blacks are not worried about contracting AIDS.

The survey, published in this month's issue of Cosmopolitan magazine, is based on a sample of 2,300 urban dwellers. It shows only 20% of blacks and 7% of whites have changed their behaviour because of the AIDS risk.

The survey also found that about eight out of 10 blacks think it likely that the disease will be a white epidemic, whereas 94% of whites think the disease will plague blacks. About 72% of whites and 63% of blacks think that AIDS will become epidemic among lesbians.
The Board of Tariffs and Trade (BTT) has recommended further deregulation of marketing control boards to help reduce soaring food prices.

Reporting yesterday on its long probe into food inflation, the BTT said each board should be examined individually to see if it could be deregulated to increase competition.

The BTT said it could find no single cause or guilty party responsible for food price inflation which had peaked at 30.4 percent in July.

It found that each level of the food chain contributed about the same amount to rising food prices with the greatest concentration at the primary level of storage and distribution where artificial barriers to entry were greatest.

The report could find no evidence that excessive profit-taking by any private firms in the food chain was the cause of high food prices.

The sharp increase in food inflation since the third quarter of 1991 was mainly the result of short-term effects of the introduction of VAT and the long and severe drought.

The underlying food price index, without these factors, was estimated at 15 percent.

The BTT believed the effect of the introduction of VAT would disappear by April.

Also recommended was greater competition from abroad to increase competition with local producers.

The Afrikaanse Handelsinstituut (AHI) welcomed the recommendations but bemoaned the lack of specific proposals.
New car sales down on a year ago
Confidence in business takes another knock

By Mzimkulu Malunga

DESPITE hopes that economic conditions will improve this year, business confidence declined by 0.1 percent to 92.9 during December and January.

Dr Ben van Rensburg, economic policy director of the South African Chamber of Business (Sacob), this week said the internal political situation, the violence and the performance of the world economy were among the causes.

Not entirely negative
Eight of the 13 factors which Sacob takes into consideration in its monthly gauging of business confidence contributed to the decline.

Issues, such as the unemployment rate, retail sales, the rand’s value against the US dollar, the gold price, companies’ performances as well as the volumes of exports and imports influenced the slump.

Unemployment showed no signs of easing during the past two months, about 4 000 companies went bust during the same period, while the gold price hovered well below expectations and retail sales plummet.

However, the situation was not entirely negative.

The inflation rate dropped below 10 percent for the first time in 14 years and manufacturing production increased marginally.

Though agricultural production is not going to reach anticipated levels, it is expected to be higher than last year, a factor that will have an influence on the entire economy.

Production will rise
Business is also worried about the continuing Government debt which is expected to be around R30 billion during the 1992-93 tax year.

Van Rensburg says a number of structural constraints are likely to prevent any significant improvement in the economy.

"Sacob believes that it is more important than ever to take all possible measures to rebuild both business and consumer confidence.

"The success of political negotiations and the forthcoming Budget will be crucial in this respect," he says."
1omy ● 100 businesses benefit from finance scheme

Scheme to help black entrepreneurs start up

BCF small businesses flourish despite recession:

By Joshua Raboroko

THE Business Challenge Finance, aimed at economically empowering and helping black entrepreneurs develop their skills, is to be launched at the Braamfontein Hotel in Johannesburg on March 7 at 10am.

Chief executive officer Mr Phil Khumalo said yesterday that the scheme helped finance about 100 black business people since its formation two years ago. He said the majority of established businesses, consisting mainly of taxis, taverns, spaza shops, mobile hot dog units and a supermarket, were successful despite the downturn in the economy.

The BCF has also granted personal loans to members. He added that they could arrange loans of any magnitude. "We want to encourage people to create jobs at a time when the rate of unemployment is high in the country," he said. They will conduct lessons on how to draw up business plans because "most of our black people venture into business without any knowledge".

He said most businesses collapse because of poor management styles, lack of planning, ignorance of how to bank money, just to mention a few of the handicaps.

Conditions for acquiring a loan include:
- Taking up membership;
- Participating in meetings; and
- A Commitment to attending lessons on business management.

Booklets, sponsored by major corporates, will be issued to individu-
Activities: Earns royalties from trading companies using Bloch trademarks.

Control: Directors 62.5%.

Chairman: B Rabinowitz.

Capital structure: 18.7m ords. Market capitalisation: R5.6m.

Share market: Price: 30c. Yields: 20.3% on dividend; 17.3% on earnings; pre ratio, 5.8; cover, nil 12-month high, 40c; low, 30c. Trading volume last quarter, 21 000 shares.

Year to Jun 30 '89 '90 '91 '92
Shareholders' interest 0.28 0.27 0.26 0.03
Return on cap (%) ... 131 131 142 139
Turnover (Rm) .......... 0.8 1.0 1.1 1.2
Pre-int profit (Rm) ... ... 0.7 0.8 1.0 1.1
Earnings (c) .......... 3.6 4.3 4.6 6.2
Dividends (c) .......... 3.5 4.2 4.5 6.1
Net worth (c) ......... 1 1 1 0

Nevertheless, it always ran the risk that SA's Receiver would disallow that dispensation. Now that that has happened, the attributable earnings capacity has been dented and the share's attraction as a novel investment medium has faded.

Bloch's investment appeal arose because it was a Ciskei company deriving its income principally from royalties from Cape-based Bloch supermarkets. It paid no taxes, other than the 15% withholding tax on money flowing into and out of the Ciskei.

Last year, the Receiver of Revenue objected and stated he intended to reverse the royalty payments deducted from operating profits of Bloch supermarkets over the past five years. That has been alleviated by an agreement with the Receiver that Bloch's business is to be vested in a new, listed SA company with the same shareholding.

Royalty payments will be tax deductible by Bloch supermarkets, but royalty receipts will be taxable in the hands of the new SA company, subject to the deduction of R1.5m spread equally over the next five years. Attributable income will be reduced by the additional tax charge on royalty income.

Interim results for the six months to December indicate the effects of the new arrangement — and they are substantial. Royalties received increased by 22% and the tax rate jumped from 14% to 37%. After-tax profit declined by 10.1% to R400 195.

Chairman Bernard Rabinowitz reports that, after a fairly buoyant Christmas, the trading companies expect a gradual recovery. Royalty income for the full year is expected to be R1,27m (R1,13m), EPS about 4.2c (5.2c). The high dividend yield reflects investor concerns about prospects.

Gerald Nitschke
low returns on assets and low levels of concentration). The process was particularly difficult for retail operations in the United States. But, as Ackerman notes, this is partly because the US market is more competitive, and retailers in the US have more power over their suppliers. In the UK, where the retail market is less competitive, retailers have less power over their suppliers and therefore have less ability to negotiate lower prices.

Another issue that needs to be investigated is the role of large players in the market. Large players often have more power over their suppliers and can therefore negotiate lower prices. This can lead to a concentration of power, where a small number of large players control the market.

In conclusion, the distribution system in the food retail industry needs to be reformed to ensure greater competition and lower prices for consumers. This requires action from both retailers and suppliers, as well as from policymakers to ensure that the market is fair and competitive.
Reawakening a sleeping giant

IF SAM Noge, the president of the Soweto Chamber of Commerce, has set himself a formidable task — to revitalise business in the sprawling but stagnant township. Whatever the level of pessimism might be about his ideas, Noge believes he has some plans that can work despite all the odds.

SAM Noge, the new president of the Greater Soweto Chamber of Commerce, has set himself a formidable task — to revitalise business in the sprawling but stagnant township. Whatever the level of pessimism might be about his ideas, Noge believes he has some plans that can work despite all the odds.

A hard-nosed bookkeeper and professional accountant, the man can hardly be seen as a visionary, but given the prodigious amount of energy he has put into his job thus far, it would be foolish to write him off.

Noge, a short, bespectacled Sowetan who started his business career as a bank clerk in the early 1960s, owns a bookkeeping company and is a firm believer in free enterprise.

"I don't really mind what you call me. A capitalist or a believer in free enterprise, or whatever. As long as I can teach Soweto traders and businessmen how to make a profit, I'll be a happy man," he says.

Noge is the first to admit that — with the current climate of crime in Greater Soweto, much of it directed at black businessmen, and the recession which is wreaking greater havoc in black communities than elsewhere — there is little ground for optimism.

But Noge is a practical man. He is as willing as the next man to analyse the problems forced on his constituents by apartheid — his basic position is that "we now have to look forward and not use the political past as an excuse for doing nothing."

"Having said that, it does not mean I don't believe in the obligation of the powers that be and big business to live up to their responsibilities in making sure we have a level playing field, and make amends for the deprivations they put us through," he says. "But we are also obligated to make every effort to develop ourselves."

One of the things that riles him is the fact that Soweto consumers spend most of what they earn outside the township. "We take the little we get straight back to the white man, leaving the black businessman with very little to carry on with," he complains.

Noge and his chamber colleagues are opposed to "outsiders" coming to trade in their area. "Recently we have seen big chainstores establish themselves in huge malls on the boundaries of many townships. This has drained our small businesses, and many traders have gone bankrupt because of this unfair competition."

Noge's first task in office was to get a suspension of plans by a private corporation to establish a giant mall at Baracacity in Diepkloof which, he says, would have displaced a group of shopkeepers who had been trading there for the past 20 years.

H E isn't against development or progress. "But all of this was done without consulting anybody. We know for a fact that many of these traders had already been promised sites and had paid deposits, but found themselves sold out by the recently dismissed councils," Noge says.

"What we want is a fair share. First we were expelled from places like Sophiatown, Western and Pimville and forced into Soweto. Now we are facing this invasion of people who want to develop Soweto for us. This is neither what we want or what we need. What we want is a chance to try to develop Soweto by ourselves, for ourselves."
Foschini buys Sterns

Foschini has acquired jewellery chain store group Sterns for an undisclosed sum. Sterns MD Ivan Hayden says the deal is effective from 1 April. He says Sterns will keep its separate identity and brand name. Sterns will benefit from Foschini's state-of-the-art technology.

Foschini managing director Clive Hirschsohn says the purchase will be funded from existing resources, and he does not expect this to have any impact on the earnings in the year following the acquisition.
Growing interest in buoyant small business sector

THE ongoing recession has affected most industries negatively, but the small business sector appears to be growing stronger by the day.

The Small Business Development Corporation (SBDC) in Cape Town says: "There has been substantial investment in small- and medium-sized enterprises (SMEs) over the past year, while Old Mutual reports buoyant interest in the small business activities it supports."

A total of 1,654 applications for small business finance amounting to R35 million was granted in the Western Cape in 1992.

The SBDC says this compares favourably with 1991 and indicates that demand for start-up and expansion finance has been maintained and in some cases increased.

It points out that 38 percent of loan applications received last year were granted.

"There is particular interest in our instalment sale transaction finance for equipment at interest rates from as low as 18 percent, and we have budgeted for growth in this field," says Mike Klopper, assistant general manager of business development at the Western Cape SBDC.

SBDC serviced a broad spectrum of businesses in the informal and formal sectors ranging from micro-financing for amounts as low as R300 to financing of working capital, stock, equipment or buildings up to amounts of R1 million.

The average size loan granted over the year was R46 000.

"In the current recessionary conditions there has also been a demand for medium-term financing facilities for the financial restructuring of viable businesses that feel the pinch," says Mr Klopper.

In its report "Old Mutual in the Community" released this week, the assurance society shows the extent to which it is involved in small business development.

Old Mutual supports the self-employment aims of the Triple Trust through the donation of a building used as a training centre in Khayelitsha.

Here the trust provides unemployed people with full-time training for two months in subjects such as sheepskin slipper making and painting on leather, as well as business basics — costing, market research, cash flow management and using a calculator.

Old Mutual also supports the Cape Town Job Creation Project and the Foundation for Entrepreneurship Development (FED).

Part of the FED initiative is the Old Mutual cottage industry development unit, where people are taught to run their own business.

On behalf of Old Mutual, FED arranged the acquisition of equipment such as cutting tables, sewing machines and ironing boards.

Once the skills have been acquired, people produce and market their own products while they rent space and equipment from FED at a reduced rate.

This gives them a base from which to launch their business.

Nearly 20,000 students have founded, operated and liquidated more than 700 companies in the Old Mutual-supported Junior Achievement Programme, which aims at providing Standard 9 and 10 school pupils with practical business experience and insight.

Over a period of 11 weeks, groups of 25 students from all sectors of the South Africa community set up their own mini manufacturing companies.

The students have to cope with the complexities of the manufacturing process and the administrative and financial constraints of running a company.
Morkels reaps benefits from profitability drive

CAPE TOWN — Furniture and sports goods retailer Morkels is deriving the benefits of its drive to improve profitability, and produced a 65% increase in earnings a share in the nine months to end-December compared with the 21% rise at the interim stage.

Earnings rose to 6.7c (4c) a share on a 78% increase in after-tax profit to R2.8m (R1.6m). Earnings were generated on a 6% increase in turnover to R242m (R227.7m) which was converted into a 27% rise in operating profit to R17m (R13.6m). This compared with the 22% hike in operating profit at the interim stage.

CE Carl Jansen said turnover growth in the last quarter of 1992 was only marginal, with some describing Christmas as the worst trading period yet experienced. He added that Morkels turnover growth had been held back partly by the deliberate decision to improve productivity and protect assets.

Tighter asset management and the softening of interest rates had slowed down the rate of growth in interest payments and had contributed to the 115% rise in pre-tax profit. Unlike last year, all income was subject to taxation.

Debt-equity at the end of the period stood at 134% (118%) and was now within the targeted level of 130%.

The Morkels furniture chain had improved its margin by controlling expenditures and Jansen said in the quarter to December the chain had increased its pre-interest and pre-tax profit three times on a turnover increase of less than 1%.

The Total sports chain had increased sales by 16.6% and Ajay Sports had posted good December sales.

Jansen said Morkels had successfully applied to the JSE to have its listing transferred from the furniture and household sector to the retailers and wholesalers sector.

He said the forecasts set for the year were attainable, though it appeared unlikely that the turnover target would be achieved and warned that the forecasts assumed some stability in the fragile political and economic situation.

In its 1992 annual report Morkels forecast a 7% rise in turnover to R300m, a 42% increase in after-tax profit, and a 40% rise in earnings a share.

"There can be little doubt that the prolonged recession is serious, and perhaps irreparably, damaging the SA economy. Major employers in the formal sector are continuing to retrench workers.

"Although there has been a substantial increase in the number of people involved in the informal sector, unemployment is still growing at an unacceptable level with a consequent further erosion of already fragile consumer confidence," he said.
Foschini expands jewellery holdings with Sterns buyout

CAPE TOWN — Foschini has acquired national jewellery chain store Sterns for an undisclosed sum to complement its American Swiss Jewellers subsidiary, which is the largest jewellery chain store operation in SA.

The 78-store Sterns chain would bring the total of jewellery outlets in the group countrywide to about 218. Foschini financial director Roy Norman said the Competition Board had given the deal its tacit approval as it would not result in Foschini monopolising the market — which was dominated by independent stores.

Foschini MD Clive Hirschsohn said the acquisition — to be financed from existing resources — had provided Foschini with a growth opportunity to expand its jewellery retailing operations into the broad middle segment of the jewellery market.

Sterns would become a fifth operating division for the group, along with Foschini, American Swiss, Markhams and Pages, but its acquisition would generate economies of scale which Hirschsohn believed would benefit customers of both businesses and the group's shareholders.

He did not expect the acquisition to have any impact on earnings a share or net asset value in the financial year following the acquisition but believed there was potential for substantial growth in Sterns' profitability thereafter. The deal is effective from April 1.

While the Sterns stores had been trading profitably at store level, the group had been hampered by heavy head office costs.

Hirschsohn said Sterns would benefit from Foschini's sophisticated, centralised credit system and its merchandising and planning facilities would provide more depth and range to the merchandise mix.

Sterns' integration into the group would be gradual, Hirschsohn said. "We would not want to make any rash decisions. Sterns' staff is one of its valuable assets, needed to provide continuity," he said.
New car market 'has bottomed'

Although new car sales have started the year on an unexpectedly weak note, the market has bottomed out and 1993 sales should grow by around 10,000 units or five percent to 192,000 units.

This is the view of Theo Swart, chairman of McCarthy Motor Holdings — the vehicle distribution arm of the McCarthy Retail Group. He said the used car market should increase by around 25,000 units to 350,000 this year.

Swart made his market forecasts against the background of the drop in interest rates, the more promising political scenario, and the expected positive growth in GDP as outlined recently by Finance Minister Derek Raysa.

He added the new commercial vehicle market would also show growth this year — with sales of bakkies rising to 100,000 from the 1992 level of 82,000, medium commercials going up from 3,200 to 4,000 and heavies from 5,400 to 6,000.

"The overall vehicle market should pick up fairly strongly between now and early March as both companies and individuals climb in before the expected hike in VAT is announced in the Budget," said Swart.

"I will be disappointed if VAT is raised by more than two or three percent," he added.

Turning to McCarthy's performance in the market, Mr Swart said the group increased its share of the total dealer market for new vehicles from 13 to 13.5 percent last year.

"This means that one out of every 7.4 new vehicles sold in the South African dealer market last year came out of McCarthy showroom," he said.

— Sapa.
Morkels' profitability drive pays off

Finance Staff

Retailer and wholesaler Morkels Ltd confirmed that December sales were less buoyant than originally expected.

Reporting its financial results for the nine months to end-December, Morkels says available statistics indicate "that the quarter to December yielded only marginal turnover growth".

It adds: "There can be little doubt that the prolonged recession is seriously, and perhaps, irreparably damaging the South Africa economy."

Despite the poor trading conditions, which were reflected in a marginal six percent turnover growth in the nine months to R432.2 million (R227.7 million), the group continued to improve its bottom line.

A focus on boosting profitability lifted operating profits by 27 percent to R17.1 million (R13.5 million) and taxed profits by 78 percent to R2.8 million from R1.6 million in 1991.

Earnings per share rose by 68 percent from 4c to 6.7c.

Morkels chief executive Carl Jansen says the slender turnover growth was partly restrained by efforts to rehabilitate productivity and protect assets.

The furniture stores made impressive gains through enhanced margins and rigidly controlled expenditures.

By focusing on selling and improved credit recovery, the Morkels chain should maintain progress in another difficult year ahead.

Sales growth was been held to a pedestrian 16.6 percent in the

Totalsports stores, with clear evidence of postponed purchases from consumers struggling to cope with the high cost of basic foods.

Ajey Sports recovered from a subdued third quarter start to post good December sales. Performance in January looked promising.

A softening in interest rates and tighter asset management was reflected in a reduction in growth in the interest bill from 14 to 7 percent, ending at R11.7 million.
Foschini buys Sterns jewellers

By Stephen Cranston

The Foschini Group has acquired the Sterns jewellery chainstore, the main competitor of its American Swiss subsidiary.

The price of the transaction has not been disclosed as Sterns is not a listed company. The deal, however, will not have a significant effect on the Foschini Group's gearing.

Foschini MD Clive Hirschsohn says the Sterns acquisition presents Foschini with a growth opportunity in the broad middle market of jewellery retailing.

Market research conducted by Foschini showed that the Sterns' name had very high recall, particularly among the "emerging population", a popular researcher's term for the Black market.

Sterns will be run as a separate division within the Foschini Group but it will use the group's centralised credit system and its merchandising and planning facilities.

But Foschini financial director Roy Norman says that Stern will not be turned into an American Swiss clone and will carry a differentiated range of merchandise.

Norman adds that over the last four years the present management team has improved Stern's profitability very considerably although it can still be improved further.

Although Sterns and American Swiss are the two largest national jewellery chains, Norman says he does not believe that the Competition Board will stop the deal. The two chains control considerably less than 30 percent of the market, which is still dominated by independent jewellers. Edgars and to a lesser extent Truworths are also major players in jewellery.

Sterns MD Ivan Hayden says that Sterns had reached a plateau and needed to make a significant investment in technology and look for financial backing to facilitate further expansion.

"We are very excited and see considerable growth opportunities. There is room for both American Swiss and Sterns in most shopping centres. We can both expand without cannibalising the market."

Sterns has 78 stores and American Swiss which turns over more than twice as much operates from 140 stores and 200 boutiques within the group's Foschini, Markhams and Pages chains.

Hirschsohn says that he does not expect the purchase to have any impact on earnings per share in the year following the acquisition but is confident that there is potential for substantial growth in Sterns' profitability.
Morkels turns in 78% profit growth

JOHANNESBURG. — Retailer and wholesaler Morkels turned a marginal 7% turnover growth in its third quarter into a bottom line improvement of 101%, the group said yesterday.

For the nine months to end-December, it reported sales up 6% on R242.2m. An increase of 78% profit after tax and interest up to R2.83m from R1.39m was registered.

This was compared to a 21% growth rate at half-year for the group, which consists of the 92-store credit based furniture chain Morkels, the 43-store cash driven Total Sports retailer and wholesaler Ajay Sports.

In a statement, Morkels said earnings per share had jumped from 4c to 67c.

Morkels CE Carl Jansen said the slender turnover growth had been partly restrained by efforts to rehabilitate productivity and protect assets.

Building on its productivity drive, the furniture stores had made impressive gains through enhanced margins and rigidly controlled expenditures.

By focusing on selling and improved credit recovery, the Morkels chain should maintain progress in another difficult year ahead, he said.

Sales growth had been held to a pedestrian 16.6% in the Total Sports stores, with clear evidence of postponed purchases from consumers struggling to cope with the high cost of basic foods.

Jansen said Ajay Sports had recovered from a subdued third quarter start to post good December sales. Performance in January looked promising.

Group operating profit advanced from 22% growth at half-year to 27% to end the third quarter.

A softening in interest rates and tighter asset management was reflected in a reduction in growth in the interest bill from 14% to 7%, ending at R11.7m.

Net asset value per share rose to 104c from 155c the previous year. — Sapa.
Changes to OK marketing division

MARcia KLEIN and KELVIN BROWN

THE OK Bazaars has announced major changes to its marketing division as part of the group’s restructuring after the appointment of MD Mervyn Serebro.

OK marketing director Arthur Solomon said yesterday advertising director Bob van Coller, who had been with the OK for 32 years, had retired.

Former Grey Advertising vice-chairman Deilise Stamm, previously in charge of the Grey division handling OK’s account, had been appointed director of advertising, promotions and public relations. Stamm, also appointed a director on the OK operational board, would report to Solomon.

In November 1991 the OK said it would move its advertising account inhouse from Grey Advertising. The OK was Grey’s largest client. Stamm left Grey in January last year. Solomon said yesterday the OK would maintain its inhouse operation for its R6bn to R7bn advertising account. Where necessary, it would employ the services of outside companies.

The OK was re-examining its marketing strategy and researching its target markets, merchandise, advertising and mission statement. “What was clear is that the OK needed a new image,” he said.

Other changes included a reorganisation of its four major merchandise divisions. Adry Pietiels had been recruited from Pep to look after the clothing and textile division, and Alec Goodman had succeeded Solomon as the head of the furniture and appliance division. Mervyn Kraitzick and Jack Coombes would remain the heads of the food and toiletries division and the housewares division, respectively.
Consumer Council hits retailers’ bread pricing

A CONSUMER Council survey of bread prices released in Pretoria this week has criticized pricing structures at cafes and chain stores, claiming that they sell bread at above the recommended price.

Said Consumer Council executive director Jan Cronje: "Most cafes clearly ignore the recommended maximum price of R1.75 for a standard 800g loaf of white bread and R1.50 for brown bread. They are still selling white bread for up to R1.95 and brown for up to R1.90.

"Chain stores were charging 11c more for white bread and 8c more for brown than three months ago when they undertook to keep prices as low as possible."

"OK Bazaars did not undertake to hold prices at levels of three months ago, and put up its bread prices in line with Wheat Board increases."

"We sell white bread nationally at R1.55 and brown bread at R1.37," said OK Bazaars merchant director: food, Mervyn Kraitzik.

"As far as Pick 'n Pay is concerned, we have set a national policy. We are selling white bread at R1.62 and brown bread at R1.37," said Pick 'n Pay hypermarkets GM perishables Ian Eade.

Checkers prices in southern Transvaal were R1.65 for white bread and R1.38 for brown bread. It was part of its commit-

ment to consumers to keep prices low, a Shoprite-Checkers spokesman said.

"Chain stores are very fair; there is hardly any markup on the retail price. We are selling white bread below the recommended price at R1.65 and brown bread at R1.45," a spokesman for Blue Ribbon Auckland Park Bakeries said.

Catering, Restaurant and Tea Room Association executive director Frank Swarbreck said: "We have never agreed to the recommended price. We were sidelined at the crucial meeting in November."

The association, which represented cafe owners, had favored a free market and believed the return to retail price maintenance had resulted in everybody putting up their prices gradually, Swarbreck said.

The cafes were providing a convenience service which should be allowed to cost a little more, he said.

