Manufacturing - Beverages

1987

JAN - SEPT - DEC
Wine sales gain at whisky's expense

WINE gained between 20% and 30% market share over the festive period at the expense of whisky, preliminary estimates show.

Douglas Green of Paarl director Tim Hutchinson said the two estate wines his group markets jumped 30% over December. As a result, supplies of one wine will not be available until the middle of next year.

He said people were looking for value for money and turned to high-priced, locally produced wines instead of imported whisky and liqueurs as Christmas gifts. Special gift packages also attracted collector interest.

Stellenbosch Farmers' Winery marketing director Dick Coleshaw said medium-priced wines appeared to have shown marginal sales growth. Sales of standard-priced and flavoured wines declined slightly, while sales of sparkling and cheap wines shot up about 20%.

He estimated sales of high-priced wines had grown about 5% but said people had bought less expensive wines in this category.

Coleshaw said 5/7 boxes made up a large part of medium-priced wine sales and people tried to save a few rand by buying the cheaper boxes.

Richard Dimitriou, MD of R R Dimitriou Liquors, trading as Solly Kramer's, said medium-priced wines jumped by between 10% and 20% over December.

He added: "People were buying down, looking for quality brands at cheaper prices. Our exclusive wines did well."

Retailers were surprised by the demand for beer which saw SA Breweries sales soaring.

SAB manager of public affairs, Gary May, said the cause of the rush was retail stocking patterns.

These had been strongly influenced during the year by black and coloured buying patterns, which had shifted suddenly in the latter part of the year and caught retail outlets unawares.

He attributed the rush to the change in the liquor laws which enabled many pubs to accommodate black patrons, causing township dwellers to make use of city outlets on their way home.

He said he thought consumer buying was normal and not due to excess buying.
Increase in producer price of spirits, wine due this week

By DENISE BOUTALL
WINE lovers should hold on to the remains of their festive season wine stocks — the KWV is due to announce an increase in the producer price of wine and spirits of 14% on Wednesday.

An announcement on the new wholesale price of wines is expected to follow shortly.

However, it is not clear when consumers will have to pay the new prices because the increase in the retail price may only come into effect when the system of value added tax (VAT) replaces general sales tax on liquor.

Meanwhile, liquor industry sources are speculating that KWV will raise the producer price — the minimum price paid to wine farmers by the wine wholesalers — by an average of 14%.

By law, KWV has to fix a minimum price of wine and spirits annually.

Increases in retail prices, which are usually implemented promptly, might be delayed this year by the switch to the system of VAT.

Although no official announcement has been made on the introduction of VAT on liquor, it is expected in the trade that this will happen on March 1.

GST is being replaced by VAT because the Government is losing millions of rand annually in unpaid GST, largely through sales in the black areas.

The introduction of VAT means that the tax will be paid and collected at wholesale level and the cost built into the retail price.

Edward decides

LONDON — Prince Edward, youngest son of Queen Elizabeth II, resigned from the Royal Marines today, Buckingham Palace has announced.

A statement from the palace said the 22-year-old prince had concluded "that he does not wish to make the service his long-term career".

Edward, fifth in line to the throne, quit the elite force after four months in a gruelling year-long officers' training programme — the prelude to an obligatory nine-year enlistment.

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Price hikes for boozers

By DENISE BOUTALL

THE wholesale price of wine and spirits will increase by between 6.3% and 7.3% between February 1, the Oudemester group announced today.

The increases come in the wake of the 19.5% increase in the producer price of wine and spirits announced by the KWV last week.

Announcements by the other major wine makers on implementing similar increases are expected soon.

Speaking from Stellenbosch, the public relations director of Oudemester, Mr Pietman Retief, said the price of South African spirits would increase by between 6.3% and 7.3%.

The price of low and middle priced wine would increase by 10.5% and the price of high-priced and sparkling wines by 12.2%.

He pointed out that the retailers might put an additional mark-up on the wholesale price.

He also warned that in view of the high increase in the producer cost of wine, it was possible that there might be another price increase later this year.

Last Wednesday the KWV announced that the price of wine and of distilling wine paid to the producers would increase by 19.5%.

The price of wine used to make flavoured wine would increase by 11.8%.