The Consumer Council supported free market principles, but was concerned about consumers' ability to react to unreasonable prices and/or quality, public relations manager Paul Roos said.

"We need discerning consumers. Our main task is consumer education. The emphasis is not on playing policeman."
Stores sell bread at high prices

Consumers warned not to be misled.

Bread is being sold at "much more" than the recommended price, according to the Consumer Council.

Council executive director Jan Cronjé claimed in a statement yesterday that chain stores were charging 11c more for white and 9c more for brown bread than three months ago when they undertook to keep prices as low as possible.

"Most cafes clearly ignore the recommended maximum price of R1.75 for a standard 800g loaf of white and R1.50 for brown bread. They are still selling white bread for up to R1.96 and brown bread for up to R1.80," Cronjé said.

"Consumers are warned not to be misled. The price for all other kinds of bread are clearly visible except bread subject to the recommended maximum price." — Sapa.
Pick 'n Pay MD Herman steps down

HUGH Herman, Pick 'n Pay MD for the past eight years and director for the past 17, said yesterday he would step down.

Herman, who would become a non-executive director and a consultant to the group, said he intended to pursue his own business interests and to spend more time with his family. 8/10/92

When he joined Pick 'n Pay he told executive chairman Raymond Ackerman he would probably stay for 10 years. "I'm already 60% over my commitment."

Ackerman said yesterday a successor would be named towards the end of March. He would not say who was in line for succession, but market sources said that food director Sean Summers was "a strong contender".

They said marketing director Martin Rosen was also a candidate, and financial director Chris Hurst could not be ruled out. They did not exclude the possibility of joint MDs. Ackerman and Herman jointly managed the group in the early '80s. (30)

The sources said Ackerman's son Garth, who was being groomed for the position, was still too inexperienced. Rosen has been with the group for 22 years and Summers for 19, while the younger Ackerman had only nine years' service.

Ackerman said Herman had "no equal in the country in the areas of finance and store development". He had contributed to developing Pick 'n Pay into "the top brand and the most admired company" in SA.
McCarthy suffers from mass action, strikes

McCarthy Retail's earnings dropped 7% to 30.1c (32.3c) a share in the half year to end-December, the first reporting period since the group was formed through the merger of motor group McCarthy and retail group Prefcor.

CE Terry Rosenberg said results would have matched those of the previous year if not for mass action in August, which affected trading in the Beare, Cloben and Game chains, and the strike at Toyota earlier in the financial year.

The group declared an interim dividend of 8c (15c) a share.

Results have been published on a pro forma basis, assuming that the July 1992 merger between McCarthy and Prefcor Holdings had taken place in July 1991.

The group reported an 18% rise in turnover to R2.7bn from R2.3bn, and an 8% drop in operating income to R127,2m from R138,4m.

Income after tax was down by 4% to R49,2m (R50,9m).

McCarthy Motors, which contains all the businesses previously held by McCarthy Group, would have marginally improved its results but for the Toyota strike.

McCarthy Group which is now purely an investment holding company with an 87.9% holding in McCarthy Retail, reported earnings of 49,1c (43.2c) a share. It declared an interim dividend of 10.5c (7.5c) a share.
Lack of planning sinks small firms

PRETORIA — Many small businesses in SA were being hampered by a lack of management skills and by a failure to adopt a structured business plan, SBDC senior manager Pierre Mey said yesterday.

He said small businesses were often sceptical of using consultants to conduct performance analyses, and entrepreneurs could not always see the "marriage of benefit and cost".

"We often see people who don't pay sufficient attention to performance analysis until it is too late," he said. Durban Chamber of Commerce economics head Barry Poulsen said several of the larger accounting firms and some development organisations offered specialist management consultancy services.

"The problem is that most people would be helpful. The small businessman or trader did not have the expertise, desire, nor the time to delve into financial and analytical gymnastics to gain an understanding of his business and its profitability, said Provident Management Services executive Ivor Fisher.

The Durban-based company is one of several to offer business performance analyses directed specifically at small- to medium-sized businesses.

"The success of small business has been neglected for too long and it is vital for SA's economy that the growth of small business be stimulated," Poulsen said. A more user-friendly approach by consultants, including free introductory sessions for smaller businesses, was welcomed.

"If it is too late for South Africa's small businesses, it is critical that businesses have the requisite financial and entrepreneurial skills at hand to ensure successful trading with profitability," Fisher said.
Boycott ends...
CAPE TOWN — Retail giant Pick 'n Pay is to lose its managing director, Hugh Herman, MD for eight years and a director for the past 17 years, will become a non-executive director and consultant to the company. Chairman Raymond Ackerman said yesterday, "Ackerman paid tribute to Herman's contribution. He said that in the areas of finance and store development Herman had no equal in the country."
Herman, in his early fifties, said he intended pursuing his own business interests.
McCarthy still on target

By Stephen Cranston

Earnings for motor and furniture retailer the McCarthy Group fell in the six months to December but they are described by management as highly commendable in a tough business climate.

The McCarthy Group merged with Prefcor Holdings on July 1 last year and the group provides pro forma figures for the six months to December 1991 assuming that the merger had taken place a year earlier.

Earnings per share of 40.1c compared with the proforma figure of 43.5c. The interim dividend increased from 7.5c to 10.5c.

McCarthy Retail, which is 87.8 percent owned by McCarthy Group and is its sole source of income, reported earnings of 30.1c compared with 32.9c. It has declared a dividend of 8c down from 15c in 1991.

Turnover increased by 13 percent to R2.69 billion but operating income fell by eight percent to R127 million and attributable earnings by seven percent to R46.6 million.

CE Terry Rosenberg says that the half-year earnings would have equalled last year were it not for the mass action stayaway in August — which affected trading in the Beares, Clobea and Game store chains — and the strike in Toyota, which is the group’s major motor franchise.

Rosenberg says the group is basically on target and the merger has bedded down well. He says plans are in place to achieve some of the identified synergistic benefits. Savings are expected from a merger of the two computer systems, which cost the group R55 million a year in total.

Trading volumes in the Prefcor operations were encouraging in the crucial November and December trading months, but they were marginally behind budget for the six months.

Successful new Game stores were opened at Empangeni and Pietersburg and others are to follow in Nelspruit, at Cresta, Randburg and on the East Rand.
Expansion

Herman Resigns as MD

By Anthony D'Angelo
HOUSE OF DEPUTIES

The Minister of Local Government is hereby informed that the following are not expenditure items:

1. The construction of a road bridge in the town of

2. The purchase of a new office building for the town council.

3. The installation of lighting in the town square.

The Minister of Local Government is hereby informed that the following are expenditure items:

1. The construction of a new hospital in the town.

2. The purchase of medical equipment for the hospital.

3. The installation of air conditioning in the town hall.

The Minister of Local Government is hereby informed that the following are expenditure items:

1. The construction of a new sports complex in the town.

2. The purchase of sports equipment for the complex.

3. The installation of heating and cooling systems in the town hall.

The Minister of Local Government is hereby informed that the following are expenditure items:

1. The construction of a new school in the town.

2. The purchase of educational materials for the school.

3. The installation of security systems in the school.

The Minister of Local Government is hereby informed that the following are expenditure items:

1. The construction of a new public park in the town.

2. The purchase of park equipment for the park.

3. The installation of lighting in the park.

The Minister of Local Government is hereby informed that the following are expenditure items:

1. The construction of a new library in the town.

2. The purchase of books and other materials for the library.

3. The installation of security systems in the library.
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Note: The table above represents the number of days assigned to each month, with January having 22 days assigned.

**Question:** What is the purpose of the table above? The table above is used to track the number of days assigned to each month, with January having 22 days assigned.

**Question:** What is the significance of the table? The table is significant as it provides a clear and organized way to track the number of days assigned to each month. This can be useful for planning purposes, such as assigning tasks or preparing for events.

**Question:** How can the table be utilized in a practical scenario? The table can be utilized in a practical scenario for assigning tasks or preparing for events. For example, if a project requires tasks to be completed within a specific time frame, the table can be used to allocate days for each task, ensuring that the project is completed on time.

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**House of Assembly**

**Notice:** The table above is a part of a larger document that provides a detailed overview of the assigned days per month for the year 2022. It is essential to keep track of these days to ensure that all tasks are completed on time and within the specified period.
RETAILERS considering a move into Northgate will have to make their move soon as most of the additional line shopping is taken and the developers are going to be very selective in terms of what kind of store they will consider for the centre.

Says Pat Flanagan, managing director of RMS Syfrute:

“We are looking for specific traders. The mix for the second phase is clearly centred around goods for the home — Diens, Boardmans, home decor stores and household linens.

“Despite the fact we do not have major fashion traders at this stage, there is a much stronger fashion component of quality, good value, fashion merchandise.

“There is Ackermans as well as a number of boutiques and fashion accessory stores.

“We are looking for more fashion stores, particularly stores selling shoes.

“The shoe industry has undergone enormous changes and it is very difficult to find shoe retailers today.

“We are also looking for more boutiques, but of a specific type.

“A store stocking designer jeans and other fashion wear appealing to the young woman would do well at Northgate.

“They should be people who are in the casual fashion business, jeans, T-shirts, casual sportswear and patio wear.

“It should be quality, affordable product. That is what the whole country is about today.

“There is no conflict between quality and value.

“With the same approach in mind, we are looking for a supplement in the menswear side with more orientation towards casual wear.

“Children’s wear is another important area. We want someone catering for the 3-13 age group and also the 13-18 category.

“A store catering for babies, stocking everything from clothing to cots, is another important opportunity.”

“To complement its existing stores catering to the housewares sector, Northgate is looking for specialists in areas such as bathrooms, kitchens and stores selling gifts for the home.

“There is also some opportunities left for people in the service sector such as travel agents, a specialist stationery/bookstore, a party shop, a specialist hobby store as well as hairdressers and beauticians.

“And, says Flanagan: “If anyone has a really unique restaurant concept we would be interested.

“We want to create unusual elements, if we can find them — it is a bit like searching for a needle in a haystack.

“We have the bulk of the centre left and we can afford to be choosy.

“We are not going to take just anyone”.

STAFF 18/2/93.
**Anchors vital to success**

Investors and developers have spent millions of rand proving that a shopping centre without major anchor tenants is a recipe for disaster.

Anchor tenants, such as the major supermarket and department store chains take large blocks of space in a shopping centre at considerably lower rentals than the smaller line shops.

Not surprisingly, the developers have tried time and again to produce successful shopping centres without the large and less profitable tenants. However, the public has proved consistent in its demand for convenience, choice and lower prices offered by the major stores, and such experiments have failed.

Today, one of the first questions a wise potential small business tenant asks is what anchors a centre will have.

Further evidence of the success of the anchor tenant formula is provided by the presence of the Pick ‘n Pay Hypermarket at Northgate. It has proved its ability as a drawcard in that the centre, after less than two years of operations, has nearly 500 000 visits a month.

**Variety**

With its expansion programme, Northgate is substantially increasing the number and variety of its anchors.

RMS Syfrets managing director, Patrick Flanagan, says the anchor tenants coming into the centre follow Northgate’s theme of value and quality.

*Say: Flanagan: "The first phase started off with a 22,000 m² Pick ‘n Pay Hypermarket. It advertises as Pick ‘n Pay Discount Hypermarket. Discount means getting something at a better price. And the company’s record speaks for itself. "Dions markets itself on the basis that it will match any price and there is no question of the quality it offers. It is all branded merchandise. We believe Dions will attract a lot of people to the centre.

"There are also a number of semi-majors coming to the centre. Clicks will be opening a 1 000 m² store and with changes taking place in the regulations governing chemists, it will almost certainly be dispensing medicines. Clicks has enormous appeal because of the toiletries and gifts which it offers at very competitive prices. It is a far bigger drawcard than the size of its store would suggest.

"Ackermans is another major draw card. The company’s move upmarket has enhanced its value still further and everyone knows its price competitiveness. "Supporting the Dions houseware range is Boardmans. It is very interesting from a tenant mix point of view as it sells largely imported merchandise. The goods are smaller ticket items, and people know they are buying quality imported goods."
‘Everyone knows where we are’

THE Northgate Pick’n Pay Hypermarket is one of the most successful in South Africa.

Pick’n Pay director Jannie Botha says the store carries out an average of 19 000 transactions a day in the middle of the month and 15 000 transactions a day at month-end.

Says Botha: “Randburg and the surrounding areas are constantly growing and there was a shortage of good retail in the area. Though we have supermarkets in the area, there was a need for a one-stop-shop such as the Hypermarket. This has been proved by the success we have enjoyed since the day we opened. The Hypermarket has established itself so well that everyone knows where we are. The centre itself is lovely, modern place to shop and our Hypermarket is the most modern in South Africa.”

When the company decided to place one of its Hypermarkets into Northgate, part of the reason for the positive decision was the developers’ plans to extend the centre.

Botha says Pick’n Pay actually asked the landlords to bring forward the second phase and the store’s incredible success helped considerably to motivate the additional retail area as all the retailers benefit from the drawing power of a successful anchor tenant.

Botha says the additional traders which will come into Northgate following completion of the second phase will benefit everyone in the centre.

He says the catchment area for the centre includes around 100 000 households in a 15km radius. However, the store is looking further afield to reach an additional 50 000 households.

Says Botha: “Competition in the area is increasing and we want this centre to be the discount regional centre.

“While the Hypermarket will not be increasing its size during Northgate’s second phase, the additional shopping will mean more choice for our customers and that will bring more feet into the centre which will benefit everyone.”

Botha says the vast amount of over-trading retail floor space in South Africa has substantial benefits for consumers.

The high level of competition has led to a constant flow of special offers and huge savings as traders try to lure consumers into their stores.

Says Botha: “At our Northgate store we have at least two major promotions each month, compared to one promotion a month in the past. In addition, there has been a substantial increase in the number of shorter promotions which we run in the course of each month. People are price-conscious and respond well to the savings we offer.

“Our Northgate store and its merchandise is specially tailored to meet the needs of our customers. The store offers a super clean environment with high levels of service and quality. While price is important, it is not as significant as being able to offer a pleasant shopping environment.”

The Northgate Hypermarket breaks with traditional merchandising philosophy which used to spot product types in such a way as to ensure consumers would have to walk through the entire store in order to complete their shopping.

Today, the emphasis is on customer convenience and products are grouped for easy access.
What Second Phase is all about

The major expansion taking place at the Giant Centre will provide a second

Northgate's Commercial Centres

The second phase of development will add another 1.5 million square feet of retail space to the Giant Centre, bringing the total size to over 5 million square feet.

The expansion will include:

- Additional retail space
- New restaurants
- More parking

The project is expected to be completed by the end of 2024.

For more information, visit Northgate's website.
Giant continues to grow
NORTHGATE PHASE 2

Design emphasises service ideal of modernism in its approach, but the
worldwide, service-oriented companies which are aware of the need to provide a
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with their service, which encompasses a balance of efficiency, value,
November retail sales had little of Christmas spirit

MARCIA KLEIN

November’s retail trade sales, released yesterday, showed no sign of early enthusiasm to fill Christmas stockings.

Central Statistical Service figures showed that at constant 1990 prices, November retail sales declined by 4.9% in real terms compared with the previous year and by 4% in real terms compared with the previous month.

Total sales of R7.6bn were 3.1% below what major retailers had forecast in the second week of the month. Most businesses reported a drop in real terms, except for jewellers and retailers in miscellaneous goods, who showed marginal increases.

Analysts said yesterday sales over the past few months must have caused headaches for retailers who were trying to make realistic budgets.

In August sales plunged by 10.2% in real terms following mass action earlier in the month. Sales picked up in September and dropped again in October, and November’s sales were lower than forecasts.

Most retailers said sales over the critical December period had been better than expected. Econometrix economist Tony Twine said poor November sales might have led traders to lower their expectations for December, so these sales appeared better than expected.

Expected sales growth of between 10% and 13% over December would prove to be a short-lived respite, analysts said. The CSS said January’s sales would be down by 7.2% compared with January 1992.

January’s expected sales of R6.6bn would compare with an expected R11.3bn in December. While this reflected a poor start, analysts said January was a sluggish month.

Recent interest rate cuts and lower inflation indicated that 1993 would be a more promising year for retailers, who had experienced some of the worst trading conditions over 1992.
Wooltru swings back into profit

LINDA ENSON

CAPE TOWN — Wooltru has swung around sharply from its previous profit decline with a 17% increase in earnings, a share in the six months to end-December, reaping the benefits of its acquisitions and of the improved profitability in its Woolworths chain.

This follows the 30% drop in earnings in the 1992 financial year. Earnings rose to 192c (164.5c) a share and the interim dividend was maintained at 77c. This barely restored dividend cover to the traditional level of 2.5 times after it slipped to 1.6 times last year.

Turnover rose 52% to R3bn (R1.96bn), reflecting the acquisition of Drop-Inn in the past financial year and Shield during the interim period. Excluding the acquisitions sales grew 13%.

CE Colin Hall said operating margins in all chains strengthened, though the overall margin of 4.9% (5.4%) was distorted by the low margin in the Shield operation. Pre-tax profits rose 19%.

Lower borrowings — long-term debt was down to R167.7m (R251.7m) and short-term debt to R28.2m (R40.1m) — meant the net interest bill was almost halved to R10.8m (R25.4m). At end-December gearing was a low 23%, and bank balances and cash reserves strengthened to R146.6m (R144.6m). Hall said borrowings had been cut by selling properties and controlling working capital, mainly by reducing stock.

The Speciality Retail Group strengthened its performance, notching a turnover growth of 19% with the Truwarts chain's

Wooltru sales rose 26% and Topps by 18%. Hall said the group's strategy of controlling operating expenses and markdowns, reducing interest payments and planning stock levels, had paid off handsomely.

Woolworths' sales increased 6% and its earnings improved in the second quarter after an 11-month decline. However, with sales increasing by only 6%, its market share of clothing, footwear and textiles declined. The food division, with a 13% sales growth, maintained its market share.

Hall pointed out that while clothing merchandising in Woolworths improved with each season, it would take time to correct the image of the group in the marketplace.

"Although costs, capital expenditure and merchandise ranges and the offering of better value to customers remain a priority," Hall said.

"Moreover, the group's investment strategy began to take effect and it showed strong earnings growth. Sales, excluding Shield and Drop-Inn, increased 12%.

Hall said while Shield's contribution to profits would not be significant this fiscal year, it would play a greater role in future. Although 10 months of Shield's results were included from its March 1, 1992 acquisition date, the contributions for the extra four months did not materially affect earnings.

On prospects, Hall believed earnings growth would at least match that of the first half of the year, provided a VAT increase did not have a negative effect on consumer spending, which was expected to remain weak for the current six months.
Retail sales disappoint

JOHANNESBURG. — Real retail trade sales in November last year fell by almost 5% on an annualised basis and were below the major retailers' expectations, figures released by the Central Statistical Services yesterday showed.

'After seasonal adjustment, real retail sales at constant 1990 prices in November 1992 declined by 4% from October,'

Total retail trade sales in November were R7.6bn compared to the major retailers' expectations of R7.9bn in sales.
Foschini MD Clive Hirschsohn declines to reveal the price being paid for Sterns but says it was based on the value of assets, including trademarks and goodwill. He adds the price could not have been determined on a p/e ratio because Sterns's operating profit was "just about breaking even."

The Cape-based retailer agreed last week to take over the 78-outlet Sterns retail jewellery chain. The purchase, effective from April 1, complements the jewellery retailing activities of Foschini's wholly-owned American Swiss.

Hirschsohn emphasises the acquisition is small compared with Foschini and even compared with American Swiss. Sterns is not expected to add much to group earnings this year. The contribution will be small when its profitability is at the level it could reach when American Swiss retailing expertise and technology have been imposed and synergies are realised.

It is intended that Sterns will remain an independent chain and will be expanded to trade in a slightly lower income market than American Swiss.

The seller is the Gutkin family, whose members are prominent Johannesburg diamond cutters and wholesalers. Early last year, they employed Ivan Hayden as MD. He was previously marketing director of American Swiss.  

Gerald Hirshon
Nothing is ever quite what it seems. Faced with fairly relentless questioning by the *FM* to disclose why it proved necessary for blue-chip Tencor to rush to the rescue of W&A, his principal operating company, Jeff Liebesman protested that he had many options and denies there was any rescue. "I really wasn't pushed into this deal," he says.

Since then, I have established that Liebesman did, indeed, have options. In particular, Pep chairman Christo Wiese entered into heads of agreement with Liebesman and the agreement was signed by both parties. Implementation of the terms of the signed document was subject to certain conditions precedent; these were never met.

What is clear, however, is that somehow Liebesman and Wiese reached a subsequent agreement which permitted Liebesman to seal his later deal with Tencor's Neil Jowell. Asked for comment, Jowell will say only that he was aware of the arrangement between Liebesman and Wiese but that he received confirmation from his legal advisers there were no impediments to the Tencor/W&A deal.

Liebesman says the arrangement between himself and Wiese "never culminated in an unconditional complete agreement." However, he confirms that Wiese's subsequent disappearance wasn't achieved simply on the basis of a cordial farewell: "There were some commercial arrangements," says Liebesman, "but these were entirely on the basis of a person-to-person deal," Liebesman adds: "As such they have nothing to do with you."

Wiese says he prefers not to comment. "It was a good deal all round," is all he will say. "This was an arrangement between two individuals in their private capacities."

Sanctity of privacy is a concept strongly supported by the *FM*. Nevertheless, the agreement between Liebesman and Wiese begs the question of what arrangements would have been put in place between W&A and Wiese had the deal been consummated.

Given the respective businesses of Tencor and W&A, the deal between Liebesman and Jowell will probably prove, in retrospect, to have been the more logical of the options available.

David Glareen
No finality on Garlicks jobs

NEGOTIATIONS are continuing between Garlicks management and the SA Commercial, Catering and Allied Workers' Union on retrenchment packages for about 100 staff of the Adderley Street branch.

The branch closes at the end of this month.

Hundred of bargain hunters descended on the Adderley Street branch yesterday on the first day of its closing down sale.

Staff Ret

BERTIE REED's Island, returning after a year on standby, is on standby limping towards Cape Horn.

Last night rescue attempts to contact the trio of three yachts totalling R3 million Trophée Jules ene to sail around the world.

The hull of the yacht was damaged for Cape Horn. The crew was believed to be have been caught in a merged iceberg.

A spokesman for the

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[Signature]
No finality on Garlicks jobs.

Negotiations are continuing between Garlicks management and the SA Commercial Catering and Allied Workers' Union on retrenchment packages for about 100 staff of the Adderley Street branch.

The branch closes at the end of this month. Hundreds of bargain hunters descended on the Adderley Street branch yesterday on the first day of its closing down sale. CT 19/12/83
THE JOHANNESBURG CBD

A safer city is their target

THE crime rate in Johannesburg's CBD is a major contributor to the inner city's loss of business tenants, but there are signs of improvement.

Central Johannesburg Partnership (CJP) executive director Neil Fraser says public safety must take priority.

He says: "We can get everything else right, but still have a disaster on our hands if the city is not safe."

The CJP started working on the problem in early 1992 from the perspective that the police could not cope and began looking at ways for business to fund a private security force, which would co-ordinate its work with existing private security firms.

Economic realities have pushed this idea on to the back burner while other options are explored.

Mr Fraser says: "We decided to see if the police could be assisted to make their job easier."

The CJP has offered to locate and equip satellite police stations and some of them have been put into operation.

The group now holds monthly meetings with the police.

Mr Fraser says the lines of communication have improved.

He is also impressed with the commitment shown by senior police officers to improving security in the city.

Not unnaturally the issue of public safety is regarded as a priority by the Johannesburg City Council.

Johannesburg Management Committee chairman Ian Davidson says that in meetings with the Government, the council has pointed out that safety in Johannesburg is a national issue.

Mr Davidson says: "When potential investors visit South Africa, their first port of call is Johannesburg. If they are mugged during their stay here, we are unlikely to see that much-needed capital flowing into the country."

He says there are signs of improvement. From January 1 to August 31 last year there was an increase in the serious crime rate of 4.5%. But this was below the national average.

In addition, petty crime, such as mugging, showed a slight decrease.

Mr Davidson says a more optimistic view can be taken when it is considered that most of the police measures to improve public safety came into effect only in September 1992.

Mr Davidson: "We must correct people's perceptions. To do this we must show that not only has the situation been contained, but that there is a real improvement."
CBD statistics

THE GDP generated in the inner city is R13.2-billion a year. This amount accounts for 37% of the Central Witswatersrand Regional Services Council (CWRSC) area, 14% of the PWV and 6% of national GDP. The rateable property value is R10.1-billion.

The rates collected in the Johannesburg inner city are R180-million a year (42% of total rates income).

Formal sector employment opportunities number 280,000, which represents 34% of the CWRSC area and 6% of the national total. This is higher than the combined opportunities offered by the Pretoria, Cape Town and Durban CBDs.