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Teargas used at party

By KEITH ROSS

EAST LONDON — The police riot squad used teargas to break up a party in a white suburb of East London at the weekend after attempts to quieten the revellers failed.

The riot squad was called after the dog unit had failed to bring the party to order.

The police liaison officer for Border, Lieutenant Van der Vyver, said party revellers had thrown bottles outside the house in Gordon Road.

She said the dog unit had gone to the house on Friday night after neighbours had complained about noise.

Then the riot squad was called and further attempts to quieten the revellers failed.

Shortly after midnight the riot squad used teargas to break up the party.

Lt Van der Vyver said none of the revellers was arrested.

She believed a riot bus and four vans were used to transport police to the scene of the party.
Quality crop

Good rains early in the season indicate that this year’s grape crop will produce fine results. KWV’s GM, Edmund Beukman, estimates the season will produce 8.44 MHL of wine—a 8% increase on last year’s 7.61 MHL.

"Although the early rains resulted in a downy mildew problem, late December was drier and the south-easter cleared up the mildew," says Beukman. "As we go to harvest the picture is looking pretty good. Last year’s crop was below average. This year, however, it looks as if we'll have an average crop."

International wine consultant and FM wine correspondent Michael Frdjhon adds, "The fact that the crop is normal and the grapes in excellent condition are good indicators of quality, since you can’t make a good wine from a large crop."

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"What is happening this year isn’t in the interests of the volume business, but in the interests of the quality business which can sustain greater price increases.

"In the long term, there’ll be a further swing away from standard price wines or "cheapies," and greater entrenchment in the quality wine market. It is also increasingly difficult to gain prestige wines from Europe because of the exchange rate."

A crucial question is how badly SA’s wine exports have been affected since the inclusion of viticultural products on the US blacklist last September. Understandably, it’s a sensitive issue. "Marketing has become so sensitive we don’t comment," says a KWV spokesman. "However, we're selling to more than 26 countries and so far have never been stuck with a surplus. However, Canada was a substantial market for us and the total boycott is a serious blow.

"But the US market was negligible. The KWV entered this market in 1980 and it was still in the developmental stage. We lost a potential market which did not represent a significant share of our total exports. In any event, only 10%-14% of SA’s total wine crop is exported."

Although SA holds only a 2.8% share of total international wine production, KWV figures rank SA seventh in the world in terms of total output. Italy is number one, with production of 70.2 MHL.

Quality is one of the reasons for the success of SA's export drive. "In the early Eighties there was a vast wine surplus internationally as well as in SA," notes the KWV source. "And even then we succeeded in selling our surplus. We don't foresee any problem now. There are alternative markets to exploit which we've neglected so far, and we're trying to expand existing markets."

And to what extent is re-labelling taking place? "It's possible to re-label cheap wine," Frdjhon says, "but there's no value in exporting this once SA's base wine price is higher than either Spain's or Portugal's. In any case, most wine above standard price 'plonk' is sold with its name and provenance, so re-labelling is much more likely to happen with spirits."
Flagging sales are a headache

Drive to step up wine drinking

WINE producers are to launch a major promotional campaign to boost sales on the domestic market. The recent slump in wine consumption is causing considerable concern in the industry.

KWV has held preliminary meetings with producers and wholesalers to solicit their co-operation in developing a strategy to expand the total wine market.

At this stage KWV officials are keeping their initial ideas under wraps. A spokesman said nothing definitive had yet been decided.

Declining sales and rising production costs in the past few years have combined to squeeze farmers to the extent that it was decided at a series of countrywide conferences last year that a combined effort was needed to ameliorate the industry's problems.

Per capita annual consumption of all wines in SA is presently at about 9,92 litres - about half the consumption levels recorded in other wine-producing countries.

Wine makers are also totally dissatisfied with their share of the total liquor market. It has declined to about 13,5%.

Some producers, KWV included, have come to the realisation that too little

Liquor increases come under fire

BUSINESS DAY REPORTER

LIQUOR retailers have attacked recent price increases from wholesalers as unnecessary and deceptive.

Leading retailers claim wholesalers have introduced hidden changes that will actually send prices spiralling above the announced 6%-7% increases for spirits and 12% for wines.

At the heart of the debate is a decision by wholesalers to lower from 5% to 2% the discount received by retailers who pay their bills promptly.

Retailers will also lose handling fees for collecting and transporting bottles returned for deposit.
MICHAEL FRIDJON

Wine Farmers Over a Barrel

07/07 Volume 17

NEWS FOCUS
SA Breweries a strong contender as.....

Sell-off of Coke's stake in ABI nears completion

NEGOTIATIONS for the sale of Coca-Cola's 30% shareholding in Amalgamated Beverage Industries (ABI) are at an advanced stage but have not yet been concluded.

Coca-Cola’s SA spokesman Henrie Viljoen said yesterday that pre-emptive rights with present shareholders were still being negotiated, but a number of both individual and group black investors were also involved.

Viljoen would not comment further but speculation is rife that SA Breweries, which has a 55% shareholding in ABI, is a strong contender for a large part of the shareholding.

Viljoen said raw materials used in manufacturing the original product would have both a local and imported content, and steps would be taken to ensure a continued supply of these.

Coca-Cola has reduced its stake in ABI from 85% to 10 years ago to 30%.

Negotiations with potential black investors are in line with Coca-Cola’s intention to divest in such a way as to create significant multicultural equity participation in SA’s soft drink industry.

Black Equity Participation (BEP), a new group formed by black businessmen and aimed at buying out companies and shares in companies pulling out of SA, would not reveal if it was among the bidders.

Chairman Richard Maponya, first president of the National African Federation of Chambers of Commerce and former president of Soweto’s Chamber of Commerce, said BEP was involved in negotiations with several companies planning to divest.

He said negotiations were very delicate, and he would not comment besides saying several of the responses had been fairly positive and he was optimistic about BEP's success.

BEP was aimed at pulling black businessmen into an area long denied them, Maponya claimed.
IN an attempt to prevent foreign liquor from being priced out of the market, Gilbey's has integrated its import division, World Wine & Spirits (WW&S), with its wholesale arm, Gilbey Distillers & Vintners (GVD).

W&A Gilbey chief executive Bill Husband says the weak rand caused imported liquor to rise in price by 36% and sales to tumble. Mr Husband says that although WW&S did well in the past — hosting up brands like Southern Comfort, Kahlúa, Coffee Liqueur, Courvoisier Cognac, Bell's, Johnnie Walker and White Horse both in volume and market share — it no longer makes financial sense to keep the import division.

Mr Husband says the new GVD International holds benefits for the brand principals, the retail trade and the consumer. Sales operations will be streamlined to ensure a speedier response to retail orders. For the consumer the merger means easier availability of the imported brands which were previously available only in major centres.
Pick 'n Pay fuelled up to take on liquor industry

PICK 'N PAY, which last year challenged the petrol cartel, has accused liquor producers and wholesalers of operating a monopoly.

This week Business Day learnt that the chain store group had lodged an objection with the Department of Trade and Industry against what it believes to be "collusion among liquor wholesalers and producers which serves to protect their vested interests in bottle stores and the hotel industry."

In a report submitted to the head of liquor board last week, Pick 'n Pay complained about the "real cartel operation" which it alleged existed among liquor producers and wholesalers. Pick 'n Pay, which hold 36 wine licences, has made application for additional licences.

Price increases and cash discounts, which were always offered at the same time to liquor retailers by major producers, illustrated that there was collective action, Pick 'n Pay chief Raymond Ackerman said.

He criticised government for allowing the continuation of Cape Wine and Distillers (CWD), a listed company in which KWV, South African Breweries and Rembrandt each own shares.

In 1983 Ackerman met former Industries Minister Dawie de Villiers to protest against a Cabinet decision to over-rule recommendations by the Competition Board that CWD should be dissolved.

The Competition Board had recommended that CWD be broken into two separate competing companies and that retail interests in the liquor business be kept apart from producer and wholesaling interests.
Wine and beer prices are far too high because a giant liquor industry monopoly keeps out competition and fixes prices, claims Pick 'n Pay chairman Mr Raymond Ackerman.

The national supermarket chief also accused Government of supporting the “cartel”.

Mr Ackerman has complained to the Department of Trade and Industry. He added:

"There is so much surplus wine in this country because sanctions have cut exports — yet prices remain high."