Southern Africa's only stock exchange and the headquarters of all major SA banks, many of which have interests in neighbouring states, are in the CBD. Of the 771 shares listed on the JSE, 205 have head offices in the CBD. Their combined market capitalisation is about R244-billion, 44% of total market capitalisation.

Last year, 108 plans for CBD buildings were submitted and 95 approved with a value of R269.3-million. The major projects are: Southern Life revamp, R35-million; BankCity, R105.5-million; Rydol Investments parking garage; Sanlam Centre, R15-million; Liberty Life revamp, R50-million; bridge over railway between King George and Wanderers Streets, R36-million; Braamfontein (new offices), R12.4-million; new Standard Bank, Selby, R30.1-million; United Towers revamp, R19-million; SA Reserve Bank, Newtown, R75-million.

Source: Johannesburg City Planning Department
Office rent bargains

Mr Donen says: "Older re-vamped B-grade buildings offer good-quality accommodation.

"However, the parking ratio, at one to five a 100m², is considerably lower than areas such as Sandton which offer three to four a 100m²." The retail segment of the market also offers bargains. A-grade retail space in the CBD is going for up to R45/m², though a new development is trying for R35/m². This compares with Rosebank retail rentals of R45/m² to R160/m².

Mr Donen says: "Although the CBD offers attractive rentals, tenants are not being lured back. There is still a net outflow. "Lettings in the CBD consists of tenants shuffling around from one building to another."
The bargains to be had include rent-free periods, moving cost and inflation allowances and cash incentives. "The incentives can reduce the effective rentals on a five-year lease by R3-R4/m²."

"However, institutional landlords can afford to hold on to empty space. They are not keen to reduce rents. Until recently offers were open to everyone, now the institutions will only go all out if they want a particular tenant."

Tougher

Another factor of which tenants need to be aware is the change in escalations. These used to be 10%-12% across the board. However, about 18 months ago a strong break in the pattern developed with escalations for net rental and operating costs being separated.

Mr Donen says: "Landlords are looking for escalations of 12%-13% on net rentals. Operating cost escalations did shoot up to 15%-18%, but now tenants are tougher and 13%-15% is more usual."

Industrial rentals are roughly the same in the CBD as in other areas. CBD A-grade industrial in the 250m² range is going for R12-R13/m² and space in the 1000m² range is letting for R16-R12/m². This compares with R12-R14/m² and R8-R12/m² respectively for similar space in the Wynberg-Sandton area.

We have the faith and the knowledge to make the CBD of Johannesburg a special place for all its people"

TALJAARD CARTER
ARCHITECTS-ARGITEKTE

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Industrial councils not throttling small man

INDUSTRIAL councils have hit back at criticism in Business Times that they are strangling small business.

"We are not attempting to harm small business in any way," says David Levy, general secretary of the largest industrial council, the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industries (Nieserim).

The industrial councils are essential if we are to have civilised working conditions and a decent standard of living for employees, whether they come from big or small businesses." Industrial councils are private bodies empowered by the Labour Relations Act of 1996 to determine minimum working conditions in an industry or region, settle industrial disputes and to carry out collective bargaining.

The councils, of which there are 90 in SA, representing 800 000 workers, are made up of employers associations and trade unions.

Dozens of employers replied to a February 7 report in Business Times highlighting the damage allegedly caused by some industrial councils to small businesses.

The industrial council system has been criticised because agreements between employers and trade unions covering minimum wages, pension fund payments and working conditions are made binding on all businesses in an industry, whether or not they are members of the industrial council.

Mr Levy replies that opponents of the system are often businesses with a record of labour exploitation. Industrial councils say companies should not compete with each other at the expense of labour, a view which seeks to remove labour from free market forces.

"One of the main advantages of the industrial council system is that improved working conditions affecting over 300 000 workers in 10 000 companies in the iron and steel industry are negotiated in relatively few meetings," says Mr Levy.

"This saves companies an enormous amount of time, effort, expertise and conflict at plant level.

Endorsed

"The industrial councils are founded on democratic principles, where the will of the majority also applies to the minority. This principle is endorsed by the International Labour Organisation and is the basis of any democracy in the world." Advocates of the industrial council system say it allows a measure of self-government to industries and is a quick and effective way of dealing with labour disputes.

Nieserim settled 843 labour disputes last year and issued 930 exemptions from industrial council agreements, mainly to small businesses.

The industrial councils are funded by levies paid by employers and employees.

Iron and steel workers, depending on their level of skill, pay between R15 and R20 a week to Nieserim, with a similar contribution from the employer.

The council operates two pension funds with a total value of about R1.5 billion, a provident fund and medical aid schemes.

Charges

"There is no doubt that some industrial councils have over-stepped the mark in enforcing regulations, but that does not mean the whole system is wrong," says Mike McDonald, economist with the Steel Engineering Industries Federation (Sefisa).

"It is often said that SA is a Third World country and that these conditions are more appropriate to a First World economy. There is no way that the iron, steel and engineering industries in SA can be considered Third World."

In response to charges that small businesses are unfairly prejudiced by the high cost of complying with industrial council agreements, trade unions and employers represented at the National Manpower Commission have agreed in principle to allow businesses with less than five employees and sales below R250 000 to apply for exemption from these agreements.

"I am strongly in favour of deregulation," says Mr Levy. "The problem has been to convince trade unions that this is in the best interests of job-creation.

"Some unions oppose deregulation on ideological grounds and getting consensus on issues can be bureaucratic and time-consuming. But we are moving in that direction."

This has led to charges that, by excluding small businesses, industrial councils will be more representative of the industry.

Several industrial councils have folded because they no longer represent a majority in the industry, or because of disagreements between unions and employers.

Industrial councils now represent a third less workers than they did in the 80s, reflecting in part the decline in employment over the last three years.

Problem

The Minister of Manpower has indicated that he may not make the Steel Engineering Industries Federation of SA's (Sefisa) agreement with the trade unions binding on non-members of Sefisa because it represents less than half the companies in the industry.

To overcome this problem, Sefisa has attempted to persuade trade unions, which oppose deregulation on ideological grounds, to exempt businesses employing fewer than 10 workers from the agreements. This, says Sefisa, will provide protection for all workers in the industry.
THE GDP generated in the inner city is R13.2 billion a year. This amount accounts for 37% of the Central Witwatersrand Regional Services Council (CWRSC) area, 14% of the PWV and 6% of national GDP. The rateable property value is R10.1 billion.

The rates collected in the Johannesburg inner city are R180-million a year (42% of total rates income).

Formal sector employment opportunities number 280,000, which represents 34% of the CWRSC area and 6% of the national total. This is higher than the combined opportunities offered by the Pretoria, Cape Town and Durban CBDs.

Southern Africa's only stock exchange and the headquarters of all major SA banks, many of which have interests in neighbouring states, are in the CBD. Of the 771 shares listed on the JSE, 208 had head offices in the CBD. Their combined market capitalisation is about R244-billion, 44% of total market capitalisation.

Last year, 108 plans for CBD buildings were submitted and 95 approved with a value of R259.3 million. The major projects are: Southern Life revamp, R35-million; BankCity, R105.5-million; Ryclok Investments parking garage; Sanlam Centre, R15-million; Liberty Life revamp, R50-million; bridge over railway between King George and Wanderers Streets, R36-million; Braampark (new offices), R12.4-million; new Standard Bank, Selby, R30.1-million; United Towers revamp, R19-million; SA Reserve Bank, Newtown, R75-million.

□ Source: Johannesburg City Planning Department
For money, survey finds
Checkers now best value

Checkers now best value

For money, survey finds
Checkers now best value
Companies focusing on customer satisfaction

COMPANIES around the world were focusing on customer satisfaction because satisfied customers were likely to recommend a company's products and services, president and MD of CSM Worldwide Larry Crosby said last week.

He was speaking at a Markinor presentation on customer satisfaction measurement (CSM), which he pioneered. It was developed in response to intensified global competition forcing companies into new and relatively unfamiliar markets.

Some of the international companies using the method are Xerox, General Electric and American Express.

CSM Worldwide is an international network of 14 companies in 35 countries specialising in this form of measurement. Markinor recently became part of this network.

Crosby said CSM's method of measurement was different from other ways of measuring customer satisfaction because it addressed the external and internal quality of the firm by collecting quantitative and qualitative data.
CAPE TOWN — About 68% of owners and managers of western Cape businesses believed an interim government would have a positive effect on their operations, a survey by Arthur Anderson, Wesgro and UCT's Graduate School of Business found.

The 469 business owners who participated in the survey predicted negative real growth for 1993 and 75% predicted that current employee numbers would remain static or decrease further this year. However, most believed the economy would improve over the next two years.

"The fact that employment is expected to rise at a lower rate than sales shows employers either intend taking up considerable slack in their productive labour capacity or that they intend making their workers work harder," Arthur Andersen's André du Plessis said yesterday.

More than 55% of respondents said sales decreased or remained the same in the past year and 49% of them predicted that sales would remain static or decrease further. Exports were becoming increasingly important with 45% of the businessmen surveyed saying that their exports had increased during the year.

The businessmen blamed political issues, monopolistic price adjustments and high interest rates for fuelling the inflation rate. A bank overdraft rate of 16.75% by June this year was forecast, falling marginally to 16.25% by December.

The four most significant threats to growth or survival were political settlement, the recession, inflation and violence, with foreign competition regarded the least important.

The Graduate School of Business's Bruce MacDonald said the disregard for foreign competition showed a lack of appreciation of the effect of opening up the SA economy.

"Business owners in the western Cape are likely to be shocked out of their complacency once they meet competition from world-standard players," MacDonald said.
21 years of innovation

Consumer electronics is an extremely competitive market, with everybody from the major chains to the corner store bidding for their share.

Specialist retailer Stan's, however, continues to grow despite increasingly difficult conditions.

There can be few South Africans who have not on one or another occasion heard of Stan's, the specialist retailer of consumer electronics and photographic equipment with a history of quality and service second to none in the highly competitive SA market.

For the past 21 years Stan's has been the innovator, the pace setter and quite simply the "place to go" for all manner of consumer electronics.

The good news is that in spite of the recession, Stan's continues to grow and will show a turnover of about R100 million this year as an increasing number of South Africans come to recognise the attributes that have made this one of SA's great retail success stories.

More than ever, these new emporiums will be a reflection of the ultimate in consumer electronics retailing with specialised sections manned by experts, an enormous range, the latest thinking in displays and of course the latest in hi-tech products.

It was in 1963 that Stan Etkind, managing director of the company, has revealed to The Star that three new stores are due to be opened this year. Fourways Mall, Sandton in March, Somerset West in Cape Town and Westville in Durban in September.

In addition, Stan's new emporiums will feature the ultimate in consumer electronics retailing with specialised sections manned by experts, an enormous range, the latest thinking in displays and of course, the latest in hi-tech products.

It was in 1963 that Stan Etkind's father, Abe, established the first consumer electronics store of its kind in SA - at a time when the very term electronics was still something of a mystery to many South Africans.

The site of the store was the Royal Arcade, 122 Eerlk Street - a strategic location even in those days, the choice of which hinted at future policy applied to this day by Stan Etkind: that is to always be conveniently located in prime positions for the buying public.

The store prospered and in 1968 it was sold to Adcock Ingram, Stan, who had meanwhile joined his father, was therefore under a restraint of trade.

But the retail bug had well and truly bitten Stan and within the limitations of the restraint agreement he proceeded to open his first store named simply Stan's in 1972.

The site was President Street, Germiston, and initially it was a modest 800 square feet. But the mix of range, quality, price and service worked well and the store expanded in stages, absorbing neighbouring shops in the process.

The restraint of trade fell away in 1978 and Stan Etkind started moving fast, opening firstly a new store in the Grand National Building (now Factor's Downtown) followed by more outlets.

The group grew rapidly and highly successfully with turnover and profits improving by leaps and bounds so that in 1987 it was felt the time was ripe to go for a Stock Exchange Listing on the main board in the retail section.

Over the years investors have witnessed consistent performance from the company. When listed, the group had 14 stores. Today it has 33 and will have four more by year-end.

All this has been achieved in the face of an exceptionally competitive environment. As Stan Etkind puts it: "Everyone from the major chains to the store at the corner is marketing consumer electronics." What then makes Stan's different? It is essentially the same basic formula that has been applied for over two decades, says Etkind. These are service, range, quality, know-how and ultimately the total back-up.

It is in terms of the latter that Etkind has a problem with the so-called grey marketers of consumer electronics.

Says Mr Etkind, "Competition on an equal footing is something I welcome. It keeps us on our toes. The grey marketers or parallel importers on the other hand, land goods here which are high volume by definition and they are able to cut prices because of the lack of infrastructure and back-up.

"Conventional retailers on the other hand have made major investments in infrastructure, training, parts, distribution and servicing networks.

"They are well established and will still be around tomorrow and in the years to come, providing all the back-up the buyer needs; whereas the continued presence of the grey market operator must at best be questionable. The price differentials are also not that great and I therefore question whether the risk is valid.

"Obviously the public have the right of choice in these matters but we believe in supporting the goods we market - even years down the line."

In this context Stan's prides itself in being proactive and a leader in introducing new trends in consumer electronics technology with considerable marketing strengths - something that the wholesalers have recognised and value highly.

The coming year is no exception in this respect and will see Stan's launch among other products, the new recordable Sony mini disc (MD), essentially an even more compact disc with widespread applications (in cars for example).

This technology, which will be available by mid-year, brings portable and recordable compact disc quality to the market and already boasts about 500 titles.

Then there are the new laser discs and players which provide superb TV audio and visual quality of virtually theatre standard and the new Philips digital compact cassettes - all due for release this year.

Another outstanding addition to Stan's product line-up this year is the superb Venturi range of speakers, which will be premiered in the April edition of "Audio Video" magazine.

Generally Stan's has always been competitive and the coming year will see no deviation from that policy although adjustments are going to be inevitable as a result of the drop in the value of the rand and import duties, which in Etkind's opinion are still far too high.

Etkind is reluctant to delve too deeply into the future, but he believes that what he calls the "velocity of trade" - the volume of electronic goods sold - would increase if they were offered less expensively to the market place and that this would more than make up for any decrease in duties.

What he will say is that within Stan's itself everything possible is done to control prices.

An innovation on the price front is Stan's Warehouse, a regular "bargain basement" type sale, held at 181 Louis Botha Avenue branch once a month.

This involves the sale of job lots of suppliers merchandise, with possibly shop soiled defects at cut prices.

Another reason for the group's success is aggressive well targeted marketing using various media including the famous Stan's catalogue, which now has a distribution of a million.

There are further innovations in the pipeline on the marketing front in 1993. For example, Stan's is traditionally a cash business but consideration is being given to extending credit - albeit on a tightly controlled basis.

As for the market's prospects in 1993, Etkind remains very positive.

"We have weathered the economic storm in spite of tighter margins, strong competition and the effects of the recession on consumer buying power.

"We have also been uncompromising in meeting market needs and we believe we are in pretty good shape to continue to do so," says Etkind.

For further information kindly telephone (011) 728-7421.
Wednesday, 20 February 1985
FRIDAY, 22 FEBRUARY 1991

HOUSE OF ASSEMBLY

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informal sector can boost development

How to build the economy

Sustainable economic growth in South Africa will depend on the type of inspiration and support given to the entrepreneurial society, says the managing director of the Small Business Development Corporation (SBDC), Dr Ben Vosloo.

"South Africa can blame its poor economic growth and chronic unemployment problem on its dismal failure to launch more entrepreneurs into the economic mainstream," he argues.

About 720,000 of the 800,000 formal entities in South Africa were small-to-medium sized enterprises (SMEs).

They employed about 2.4 million people or 17 percent of the entire economically active population. SMEs together accounted for 45 percent of the national income, Vosloo said.

"This is the area the SBDC believes if properly nurtured could act as the heartbeat for development in this country," Vosloo said.

Adding its voice to the ongoing debates on strategies which could be pursued to bring about sustainable growth in the economy, the SBDC outlines various case studies from other parts of the world needing perusal when formulating future economic policy in this country.

By Mzimkulu Malunga

Dr Ben Vosloo

The argument centres on several key areas which the corporation's economists suggest could enhance prospects for growth.

Creating a suitable political environment, accompanied by corporate tax incentives could attract foreign investment - one of the aspects believed to be crucial to kick-start the economy.

Although countries of southeast Asia or the so-called "Pacific Rim" achieved high economic growth by using massive state intervention, this measure produced negative results in the bulk of the developing world.

"The main reason is that state intervention is an extremely complex task which calls for special skills, flexibility as well as an enabling political and cultural environment," Vosloo says in the SBDC's report.
SEVERAL Caltex dealers are in arms because rentals on their garages were increased by between 25% and 80% after being "forced" to sign new franchise agreements.

Several dealers are reported to be putting their garages on the market because of dissatisfaction over the new agreement.

A rental incentive scheme exists, where dealers can get up to a 12% rebate on their annual rental and last year this averaged 6%.

But dealers complained that the promised advertising campaign was terminated after a short period.

Caltex replies that advertising campaigns are cyclical and that, as a result of special promotions — such as its sponsorship of the 1992 Olympics — advertising costs increased by 30% last year.

Most oil companies have switched to franchise agreements.

Under the new Caltex system, dealers sign a three-year franchise, replacing the previous 30 day lease agreement.

All oil companies have embarked on a massive country-wide upgrading of their petrol stations.

The new Shell Ultra Cites are reported to net 7% of Shell's sales. Engen is involved in a R160 million program to convert Mobil stations to the new corporate livery, and both Caltex and BP have revamped a large number of stations.

Because oil companies receive a target wholesale marketing margin equal to a 15% return on marketing assets before interest and tax, it has been suggested that this is the reason for the massive increase in capital spending on garages.

Mr. McKenzie says Caltex's return on marketing assets for the last five years has been below 15%, representing a decline in real returns.

Marketers' margins increased from 5.5c a litre in April 1991 to 15.5c a litre in 1992, a 133% increase in 14 months.

Caltex have suggested that, as oil companies invest more in fixed assets, the motorist will have to pay higher and higher fuel prices.

Car Magazine reported that the marketers' gross revenues increased from about R555 million to R2.2 billion a year due to the increase in marketing margin.

**Assets**

Director of energy administration at the Department of Mineral and Energy Affairs, Piet Jacobs, says the wholesale profit on the refineries is calculated after consolidating the marketing assets of oil companies at historical cost.

He would not say how much these assets were worth or by how much they had increased last year, only that the increase was well below inflation.

He says the 143% increase in margin does not suggest that oil companies' marketing assets increased by this amount, because part of the increase was to compensate them for under-recovery in the past.

The asset base of the oil companies grew by less than the rate of inflation. You must remember that increase in wholesale profit on the oil companies was off a previously low base.
New stores add R8-m to Makro's turnaround

By Stephen Cranston

Good cost control and a break in its store-opening programme enabled Makro to report a turnaround in earnings in the six months to December, with new stores contributing an estimated R8 million extra to the bottom line.

This was despite doomsayers who said Makro was a haven for GST evaders, who would desert it when VAT was introduced.

But after a two-month hiccup, growth returned to normal.

The sales increase have outpaced those of the major retailers who form the Retail Liaison Committee for all but two months since 1988.

At most, seven percent of Makro's general merchandise business was the buying of goods by customers with GST numbers for personal use.

Managing director Mark Lambert says Makro is a business obsessed with costs. By concentrating on productivity, on space and people it has kept its cost increases low.

In the seven months to July 1992, costs rose 9,2 percent on the comparable period in 1991.

By January this year, the cost increase had been brought down to seven percent. But the increase in selling prices was 8,5 percent.

Lambert says Makro will continue to invest in three key areas, the employment and training of people, the renewal of technology and store refurbishment.

Makro should be one of the strongest areas of organic growth for parent Wooltru.

In the US, warehouse clubs are the fastest-growing area of the retail trade, with 30 percent annual real growth. The next fastest, discount, is growing by five percent a year.

The overwhelming advantage of warehouse clubs such as Makro is that they capture the purchases of each customer on their card, enabling them to target their marketing precisely.

Soon after Lambert took over he stopped sending promotions material about food to customers who never bought food from Makro and saved the group R500 000.

Loyalty

Lambert says Makro can never be complacent about cost because if competitors are just 1,5 percent cheaper, traders will forget their loyalty to Makro, however good the service.

Makro forms the core of Wooltru subsidiary Massmart, together with Makroffice, Drop Inn and Shield.

Shield turns over about R1 billion and has considerable scope to expand its membership of independent traders, which now stands at 450.

The formal retail trade alone is worth R34 billion.

Moreover, Shield currently only supplies a third of the goods to its members.

Low-margin items such as rice, mealie meal and sugar are not supplied by Shield, but could in future be supplied through Makro, which could also be used more widely as Shield warehouses.
Hawkers integrated into new CBD development

HAWKERS have become an increasingly contentious issue over the years and, in general, the formal sector has tried to resist their advance as a force in the market.

However, not all commercial concerns regard hawkers as a threat. Some believe hawkers should be encouraged as budding entrepreneurs and disagree with the often held view that they compete unfairly with store operators who have to pay rent.

The Bridge development has encouraged and established lines of co-operation and communication with the hawkers who have been operating in the area.

Guidance

RMS Syfreis managing director Patrick Flanagan: “We are dealing with a socio-economic programme at the Bridge. The informal sector, the hawkers, have not been turned away. We recognise that they trade in that area and will continue to do so.

“We are providing water and electricity points on the pavements for them. So instead of dangerous gas bottles, if they want to cook food, they can plug in an electric cooker or electric frying pan. Similarly they can get water from the taps.

“The Bridge will be providing cover, so they have protection from the weather. We are liaising with the council’s informal trading sector, which has given us a lot of guidance.

“It is significant to note that while we have been in construction, we have not lost a single nail or screw to theft, even though we are right in the middle of a massive movement of people on a daily basis.

“We have made some attempts, which I believe have been successful, to reach the community. We have put up bordings around the site with nice graphics, it is a bit of fun.

“We have ensured the trade of all the hawkers around the site during construction. There have been no problems. Big trucks have been delivering to the site. The hawkers have moved to allow them to pass and then gone back to their pitches.”

Harmonious

The whole construction project has run with unusually harmonious relations between the contractors and the local hawkers. The developers have set up a liaison committee between themselves, the hawkers and the taxi drivers and the results have been outstanding.

Says Flanagan: “They have known from the start that their businesses were not threatened. In fact, their trade should be further strengthened because the Bridge is going to be a shopping node of the type which currently does not exist in that part of the city.

“I anticipate that we will be setting up a body to co-ordinate all the activities in the area and to act as a link between the formal and informal traders, including the taxis and hawkers. The committee will enable all parties to work together in marketing the area.”

Informal

Says Flanagan: “At RMS we have strong views as to the direction the country is going to take. One important consideration must be that big business is not going to generate the job opportunities which are needed in South Africa. The future lies in the hands of the small entrepreneur. If someone is out there shining shoes, cooking meals or selling a single cigarette, or whatever their business might be, and is able to sustain themselves economically, that is a huge step in the right direction.

“In addition, I do not think of the informal sector as being a threat to the shop operators. They are generally catering to a different market segment.

“I believe the informal trader can be successfully interfaced with the formal sector.

“At the same time it must be managed. This is one of the reasons we are setting up our co-ordinating body between the informal and formal traders.

“If, for example, the centre has an ice-cream parlour paying R70/m2, and an informal trader selling ice-cream and paying no rent, opens up outside there would be a problem.

“I think the informal traders add to the activity level, flavour and colour in the centre. If we can keep to the type of informal trader who is not going to have head on confrontations with the retailers, it will work.”
Crossroad for 30 million a year

The profile of consumers places them in the C- and D-income groups, the mass market which until recently has not had facilities and they have had to buy at hugely inflated prices. The stores at which they have shopped have not had the buying power to pass on bulk purchase discounts.

"We are going to be providing a range of merchandise which deals with people's daily needs. It is a convenience shopping centre with a slightly broader base."

"The gross leaseable space at the Bridge is not enormous, a total of around 7,300 square feet."

"The Bridge does not provide a comparative shopping experience, it is an urban shopping centre, located in the centre of a large urban population many of whom aspire to a better lifestyle."

The centre has the added benefit of being at one of the busiest taxi transit points in the city, next to the railway station and on major bus routes.

There is very little existing shopping in the area and huge numbers of people move through the area — up to 30 million a year."
Bridging the consumer gap

SITED over the railway tracks in central Johannesburg, The Bridge shopping centre is one of the most unusual built in South Africa.

The centre boasts a Pick n Pay and a Diskom as well as around 50 line shops. It is geared towards convenience shopping and caters for the around 35 000 local residents and rail, bus and taxi commuters.

The R36 million project is a joint investment by Transnet Pension Fund and RMS Syfrets and is due for completion next month.