He said Cape Wine and Distillers (CWD), in which KWV, South African Breweries and Rembrandt had shares, was, in effect, a cartel. Not only did it fix prices among suppliers and retailers, but, he claimed, it was "the power behind" a law passed three years ago preventing retail firms holding more than 36 grocers’ wine licences.

He added: "This law was passed after the CWD was formed and, just coincidentally, 36 was the exact number of Pick 'n Pay stores which had licences to sell wine at the time."

After CWD’s inception, special discounts from producers "suddenly stopped".

Government overruled a Monopolies Commission recommendation the CWD be dissolved, which "means vested interests are being protected," said Mr Ackerman.
Assococom attacks liquor licensing

"VIGOROUS representations" have been made to the Liquor and Competition boards by the Associated Chamber of Commerce (Assococom) to either abolish or relax restrictive liquor licensing legislation for food retail chains.

Assococom chief executive Raymond Parsons said yesterday the chamber had urged the Liquor Board to call a meeting of all interested parties to work towards more flexible liquor licensing.

An Assococom body, the major food and retailers technical committee — which represents most of country’s large food chains — has been tackling the issue of licensing for the past five months.

Last week, Pick ‘n Pay lodged a complaint with the Department of Trade and Industry against the “collusion among liquor producers and wholesalers which serves to protect their vested interests in bottle stores and the hotel industry”.

Committee member Herbert Mabin said the ceiling of 36 liquor licences imposed on food chains “placed a significant limitation on competition and did not promote the growth of sales and output”.

He criticised the legislation for not taking account of a company’s size, turnover or number of branches.

In response to an Assococom memorandum addressed to the Liquor Board’s chairman in December, Mabin said he believed it was gathering views from other interested parties.

Liquor Board chairman Tommy Vorster and Competition Board chairman Stef Naude were unavailable for comment yesterday.

A Business Day correspondent in East London reports that draft legisla-
The morning after

A hangover from the depressed rand has hit the Gilbeys liquor group and major surgery has been done on the group’s import division, World Wines & Spirits (WW & S).

The formerly independent operation has been integrated with the group’s wholesale division Gilbeys Distillers and Vintners (GDV) to form a new sales arm of W & A Gilbeys.

MD Bill Husband says WW & S was badly hurt by the low rand/dollar exchange rate last year. “In the first half of the year we had stock we could sell at old prices. But the price of new imports jumped at least 30% and this had to be passed on, leading to greater market resistance from consumers.”

During the last quarter of 1986, WW & S was bleeding badly, and Husband admits that losses were considerable. He says the year-end season, which traditionally accounted for 40% of sales, came nowhere near meeting expectations last year.

The downturn, coming so quickly after WW & S had shown compound growth of 30% in the previous four years, called for swift action.

In addition, the liquor market has shown little growth in the past 12 months with the exception of the beer and vodka sectors, which are taking market share from imported

ed whiskys and liqueurs. Husband estimates that beer now accounts for more than 50c of every rand spent on liquor.

Logically, perhaps, Gilbeys looked to GDV, which has continued to gain market share among suppliers in the last four years. It was decided, says Husband, that the ailing WW & S might benefit from the same management expertise.

“I felt it would be as well to perform major surgery quickly,” he explains, “rather than attempt to control a number of smaller problems as they occurred.”
The morning after

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Hotel industry opposes easing of liquor laws

THE hotel industry will oppose vigorously any attempts by the Competition Board and the retail discount chains to relax the liquor licensing laws and to grant more grocers' licences.

Federated Hotel, Liquor and Catering Association of SA (Fedbase) president Mike Kovensky believes the latest appeals made by Assocom to the Department of Trade and Industry to give the food retailing chains the right to sell liquor will merely be "pandering to the fat-cats" in the retail sector and will, in the end, be contrary to consumer interests.

Far from promoting greater competition, such a development will eliminate many small businesses, increase unemployment and lead to an unhealthy concentration of power, he claims.

A furious Kovensky says that the Assocom retailers' technical committee, which has recently been making representations to government for a relaxation of the liquor laws, is pandering to a segment of retailers whose primary aim is to establish control in the liquor marketplace.

Accepting their demands will lead to an unhealthy concentration, and knock a lot of small operators out of business at a time when job creation is a national priority, Kovensky argues.

Spreading the number of liquor retail outlets will not solve this sector's problems, he says.

The solution lies in eliminating the cartel-like, monopolistic and manipulative arrangement that exists at the producer level, Kovensky says.

He supports the recommendation made by the Competition Board about three years ago and turned down by government that the comfortable arrangement, which exists at the primary end of the liquor industry should be dismembered.

Until that happens, no extension of the number of retail outlets will boost competition and benefit consumers.
No cheer for beer drinkers

BEER drinkers will have to dig deeper into their pockets after the weekend announcement by South African Breweries (SAB) that the brewer's price of beer will increase by 9% from today.

Retailers said they would be able to "take off the price hike for about a week, until stocks run dry, but would not be able to absorb the increase.

"The modest rise is half the current inflation rate of 18%," said SAB beer division MD Peter Lloyd.

"This is the 10th consecutive year that SAB has kept its price increase below the inflation rate.

He added SAB had no control over retailers' pricing policy.

Last year beer was increased by 8.5%.

Solly Kramer's regional director Clive Downton said the wholesale increase would mean an extra 5c or 6c on each bottle and an additional R1.30 to R1.40 on each case.

Downton said he was "relatively relieved" by the low percentage increase.

Drop Inn Discount Liquors chairman Sam Berk said retailers would not be able to absorb the increase, which was the largest in years.

An SAB statement said prices would vary between pack-ranges and regions.
CAPE TOWN — An increase in the number of liquor licences granted in the past two years meant that "a lot more people are chasing a limited growth market," the SA Breweries (SAB) Marketing Director, Mr Peter Savory, said at the Fedhassa conference yesterday.

"Another fundamental problem is that 25 brands comprise 70 per cent of the market.

"Everybody sells the same, so unless there is some innovative service, the only reason to buy at one outlet rather than another is price.

Mr Savory was taking part in a debate on whether controls on the sale of liquor were in the public interest "and, in fact, at all possible.

He said SAB believed in free competition and believed the liquor industry was over-regulated.

But he thought a distinction should be made between hotels and bottle stores.

The University of Cape Town Economics Professor, Mr Brian Kantor, who is a member of the Competition Board, said unrestricted competition was in the interest of the consumer and the strongest force to keep prices down.

He warned liquor retailers "The climate of opinion in South Africa is running in favour of less control. You will have to learn to work in new markets." — Sapa
Liquor cartels: a govt rethink

GOVERNMENT is prepared to re-examine its refusal to accept the Competition Board's (CB) recommendation four years ago calling for a dismantling of the liquor producer cartels.

This was confirmed by Economic Affairs and Technology Minister Danie Steyn in an exclusive interview with Business Day this week.

If the decision is reversed it will reflect a significant shift in Cabinet attitudes until now government has refused to contemplate any action which might upset supporters in the Boland wine constituencies.

It has been unmoveby consumer anger over the concentration of power and lack of healthy competition in the producer segment of the liquor industry.

Now that the Liquor Act is being completely overhauled with a view to eliminating unnecessary red tape, simplifying licensing procedures and permitting easier entry to the industry by new participants, the climate appears conducive to taking another look at the CB's old recommendations.

Steyn, who has responsibility for orchestrating government's privatisation and deregulation promises, said there was no reason now why concentrated structures at the producer end of the liquor industry should not be looked at again — if a request was received from the private sector.

He said: "I have a completely open mind on the issue."

This makes a refreshing change from his predecessor, Dawie de Villiers, who spearheaded the Cabinet's rejection of the CB report in 1983 in response to appeals from the powerful wine lobby.

Hotel owners and liquor retailers have again recently been voicing strong criticism of the cartel which is permitted to exist in the guise of Cape Wine and Distillers (CWD) — a partnership between SA Breweries, Rembrandt and KWV.
Nelspruit 8  (a) 228
Orkney 1
Paulpietersburg 1  (b) 5
Pietersburg 2
Piet Retief 1  (c) 20
Port Edward 1
Randfontein 4  (d) 22
Secunda 3
Springbok 4  (e) 4
Stellenbosch 1
Stilfontein 1  (f) 3
Tongaat 1
Tzaneen 2  (g) 4
Wesbank 1