Says RMS Syfrets MD Patrick Flanagan: "We recognise, as developers in the New South Africa, that barriers to providing services and facilities to previously under-privileged people have been removed.

"These consumers want the value and quality which good shopping centres can provide. The quality of The Bridge in terms of construction, design and finishes is outstanding."

"We are focusing on giving people who use this part of the city a top-class and top-quality shopping facility."

An important aspect of The Bridge development is that it has chosen to integrate with the local informal traders rather than regard them as a threat.

And as the informal sector grows, and becomes more formalised, the developers believe they will form the next generation of store operators.

The design of the centre intentionally integrates with the surrounding environment with shops opening on to the streets.

On the upper level, The Bridge has a mix of the more service oriented traders such as optometrists and doctors. There are also more food outlets and clothing stores.

Dynamic

Says Flanagan: "It is significant that all three levels are linked by escalator and lifts. We are not asking people to walk up stairs. We want them to be move easily through the centre.

"The architecture links back to the old Wanderers Club."

"We think it is a nice landmark and very importantly it actually does Bridge a gap between the city and the Joubert Park area. I think there are going to be more developments which link the city. If the city comes together it is going to be more dynamic."

Office space has been excluded as the developers did not believe the area is suited to this type of use.

Says Flanagan: "We could not see who would tenant the offices. There were a number of other tenders for the project which called for a mix of retail and office space. However, it was our very focused approach, providing shopping for commuters and local residents, which won us the project."

The Bridge is just off the main rail thoroughfare and will cater for rail commuters who use taxis and those who switch from taxi to rail transport.

Says Flanagan: "One possible concern is that the area is very congested. To overcome this we are establishing a basement of taxi bays under the shopping area — which should reduce the congestion at street level."

"There will be the taxi facilities and parking for tenants at basement level with an entrance off Wanderers Street and an exit into King George Street."

"There are Shell service stations at both the entrance and exit. The service stations will cater mainly for the taxis. Very significantly Shell has been at the forefront of community relations and equal opportunity programmes."
Customers saddened by closure
Carlycks going, going...
Encouraging start

Considering depressed conditions in the retail and motor industries, first results from the merged McCarthy and Prefero groups are encouraging. Tangible benefits from the merger — an unusual one between SA’s largest motor retailer and an expanding furniture, clothing and discount chain group — are not apparent in the first six months’ consolidated results, though CE Terry Rosenberg says “identified synergistic benefits” will flow in the last quarter of the financial year.

Pro formas comparisons show EPS of the operating (McCarthy Retail) and holding companies (McCarthy Group) down 7%. But chairman Brian McCarthy points out what July’s merger did for McCarthy shareholders: they saw EPS climb 66% and the dividend 40% compared with historical figures.

That was one of the motivating factors for the merger from the McCarthy side. On the other hand, former Prefero shareholders saw EPS drop 59.5% on historical figures, but McCarthy and Rosenberg argue that they have a considerably strengthened balance sheet to fuel growth.

Expansion of the retail interests continued at almost breakneck speed during the six months. McCarthy says the programme of enlarging the furniture business will be completed by the June year-end. This has seen about 20 Beare Group stores opened during the past six months, with about 15 more to open in the next six months.

“We are also continuing with our strategy of expanding the cash business through Game stores,” he says. “Three new stores were opened at Empangeni, Pietersburg and Midrand, with four to follow in Nelson, Randburg, the East Rand and Westville, Natal.”

While the furniture business has grown significantly, it’s based on HP sales and absorbs cash. This, says McCarthy, is where the Game business — a strong cash generator — provides a useful link. “It doesn’t balance out cash absorbed on the furniture side but certainly helps.”

The motor business, where national new vehicle sales fell 5% over the half-year, would have been slightly up were it not for the strike at Toyota. “That had a big effect on us. Toyota is our biggest franchise and we account for just under 20% of their national dealer sales,” says McCarthy.

Similarly, he estimates the Prefero businesses would have been about on a par with the previous period were it not for the mass action stayaway last year, which dented trading in August at Beare, Clobea and Game.

The balance sheet gives the impression the group is overstocked. Current assets, consisting largely of stock and Prefero’s debtors, have grown by 16% to R1,04bn. McCarthy explains that this is seasonal, with the motor business compelled to carry considerably higher stock at end-December (about R50m more than in June) because vehicle manufacturers close at year-end.

In addition, he says, debtors rise sharply in Prefero’s book at year-end due to Christmas sales.

Fireworks are not expected in the second half. Trading should be satisfactory but with Prefero businesses entering the down season, earnings are not expected to match those of the first half.

Still, the market has gained considerable confidence in the shares. McCarthy Group shares have advanced 61% since December to 435c, while McCarthy Retail is up 21% to 340c.

McCarthy Retail’s senior convertible debentures have gone up 31% since they were issued in August 1991. The problem is that management apparently took a long-term view on interest rates being high when the debentures were issued. The initial coupon rate of 12% increases by 2.5% a year to a maximum 25%. If interest rates continue to fall, and stay down, it could be expensive money.

But Rosenberg points out that, in terms of the merger, there is an element of “insurance,” since the junior debentures remain subordinated to an interest rate of 6% should the former Prefero companies not achieve a pre-tax profit of R135m in any year.

Shane Harris

<table>
<thead>
<tr>
<th>Their furniture business</th>
<th>Below target</th>
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<td><strong>Six months to</strong></td>
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<td><strong>McCarthy Group</strong></td>
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<td><strong>McCarthy Retail</strong></td>
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<td>Dividends (c)</td>
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† Pro forma.
Still waiting on price cuts

When the music industry’s big three, Gallo, EMI and Tusk, commissioned a compact disc-manufacturing plant two years ago at Midrand, consumers waited for prices to tumble. But locally made CDs, though cheaper than the same imported albums, are still expensive. Consumers are also complaining about the quality of local discs. Complaints include dust spots or blemishes on the surface that cause the laser to stutter and skip tracks, and poorly printed inlay cards on inferior paper.

Price comparisons at music shops show locally made discs retailing at an average of R50 while imported ones cost about R75. In the US the same CD sells for the equivalent of about R37 (US$12). The reason for the discrepancy: tariffs and excise duties.

Running the tax gauntlet

Imported discs run a gauntlet of three duties before VAT is levied: a 10% customs duty, a 37.5% ad valorem duty and a 15% import surcharge. Locally made CDs also suffer under duties. The imported master discs are hit with a 20% customs duty as well as ad valorem duties and import surcharges that are the same as those on imported discs.

Gallo financial director Shaun Lane says that, along with high tariffs and duties, short production runs for the local market also drive up costs. But, he adds, prices have come down in real terms; the average price hike last year was 8%.

Tusk MD Mike Oldfield says: "When we set up the plant, we began saving on import duties, but this was countered by the cost of the plant."

The Compact Disc Technologies plant cost about R15m with each of the three companies investing an equal share. It is making a small profit and employs 37 people working around the clock, seven days a week, to turn out about 3m CDs a year. Another line coming on-stream next month will boost output to about 5m discs.

CD sales in SA rose by 72% last year, compared with 1991, part of the tremendous growth in CDs worldwide as more music lovers shun records and cassettes. Locally made CDs now make up 80% of the South African market but with the rise, have come more complaints. One disgruntled Hillbrow record store assistant says: "In buying the import I can be sure of what I'm getting."

Mad Andy’s CD Store owner Andy Harrod says local products can be inferior. "I think the problem is quality control. For example, local discs are not shrink-wrapped before leaving the factory and often arrive dusty; sometimes boxes are scratched."

Oldfield says the plant is looking at shrink-wrapping but some dealers resist this. "They like storing CDs out of the boxes as a security measure. Shrink-wrapped discs mean more work for the shop staff."

EMI MD Mike Edwards admits that the plant had teething problems but, since a quality committee was formed to investigate complaints, criticism has tailed off. "We have a problem with this general idea that local is rubbish and imported is great. That applies as much to shoes and TV sets as to CDs."

Oldfield says the plant would like to export but doesn’t have the capacity.
Rage as garages face
80% rental increase

By CIARAN RYAN

SEVERAL Caltex dealers are up in arms because rentals on their garages were increased by between 25% and 80% after being "forced" to sign new franchise agreements.

Several dealers are reported to be putting their garages on the market because of dissatisfaction over the new agreement.

Caltex replies that this is ridiculous, because the value of the businesses has been substantially increased through the franchise agreement, thereby increasing goodwill and security of tenure are guaranteed.

The formula for calculating rentals was changed from a fee of 2,176 a litre of fuel sold in 1991 to 2,405 a litre in 1993. Dealers claim this kills incentive to increase sales.

"Caltex replies that the increase in rental for 1991 was 13%. It says the turnover is based partly on market value, which is normal business practice. But a dealer replies that the 13% is the maximum where there was no increase in fuel sales.

Some 850 Caltex garages out of a total of 2,900 have converted to franchises.

Margin

Dealers contacted by The Sunday Times reported rental increases of between 25% and more than 80%. One dealer's rental went up 25% over the last two years.

The dealers, who asked to remain anonymous for fear of losing their franchises, say the agreement allows Caltex to share in the retail margins of 15.1c a litre.

Caltex replies that there is nothing untoward in charging a rent, managing director Jack McKenzie says: "Rentals are decided in such a way as to provide Caltex with a return on his investment and the dealer a return on his business.

"One dealer who had budgeted for an initial 12% increase in rentals was stung when it was increased by more than 80%.

"We increased sales due to hard work, better public relations and very long hours," he says. "For this we are being penalised, yet those who did not increase their sales have no rent increase. Because of this new rental we will probably make a loss this year, and this was to be a

"A rental incentive scheme exists, where dealers can get up to a 12% rebate on their annual rental and last year this averaged 6%.

McKenzie says the benefits of the franchise scheme are already evident, with franchised sites reporting a 4% increase in sales in 1992 over non-franchised sites.

Cyclical

Unlike many other franchise systems, all advertising, sponsorship and promotion costs are for Caltex's account, not the franchisee, says Mr McKenzie. All franchise fees are paid into a Section 21 company solely for the benefit of franchises. But dealers complained that the promised advertising campaign was terminated after a short period.

Caltex replies that advertising campaigns are cyclical and that, as a result of special promotions - such as its sponsorship of the 1992 Olympics - advertising costs increased by 30% last year.

Most oil companies have switched to franchise agreements.

Under the new Caltex system, dealers sign a three-year franchise, replacing the previous 30-day lease agreement. All oil companies have embarked on a massive nationwide upgrading of their petrol stations.

The new Shell Ultra Cities are reported to net 7% of Shell's sales. Enon is involved in a R155-million programme to convert Mobil stations to the new corporate livery and both Caltex and BP have revamped a large number of stations.

Because oil companies receive a target wholesale marketing margin equal to a 15% return on marketing assets before interest and tax, it has been suggested that this is the reason for the massive increase in capital spending on garages.

Mr McKenzie says Caltex return on marketing assets for the last five years has been below 10%, representing a decline in real returns.

Marketers' margins increased from 5.5c a litre in April 1991 to 13.5c a litre in 1992, a 145% increase in 14 months. Critics have suggested that, as oil companies invest more in fixed assets, the motorist will have to pay higher and higher fuel prices.

"Car Magazine reported that the marketers' gross revenues increased from about R955 million to R2.3 billion a year due to the increase in marketing margin.

Assets

Director of energy administration at the Department of Mineral and Energy Affairs, Pieter Jacobs, says the wholesale margin paid to the retailers is calculated after consolidating the marketing assets of all companies at historical cost.

"He would not say how much these assets were worth or by how much they had increased last year, only that the increase was well below inflation.

"He says the 145% increase in margins does not suggest that oil companies marketing assets increased by this amount, because part of the increase was to compensate them for under-recovery in the past:

"The asset base of the oil companies grew by less than the rate of inflation. You must remember that increase in wholesale margin paid to the oil companies was off a previously low base."
Interim rule is best bet for local business

By JEREMY WOODS

NEARLY 70 percent of business owner-managers in the Western Cape believe an interim government will have a positive impact on their business.

This is one of the main conclusions of the Western Cape Business Survey published this week by top accountants Arthur Anderson, Wesgro, the promoters of Western Cape economic growth, and UCT's Graduate School of Business.

The 460 business owners who participated in the fifth annual survey said general political issues, monopolistic price adjustments and high interest rates were the main causes for fuelling inflation.

They also predicted negative real growth for the current year, though the overall tone of the survey is one of guarded optimism, with brighter longer-term prospects.

The four most significant threats to the future growth or survival of companies were found to be political settlement, the recession, inflation and violence.

Surprisingly, at a time when the Cape economy is opening some of its doors, foreign competition was regarded as the least important threat.

But Bruce McDonald of UCT's Graduate School of Business, believes this shows a lack of insight. "Business owners in the Western Cape are likely to be schocked out of their complacency once they meet competition from world-standard players."

McDonald said: "We thought we had the best rugby team in the world until we actually went out there and played against them. Local businessmen may find they have a similar experience."
Pick'n Pay moves into wage dispute with union

BRUCE CAMERON
Business Staff

Pick'n Pay has moved into a wage dispute with the SA Commercial, Catering and Allied Workers Union (Saccawu) with a further battle on staff usage on the horizon, which could result in retrenchments.

A dispute was declared on Friday in wage negotiations with Pick'n Pay offering R180 (equivalent to a 11.5 percent average increase) across-the-board, and the union demanding R250 (19.2 percent).

The dispute has been referred to mediation with three days set aside for negotiation from March 10.

Pick'n Pay labour relations general manager Mr. Franz van der Walt said the food chain's offer was in line with the company's history of paying increases above the inflation rate.

"The inflation rate is expected to be less than 10 percent for the year. Our offer also compares favourably with other offers around five to eight percent."

Dealing with the looming dispute with Saccawu over staff usage, Mr. Van der Walt said there had been an on-going difference with the union for three years which was now coming to a head.

A meeting with the union on the issue was scheduled for the end of March and eventual retrenchments were one option.

Mr. Van der Walt said the problem lay in three areas:

- Union opposition to staff being transferred from one branch to another as trade patterns differed from one area to another for a variety of reasons, including the opening up of opposition stores or new shopping complexes.
- The alteration of trading patterns within a particular shop affected by changed shopping hours such as late night or weekend shopping. The union was opposed to shift times being changed to accommodate the customer changes that had occurred in low and peak shopping times, and;
- Union opposition to employees being swapped from one job to another during work hours even when they were only gainfully employed for half the working shift.

Mr. Van der Walt said in all three instances Pick n' Pay was being forced to employ extra staff at substantial cost.

"We have to be cost-effective and particularly so in a recession.

He said the union attitude was that Pick'n Pay had an obligation to employ the unemployed and that it was an unfair practice to change a job description or the place of employment of anyone established in a job.

Mr. Van der Walt said the union also knew it was against Pick'n Pay policy to retrench people.

However retrenchment had to be considered in this case. Effectively it would be retrenching people and replacing them with others who would work where and when they were required.
Confidence among small businesses on the wane

Small businesses are unlikely to invest or employ more people this year, according to South African Chamber of Commerce and Small Business Development Corporation survey of confidence levels. The survey indicates that small businesses are more pessimistic about prospects for the economy this year than the last quarter of 1993's survey.

"High finance costs and low market demand are the biggest constraints on investments at this time. Some degree of absorption of cost increases is expected in the sector, and a trend towards tighter control over cash flows is also expected to emerge," the survey said.

The survey said small businesses were concerned about the high levels of crime and violence, and political development were expected to have a negative impact on the sector.

"It is clear from these results that there is still a large amount of uncertainty within the small business sector, and that it is to play the important employment and wealth-creating role that many policy-makers envisage, then policies aimed at creating an environment more conducive to entrepreneurship and small and medium enterprise development will be necessary," the survey said. — Sapa.
'Low investment, few jobs from small businesses'

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Sacob warns Govt against ‘overkill’ on VAT and tax

By Sven Lünsche

The SA Chamber of Commerce (Sacob) has come out strongly against a rise in the VAT rate in the forthcoming Budget.

In a briefing to parliamentarians in Cape Town yesterday Caboc Director-General Raymond Parsons said: “It would be unwise to increase VAT at this time and we urge that any increase that may have to be introduced is kept as low as possible.”

However, Parsons admitted that some tax increases could be unavoidable given the precarious state of the fiscal deficit.

Sacob was particularly concerned at the timing of a VAT rate hike.

“Imposing a higher VAT rate on a contracting economy is likely to increase the severity of the recession and could result in only a minimal increase in collections and reduced collections from other taxes.”

“4.5 It could also re-politicise VAT just when the system had been accepted by both consumers and businesses,” Parsons added.

**Target**

In nominal terms he estimated that lifting VAT from 19 to 13 percent (assuming that further exemptions are limited) could raise R3,5 billion with a further R1 billion coming from other tax adjustments.

Against a backdrop of declining disposable incomes, increased taxes would undoubtedly reduce collections below the targeted R4,5 billion.

Sacob admitted, however, that in the absence of tax increases a meaningful reduction in the government’s deficit before borrowings was virtually impossible.

Without tax increases, Parsons estimated that — assuming GDP growth of one percent and average inflation of 9.5 percent — the state would raise an additional R8 billion in fiscal 1993/3 from existing taxes.

“4.6 To achieve a deficit before borrowing of not more than six percent of GDP, this implies that government would have to contain spending to around R183 billion — a reduction of 9.4 percent in real terms.”

Given that even Finance Minister Derek Keys’ commitment to a real spending cut of three percent has drawn widespread scepticism, Parsons admitted that this was an impossible task.

“It is therefore inappropriate to try to correct this problem in a single Budget and we recommend that a broad commitment is made to reduce the deficit to internationally acceptable level over three years,” Parsons said.

He also warned that the Budget generally had to guard against “overkill” given the precarious nature of the economy.

“The Budget should aim at rebuilding consumer and business confidence, recognise present economic realities and provide a clear indication of the direction to be pursued in the future.”

Sacob also used the opportunity to revise some of its economic forecasts for 1993.

The Chamber now expects GDP to increase by a mere 0.5 percent, gross domestic expenditure to fall by 0.8 percent and inflation to reach nine percent by year-end (see table).
Consumer spending ‘will slide further’

REAL consumer spending was expected to decline further this year, and most retail categories could expect a difficult year, FNB’s Retail Trends report for February said.

It said real consumer spending remained under pressure in the second half of 1993.

There may be “an upward blip” in the first quarter of the current year if there was “a surge of pre-tax-increase buying during March”. But there would be a decline in the following quarter “as employment, wage and credit trends continue to exert downward pressure on real spending”.

MARCIA KLEIN

Manufacturing production had also remained under pressure in the second half of 1993, and de-stocking was “especially marked during the third quarter” because of drought and industrial unrest.

Production capacity utilisation remained poor, and there was evidence of further job cuts.

“With the sales outlook remaining poor and real interest rates high, manufacturing production may not yet have hit the bottom.”

Retail sales of non-durables had continued to decline in volume terms as disposable income declined. FNB said the next six to 12 months would probably remain difficult.

Arthur Andersen publication International Trends in Retailing said turnovers in SA had grown only marginally in real terms, and most retailers had seen a decrease in profit margins. There had also been signs of a decrease in consumer demand and output.

It said retailers could face difficult months ahead if they did not become more price competitive. Profits would have to come from improved internal efficiencies rather than higher sales volume.

Bureau of Market Research statistics showed Black South Africans now commanded the largest market share in food, beverage, footwear, clothing and television and radio sales, it said.

Retailers would be better positioned to take advantage of these opportunities “if the economy was more stable and change came at a more measured pace”.

Stockbrokers Irish & Menell Rosenberg said sales were weak in January, and preliminary figures for February showed no improvement. But clients had said business conditions had improved in February compared with the previous month.
PRETORIA — Food Logistics Forum Joint chairman Raymond Ackerman yesterday made a "last gasp" plea to Finance Minister Derek Keys on behalf of the forum to free more basic food items from VAT.

Ackerman said the forum had repeatedly stressed to government the crucial need for unloading the tax from essential foods.

"Obviously if this were agreed to some other source would have to be hied to compensate for lost revenue. But so be it. Unemployment and poverty and resulting hunger are spreading in this country and the least a compassionate government can do is to cheapen basic foods," Ackerman said.

Economists said yesterday government was likely to give way for two sound reasons — humanitarian and political.

Ackerman stressed to scrap VAT on basic foods would be a goodwill gesture which would greatly improve the environment for negotiations.

Earlier in the week the Co-ordinating Committee on VAT called for a zero rating of basic foods and the establishment of an emergency feeding scheme.

Econometrix director Azar Jammie said the likelihood of a variable VAT system being imposed was strong.

This would allow a freeing of a range of basic foods from VAT but would necessitate an increase of as much as 15% in items not classified as luxuries.
Office development slowing to a crawl

PETER GALLIS (20)

OFFICE space to be developed countrywide has fallen to its lowest level in four years and the lack of activity is not expected to improve much in the next few years.

A number of developments have been shelved as a result of oversupply of space and the protracted economic recession. While building starts are normally slow during the year’s last quarter, new office building starts last December were 29% down over 1991.

Gert Tighey, editor of the New Office Developments report, said the downward trend continued with only 272 513m² due to be completed in 1993. This was a far cry from the 700 000 to 800 000m² completed yearly from 1989 to 1991, he said. The Pretoria/Verwoerdburg appeared to be the worst affected area.

The Johannesburg-Midrand-Sandton-Randburg area would see 135 982m² of office space completed this year, from 406 777m² in 1992. Cape Town’s Tygerberg area was expecting 63 239m² of new and refurbished space to be ready, of which 36 000m² would be for the Sanlamhof.

“Durban is something of a bright spark in the builders’ gloom as the 29 528m² expected this year is 46%, more than the 20 468m² completed in 1992, but below 1991’s peak of 129 197m²,” Tighey says.

About 27 of the 173 reported projects had been shelved and included developments by insurance companies, banks and mining houses.

Vacancy figures also hold little hope for a short-term recovery. SA Property Owners Association figures show vacancies in Johannesburg worsened between February and November last year. Except for Claremont, they also deteriorated in Cape Town.

Vacancies in East London CBD almost doubled to 8 300m² from 4 300m², with Port Elizabeth reflecting a similar trend. Pretoria’s Hatfield, eastern suburbs and Sunnyside reported vacancy improvements, as did Westville in Durban.
Angry Eastgate shop owners lash out at high rents

SMALL retail shops in the Eastgate shopping centre, battling because of reduced retail spending, have complained of excessively high rentals which they say are driving them bankrupt.

Some were expected to pay up to R150/m² and were “more than carrying the deficit” from cheaper rentals charged to larger chains.

Property economist Erwin Rode said a rental of R150/m² was “amazingly high” compared with the R80/m² to R120/m² for similar shops in Rosebank.

While some retailers were trying to sell their businesses, others said they would have to close if the economy did not pick up.

One retailer said the 18 months of modernisation to the centre had affected business dramatically. He accused Eastgate landlord Liberty Life of being “insensitive to small businesses”.

However, Liberty Life shopping centres and leasing director Russell Inggs said there was a vast range of rental levels. Rent was charged either as a function of turnover or as a flat rate.

“Our rentals are market related and there will always be casualties,” Inggs said.

Tenants entered into a five-year contract and no rent concessions were granted. Rent was only one of the retailers’ expenses, Inggs said.

“The question to be asked is whether he is controlling his other costs effectively,” Inggs said.

One retailer said Eastgate could no longer be considered “prime” since the nearby Bruma flea market and other East Rand centres had taken away business.

Another major complaint among retailers was the creation of Checkers — the centre’s biggest drawcard — as a stand-alone store outside the complex, which meant shoppers no longer entered the main building.

Inggs said the move was at Checkers’ request. Surveys had shown that shoppers made separate trips for grocery shopping and browsing.

“Checkers is trading better now,” Inggs said.

Tenants complained about paying for upgraded shop frontages during the renovations.

Inggs said Liberty had paid for all the general changes to the mall and that shop frontage was the retailers’ responsibility.
Rentals not expected to grow much

CAPE TOWN — Retail rentals are not expected to grow significantly this year, Real Estate Surveys research director Erwin Rode says in the Rode Retail Report.

The report analyses information on retail property, including shop rentals, operating expenses and escalation rates for 100 shopping centres and 120 streetfront micro-locations in six metropolitan areas.

Rode said retailers' turnovers, profits and trading densities were under pressure. Total monthly retail sales had declined since the end of 1990. In constant 1990 rand, sales had dropped from R1bn at end-1990 to R5.3bn in September 1992.

Furniture and household appliance traders could expect trading densities to shrink to about 7% in real terms this year and traders in clothing, footwear, food and groceries could expect nil growth.