(h) 56—
Assembly of God 6
Border of the Subban 4
Church of Christ 3
Fathers 1
Full Gospel 3
Hare Krishna 1
Jewish Faith 1
Lutheran 3
Missions 3
NG Church 1
No Church 2
Plymouth Brethren 11
Quakers 1
Rosebank Union Church 1
Seventh Day Adventist 1
United Apostolic Faith 1
United Congregational Church 2
Vineyard Christian Fellowship 1
Vineyard Fellowship 2
Vrye Protestantse Uniestaarse Kerk 1
World Wide Church of God 14

Religious objects
263 Mr G B D McIntosh asked the
Minister of Manpower

(1) How many national servicemen (a) and (ii) were granted the
status of religious objects and 
(b) were referred to his Department for
placement in alternative forms of
service in 1986.

(2) How many of these persons were (a) Jehovah's Witnesses, (b) Roman
Catholics, (c) Anglicans, (d) Meth-
odists, (e) Baptists, (f) Presbyterians,
(g) members of the Dutch Reformed
Church and (h) members of any
other specified religious denomina-
tions?

The MINISTER OF MANPOWER

(1) (i) 340
(ii) 342
(b) 279

specified posts are restricted in terms
of (a) race and/or (b) sex,
(2) whether any steps are to be taken to
remove discrimination in the Public
Service, if not. why not, if so, (a)
what steps and (b) when?

The MINISTER IN THE STATE PRESI-
DENT'S OFFICE ENTRUSTED WITH
ADMINISTRATION AND BROADCASTING SERVICES

(1) (a) Yes. Regarding the administra-
tions for own affairs, however,
preference is given to members of
the population group served
by the administration concerned.
Members of other population
groups are considered only if the
expertise required is not obtain-
able within the population group
concerned. Posts in departments
for general affairs are open to
members of all population groups.

(b) Yes. The physical nature of cer-
tain posts can in exceptional
cases dictate a preference for
one of the two sexes. An exam-
ple of this is where preference
is given to a male candidate
to perform field work when ac-
companied by male helpers
(such as geological surveys). A
further example is where posts
require a high degree of physical
strength

The MINISTER OF CONSTITUTION-
AL DEVELOPMENT AND PLANNING

(1) (a) 1
(b) None
(2) Yes, since February 1986 to date
(3) Yes

Financial year  

<table>
<thead>
<tr>
<th>Year</th>
<th>Lire</th>
<th>Shilling</th>
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<tbody>
<tr>
<td>1994-95</td>
<td>2 586 035</td>
<td>5 178 361</td>
</tr>
<tr>
<td>1995-96</td>
<td>5 178 361</td>
<td>5 053 183</td>
</tr>
</tbody>
</table>
(4) Financial year  Profit  Loss
March 1980  R2 217 440
March 1981  R1 842 014
March 1982  R1 393 718
June 1983 (15
months)  R595 592
June 1984  R1 375 898
June 1985  R554 238
June 1986  605 440

(b) (i) 19 complaints, inter alia theft, attempted murder, robbery, rape and reckless driving

(5) Yes

(a) Beverages will be sold by public tender after the Sorgum Beer Act, 1962 (Act 63 of 1962) has been amended to provide for the privatisation of the sorghum beer industry.

(b) The selling price will depend on the commercial value which potential buyers attach to it.

(6) No (a) and (b) fail away

Municipal police

270 Mr A SAVAGE asked the Minister of Law and Order: Whether any complaints were lodged with the South African Police in 1986 regarding the conduct of municipal police attached to the (a) Ibhowo Town Council and (b) KwaNobuhle Town Council, is so, (i) what was the nature of the complaints in each case and (ii) what action was taken as a result?

The MINISTER OF LAW AND ORDER: "Yes. (i) 49 complaints, inter alia murder, assault, with the intent to do grievous bodily harm, assault, attempted murder, rape, theft and reckless driving.

(ii) All complaints were investigated by the South African Police. The public prosecutor declined to prosecute in 9 cases, 6 cases were withdrawn, 3 cases were disposed of as undetected, 3 persons were found guilty, in 1 case the decision of the public prosecutor is awaited, while in 27 cases the investigations are not yet completed.

271 Mr A SAVAGE asked the Minister of Home Affairs: (1) (a) What total number of persons of Portuguese origin was resident in the Republic as at the latest specified date for which information is available and (b) how many of these persons (i) had taken out South African citizenship and (ii) were in possession of permanent residence permits.