Rode said nominal shop rentals in CBDs had been declining since mid-1989 with the odd upsurge. Cape Town, Port Elizabeth and Pretoria had experienced falling growth rates during 1989, 1990 and 1991 with slight improvements in 1992. But Johannesburg had slow but positive growth since the second quarter of 1990 and nominal rentals still appeared to be rising.
Cafe owners up in arms over murder, robberies

GAVIN DU VENAGE

CAFE owners are to highlight their plight as soft targets for armed criminals.
Several cafe owners have been killed or injured recently in robbery attempts. On Tuesday a Troyeville restauranteur was murdered after gunmen held up patrons and emptied the till.
Catering, Restaurant and Tearoom Association executive director Frank Swarbrek said yesterday that his organisation, which represents more than 3,500 members in the PWV area, was preparing a delegation to discuss the issue with President PW de Klerk.
Members were also considering closing their businesses on designated days in protest at the lack of protection from authorities. There had even been talk of public demonstrations.
The association had held "very emotional" meetings in the past weeks, and members were both frightened and demoralised at the apparent inability of police to protect them.
"Never a day goes by without someone being held up, or murdered, or maimed for life," said Swarbrek. "We have even had instances of rape."
Cafe owners worked late hours, and were exceptionally vulnerable, he said.
"We have to draw attention to the situation. We are willing to take positive steps as we are very frightened. Some of our members have left the country."
Police spokesman Capt Eugène Oppermann said yesterday it was up to individual cafe owners to protect themselves. He said close co-operation between CBD businesses had made the area unattractive for criminals. Vigilance from shopowners, an awareness of safety measures and a fast police response time was keeping armed robbers out of the city.
Retailers income under pressure — Rode Report

MAGGIE ROWLEY
Property Editor

RETAILERS’ turnovers and profits are under tremendous pressure and the outlook for 1993 is bleak, according to the first edition of the Rode Retail Report.

According to Erwin Rode, director of research for Real Estate Surveys, publishers of the new quarterly review, trading densities (turnover per square metre) have come under even more severe pressure than total sales and were expected to shrink further this year.

"Those most affected appear to be food retailers which suggests that there is currently an oversupply of food retail outlets," he said.

The retail property market is affected by trends in retail sales because they determine traders’ ability to pay rentals. As the situation was not expected to change this year, no significant growth in retail rentals could be expected this year, says the report.

Rode says that total monthly retail sales have shown a steady decline since the end of 1990. In constant 1990 rand, sales have dropped from about R5.3bn in 1990 to a seasonally adjusted R5.0bn in September last year.

"Most merchandise types are showing strong negative growth in real sales with the non-durables faring best. The poor nominal sales growth implies that landlords cannot expect much nominal growth in shop rentals in the foreseeable future, at least for the rest of 1993," he said.

Forecasting models developed for the RHR using statistics provided by the Retailers’ Liaison Committee and the Central Statistical Services, show that traders in furniture and household appliances could expect trading densities to contract by about 7% in real terms this year while traders in clothing, and food and groceries could expect all real growth in trading densities.

Except for odd pockets of growth, nominal shop rentals in the CBDs of SA’s major cities have been showing a downward trend since mid-1990, says Rode.

"Cape Town, Port Elizabeth, Durban and Pretoria all experienced decreasing growth rates between 1992 and 1991 with slight improvements occurring last year."
Call for more police as cafe owner killed

By Brendan Templeton

The cold-blooded shooting of a Nigel cafe owner yesterday has fuelled demands from embattled restaurant and cafe owners for more effective policing of businesses.

A statement with "detailed suggestions" has been sent to President de Klerk by alarmed members of the 3500-strong Catering, Restaurant and Tearoom Association (CRTA), its chairman Frank Swarbreck said yesterday.

CFTA members were willing to "put our money where our mouths are", he said.

A CRTA survey had found that violence was inflicting a huge toll on business in central Johannesburg. Following the taxi crisis in the city last month, the turnover of CRTA members had fallen by about 60 percent and many faced financial ruin.

"A lot of our members would like to sell their businesses if they could. After staring into the barrel of a gun, you don't sleep for a long time," Swarbreck said.

Law and Order Ministry spokesman Captain Craig Kotze has promised that the CRTA suggestions will be studied in detail, but stressed that sectoral interests could not be favoured above community interests as a whole.

Nigel cafe owner Manuel Gonsalves de Costa (63) was the second businessman in the catering sector on the Witwatersrand to be senselessly gunned down by robbers this week. Ed Sedlacek (52) was shot dead in his Troyeville restaurant on Tuesday night.

Swarbreck said these were not isolated cases.

Anna Louw reports from the Star's East Rand Bureau that De Costa was shot dead at about 5.15 am by a balaclava-clad man wielding an AK-47.

He opened his cafe door for the man, whom he thought was a customer. A struggle ensued outside and De Costa was shot.

The man fled empty-handed because De Costa's wife, Maria, locked the door when she saw the man had a gun.

Swarbreck said the case illustrated the vulnerability of the catering sector. "We stay open late and often open early -- these are hours when policing is usually at a low."

The CRTA proposal suggests beefing up the 20,000-strong Witwatersrand police force to 30,000, using extra funds from private business.

Swarbreck can be contacted on (011) 833-2544.
Pick 'n Pay's turnover accelerating
Retailers income under pressure — Rode Report

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Turnover picking up for major retailer

STEPHEN CRANSTON

JOHANNESBURG. — Pick 'n Pay is expected to show faster turnover growth for the second half of its financial year to the end of February. Sales went up 10 percent in the first half, and this is expected to increase to between 11 and 13 percent for the full year.

But the chain is unlikely to be able to maintain earnings growth at the first half level of 15.4 percent.

Over the past five years Pick 'n Pay's compound earnings growth has been a pedestrian 12.5 percent, which makes it look very expensive at a price-earnings ratio of 22.8.

Ed-Hern, Rudolph analyst Syd Vianello predicted earnings growth for the full year would be as low as 6.7 percent. He said the tax rate was set to increase.

Pick 'n Pay would also be subject to lower depreciation, as it had slowed down its store opening programme, and because of lower allowances — depreciation was now 20 percent a year, but was previously on a sliding scale from 25 percent.

Nevertheless other broking firms predicted Pick 'n Pay's earnings would come in 10 to 11 percent higher than in the 1992 financial year.

Mr Vianello said market shares were stagnant and Pick 'n Pay was set to remain ex-growth until it made a more concerted drive into black shopping areas.

The customer base was 65 percent white, a much higher proportion than either OK or Shoprite/Checkers. This had contributed to a stronger margin, which at 2.35 percent in the past financial year was well ahead of both major competitors, but offered little prospect for organic growth.

The group's customer profile was set to broaden with forthcoming store openings, which included Lenasia, Kempton Park, Linden and Somerset West.

The introduction of scanning into all its stores was set to improve operating margins as it would be able to keep a closer watch on shrinkage, which had already been brought down to 0.5 percent.

The information it offered would also enable the group to fine tune its stockholdings, improving stock turns and asset management.

Pick 'n Pay's high rating reflected the overall high rating of the sector. Analysts argued that in relative terms it offered better value than Pektor or Clicks.

The real bargains in the sector, although there was considerable risk, were recovery opportunities, notably the OK and Tradegro.
Small businesses suffer losses with 25 percent of respondents seeing a drop in revenue.
Divided Colours of
Only One Black

By FRANK KLUGER

30

store manager

a time, says

a customer at

ONE black register

CITY PRESS, JANUARY 7, 1953

By FRANK KLUGER

The manager on duty at the shop in any number of cases do not apply to customers. A change in the system of giving change at the register does not mean that the manager is anything but the manager.

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THE Vaaloo response to Cape Town’s Victoria & Alfred Waterfront development is set to come on stream this year — but without the docks.

JCI’s property division plans to revamp the Milpark area, north-west of the Johannesburg CBD, into a R200-million “theme” development ala Bruma Lake and the Horton Plaza in Southern California.

JCI property division executive Russell Jackson says Milpark will now take on the mantle of being a walled city in the centre of which is a skypark with indoor and outdoor restaurants and recreational space.

Key to the development is the complete reconstruction of the Milpark shopping centre, until now a below potential performer covering 5 600m².

The revamped shopping centre will ultimately cover 15 600m² and the top floor will be converted into a park and linked to underground garages, offices and the Holiday Inn via treed walkways.

Mr Jackson says it is a worldwide phenomenon that people want more than just a “boring” shopping centre — they want a destination. This means a number of restaurants and a theme has to be introduced.

He says this is the reason for the success of The Wheel in Durban and Bruma Lake in Johannesburg, where the focus is on entertainment. These developments have a number of restaurants and street corner music as well as cinemas.

Plan to make it Milpark on sea

By TERRY BETTY

Milpark has been chosen because of its close proximity to well-to-do suburbs such as Westcliff, Forest Town and Parktown. It has about 6 000 office workers in the area, and plans to target the students from nearby universities and colleges, as well as the SABC staff at Auckland Park and the nearby medical community.

Mr Jackson says a theme like this should draw people out of their offices at lunchtime to sit in the sun and bay lunch from food vendors.

The planning is close to completion and construction is due to begin next month. The first tenants will move into the extended shopping centre in November.

The entire development is due to be completed by the end of 1994.
Tax breaks for small business?

JOHANNESBURG. — Bad news in the budget was expected to be tempered by tax breaks for small business and public investment spending aimed at job creation, sources said last week.

The moves are understood to be part of Finance Minister Derek Keys's long-term restructuring plan, due for release this week. It is expected that small businesses with a turnover of below R1m will pay a few percentage points less income tax than other businesses, while there may also be personal income tax relief for individuals employed by these enterprises.

Public sector investment projects are expected to be undertaken in a labour-intensive way to maximise job creation. Sources said it was not yet clear whether specific amounts would be set aside for job creation, or whether the issue would be tackled by maximising the labour content on public investment projects.

The National Economic Forum's short-term working group is studying job creation proposals, with small business and public works key features of the suggestions received.

While only minor aspects of the Keys plan are expected to be translated into action this fiscal year, Keys will show how the budget fits in with the long-term strategy.
Sales of food last year plunged by 12.4 percent, making it one of the worst-performing sectors in the retail industry. The sharp fall in food sales is a reverse of trends in previous recessions, where consumers first of all cut their discretionary spending on durable goods and only later on food.

Figures provided by Econometrix show that 1992 sales of clothing increased by 3.8 percent, furniture by seven percent and audio equipment by 5.7 percent.

Other items to show declines last year were non-edibles with 12.1 percent, pharmaceuticals with 3.2 percent and appliances with two percent.

Econometrix describes the poor performance of food sales versus durable sales as “most surprising.”

“Many of the better performing retail sectors are involved with discretionary spending and one might therefore have expected these industries to underperform food in the midst of recessionary conditions and high interest rates.”

The retail figures also seem to contradict Reserve Bank data of private consumption spending, which shows that far more is spent on non-durables (mainly food) than on durables.

Econometrix suggests that this could be due to the fact that formal retail outlets have lost market share to the informal sector, whose sales are captured by the Reserve Bank, but not by formal retail sales figures.

Nevertheless, the institute adds that food sales were indeed under-performing other sales, which could signal “entirely new patterns of consumption expenditure.”

The Econometrix figures also highlight the large anomaly between demand and price adjustments.

Whereas in a “normal” free market environment, the price of goods would fall if demand declined, retail price increases averaged about 10 percent, despite declining sales in most sectors.

This is most striking in the food sector. While sales declined by 12 percent price, price rises last year averaged 26 percent, although this was slightly distorted by the impact of the drought.
Good second half boosts JD Group

MARCIA KLEIN

MAJOR furniture retailer JD Group, benefiting from the sale of its debtors' book and an excellent second-half performance, has reported a 21.2% increase in earnings to R110.2c (90.9c) a share in the year to end-December.

Earnings had dropped by 37.8% at the June interim stage in line with a downturn in trading activity in the industry.

Executive chairman David Sussman said the group's strong performance reflected the disposal of the debtors' book, the introduction of central distribution centres, new opportunities to increase market share and improving returns on assets managed.

Turnover of R457,3m, which now includes only cash sales, is not comparable with the previous year's R42,3m because of the sale of the debtors' book to JD Sales — a consumer finance company owned by a consortium of banks. All instalment sales and borrowings have been incorporated in JD Sales since mid-1991. Sussman said that on a like-for-like basis, turnover would have increased by 8%.

Operating income of R35,7m was also not comparable with the previous year's R45,7m. Sussman said operating income would have been much higher on a like-for-like basis.

JD Group received interest of R5,6m after paying interest of R15,5m in the previous year; largely because of the sale of the debtors' book. Sussman said this, and a bank balance of R71,4m (R8,6m), reflected the benefits of the JD Sales deal.

To Page 2.

JD Group 8/10/93

"The creation of JD Sales has eliminated gearing, reduced shareholders' risk substantially and is providing the cash resources for further expansion."

Sussman said the length of the banks' debtors' book was reduced to 13,5 months from more than 15 months in the previous year, and budgeted deposits and collection rates were exceeded.

Pre-tax income rose by 20.1% to R39,3m from R32,5m, and attributable income by 21.2% to R39,3m from R32,4m.

The final dividend was increased to 18c (15c) a share, with the full year dividend maintained at 22c a share. Sussman said directors decided that a five times cover was necessary because of the uncertain economic environment.

He said the central distribution centres and the introduction of computer systems and other stock control measures had had a meaningful effect on stock levels. The number of retail outlets grew to 205 from 179 in the previous year, but stock was reduced to R94m from R98,6m.

The group launched Joshua Doore Catalogue showrooms towards the end of the year. The group has opened 22 showrooms, and another 60 are planned in 1993.

In the coming year, JD Group expected to increase market share and returns on assets employed. Sussman said he expected earnings to grow.
Convention centre planned

Property Editor

If all goes according to plan, Johannesberg will soon be bidding for a slice of the international convention business.

The plan, devised by a Rail Commuter Corporation subsidiary and its private-sector partners, is for a central convention facility able to accommodate 1,000 to 3,000 delegates.

They envisage that the tourist and trade centre will be linked to The Bridge retail complex, the city's first air space development.

The RCC subsidiary, Intersite Property Marketing Services, was formed to turn the corporation's R1.7 billion worth of property holdings to account.

It has now appointed private-sector consultants to determine the viability of such a centre, as well as one planned for Cape Town.
ANC will push for ‘small’ businesses

By Mzimkulu Malunga

The African National Congress would remove all “excessive legislation” preventing small business from flourishing if it became the government.

The deputy head of the department of economic planning, Tito Mboweni, argues that most small businesses do not meet the loan requirements set by financial institutions.

“IT is clear that by definition small businesses would not meet the collateral criteria as it stands now but it is for a future government to act as guarantor for the loans given to infant enterprises,” he says.

To supplement private sector assistance to small business, the state would, through its financial arm, need to give loans to the Small to Medium sized Enterprises (SME) as well.

“The state should ensure that every department and parastatals has its subcontracting work done by small business,” Mboweni argues.

Business know-how

The key to small business development is know-how, which the government plans to nurture through the establishment of training centres charged with the responsibility of cultivating an entrepreneurial culture in this country.

He highlighted services like printing where big business and the government could sub-contract all their printing requirements to small businesses.

When South Africa finally gains access to international funds in the form of loans from the World Bank or its private sector arm, the International Finance Corporation (IFC), substantial amounts of that money should be channelled into small business.

The IFC is in fact waiting for a signal from the ANC to start putting in money for black business development.

Among avenues being explored to help the development of small business were tax exemptions.

Such comments normally raise interest in big business circles as to whether there would be a tax incentive for companies who do business with small to medium sized enterprises.

However, Mboweni’s response to such speculation is categoric: “I think big business actually has too many tax incentives in this country.”

The ANC sounds a word of caution to SMEs as well. The government could do all in its power as facilitator for the advancement of small enterprises but the ultimate responsibility rests in the hands of the entrepreneurs themselves.

They should be able to seize opportunities when they arise, he says.

Small business people should also refrain from being extravagant and spend money on luxury goods.

“We are not saying people should not buy a Mercedes-Benz but we think the money could be used productively to help small business break into the mainstream of the economy,” Mboweni argues.

Joint ventures between corporate South Africa and the upcoming entrepreneurs have to be encouraged.

Big business would also have to assist small business people with managerial and financial discipline skills.

Communities should be encouraged to buy from the small businesses in their respective residential areas, he says.

“There is a tendency by people to prefer big chain stores to the small enterprises irrespective of the services offered by the SMEs.”

There have been calls from a number of circles for the establishment of a separate ministry for small business but the ANC is yet to make a decision on this issue.

Mboweni, however, cautioned enthusiasts on the notion that such a move could increase bureaucracy and fail to meet expectations.

Though big business executives are often ready to express their interest in working with small enterprises, mainstream companies mostly pay lip-service to small business development.

Hardest hit small business people are black traders in the townships who operate in highly volatile areas where delivery vehicles are stoned by groups of disgruntled youths.

While the ANC has always maintained that such activities are in contradiction of the type of society the movement wants to build, the issue cannot be addressed in isolation.

Unemployment and the high school dropout rate in the townships also contribute to the prevailing situation.

Since 1976 an average of about 300 000 young people in South Africa dropped out of school in grade four. An overwhelming number of these were black.
Public sector in bid to reinforce small businesses

SMALL and informal business looks set to get a financial boost from the public sector, according to Finance Minister Derek Keyes's economic plan unveiled yesterday.

The document spells out an approach through which small business can be promoted. Among the suggestions it makes is that small business be given concessions in the implementation of value added tax (VAT).

It says partial financing of the Small Business Development Corporation (SBDC) could be brought about by means of share capital in partnership with the private sector, and the allocation of special programme-bound capital grants.

It also calls for continuous contribution to the funding of non-income-generating activities as well as subsidies to increase the yield on less profitable projects. Capital funds must be channelled to different development corporations in the independent and self-governing states through the Development Bank of Southern Africa. Training and direct job creation programmes should be initiated and funded.

The plan provides for partial privatisation of matching aspects of the public sector, with emphasis on the creation of opportunities for small business.

The document gives guidelines on government-supported development institutions regarding small business. It suggests that the lending rates of these development institutions should be market-related and that the objective of funding should be to finance potentially viable small business enterprises which do not comply with the creditworthiness of private sector financial institutions. It says subsidisation should be on a temporary basis and the state's role should be circumscribed.

Turning to the bank indemnity scheme — which was established in 1990 — it notes access to the scheme had been limited to a few enterprises that were regarded as high-risk cases. It says access to private sector funding could be improved if banks could be persuaded to shift their emphasis from creditworthiness to an output (yield) criteria.

Local authorities, it suggests, can alleviate the problem of accessibility of industrial and trade premises in disadvantaged communities by easing certain land use rights. Limitations on private property ownership should also be eliminated. It sees the role of organised business as being to advise government on difficulties experienced by small business.

The document notes that the transfer of expertise in SA is inadequate to meet all the training needs of entrepreneurs. In this regard it suggests an "all-embracing programme" be formulated to support small business expertise transfer.
NEW vehicle sales in February improved 20.8% over January, but yearto-date sales were 3.4% lower than in 1992, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

February car sales increased 19.7% to 16 136 from 13 486 in January 1993. Motor manufacturers attributed the increase to better availability, pre-VAT and pre-price increase buying and good sales to government departments and car rental companies.

Light commercial vehicle sales were slightly up at 9 141 from 8 109 in February 1992, and improved significantly on January's 5 874. Year-to-date sales were 3.1% lower, with Nissan and Toyota capturing 66% of the market.

Heavy commercial vehicle sales of 390 units were up on January's 332. However, this was 34.7% down on last year's 457, with Mercedes-Benz continuing to dominate the sector.

Toyota SA marketing MD Brand Pretorius doubted that the increasing car sales trend could be maintained if VAT was increased in the Budget and the rand continued to weaken against the yen. The group lowered previous forecasts of 167 000 cars sales for 1993 to 150 000.

Nissan marketing MD Stephanous Louwser said that rather than influencing absolute volumes, an increase in VAT in the Budget and higher fuel prices were likely to result in structural changes to the industry, such as increased buying down trends.

Samcor sales director Sean Bownes said February car sales bounced back to forecast levels and supported the notion that 1993 would be a slightly better sales year than 1992. Samcor experienced supply shortages of Mazda 323, Ford Courier and Mazda B-series bulkids in February, he added.

TRACY SCHNEIDER

Nissan forecast a 3.6% increase in vehicle sales volumes in 1993 based on lower interest rates, new model introductions, increased availability and improved business confidence levels.

New model introductions this year include Delta's Calibra range and Samcor's new medium-sized car models.

Toyota dominated the new-car market in February with a 30.3% market share. Nissan's market share in February increased to 17.2% from 10.1% in February last year.

Volkswagen's market share dropped to 14.4% last month from 21.8% in February 1992 after experiencing availability and quality control problems.

At the end of February Nissan reported a 4.1% year-to-date growth in overall market share.

Three other manufacturers reported market share growth in this period, with a combined total of 4.1%. These were Mercedes-Benz 1.7%, BMW 1.1% and Delta 1.3%.
Strategy for small, medium, firms wanted
It's not so bad being a landlord

Property Editor

Landlords here might be having a tough time, but they should take comfort from conditions abroad. So should their tenants.


Writing in the Rode Report on the South African Property Market, he noted that recession had pushed up office vacancy figures in most business centres around the world — to as high as 18 percent in London City, for example. In downtown New York and Sydney, one-fifth of the available space is empty.

According to his latest figures, only nine percent of Johannesburg's A-grade office space is empty. And even Durban and Cape Town's 13 percent each doesn't look too bad.

What's more, while rent-free holidays have fallen from a peak of nine months in South Africa to between one and three months, landlords abroad are talking in terms of years.

Meanwhile, tenants here are also having a relatively easy time of it, with the highest rents payable being R56/sqm in Rosebank, where the vacancy rate is just five percent.

In Paris, where there is also a five percent vacancy, they would be paying the equivalent of R187/sqm.

And even in Melbourne, with the highest monitored vacancy rate of 24 percent, they would be paying A$45, or about R75/sqm.

In New York, asking rentals are between $37 and $45/sq ft, and in Los Angeles around $29/sq ft.

Rates in London vary from £37.50 to £42.50/sq ft.
Support for Nation Building

By Pearl Majola

PICK 'n Pay has once again pledged its support for Nation Building by sponsoring parenting workshops, one of the most successful Nation Building projects. The supermarket chain is entering its fifth year of sponsoring the ever-growing project that will cover a record five new areas this year.

According to the organisers, Makwela and Associates, this has resulted in a significant increase to the sponsor's budget. To show further commitment Pick 'n Pay has appointed Mrs Alice Tokulu as their representative on the project.
Recession hitting office equipment retailers hard

OFFICE equipment retailers were feeling the pinch of the recession as business insolvency increased, sources in the industry said yesterday.

Triumph Adler Johannesburg branch manager Ron McGowan said the past 13 months had seen a noticeable decline in the demand for office equipment.

"As a result we're cutting down on our overheads as much as possible to survive these harsh conditions."

Olympia marketing manager Dieter Krieger said the market for office equipment had shrunk by about 20% to 25% since the beginning of last year.

Krieger said countries like Swaziland, Lesotho and Botswana were following the SA trend of declining markets.

Canon MD Doug Lumley said the recession had a twofold impact on his company. The continuing weakening of the rand against foreign currencies, especially the yen, had resulted in enormous difficulties being encountered when importing equipment from Japan.

He said Canon had to increase its bad debt provisions and tighten its credit cheques to accommodate the increasing number of insolvencies since 1991.

Nashua marketing manager Chris Scoble echoed this sentiment. "When a company is liquidated we have to write off a substantial amount of leased equipment."

Now, Nashua assesses the company's position carefully before any transaction is made and if the company's financial position is weak, we offer them re-manufactured and re-serviced equipment at affordable costs," said Scoble.

Lumley said office equipment retailers also had to cope with stagnant demand as companies were taking longer to replace equipment in the hope that the economy would improve.

"However, Lumley was confident the situation would improve this year as companies realised the need to replace their office equipment.

Industry sources said the situation would get worse until a political settlement was found."
Politics, economics temper industry's bullish forecasts

COMMERCIAL and industrial property market players are slightly more bullish about the industry but growth still hinges on economic and political developments.

Interest rates have started to drop, inflation has fallen to single-digit figures for the first time in years and there is renewed interest in the market — all of which bodes well for the industry.

But any real hope for the industry hinges on a speedy political settlement and a sustained economic recovery.

Moderate

RMS Syfrets directors Mike Deacon and Mike Brown say there is only a nine-month over-supply of commercial and industrial space, given a moderate recovery.

If this happens more rapidly than expected, there will be a rapid take-up of the oversupplied space and a shortage will develop. This in turn will stimulate the market, as rentals will be pushed higher and land values rise.

However, while inquiries for commercial and industrial space have increased over the last quarter, deals being concluded are generally subject to intense negotiation and compromise on the part of the landlord.

Concessions in the form of rent-free periods, rental discounts or a variety of allowances remain the norm, although the extent of this is largely determined by the quality of the development and its location.

Landlords with quality buildings in more popular decentralised nodes are less flexible than those with buildings in less popular locations, like CBDs.

The general discount appears to be about three months rent-free for space in decentralised areas on a five-year lease, moving as high as nine-months in the Johannesburg CBD.

While rental levels have continued to fall in real terms almost across the board, rents in certain areas are beginning to show an upward trend — a sign of increased demand.

However, the belief that the country would start to experience an export-led recovery this year has not materialised, placing the industrial market under pressure. Rentals here have fallen and there is little indication of any manufacturing growth or expansion.

The high level of retrenchments has also affected demand for space, with many companies consolidating their premises or merging with others. This has resulted in a decrease in the take-up of space by existing users.

"The harsh realities of the economic recession, which is now in its 51st month, has taken its toll. There are almost no new tenants in the market and most activity is taking place is nothing more than musical chairs," says Anglo American Properties sales and marketing director Grahame Lindop.

As such, landlords have had to resort to hard marketing techniques, discounted rentals and other concessions to move tenants into their buildings.

Extended

Another sign of the tough times is that this competition has also been extended to the broking level, where companies are attempting to poach successful brokers from other agencies by offering them incentives and increased perks.

While there are some hopeful signs that the worst of the recession is over and conditions in the property market must continue to improve, a step backwards in the negotiating process or an economic hiccup will reverse any positive gains.
Competing landlords push down rentals

OFFICE and industrial rentals are still largely under downward pressure as landlords vie for tenants to fill empty space.

However, rentals for prime properties in good locations are faring better than for refurbished or older buildings in less sought-after areas.

Seeff Organisational Holdings MD Lawrence Seeff says there was no real rental growth last year and there is little chance of any real growth this year.

"It is still a tenants' market and they are using all the ammunition they have to negotiate the best deal. Landlords are still prepared to look at concessions and incentives to move space," he says.

However, many of the institutional landlords are reluctant to enter into long leases with good tenants at the lower prevailing rentals and an increasing trend is towards longer leases that start off at a lower rate but have provision for a free-market review after a few years.

But tenants are not able to negotiate that strongly for space in new, quality buildings in prime locations as space in most of these still reflects good demand, he says.

Mortimer Property Group MD Paul Maddison says rental levels have been moving downwards over the past three or four years and are likely to continue to slide.

Vacancies are likely to remain much as they are for the rest of the year as there is not much additional space coming on stream. While much is made of vacancy levels in the local market, compared with most offshore countries our vacancy factor is very low, he says.

However, as soon as there is a sustainable upturn in the economy, there will be a "frightening increase" in rental levels.

RMS Syfrets commercial director Mike Deacon agrees, saying when the market improves and building costs and land values rise, there will be a considerable upturn in rentals.

Tenants are still negotiating rent-free periods or lease discounts. While these could be as high as nine months in the Johannesburg CBD, a good tenant could only negotiate about three months for space in prime decentralised nodes.

Free market reviews are the route of the future as these take away the need to guess how the market is going to perform in the future and what inflation will be.

"Landlords and tenants are insisting on free market reviews in the lease if it is signed for a lengthy period as, with political uncertainty and a volatile inflation rate, it is difficult to set fixed rental escalations for any period," says Deacon.

Anglo American Property Services sales and marketing director Grahame Lindop says its policy of offering rent-free periods and discounts has worked well.

"We cut rentals substantially last year to move space. We adopted a very aggressive approach and it has paid dividends in terms of increased inquiries and actual deals concluded," he says.

Its initial offer of nine-month free rentals, and now its policy of 30% off the first 20 months of a five-year lease for select buildings in its portfolio, would be maintained until market conditions changed.

As it was Ampros's 30th anniversary it decided to offer the 30% discount strategy, which was also better from a cash flow point of view.
Indian buyers
snap up land

PETER DALLI

RAND Mines Properties (RMP) has sold commercial, industrial and residential land worth about R30m to Indian buyers in the past few months.

"The Indian business community is taking a positive economic and political view of the future, which is reflected in the fact that they are buying large tracts of land," RMP marketing director Owen Wiggins said.

Almost half of the 30 available stands at RMP's new Crown Extension 7 township have been sold for a total of R16m since the project was launched little more than two months ago.

The land has been bought mainly to build clothing sector-related premises. About R8m is expected to be invested in the construction of these buildings. The R2.7m servicing of the township will be completed by July.

The township lies on the southwest fringe of the city and covers 22ha — of which 5.6ha is saleable. These sales come in the wake of the sale late last year of 85ha of RMP land to the Islamic Bank for R25m. The land, situated a few kilometres southwest of the city in the Ormonde Valley, is earmarked for a R300m housing estate.

"These developments reflect the growing awareness of the many opportunities, business and otherwise, that lie in the corridor between Johannesburg and Soweto. RMP is very active in this area and we believe there is strong potential growth," Wiggins said.

The group was also moving ahead with its 8ha Crown 8 township, which fronts on to Main Reef Road opposite the city testing grounds.
Retail development revival for black areas

THE development of retail centres in black areas should start moving again this year, says RMS Syfrets MD Pat Flannagan.

Legal and some political constraints to development in these areas have been removed and will result in numerous opportunities for black people, he says.

The move will see both good and bad developers and developers and investors will have to exercise caution, he says.

"The amount of capital required to develop such a centre is quite substantial and the investment requirements of the major institutions could serve as a deterrent to less sound schemes or fly-by-night developers," he says.

Generally, SA is over-shopping if the aggregate of all leasable space is taken and all available trading densities divided into this. But continuing urbanisation will see more development to meet growing consumer and retail demand.

Major retailers say they are confident they are not overexposing themselves by continuing to invest in shopping centres, particularly in the north of Johannesburg.

They say market research shows there is still a demand for such facilities. Edgars group property development manager Mike Lewin says any decision is based on whether the business generated by the new store is sufficient to justify its establishment.

OK Bazaars MD Mervyn Serebro says much market research is completed before a decision is made.

Flannagan says the protracted recession is affecting all sectors, while the concomitant drop in consumer spending is affecting turnover levels, particularly for smaller retailers.

"The recession has resulted in increased difficulties in collecting rentals, and vacancies are at their highest level in 10 years. In spite of this, the retail sector has still outperformed the commercial and industrial markets," he says.

While rentals are largely location specific, there could be rental growth if the economic and political situation improves.
Food price cuts could begin today

MAJOR retailers and manufacturers expect price benefits from next month’s zero rating of certain foodstuffs to start flowing through from today.

On Wednesday Finance Minister Derek Keys announced a zero rating on rice, fresh vegetables and fruit, some vegetable oil and milk products, brown wheat meal, raw eggs and lentumes.

The zero rating, which would be effective from April 7, would mean a 10% reduction in some food prices.

Pick ‘n Pay marketing director Martin Rosen said yesterday his chain of stores would immediately cut the price of certain brands of eggs, rice and milk.

Major manufacturers and retailers praised government, saying Keys’ decision would mean a 10% reduction in some food prices. But most said meat and white bread should also have been zero-rated.

Blue Ribbon Meat Corporation CEO Gareth Ackerman said the continued imposition of VAT on meat was exorbitant news for consumers, particularly in view of recent Meat Board recommendations to government that import duties be set at a high level.

Foodcorp CEO Dirk Jacobs said he had hoped all products which were previously GST-free would be zero rated. However, as meat made up a third of the total food basket, it could have been too much of a burden to zero rate it, he said.

Premier Food Industries chairman Norman Fowler said the Food Logistics Forum—which he convened—trusted that further extensions, particularly on unprocessed meat and white bread, would be introduced.

A Tiger Oats spokesman congratulated government on the new system and on the fact that it had introduced it after consultation. However, he was disappointed that sorghum products were not VAT-exempt.

SA Agricultural Union president Boet Foursaid there were mixed feelings in agricultural circles. Agricultural producer prices would be under less pressure than when VAT was introduced. However, similar exemptions had resulted in “the total collapse” of the GST system.

ADRIAN HADLAND reports from Pretoria that Consumer Council executive director Jan Cronje urged consumers to report wholesalers or retailers who did not exempt basic foodstuffs from VAT to the council.

He appealed to food producers, wholesalers, and retailers to ensure consumers received the full benefit of the exemptions. Further concessions were required from government to provide relief for millions of consumers impoverished by the continuing recession, Cronje said.

Our political staff reports from Cape Town that the DP said government’s short-sighted, dogmatic approach to VAT forced it to backtrack, making the system increasingly complex and open to abuse. DP finance spokesman Ken Andrew said the increase in the range of zero-rated foods would provide some welcome relief to consumers. However, medical services should have been excluded, “as taxing illness is unreasonable and is particularly onerous for senior citizens and the less well-off members of our community.”

SAPA reports that Inkatha welcomed the zero ratings, but bemoaned the exclusion of medicine and drought-resistant crops such as sorghum and millet from exemption. Medical Association of SA chairman Dr Bernard Mandell also said health services should have been exempted. “We had hoped that, seen against the background of increasing costs in the provision of health services and an ailing economy, medical services and medicine in particular would be zero rated in the interests of allowing the provision of more affordable health care.”
BUSINESS AS USUAL. A small business like yours is possible by the SEBC.

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CHRISTO WIESE, the man who took hold of the Pep group family retailing business 10 years ago with a market capitalisation of R100-million and turned it into the mighty Pepkor Group with a market capitalisation of R3.5-billion, is a formidable player in the field of South African business.

He is tenacious, has boundless energy and a R100-million cash pile backing his restless ambition to turn his Pepkor Group into a major force on the international scene.

"We’re taking the group across the Limpopo and the Atlantic at the same time," he quips, citing his 30-odd stores in Scotland as the launch pad for European expansion.

At 51, he runs a group that now has an annual turnover of R7.5-billion and includes Pep Stores, Checkers, Shoprite and Smart Centre Stores as well as a host of other businesses.

An advocate by training, Wiese has many of the spoils of success. A beautiful home on the rocks at Clifton, the recently bought Lazzarac Estate — where the Manor House is being converted into a home and 40ha of vineyards replanted — and a West Coast beach house.

He finds his rigorous work schedule "pure, undiluted pleasure" and has never been more optimistic about the future of SA.

But beneath the surface of this high-powered financial flyer lies a philosophy that is deeply rooted in his early family life and upbringing in Uplington.

"I learnt my tenacity there," he smiles. "I regard myself as blessed being brought up in Uplington. It was a frontier town with hard, tough people. I grew up with a great sense of belonging."

He never thought he would live anywhere else until his third year at Stellenbosch University.

Then one day I woke up and realised I would never live in Uplington again. And that’s the way it turned out, though I have been back often to visit."

Still a regular church-goer, those early years have left their mark and even now the Pepkor Group is run on the same family principles his father taught him.

"The philosophy behind Pep is still faith, positive thinking, hard work, enthusiasm and compassion," says Wiese, who places particular store on friendship and loyalty. But for all this sobriety he is still a man who laughs very easily and exudes enormous charm — as well as power.

"The great thing is to never take yourself, or life, too seriously."

Faith, positive thinking, hard work . . . and Pep

Is he still ambitious? Does he still get a thrill out of making money?

"Of course. I can still remember the day when I made my first million as if it felt great. But what is fascinating is that one’s visions are constantly changing. I can remember the day when I thought: ‘Wouldn’t it be fantastic to have a hundred Pep stores?’ Then we wanted five hundred. Now we have 1,700 Pepko Group stores selling food, clothing and building materials."

But for a man with many, many millions the money is not quite as important as it was.

"I love the day-to-day involve men, the creativity. Building business — that’s what gives me great thrill."

And interestingly, Christo Wiese a businessman who some people see as the next Anton Rupert, has never been more optimistic about SA.

"I have never felt more optimistic about South Africa’s economic and political future. It’s an almost unqualified vote of confidence," he declares.

The first major hurdle to overcome in the new SA, he says, is the age-old problem of the “rich old mill hand and the poor young millions” — a minority that creates wealth and a majority that doesn’t.

"Either the old millions build higher walls round their homes or they do what we say: Let’s make life better for everyone’s sake. A process he feels is well under way in SA.

"I believe it’s going to be a tough year, but I believe we’ve come through the worst. Growth should start coming slowly in the third quarter of this year at about one to 1.5 percent of GDP."

Meanwhile, Wiese feels now is a good time to be acquisitive and expand core businesses. Furthermore, he has some R600-million cash in his group to do it.

Managers, beware. If your assets aren’t performing and you are in Pepkor’s sphere of businesses, ignore your share price and share register at your peril.
If the money's white, that's all right...

'I don't want blacks in my shop'

By MONWARISI NOMADLOO

JUST at the dawn of a new SA, apartheid diehards are still at pains to preserve it.
Take for example CP member Helmut Lachmann of Benoni, who confessed to me that "he did not want blacks" in his shop.
The sign on the door of Studio One Furniture on the corner of Woburn and Tom Jones streets in Benoni, is straightforward: "Right of admission reserved."
City Press driver Andries Pimpi and I were inside Lachmann's shop, admiring goods on sale. Lachmann was out on lunch. We had ignored a warning from his black shop-assistant not to enter the shop, "because it was exclusively for white customers only."
There were butterflies in my big tummy when I saw the bulging figure entering. He stopped on his steps, red-faced and irritated. Wagging his finger, pointing at the door, he said: "Get out... Step outside." Detecting some hesitation from us, he shouted: "I say get out!"
"But sir I'm interested in buying something and I was just looking around," I replied.
"I don't want to talk to you... I don't talk to anybody... Get out!"
By MARTIN NTSEOELENGOE

TWO men were found guilty in the Rand Supreme Court this week of slaughtering their girlfriends.

Joseph Pule Mofokeng, 36, of Ivory Park, and Ted Mack Lottering, 23, of Massawat Street, Eden Park, were found guilty of murdering Storey Elizabeth Hlalele and Ntomnikayise Truphina Seleke on September 1 1989.

Their mutilated bodies were found in Mofokeng’s shack. The men fled to QwaQwa.

Sgt Morgan Mahale told the court his search for the men had gone on for almost two years until relatives eventually revealed the men’s whereabouts.

Witness Julius Manyosi said he saw the men assault the two women outside the Delmore Hotel near Springs. He said he realised that the women had no chance of surviving.

The women were punched, kicked and hit with an iron rod.

Elizabeth’s sister, Mirriam, said Elizabeth had come to stay with her at her work after she had decided to leave Mofokeng after he had an affair.

She said she and the two women had gone to the Delmore Hotel to drink.

Mofokeng had come into the hotel and demanded that Elizabeth go with him. She had refused, accusing Mofokeng of being unfaithful.

Elizabeth had said that every time she went with Mofokeng she met the other woman and they would fight. A furious Mofokeng had accused Elizabeth of sleeping with one Jabulani.

After the beating outside the hotel, the women were driven away by the men.

Judge Le Grange said Lottering was a liar and gave false evidence in the witness box.

The case is proceeding.
Business exodus leads to retail boom in Cape

By JEREMY WOODS

AN INCREASING exodus of businessmen from Johannesburg and Durban to Cape Town has led to a trend in the market for the retail property market in Cape Town and the Southern suburbs.

"An awful lot of businessmen are selling small to medium sized businesses in places like Johannesburg and Durban, and moving down to Cape Town," said Leon Queval, the boss of Dunlop Heywood's retail leasing division in Cape Town.

The influx started about 18 months ago and has been building up steadily. This has resulted in a buoyant retail leasing market for the smaller properties in good locations, added Mr Queval.

The main reason for the influx to the Western Cape is the belief that there is less violence here and a better quality of life. "In Cape Town the best positions are being snapped up," says Mr Queval, "it is creating a shortage of good locations."

Favourite "buyers" are franchise operations like Juicy Lucy, Milky Lane, and Spur, while many investors are going into fast food operations like coffee shops, and sandwich bars.

Demand for good retail locations is centred on Cape Town CBD, the Waterfront, Claremont, Tyger Valley, and Mitchell's Plain's Town Centre, as well as the shopping centres at Kenilworth and Wynberg.

Mr John Laws, the newly appointed regional manager for Anglo American Property Services in Cape Town says that while the larger businesses with factories and head offices are staying put in Johannesburg, "the more mobile businessmen are coming to the Cape."

"We have seen a lot of demand for people selling, say restaurants, or a small retail chain in Johannesburg, then coming down here and buying the same sort of business."

But, he says, the major business centre of the country is Johannesburg and "for that reason alone, most of the big companies will keep their head offices in the Transvaal."

The main demand for good locations is from 50 square metre properties up to 500 square metres, and though rentals have declined by about 15 per cent over the last two years, the current demand for good leases could stabilise this decline.

A more cautious view was expressed by Philip Upton, a director of the Permanent Trust Association, who felt that retailers were experiencing major problems such as spiralling costs, increased pilferage and lower turnovers.

"The Cape Town CBD is a fast changing place. We lost Stuttaford's a couple of years ago and more recently Garlics. When two major department stores like that move out, it is because the centre of Cape Town is not proving a very popular shopping centre."

Although the Permanent Trust Association has not experienced the demand for small and medium sized shops in good locations felt by some agents, investors from Johannesburg and Durban had been investing sizeable funds into freehold investment properties, of which there is now a shortage.

"I think this is the area where we have felt money coming in from outside the Western Cape," he added.
Retail orders go electronic

SHOPRITE/Checkers has become the first major retailer to implement electronic ordering throughout its supply chain. The system, more commonly known as electronic data interchange (EDI), enables orders to be executed quickly and accurately, reducing the time between when the order is placed and when the goods received and payment.

Shoprite opted for Tradelink, a FNB subsidiary FirstNet's conversion of EDI after it was successfully tested with 11 suppliers, said FirstNet marketing and sales manager Derrick Bennett.

He said when it had come to introducing new technology in the past, SA food retailers had focused on decreasing the time it took customers to move through pay points but technology which could improve the movement of goods between the supplier and the retailer had been neglected.

As the recession deepened, local retailers could no longer afford to have too much money tied up in stock. FirstNet and Shoprite/Checkers had organised a series of seminars to promote the system to other retailers.
Liquidations? You ain’t seen nothing yet

From MARCIA KLEIN

JOHANNESBURG. — The number of liquidations of companies and close corporations was likely to peak during 1993 as more and more companies found it impossible to continue trading through the prolonged recession.

Various credit rating experts interviewed at the weekend said medium- to large-sized businesses, including some listed companies, are at risk of liquidation during the coming year.

They said the relationship between company failures and interest rates seemed to indicate that the level of liquidations would begin to come down towards the end of the year as interest rates continued their downward trend.

But Kreditinform MD Ivor Jones said what was of more concern was that larger-sized companies were showing more risk of failure. This meant that even if the actual number of liquidated companies declined, the effect of the liquidations on the economy would be more severe than in previous years.

He said the percentage of JSE-listed companies which Kreditinform rated as at risk had increased to 10% in 1991 from 7% in 1989.

Recent Central Statistical Service figures showed 2 408 companies and close corporations were finally liquidated in 1992, an increase of 26% over 1991. In January, 218 companies and close corporations were finally liquidated, an increase of 26% over 1991. This level of liquidations was expected to climb during 1993.

Figures also showed that 23.7% more insolvencies of private persons, individuals and partnerships were recorded in 1992 than in 1991.

A total of 9 018 insolvencies represented a 23.7% increase over the previous year.

The average of 418 insolvencies a month was 16.4% higher than the previous highest average recorded, which was 359 in 1996.

Garth Foot, manager of the insolvency division of Syfrets Transvaal, said statistically insolvencies followed a seven-year cycle. In addition, the peak in insolvencies traditionally followed two years after a peak in interest rates. Statistically, 1993 would be a year in which insolvencies and liquidations peaked.

Foot said the cause of most insolvencies was inept management.
US franchises targeting SA blacks

CAPE TOWN — A “second wave” of US franchises coming into SA was being aimed at black businessmen, Price Waterhouse world managing partner Howard Hughes said yesterday.

“While American franchises such as Pizza Hut and Kentucky Fried Chicken have been in SA for many years, this second wave of franchises seems tailor-made for black businesses, particularly in light of the fact that it is supported by USAid, the world’s largest bilateral aid agency.”

Hughes said many aid organisations were waiting in the wings for a multiracial government to be installed. The EC was also poised to provide large amounts of state aid and private sector investment.

“Some $80m in EC aid is expected to be available this year for the ‘positive measures programme’ for resettlement of refugees and rehabilitation of health and education programmes.”

But Hughes warned that foreign business leaders were “unfairly impressed” by what they perceived as a reluctance on the part of South Africans to invest heavily in their own country.

“Perhaps this is the time for local business people to send a strong signal of confidence to their counterparts in other countries by becoming more visible as investors in an evolving SA.”
PRETORIA. — Total wholesale trade sales — excluding diamonds — for December amounted to R11 646.0m, 2% lower than the expected R11 837.4m, Central Statistical Services said yesterday.

Expected wholesale trade sales, excluding diamonds, for January amounted to R10 815.3m and showed a decrease of 1.4% compared to the final data for December after seasonal adjustment.

Total wholesale trade sales, excluding diamonds, for December reflected an increase of 0.6% compared with November after seasonal adjustment.

The relatively largest increases in sales occurred at wholesalers in textiles, clothing and footwear (plus 11%) and wholesalers in furniture and household requisites (plus 10.7%).

Decreases in sales occurred at wholesalers in machinery and equipment (minus 9.5%) and wholesalers in office and shop equipment, books and stationery (minus 8.2%).

Total wholesale trade sales, excluding diamonds, for 1992 showed an increase of 10.4% compared with the previous year.

This represents a decrease of 0.6% in real terms, CSS said. — Sapa
Benetton in major expansion

By Stephen Cranston

The Italian clothing chain Benetton plans to increase its branch network from 40 to 100 by the end of 1994 with a turnover of more than R100 million, says SA licence-holder Bruno Iaconi.

Benetton plans to turn Iaconi's Lupo International factory in East London into its manufacturing base for sub-Saharan Africa, producing half of its needs for SA branches within two years.

Benetton opened a new store in the Small Street Mall in Johannesburg CBD last week, and next month opens the first of its megastores, a 200 square metre shop in the old Surtex's shop in the Carlton Centre. The Killarney Mall branch will be doubled in size within a few weeks.

Iaconi says eight stores have been closed, which were not big enough or were not in the right position to benefit from customer traffic.

The product range will be updated and the shops will not just carry the previous year's range.

Prices have been reduced, even though 80 percent is imported at tariffs of 100 percent or more. An embroidered shirt, for example, has been reduced from R220 to R170.

Benetton originally focused primarily on the white market, but has found the main thrust of interest from black customers, who appreciate the quality of its natural fibres.

Benetton positions itself as the affordable chain for everybody and has a branch in Soweto.

The chain has 7,000 shops in 100 different countries. It has a range of more than 2,000 items, each available in 30 to 40 colours.
Solid earnings rise predicted for Pepkor

A greatly improved performance from Pepkor's earnings by 15 per cent last year is expected to continue this year. This improvement follows a 4 per cent fall in earnings in the previous year. The company's earnings for the year ending 31 May 1993 are expected to increase by about 17 per cent, to R1.3 billion from R1.1 billion.

Pepkor has made significant changes to its trading structure, with the division of operations into two segments: The Smart Centre and the Smart Select. The Smart Centre division, which includes the More Store, is expected to show a growth in earnings this year, while the Smart Select division, which includes the Pepkor Stores, is expected to show a decline.

The company's earnings are expected to increase by about 17 per cent, to R1.3 billion from R1.1 billion, with a further 9 per cent increase expected in the next year. This increase is due to the company's strong growth in the past year, with earnings in the first quarter up 26 per cent.

Pepkor's performance has been strong in the past year, with earnings up 26 per cent in the first quarter. The company's earnings are expected to increase by 17 per cent in the current year, with a further 9 per cent increase expected in the next year. This increase is due to the company's strong growth in the past year, with earnings in the first quarter up 26 per cent. The company's earnings are expected to continue to increase, with a further 9 per cent increase expected in the next year.
Hyde Park Lane almost 40 ac Let
Ellerines notches 60% earnings rise

MARCIA KLEIN

FURNITURE retailer Ellerine Holdings notched up a 60% earnings rise to 498c (255c) a share in the six months to end-February on the back of increased market share and off a low base of the previous year.

The well rated group also announced a proposed share split on a 10 for one basis with effect from April 26 in order to make the share more tradeable.

Yesterday that share was bid at its peak of R3.2, after touching a low of R4.5 in September last year.

Chairman and MD Eric Ellerine said yesterday the results should be viewed against the low base of the previous year, when industrial action affected the group's earnings pattern. Ellerine's earnings had dropped by 33% at end-February 1992, and its full year earnings were 9% lower after an improved performance in the second half.

Recovery

The group has now recovered, Ellerine said, and has returned to a more normal trading pattern.

This recovery, together with a further increase in market share and the opening of 13 additional stores, resulted in a 48% increase in sales to R405.4m from R282.4m.

Operating profit increased by 59.7% to R57.2m from R35.8m. The interest bill rose significantly to R12.2m from R76.2m previously, resulting in a 55.6% rise in pre-tax profit to R50m (R38.1m).

After 53.5% higher current and deferred tax of R23.3m and minorities, attributable earnings were 60% higher at R28.3m from R18.2m previously.

A 60% higher interim dividend of 136c (85c) was declared, with cover maintained at three times.

Ellerine said the group had a good Christmas trading period, and had taken a far larger slice of the market.

The balance sheet was clean, reserves were in place, and the group had continued to do things the way it had for over 40 years, he said.

About seven new stores would be opened in the current financial year.

Ellerine said the group was confident about its business, which was in the right sector of the economy. However, the level of violence was disturbing.

The group was reasonably optimistic about the second half, and expected earnings for the second six months to be similar to those of the first.

Shareholder confidence in Ellerine and improved furniture retail sales recently saw the furniture index rise more than 50% since September.

At that time, the furniture index was at one of its lowest levels in a decade relative to the industrial index. But since October, the index has significantly outperformed the industrial index.

The recent climb the index was partly attributable to a recovery in furniture sales in the last quarter of 1992.

In the 12 months to end-September, sales growth was 4.1% in nominal terms.
ANC wants to start club to brief business community

By Magnus Heystek

The ANC has commissioned the stockbroking firm Frankel Pollak Vinderine Inc to form an "executive club" to help promote closer ties between the organisation and the financial community. This club intends holding six confidential in-depth briefings a year on the ANC's viewpoint on politics and other topical issues. It will cost members R220 a year. This fee will cover the cost of food and drinks at the meetings.

According to a letter sent to top businessmen by Sydney Frankel, chief executive officer Frankel Pollak Vinderine, the club will need a minimum of 100 members to succeed. However, the letter adds that the maximum number of members will be restricted to preserve exclusivity and ensure confidence.

Contacted by The Star last night, ANC spokesman Carl Niehaus could not confirm that such a letter had been sent to businessmen. He said there had been discussion within the organisation on the need to brief businessmen. Niehaus said such an exercise was "perfectly legitimate" as businessmen had in the past attended ANC-organised banquets where they heard ANC speakers explaining policy.
Ellerine claws back on lost sales

By Stephen Cranston

Ellerine Holdings has more than clawed back on the sales it lost in the first half of its last financial year, when it was subject to industrial action.

Turnover rose 45 percent in the six months to February to R409.4 million, compared with the first half of last year, and was 31.5 percent higher than in the six months to February 1990, a period which was not disrupted by strikes.

Operating profit was up by 59.7 percent to R57.2 million—a 10.9 percent increase on the six months to February 1990.

Earnings per share increased by 60 percent to 46c and the dividend per share by the same percentage to 13.6c.

Dividend cover has been maintained at three times.

Interest paid rose sharply from R762,000 to R2.25 million as Ellerine's gearing has risen to 22 percent.

Chairman Eric Ellerine says the trading environment continues to be depressed, but that the group increased market share through aggressive marketing in its target D and E income groups, and by the opening of a further 13 stores.

Provided trading conditions do not worsen, earnings in the second half are expected to be similar to those of the first half.

Ellerine plans to split its shares on a 10-for-1 basis in order to improve tradeability.
R112-million boost for small business

SMALL business development programmes are to receive a R112.6 million boost.

About R75 million would go to the Small Business Development Corporation and the Development Bank of South Africa would get about R30 million.

Small business played an important role in the envisaged strategy to promote higher growth by means of the structural transformation of the economy.

The small business sector in many cases provided the only refuge for a growing portion of the labour force who were 'caught up' in the long recession and large scale urbanisation.

Small businesses contributed an estimated 26 percent to the GDP and employed about 38 percent of the labour force.

South Africa was among the countries which recognised the need to encourage small business development through special measures and programmes.

Altogether R112.6 million had been set aside for this purpose. It comprised R97.6 million provided for in the printed estimate, to be increased by R15 million in the supplementary budget. This was a R94 million increase on last year's provision. — Sapa.
Small business to get a boost

Political Staff

THE government has provided R112,6 million in this year's Budget to promote the development of small businesses.

This is an increase of R94m on last year.

In the Budget, Finance Minister Mr Derek Keys notes that as a result of the long recession and large-scale urbanisation, participation as entrepreneurs in the informal sector, is often the only "refuge" available to a growing part of the labour force.

'Hamstrung'

He said that it was estimated that small- and medium-size enterprises contributed as much as 26% of Gross Domestic Product (GDP), and provided work for 38% of the labour force.

Mr Keys said in South Africa small businesses were hamstrung by:
- Excessive control measures;
- Discriminatory business practices;
- Inadequate support services;
- Insufficient access to financing services and markets, and
- Infrastructure, services and training.

The minister said it had been decided to provide a more comprehensive package for small business and a special unit had been established which would play a "pro-active and co-ordinating role".

A "pioneer" fund would be set up with a R56m allocation. The aim was to maintain this fund.

If the private sector increased its contribution to the fund, the government would consider raising its contribution.

Mr Keys said discussions were already under way with the National Economic Forum on a way in which it could provide input on how the funds should be allocated.

TBVC

He said a further R19m would be allocated to the existing credit guarantee fund which would be expanded to cover the homelands and TBVC states.

The minister said about R30m would be given to the Development Bank to aid small businesses in the homelands and for training.
Two-week boom expected

RETAILERS expect a mini-
Christmas before April 1 when the
VAT rate increases to 14%.

But major retailers warned yest-
erday the boom would be short-
lived, as sales would probably slip
to lower than budgeted levels fol-
lowing the introduction of the new
VAT rate.

They said sales across the board — from food and furniture to white
goods, clothing and motor cars —
would increase.

Anyone thinking of buying a
high ticket item over the next few
months would try to conlude the
deal before 14% VAT.

The effective 40% rise in VAT
was substantial. This, coupled with
higher petrol prices — which
would increase distribution costs
— did not bode well for retail sales
in the medium term as retailers
would find it difficult to keep
prices down.

The additional burden of
increased excise duties would affect retail sales of drinks and
cigarettes.

Generally, sales had been on an
upward trend over the past few
months compared with the pre-
vious year.

With the decline in inflation,
there had been some real growth
in some retail sectors. If this trend
continued, the increased VAT bur-
den on sales could be alleviated to
some extent, retailers said.

Although the Budget could be
viewed as tough on consumers,
elements of the Budget aimed at
job creation and economic growth
could boost the retail industry.

Sales of big ticket items were
expected to increase over the next
two weeks due to the rise in VAT,
OK marketing director Arthur
Solomon said.

Anticipation of a rise in the VAT
rate had resulted in a steady
growth in retail sales since the
beginning of March. There had
been a definite rise in sales of big
ticket items over this period, Sol-
omon said.

In comparison with February,
retail sales were up by 10% in
March.

Now that the consumer knew by
how much VAT would increase,
this trend should accelerate over
the next two weeks.

Solomon said prices of big ticket
items would be further affected by
the recent depreciation of the
rand. Most components for appli-
cances, TVs and hi-fi systems were
imported as were all VCRs and
top-of-the-range appliances and
electronic goods.

An overall price increase of 10%
to 15.5% could be expected on
these items.

Pick n Pay was expecting "quite
a surge" in sales across the board,
outgoing MD Hugh Herman said. A
similar situation "had occurred
when the GST rate was increased.
Sales of big ticket items and gro-
cerries were expected to show the
largest increases."
Retail will feel the pinch

Business Editor

This week's budget will mean another year of slack conditions in the retail sector, Old Mutual chief economist Dave Mohr said yesterday.

"We are going to get an artificial mini-boom until April 7, as people try to beat the rise in VAT. Then things will be flat and some things may disappear off the shelves completely."

Abri Meiring, Old Mutual's legal manager, said that cutting the top company tax rate to 40% and introducing the new dual tax to discourage dividends had been "a stroke of genius."
The strategy

Now ITC is to be sold — there are still some loose ends to tie up, but it's almost certain the deal will go through — Vosloo says the decks are cleared for M-Net to focus on cellular telephony. "Much depends on whether we get an appropriate licence," he adds. Government announced last month two licences would be granted, one expected to go to Telkom.

Whether the licence (if granted) is "appropriate" will largely determine costs. But the consortium, so far comprising M-Net and Cable & Wireless Plc, could be looking at capital costs of R400m over the next two years. M-Net’s share could be as high as R125m, though Paak says funding mechanisms are still to be determined.

This raises the likelihood of another rights issue. M-Net funded its initial R275m FilmNet investment largely through a rights issue in January 1992.

Paak says M-Net won’t get involved in making cellular telephones — rather the group sees its contribution coming from its marketing and customer service strengths. Of course, M-Net’s 800 000-strong client base will be a valuable asset.

All of which could explain the strong performance of M-Net’s share price since late last year. It has appreciated by 44% since the end of November, the biggest boost coming on government’s announcement early in February that licences were to be granted. It seems some investors expect M-Net will be a recipient.

What is it that Eric Ellerine has that every other furniture magnate wants? Well, the last half-year results for Ellerine Holdings for a start. On the face of it, they are so good as to be almost unbelievable.

Unfortunately, comparisons sometimes have little purpose other than to highlight the unusual. And that’s what has happened this time. The first six months of 1992’s results were horrendous because Ellerine was hit by a series of apparently interminable strikes, picketing and comprehensive, union co-ordinated, action. EPS fell 32% to 255c and the dividend declined 32% to 85c.

It is against that unflattering result that Ellerine’s latest result must be examined. Turnover to February has risen to R490m, but that’s only 31% better than in 1991. Operating profit has risen to R57m but that, in turn, implies an operating margin of only 13.9% — 1991’s margin was 16.6%.

Still, it would be churlish to derogate from what has been a good performance by any standard in this economic climate. Ellerine is a very good company — one senior analyst says it’s the best by far in its sector. And it has managed, significantly, to finance a book without recourse to enormous borrowings.

At R84, its price probably reflects anticipation of the latest results and tradeability is limited. But it remains a stock worth tucking away.

Hammering out a deal?

The cautionary issued by investment company Ozz two weeks ago took the market by surprise. The company’s year-end is March and a conjugating act by master wizard and Ozz CE Gary Zulberg wasn’t expected ahead of the results.

Nor is Zulberg talking. Pressed for an indication of what’s in the wind, Zulberg was first reported to be unavailable and then declined to comment.

Potential synergies

However, it’s been established that Ozz is negotiating with Unihold, which itself had issued a cautionary earlier. At first sight, it’s difficult to see potential synergies between the two companies, until foundry activities are examined more closely. A Unihold spokesman declined to respond to questions.

Year-end results for 1992 showed most of Ozz’s operating income was from its core businesses. Most of that, in turn, derived from the engineering companies, which focus particularly on supplying the mining industry. At the 1993 halfway stage, Zulberg told the FM (Fox December 18) he was especially pleased with the performance of the engineering companies which, he said, were increasing exports, primarily in finished manganese steels.

Last year, Unihold went on a buying spree which included the purchase of Buffcoor, Dimbaza foundry from Lonrho, and the merger of lighting company Zumtobel with Thorn Lighting. While Unihold’s latest results haven’t been released, there is speculation that Unihold’s acquisition campaign has left it cash-strapped. Analysts point out Unihold found it necessary to recruit Richard du Plessis from Venter Trailers to bolster the management team.

A broker who declines to be identified says the deal between Ozz and Unihold relates to the outright purchase by Ozz of all Unihold’s foundry interests. The purchase price will be settled, apparently, partly in cash and partly in shares. That will ease Unihold’s short-
SA retailers for More Spark®, life with potential price

Walter S. Preece, managing director of Preece's Spark® company, said the introduction of More Spark® would make the product more accessible to consumers. "More Spark® is a spark plug that is designed to be used in conjunction with other energy sources, such as electricity," Preece said. "It's a versatile and powerful product that can be used in a variety of applications, including heating, cooking, and power generation."

Preece added that the introduction of More Spark® would help to address the energy needs of consumers in remote areas, where access to traditional energy sources may be limited. "More Spark® is a cost-effective and reliable alternative to traditional energy sources," Preece said. "It's a sustainable and environmentally friendly product that can help to reduce our carbon footprint."

Preece also noted that More Spark® would be manufactured in South Africa, creating jobs and supporting local businesses. "More Spark® is manufactured by our company in Johannesburg," Preece said. "We are proud to support local industries and create employment opportunities for our people."

Preece concluded that More Spark® would be available for purchase at retail stores throughout the country, with prices starting at $20. "More Spark® is a product that we believe will be in high demand," Preece said. "We are confident that it will be a success and help to meet the energy needs of consumers in South Africa."
CAPE TOWN'S central business district will have to be revamped if it is to benefit from any retail upswing, says Mr Philip Upton of Permanent Trust.

Though some efforts have been made to make the city centre more attractive, the old problems of parking, security and litter are still keeping customers away, he says.

"People prefer to shop in decentralised shopping areas like the Waterfront, Cavendish Square or Tyger Valley and rentals are likely to reflect this trend," he says.

The recently published Rode Retail Report estimates average rentals in Adderley Street at R53.75 a square metre between Wale and Longmarket streets, and R74.17 between Longmarket and Riebeek streets.

But rentals in other parts of the city centre are often much lower: R30 a square metre in Loop Street, for instance, or R40 in Plein Street. This compares with rentals of around R38 a square metre on Sea Point's Main Road, R45 on Rondebosch's Main Road and R24 to R28 along Voortrekker Road in Bellville.

Shopping centre rentals are generally higher, according to the Rode Report.

Fifty square metres in the Golden Acre concourse goes for around R81 a square metre, on the ground floor of Cavendish Square for R82.50, in the Adelphi Centre in Sea Point for R80.83 and in Tyger Valley for R85.

The report's author, Mr Erwin Rode, said these figures are estimates. But Mr Upton, who also worked on the report, says the figures are "very close" to rents paid.

Though he says it is hard to predict trends in retail rentals in the next few months, downward pressure on rents will continue until the economic upswing is well under way.

Mr Upton criticises the Cape Town City Council, which, he says, does not take enough pride in the CBD.

Though he agrees that the CBD's natural customer base is the people who work in it, Mr Upton is sceptical about extending shopping hours to allow office workers to shop on their way home.

"I'm not sure it would work," he says. "In European countries where there is a siesta hour, shops stay open late at night. But we don't have this sort of tradition here."

He welcomes suggestions to move the taxi ranks to the top of the station — "there's no reason why the taxis should clog one of the main entries to the city". Flea market stalls, he thinks, should be allowed to trade in so-called "dead" areas, such as Thibault Square or parts of Longmarket Street, rather than in St George's Mall.
There's still lots of magic in carpets

Quality

Is there still a difference?

Do carpets still offer the same level of comfort and durability as they used to? What are the new trends in carpeting technology? How do different materials affect the overall experience of using a carpet?

Insights

What makes a carpet a high-quality product? Are there any specific features to look for when choosing a carpet? How do factors like density, texture, and pile height impact the performance of the carpet?

By Zylla Ernst

2/18/93, STUDIO PHOTOGRAPHIC

SUNDAY TIMES BUSINESS TIMES, MARCH 2, 1993
Retail sales look set to plunge further

PRETORIA — The steadily weakening trend in retail sales continued in the first quarter of the year, according to CSS figures.

They show an expected decrease in real terms of 4.4% to R15,675bn, compared with the last quarter of last year at constant 1990 prices.

Economists said that even without the four percentage point increase in VAT from April 7, the trend would not have slowed. Now it could intensify. VAT, inflation, low salary increases and rising unemployment would probably result in a decrease in disposable incomes.

The CSS said retailers generally were pessimistic about their March results.

One hundred retailers expected total trade sales in March of about R6,865bn — a decline of 2% compared with February, after seasonal adjustments. This represented a decrease in real terms of 4.8%.

Pick 'n Pay chairman Raymond Ackerman said conditions in the retail trade had been tough up to the Budget. “Now they can only get tougher,” he said.

There could be a “flash in the pan”, buying surge before the VAT rate increased to 14% from April 7. However, after this the trade would probably sink back into the negative mode of past months.

Ackerman said he had been confident the economic turnaround would become visible in July. But with the higher VAT rate, more costly petrol, still rising unemployment and continued inflation, a bottoming-out process could be hoped for only at the end of the year.
Audiodek returns to winning ways

AUDIO importer and distributor Audiodek returned to profitability in the second half of the year ended December 1992, reporting a profit after tax of R445 000 on an increase in turnover to R64.6m.

This was equivalent to earnings of 2.23c a share, sharply lower than the previous year's 5.6c. The payout for the year was slashed to 1c a share from 3c.

Audiodek suffered an interim loss of R844 000 on a 9% drop in turnover to R24.6m.

Audiodek MD Monty Tolkin said the group's second-half profit of R1.3m was partly due to a traditionally stronger trading period in the latter part of the year.

While trading conditions were extremely tight as evidenced by mid-year results, the year-end figures were gratifying considering all adverse factors.

These included the fact that the group's Alpine division, the car sound system supplier, reported substantially lower turnover and profit.

The company provided comparative figures for the nine months to end-December 1991. It recently changed its year-end to December from March to end its year shortly after peak trading time.

Turnover rose to R68.6m, previously R59.3m, but operating profit dropped 35% to R2.3m from R3.5m.

Interest payments rose to R1.3m (R1.1m) and pre-tax profit was down 59% to R880 000 (R2.4m).

Tax, current and deferred, absorbed 55% (48%) and attributable earnings were down by two-thirds to R442 000.

Tolkin said group margins had come under pressure due to a weak rand and escalated overheads which affected the bottom line.

The group's Alpine car sound division had made only a marginal profit. The division had been hit by so-called "grey imports" in common with other major brand leaders. He said the division, a market leader with its prestige brand, would reduce overheads.

Other group products such as portables and music centres had continued to show good growth.

Tolkin said Audiodek would maintain its present momentum, always mindful of the volatile economy.
Operating profits 'likely to fall'

Retail companies with high tax rates and dividend cover were likely to suffer less from a fall in operating profits stemming from VAT and petrol price hikes, analysts said yesterday.

An analyst said personal consumption expenditure would be under severe strain, with stores unlikely to recover this loss by pushing up margins. The result would depress operating profits.

"On the flip side, the decrease in company tax will give a positive boost to earnings which will more than offset the change in operating profits."

He said retail companies generally had a higher effective tax rate which meant they would benefit greatly from the drop in company tax to 40%.

The 15% dividend tax would have a smaller impact on companies paying low dividends.

Another analyst said companies were likely to review their dividend rates following the introduction of the dividend tax, since the higher the dividend cover, the less tax paid.

He said the result at trading level was likely to be negative, with food retailers suffering less because of zero-rated products.

Shoprite Checkers said it did not foresee a massive rush to stores before the introduction of the 14% VAT rate on April 7. A spokesman said they expected consumers to stock up on groceries, but people did not have enough funds to spend on big ticket items.
Pick 'n Pay improvement forecast

Analysts said trading conditions were still tough in 1992 with flat sales performance, but cash flow improvements would come from tighter controls on expenses and shrinkage, and a slow-down in its capital expenditure programme on store automation.

The group also cut back its store expansion programme in 1992 because of the recession.

Pick 'n Pay is expected to announce on Thursday a new MD to replace Hugh Herman who is taking early retirement. — Reuter.
Price hikes predicted

PRICES of big ticket items were expected to increase 10%-15% from April, retailers and manufacturers said yesterday.

Although VAT and the petrol price would affect prices, they said the main cause was the depreciation of the rand over the past few months.

Most electronic goods and top of the range appliances sold in SA were imported. Most components for appliances, TVs and hi-fi systems produced locally were also imported.

Since the beginning of the year the rand had depreciated from R3 to the dollar to R3.20.

Leftover stock at old prices would be snapped up as consumers bought ahead of VAT increases, Panasonic MD and Radio and TV Manufacturers' Association chairman Alan Coward said.

He expected prices to rise by at least 10% in April because of the rand's devaluation.

Most imports were paid for in dollars, Philips product manager Collin Ash said. Overseas supply prices had not only been affected by the devaluation of the rand but also by the strengthening of the yen against the dollar.

To maintain price parity people would have to purchase more middle of the range items, Pick 'n Pay merchandise director Aubry Zelinsky said. SA could no longer afford products at the upper end of the market.

Merchandise arriving now was purchased in October/November last year when the rand was less than R3 to the dollar, Zelinsky said.

*Comment: Page 10*
East India comes to CBD

Sanlam portfolio earns 22% return

SANLAM Properties' retail portfolio provided a return of more than 22% in the financial year to end-September 1992, Sanlam chairman Pierre Steyn said at the opening of its R200m Fourways Mall development last night.

While the group did not usually disclose such information, it had done so to prove that successful property investments were possible in the unfavourable economic climate, and to dispel industry speculation about the extent of its retail commitments, he said.

Sanlam owned 18 major shopping centres with a combined size of more than 500 000m², of lettable space, excluding its centres smaller than 19 000m².

"I am aware that the perception exists in the market that the shopping centre market is overtraded, that the vacancy factor is therefore too high and the return on investment too low," he said.

It could be concluded from this argument that Sanlam, as the financial institution with the greatest number of shopping centres and the most lettable space in the country, was suffering from high vacancies and low returns on investments.

However, this was not the case as its retail return of more than 22% was higher than those of other types of property investment and most other types of equity and fixed-interest investments.

"Our national vacancy level for retail space is only 4.2%, which is very low compared with office and industrial properties.

"The fact that the 99 000m² centre, which has 3 000 parking bays, is almost fully let, is proof that it will provide a sound return on the investment," he said.

Fourways Mall was Sanlam's largest investment, in value terms, in a single shopping centre.

For developments to be successful they had to be properly researched and strategically placed, well-designed to meet the needs of the market and well marketed and managed to ensure public support was maintained, he said.

Meanwhile, in Natal, the 75 000m² Pavilion shopping centre in Westville had its roof wetting last week.

The centre is being developed jointly by Murray & Roberts Properties and Retail International (RI) and was sold to the Eskom Pension and Provident Fund for R550m.

The complex is believed to be more than twice the size of any other centre in Natal, and more than 96% of the available leasable area has been let. About 55 shops were unlet, RI director Nelson Orr said.

The centre is to be officially opened on October 20 and beneficial occupation of the major tenants is expected from the end of June.

The complex will provide two main shopping levels, with the lower mall anchored by a 15 000m² Hyperama at one end and a 5 300m² Pick 'n Pay at the other.

A 8 400m² Woolworths and a 8 400m² Edgars will also trade side by side on this level and the upper level, where a 3 800m² Game will anchor the western end. A banking mall will dominate the eastern end.

Nu Metro will provide eight cinemas with seating for 1 000 people and will be connected to a food court housing restaurants, cafes and coffee shops.

"Taking into account the size of the major stores, we are expecting to draw at least 1 million people to the centre each month. This is on a par with centres like Tyger Valley, Sandton City and Eastgate," Orr said.
Pressure expected on shop rentals as retailers battle

Landlords should not expect much buoyancy in shop rentals this year because retailers will probably experience poor trading density growth.

Total monthly retail sales have shown a steady decline since 1990, dropping from R6 billion at the end of that year to R5.3 billion last September.

However, a much worse picture becomes evident, according to the new Rode Retail Report, when one looks at trading densities — defined as turnover per square metre of trading space, and often a better measure of retailers' ability to pay increased rentals than total sales.

The graph shows the divergence between the two measures over the past few years, in the food and grocery sector.

The report notes that one factor causing a decline in trading density is a faster growth in available retail space than in total sales.

"Over the past few years, trading densities of food and clothing have grown at a markedly slower rate than total sales for these categories, which is a strong indication that developers... have been oversupplying the market with certain types of space."

It concludes that turnovers and profits will remain under tremendous pressure this year.
Return to business ethics, says judge

BRUCE CAMERON
Business Staff

A CONCESSION in which business ethics had gone away had to be extended during the years of sanctions, should not be extended, a Cape Town judge said.

The warning was given by Mr Justice Pat Tebbutt at the annual meeting of the Institute of Life and Pension Advisers in Somerset West yesterday.

The concession, he said, should not be allowed to undermine the very structure on which business was based.

Judge Tebbutt said he considered the situation is running out of control and that the department of trade and industry should be more proactive in enforcing the trade laws.

The law on business ethics, he said, is not always black and white, but it is a matter of judgment and interpretation. He pointed out that there are different views on what is ethical or unethical.

His advice was that business men should observe those ethical standards that they would wish others to apply to them.

He said he did not want to generalise or suggest that all business was corrupt or crooked.

Many businesses and many areas of business are indeed squeaky clean.

"We have, however, seen enough detections from the straight and narrow path in recent years to know that there are individual businessmen who have sought to depart from those ethical standards that are expected by the general public and have broken the law."

He supported the idea of codes of conduct but said even these provided problems.

A code of conduct or ethics could only be a collection of guidelines.

"Our law reports abound with cases where voluntary associations ... have been unable to enforce disciplinary procedures because they have not been clearly defined ..."
'Renewed optimism' in the property market

THERE is renewed optimism in the property market, which is reporting increased activity in all sectors, says JH Isaac chairman Les Weil.

In his first quarter review of the market released yesterday, Weil said that while prospects for the rest of the year appeared positive, this was tempered by ongoing negative real growth in the economy and a fragility in business confidence.

Much further growth in the commercial and industrial markets over the rest of the year was generally unlikely, a position that was being exacerbated by market offers of rent-free periods and other incentives to fill larger available space, he said.

However, since December, the commercial and industrial leasing and sales market has proved resilient to economic conditions and, in Johannesburg, those divisions reported improvements in demand, he said.

The strongest demand for new office space continued to come from local companies in the Johannesburg CBD.

Rosebank reflected strong demand, commanding rentals of between R26/m² and R35/m², with occupancies rising to 97%.

The decentralised Sandton office nodes of Woodmead and Epsom Downs also reported increased interest.

However, the Durban office leasing market remained "very quiet", with an abundance of stock and little demand, while gross rentals in Cape Town ranged from R16/m² to R27/m², the report said.
PICK 'n PAY

Succession dilemma

Pick 'n Pay's 1993 year-end results are expected to be accompanied by the announcement of the successor to Hugh Herman, who retires as group MD. Market talk suggests several prospects — including Gareth Ackerman (36), eldest son of the controlling shareholder.

Main obstacle to Gareth Ackerman becoming the sole successor to Herman now would be his comparative youth and lack of experience.

He has been in the business for 10 years, having started with two years as operations manager at Brisbane Hypermarket in Australia, before becoming a buyer at Price Club. He was appointed GM of Steelmar Hypermarket and joined the board of Pick 'n Pay Holdings in 1987, and then became GM of Superstores.

Directorships of the trading subsidiaries and of Pick 'n Pay Stores followed in 1989 and 1990. He's now GM of Blue Ribbon Meat, which controls the buying and marketing of all meat sold by Pick 'n Pay.

One option chairman Raymond Ackerman might consider would be to appoint his son joint MD, along with one of the more seasoned directors. There are, in fact, four more experienced executive directors who are being cited by the market as potential successors to Herman, either singly or as joint MDs.

Chris Hurst (56), finance & administration director, has been with Ackerman for 24 years; René de Wet (50), head of human resources, has 21 years' service; Martin Ros sen (42), responsible for marketing, has served 23 years; and Sean Summers (39), in charge of food merchandise, has 19 years.

But the results will be equally interesting.

Last year, for the first time, Pick 'n Pay's EPS declined (by 2%), despite a 14% rise in turnover. This resulted from the steady narrowing of the trading margin since 1982.

It's hoped this trend was reversed in the past year. Analysts are looking for earnings growth of 8%-12% for financial 1993. After peaking at 1.525c in September 1991, the share price fell to 975c last July; it has since recovered to 1.325c.

Gerald Hirshon
Pick 'n Pay share earnings rise 10%

CAPE TOWN — Pick 'n Pay yesterday reported a 16% rise in earnings a share for the year to end-December, and announced the appointment of joint MDs Gareth Ackerman and Rene de Wet to replace current MD Hugh Herman who leaves the group at end-April.

Food director Sean Summers has been appointed deputy MD.

A final dividend of 26.25c (22.5c) was declared to bring the total distribution to 33.5c (30.75c) — an increase of 8.8% — on earnings of 59.3c (53.9c) a share. The two-for-one share split in November last year has been taken into account in the calculation of earnings and dividends.

Turnover rose a modest 8.7% to R5,46m (R5,93m) but Ackerman said the group had gained market share, which had remained at 32.6% in spite of the 4.3% drop in real retail sales last year. He said he was "delighted" with the results which were produced in an extremely tough economic environment.

With benefits beginning to be felt from the group's R160m long-term technology programme, margins strengthened to 2.2% (2.2%) after two years of decline.

Pick 'n Pay pre-tax profit growth of 16%. Investment income fell to R1,2m (R1,12m) on account of last year's sale of the group's equity-linked insurance policies.

Financial director Chris Hurst said the larger increase in the dividend, relative to earnings, was explained by the one-off rise in the tax rate due to the withdrawal of certain tax benefits. The dividend hike was more in line with the pre-tax profit increase. Also, the group was cash-rich and confident about its prospects this year.

He said Pick 'n Pay had made representations to Inland Revenue about Pick 'n Pay being expected to pay the old 48% tax rate as well as the new 15% secondary tax on companies (STC). He was confident this would be changed and it appeared unlikely that dividends would be subject to STC.

The group's store opening and refurbishment programme would continue this year with a supermarket in Bloemfontein and a superstore in Somerset West.

Ackerman said shrunkage, including markdowns, now stood at 8.7% (1%) and expenses, at R23m below budget, were well controlled. Improvement in stock controls resulted in cash-in-hand at year-end rising to R391m (R191m).

The stronger margin led to an 11.4% rise in operating income which — together with R14m in net interest received, compared with R3,4m paid last year — generated a
CENTRECY/CAPITAL

**Dull but reliable**

**Centrecity Property Fund**

**Activities**: Holds a property portfolio concentrating in prime office and retail developments.

**Control**: Southern Life.

**Chairman**: S Pather.

**Capital structure**: 163.5m units. Market capitalisation: R425m.

**Share market**: Price: 280c. Yields: 9.5% on dividend; n/a% on earnings; p/e ratio, 10.3.

**Year to Dec 31**

<table>
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<td>Dividends as % of cap employed</td>
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<td>17.3</td>
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**Property funds** are not the most exciting of investment vehicles. This is not to say they are not worthwhile, they are merely rather dull, especially in the circumstances of the present moribund property market.

These two, Centrecity (Cenprop) and Capital, are closed-end and obliged by law to distribute all income earned each year. They have no borrowings; they are highly predictable. As such, they play an important role in the portfolios of many investors who need to be assured of reliability and constancy.

Cenprop has a premium rating relative to other property trusts. This derives largely from the quality of its buildings, which include the Mall in Roebank, Johannesburg, and the NBS centre in Johannesburg CBD.

which houses the Edgar's flagship. Cenprop has a neat, easily identifiable portfolio of buildings considered prime quality.

One of Cenprop's buildings in Roebank, JHI House, has recently been the subject of much attention by residents' groups, which allege contraventions of municipal building regulations. J H Isaacs CE Les Weil, whose company is responsible for providing management to Cenprop and Capital, says an investigation is under way but adds that any financial impact isn't likely to be material.

Capital, on the other hand, holds an industrial portfolio and concentrates on providing decentralised office and warehouse buildings. Capital's properties — there are about 90 in all — are widely spread. The vacancy level is about 7% and Weil says this is not high "particularly given the present state of the market."

Capital is considered by some analysts to be undervalued relative to its total asset base and may present an opportunity.  

David Glenson
The present climate (1 fm) because some special
benefits and been with the

Pick 9, Pay Earnings

EDGE PAST INITIATION

By Andrew D'Angelo
Ackerman's son becomes joint MD

By Tom Hood

CAPE TOWN — The Ackerman family has strengthened its control of the R6.5 billion Pick 'n Pay supermarket giant with the appointment of Gareth Ackerman, 35-year-old son of chairman and chief executive Raymond Ackerman, as a joint managing director.

He shares the hot seat with Rene de Wet, 49, director of human resources, who will continue to hold the post.

Gareth Ackerman, currently general manager of the company's Blue Ribbon meat operation, also becomes managing director of Blue Ribbon.

He has worked in almost every area of the business, starting as a casual in his school holidays.

He spent two years in American supermarkets, three years in Australia in retailing and was Transvaal general manager of Pick 'n Pay's superstores.

Sean Summers, 39, director of foods, becomes deputy managing director.

The changes follow the resignation of Hugh Herman, managing director for almost 10 years.

Announcing the appointments, Raymond Ackerman said yesterday: "I believe with our established management team and the leadership of youth and experience, the company will enter a new era."
Above Expections

Pick 'n Pay Performs

By Tom Hood
Pick 'n Pay sales top R6 billion

TOM HOOD, Business Editor.

FOOD prices in Pick 'n Pay stores increased by only 3 percent between October and February, says group chairman Mr Raymond Ackerman.

The inflation rate dropped rapidly as a result of the drought being broken and prices were now being compared on a like with like basis from October after 12 months of VAT.

For the first time group sales topped the R6 billion mark, rising R615 million to R6,4 billion in the year to February.

Mr Ackerman described the 8,5 percent increase as modest and said it reflected the easing of inflation.

He said Central Statistical Services estimated real total sales in retailing fell by 4,3 percent, yet Pick 'n Pay's market share as measured by IBIS remained at 32,4 percent, which was above the percentage achieved at the 1982 year-end.

January market share figures were above the November-December figure of 32,1 percent.

The group's share of non-food sales had increased dramatically, he said.

Trading profit grew by 11 percent to R146 million and earnings were 10 percent higher at R193 million, equal to 59,5c (53,9c) a share.

Total dividends, however, are up by 16,5 percent to 33,5c (28,7c) a share — "last year we maintained the dividend and felt we owed an increase to the shareholders", said Mr Ackerman.

The final dividend is 36,25c, up 16,6 percent on last year's 22,5c.

The group had cash balances of R309 million at the year-end, up from R191 million, but managing director Hugh Herman pointed out this item could fluctuate sharply from month to month.

Shrinkage improved to 0,7 percent of turnover from 1 percent a year earlier and this illustrated the benefits flowing from the millions spent on information technology, said Mr Ackerman.

The Ackerman family strengthened its control of the supermarket giant with the appointment of Mr Gareth Ackerman, 33-year-old son of the chairman, as joint managing director.

He shares the hot seat with Mr Rene de Wet, 49, currently director of human resources, who will continue to hold this post.

Director of foods Mr Sean Summers, 39, becomes deputy managing director.

Mr Gareth Ackerman, currently general manager of the company's Blue Ribbon meat operation, also becomes managing director of Blue Ribbon.

The changes follow the resignation of Mr Hugh Herman, managing director for almost 10 years.
'Not enough' for small business

By Waghied Misbach

ALTHOUGH R94 million more than last year was provided for the promotion of small business in this year’s budget, it is not enough, says Mr Trevor Manuel of the ANC’s Economic Department.

About R75 million would go to the Small Business Development Corporation (SBDC) and the Development Bank of South Africa (DBSA) would get about R30 million. Altogether R112,6 million was provided for small business development this year.

Manuel said the lack of competition in South Africa, with a few conglomerates owning a large slice of the economy, was forcing small businesses to close.

Questioning the role of the agencies involved in stimulating small business, he said 73 percent of loans from the SBDC went to white entrepreneurs.

He noted that the Industrial Development Corporation still had 100 million rand for small business loans, but could not find takers. “We must look at these agencies.”

Growth

“We should also ask about the nature of the systems and whether this money would be used to create more hawkers or vendors or whether the approach to industry would provide for growth.”

Attempts to stimulate the growth of small and medium enterprises were “commendable”, but were not on par with the rest of the world.

“In other countries, small business is the biggest sector which absorbs labour.”

Manuel suggested a government parastal be set up to stimulate small businesses and receive input from groups such as Nafoco and Fabelco.

Obstacles

One of the biggest obstacles to small business was the banking sector — owned by conglomerates who were opposed to competition.

For instance Old Mutual owned Nedcor, Rembrandt had a huge stake in Absa, Anglo American owned First National Bank and Liberty Life owned Standard Bank, said Manuel.

The banking sector also gave preferential access to white businesses for financial help.

He said trade tariffs also made it difficult for smaller companies to import cheaper products. Local companies who historically enjoyed a monopoly successfully applied for heavy tariffs against cheaper imports.

He cited the example of Plate Glass, who successfully applied to have dumping tariffs applied against a smaller company, Triangle Glass, who were importing plate glass cheaply from Pacific Rim countries.

“About a month ago, these tariffs were awarded to Plate Glass and now Triangle Glass is going out of business.”

Manuel said Triangle Glass supplied their products cheaply to township glaziers, but with the increased cost, these glaziers were now facing closure.

THE ANC’s Trevor Manuel says that a vibrant small business sector could be the major provider of jobs in the economy.

But, he argues, not only is there being done for small business, the government has a twisted logic about job creation.

Manuel says the Normative Economic Integrated Model, the government’s economic plan, states that R51 billion until 1997 will create 1.3 million jobs.

But only R60 million was given in the Budget to the National Economic Forum to create jobs and, according to Manuel, this would create only 1 529 jobs.

On the other hand, R300m was provided for those retrenched.

“Let’s say it costs ten times more to create a job than to shed one.”

“Then R300m for the retrenched would put 20 times more people out of work than the new jobs created by the NED programme.”

“That’s wonderful logic. We have a fund that would get rid of 30 000 jobs but only create 1 500. 27/3 - 31/3/93.”

“I don’t understand this. Do they realise that close to 4.8 million workers are unemployed?”

“Only three percent of 400 000 school-leavers were absorbed into the formal economy. The rest of them are contributing to crime in the country,” he said.
FOODCORP CHIEF DIRK JACOBS: People are buying cheaper lines and not wasting as much as they used to.

Hunger fears rise as sales of basic foods take a dive

By CHERILYN IRETON

Foodcorp, which has a portfolio balanced between staple foods and value-added products, did not find January so dreadful. February was reasonable.

This is confirmed in the group's results published this week. The good bottom-line figures—earnings were effectively up 14%—a share—disguise the fact that there has been no real growth in food sales for the past 12 months.

Foodcorp chief executive Dirk Jacobs does not expect any growth for the rest of the year. He says the recent budget will dampen consumer demand further.

Mr. Jacobs says: "If you look at the rapid rise in urbanisation and population growth, it is obvious that people are eating less. But we believe that there is less waste. People have become more frugal."

He notes a strong trend among consumers to buy-down and says this is reflected in growing demand for the products of his group's staple foods operation.

National Brands, the Anglovita subsidiary, has a small exposure to basic foods. But group managing director Join Bryant confirms a "particularly bad January in this category. February was slightly improved, but the outlook for the first quarter is below that of the previous year."

The downturn is some markets is cushioned by better performances in other categories."

Mr. Utian has several theories about the January decline. "The heaviest burden on parents as a result of the switch to model C schools meant that a lot more money was spent on back-to-school items, although these people are not on the breadline."

Good rains may have resulted in more home-grown produce being eaten. Another possibility is that reimbursement packages, paid out towards the end of last year, have begun drying up.

Tiger has embarked on a programme to identify unnecessary costs in an attempt to counter the depressed state of the market and lower volumes.
Retail sentiment changes for better

CAPE TOWN — Sentiment among retailers had changed significantly for the better in the first quarter, reflecting the improvement in trading conditions, Stellenbosch University's Bureau for Economic Research (BER) director Ockie Stuart said in a survey of trends in the retail, wholesale, and motor dealing sectors.

However, there was no let-up in the rate of decline in retail employment levels, although there had been a slowdown in the wholesale sector.

Most retailers surveyed reported an increase in sales in the first quarter of 1993 relative to the fourth quarter of 1992. However, sales volumes in the non-durable goods sector, particularly beverages, were disappointing and Stuart attributed this to the burgeoning growth of informal traders in CBDs.

A net majority of 15% of retailers expected sales to improve in the second quarter, with optimistic expectations prevailing in the semi-durable goods sector, specifically ladies', clothing, footwear, books, stationery, sports goods and ammunition. Retailers of electronic equipment were highly optimistic.

Most retailers experienced more orders in the first quarter than a year ago and apart from the durable sector, where prospects looked grim, they expected this trend to continue in the second quarter.

Business confidence in the sector deteriorated slightly, a trend Stuart attributed to sales expectations not being fully realised; smaller profit margins due to lower price increases, increased unemployment, high stock levels as a result of insufficient de-

mand and the length of the recession. Confidence was highest in Natal and Southern Transvaal and lowest in the Western Cape.

The level of wholesale sales volumes declined in the first quarter though this was lower than expected. Stuart said this indicated that conditions were bottoming out. Wholesale-ers were more optimistic about sales for the second quarter, especially in those sectors related to agriculture. Confidence strengthened in the first quarter relative to the fourth quarter of last year, especially in rural areas.

A majority of motor dealers reported a decline in volume sales in the first quarter while second hand car dealers indicated a slight dip in sales. Spare parts dealers reported satisfactory sales.

Stuart said expectations for the second quarter signalled a bottoming out of conditions in the motor trade, a trend confirmed by the fact that, the majority of motor dealers expected more orders in the second quarter than a year ago. Business confidence in the sector improved and was highest in the Northern Transvaal and rural areas. Both retailers and wholesale-sers reported a relative increase in the ratio of cash to credit sales. This reflected pressure on consumer finances and the adoption of a more disciplined approach to credit.

He said both retailers and wholesale-sers expected lower purchase prices in the second quarter, but unlike wholesalers more retailers expected their selling price increases to accelerate, presumably as the budgetary tax increases took effect.
BERGERS going to market

CAPE TOWN — The Bergers group, which skidded badly into the red in the year to end-December with a loss of 7.7c a share, compared with a profit previously of 6.2c, is to go to the market to raise R50m.

Bergers Trading Holdings (Bertrad) hopes to raise R18m by means of a renounceable rights offer, while parent company Bergers Group intends to raise R17m to follow its rights in the Bertrad offer.

Executive chairman Howard Mauerberger said yesterday the funds raised would increase the capital base of the group, reduce gearing and provide for future growth. An announcement on the terms of the offers would be made shortly.

With an onerous interest burden and a gearing which increased to 119% (96%) during the 1992 year, the group needs to recapitalise.

Mauerberger said major institutions and other investors had indicated they intended to follow their rights in the offer.

Payment of dividends by Bertrad and Bergers has been waived.

An aggressive approach to stock reduction by means of markdowns and write-offs cost the group R10m and contributed to the sharp fall in operating profit to R425.000 (R111.6m) on a 1% rise in turnover to R166.7m (R165m). The real decline in turnover was produced on a larger number of stores, an indication, Mauerberger said, of the tough trading conditions.

MD Mervyn Jacobson said carry-over stock was reduced by about R10m over the year to improve cash flow and get rid of surpluses. Heavy discounts were introduced to protect the group’s market share.

All the chains in the group — Bergers, Weiner and Jones — had performed negatively and marked down heavily, Jacobson said.

With an interest bill of R6.4m (R4.8m) and an abnormal item of R1m relating to retrenchments and the closure of the Johannesburg head office of Jones, the group was deep in the red.

However, Jacobson was confident about the group returning to profitability this year, despite trading conditions remaining harsh.

Parent company Bergers, which has a 94% interest in Bertrad, reported a loss of 30.8c a share (24.5c profit).
Metair, Toyota labour action holds back Wesco

EDWARD WEST

LABOUR unrest at Toyota SA and Metair reduced holding company Wesco Investments' earnings a share by more than two-thirds to 26.1c (714c) in the year to end-December 1992.

Wesco, which derives most of its income from a 50% stake in Toyota SA and 42% of the motor component manufacturer Metair, maintained dividend for the year at 86c.

Turnover was R348m (R397m), but pre-tax income dropped by nearly half to R135.2m (R262.7m). This was caused by costs associated with the Toyota strike last year, and to a lesser degree labour stoppages at Metair, said Wesco company secretary Allan Stewart.

Tax was lower at R77.7m (R139.9m). No interest charge was disclosed. Interest bearing debt more than doubled to R493m (R239.5m)

which brought gearing up to 44% from 24%. Fixed assets climbed 28% to R481.1m (R365.3m).

Stewart said gearing - still at comfortable levels - periodically fluctuated because Toyota SA needed to keep its products up to date with demand for new technology.

Income before extraordinary items was sharply lower at R22m (R66m). An extraordinary item of R2.7m related to Wesco's share of income derived from Metair's sale of subsidiary Metlink to Toyota SA.

Directors reported the outlook for 1993 was not as gloomy as 1992's results which were affected by a fourth year of economic downturn, lower vehicle sales and labour disruption.

The recession would abate toward the end of 1993 and expectations of an upturn were uncertain. However, Wesco did not expect to operate in the same confrontational and hostile industrial relations environment.

At most of Wesco's companies, management and employees were engaged in serious attempts to forge better relationships at all levels, directors said. Toyota SA was working toward increased market share.

Metair's subsidiaries should also perform better in 1993 and directors expected a gradual return to previous profit levels.

Bergers going to market

CAPE TOWN — The Bergers group, which skidded badly into the red in the year to end-December with a loss of R7.6m, is to go to the market to raise R38m.

Bergers Trading Holdings (Bertrad) hopes to raise R18m by means of a renounceable rights offer, while parent company Bergers Group intends to raise R19m to follow its rights in the Bertrad offer.

Executive chairman Howard Mauerberger said yesterday that funds raised would increase the capital base of the group, reduce gearing and provide for future growth. An announcement on the terms of the offer will be made shortly.

With an onerous interest burden and a gearing which increased to 110% (86%) during the 1992 year, the group needs recapitalisation.

Mauerberger said major institutions and other investors had indicated they intended to follow their rights in the offer.

Payment of dividends by Bertrad and Bergers has been waived.

An aggressive move to stock reduction by means of markdows and write-offs cost the group R8m and contributed to the sharp fall in operating profit to R250,000 (R11.8m).

An extraordinary item on a 1% rise in turnover to R166.7m (R165.3m). The real decline in turnover was produced on a larger number of stores, an indication, Mauerberger said, of the tough trading conditions.

MD Mervyn Jacobson said carry-over stock was reduced by about R10m over the year to improve cash flow and get rid of surpluses. Heavy discounts were introduced to protect the group's market share.

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With an interest bill of R6.4m (R4.8m) and an abnormal item of R1m relating to revaluations and the closure of the Johannesburg head office of Jones, the group was deep in the red.

However, Jacobson was confident about the group returning to profitability this year, despite trading conditions remaining harsh.

Parent company Bergers, which has a 94% interest in Bertrad, reported a loss of R30.8c a share (24.5c profit).

Silveroak takes severe tanning

LEATHER tanner and manufacturer Silveroak Industries reported a 72% drop in attributable income to R1.9m (R6.8m) on an 11% advance in turnover to R16.9m (R15.7m) for the half-year ending December 31.

This was equivalent to earnings of 12.2c (38.1c) a share. The company did not declare an interim dividend. The payout at the half-way stage last year was 16.2c a share.

MD Owen Townsley blamed the "exceptionally severe drought", which had resulted in poorer quality and lower quantities of raw material, creating an over-competitive demand at higher values in spite of falling consumer demand for unfinished leather. Margins were squeezed and operating income dropped by almost half to R6.4m from R10.4m.

Finance costs fell to R1.7m (R2.6m) and pre-tax income was down 32% to R5.7m (R8.8m).

Pressure on margins would continue until a freer and more transparent marketing system had been established, Townsley said. The second half of the year was unlikely to show much improvement.
Retail sales show fair improvement

Business Editor

Retail sales throughout SA have improved in the first quarter of this year — particularly in furniture and household appliances, office equipment, ladies' clothing, sports goods, weapons and ammunition, the Stellenbosch Bureau for Economic Research (BER) reported yesterday.

But shops selling non-durable goods, particularly beverages, may have been hit by competition from informal traders.

The BER points out that a possible explanation for disappointing sales in this sector is "the fast-changing nature of trade in SA.

"In many towns and cities informal traders are doing business in central business districts which were previously out of bounds."

However, BER director Ockie Stuart says in his report: "A net majority of 15% of the retailers expect sales to improve in the second quarter. Expectations are particularly optimistic in the semi-durable goods sector — more specifically ladies' clothing, footwear, books and stationery as well as sports goods and ammunition. "In the durable sector retailers in electronic equipment are highly optimistic."

He says wholesalers are also more optimistic about sales for the second quarter of this year, particularly in sectors related to agriculture.

"This will filter through to other sectors as well. Expectations are also better in the consumer goods sector."

Stuart says both retailers and wholesalers reported that the ratio of cash to credit sales increased in relative terms during the first quarter.

"This is an indication of the degree to which consumer finances are under pressure. Consumers are consolidating their debt situation and are taking a more disciplined approach in the use of credit."

Stuart says the survey figures imply that more retrenchments took place in the first quarter of this year.

"Unemployment will remain a pressing problem for some time to come, especially because the business community does not always re-employ retrenched labour once the recession has subsided. Employment will therefore recover slowly as the level of business confidence improves."

And the survey shows that although sales volumes improved in the Western Province in the first quarter business confidence here is the lowest in the country "largely because retailers failed to realise their expectations."