272 Mr A SAVAGE asked the Minister of Constitutional Development and Planning: (1) What total number of (a) households and (b) individuals was moved from (i) Langa, and (ii) Despatch, near Port Elizabeth, to KwaNobuhle during each specified month from 1 June to 31 December 1986.

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING: (1) (a) and (b) (i) and (ii) as follows:

Month  Families  Individuals
June 1986  1895  5 813
July 1986  2 924  19 006
August 1986  1 212  7 878
September 1986  359  2 568
October 1986  1 595  10 388
November 1986  177  761
December 1986  354  2 301

(2) How many aliens were in possession of permanent residence permits in the Republic as at the above date?

The MINISTRY OF HOME AFFAIRS: According to the Population Register as at 31 January 1987:

(1) (a) 64 661

(b) (i) 14 504

(ii) 50 157

(2) 416 092

KwaNobuhle

273 Mr A SAVAGE asked the Minister of Constitutional Development and Planning: (2) How many trucks were used to move the persons concerned during each of these six months?

274 Mr K M ANDREW asked the Minister of Constitutional Development and Planning: (1) Whether a decision has been taken on who will be accommodated on the 5 000 sites presently being cleared at Khayelitsha, if not, when will a decision be taken, if so, who will be accommodated on the sites.

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING: (1) A final decision has not been taken on who will be accommodated on the 5 000 sites presently being cleared at Khayelitsha Settlement of persons on the new sites will commence as soon as sites are ready for occupation. Negotiations between various community groups presently living in overcrowded conditions are being conducted.

(2) (a) Villages 1 and 2 Khayelitsha = R20 per month,

(b) Rentals received by offices of
Henry Fabe of SAB beer division (left) presents a cheque for R32 000 to Jakes Fennie, executive director of the National Institute for Social and Economic Development.

SAB helps to create jobs in W Cape

SA BREWERIES (SAB) has given practical help towards creating more jobs in the greater Cape Town area by making a grant of R32 000 towards developing black business.

The money — presented yesterday to the National Institute for Social and Economic Development (NISED) by SAB's Western Cape sales development officer, Henry Fabe — will go towards three specific projects which will initially provide jobs for at least 66 people.

These are the upgrading of the Nyanga Arts Centre which produces and markets paintings and sculptures, a scheme to produce children's clothes, and the provision of facilities including a vehicle to help hawkers in the townships.

"The development of infrastructures is the only effective way to build morale and productivity in the townships," Jakes Fennie, executive director of NISED, explained.

Facilities and amenities

"We therefore have to provide suitable facilities and amenities to enable the people of the townships to sell their goods and services." Fabe said that corporate social responsibility programmes in SA now had to go much further than the mere signing of cheques.

"It is important to find out what people want, not to prescribe to them. "The community must be involved in the projects and have a pride and dignity in the end results. "We believe that the projects we are helping to finance will achieve these objectives."
Storm brews as new beer prices have customers in a froth

By KIN BENTLEY

MOST bottle stores in Port Elizabeth are exceeding the average 9% increase in the wholesale price of beer announced by South African Breweries last month. Before the increase, a case of Castle, Lion, Okhans or Hansa duumpels sold for R13,50 plus GST.

However, most bottle stores are now selling a case for R15,50 plus GST, an increase of 11.86%.

When the increase was announced, Mr. Peter Lloyd, managing director of SAB's beer division, said the company had no control over retailers' pricing. He pointed out that the 9% rise was "half the current inflation rate of 18%" and was below the inflation rate for the 10th consecutive year.

Spokesmen for both the Hunter's Retreat Hotel and Walmer Gardens off-sales said they were selling a case of duumpels for R15,50 plus tax as opposed to their earlier price of R13,50.

A spokesman for Colly Kramer's in Houghton Road, Walmer, said their new selling price was also R15,50 for a case of duumpels, although they had a "special" on some brands, which were selling at R14,99 plus tax. All cases of pints were selling at this price, he added.

A spokesman for Rebel Discount Liquor Store in Mink Street said they had introduced a "special offer" at the time of the beer price increase. The selling price before GST of a case of duumpels of all the popular makes, except Amstel, was now R14,99.

She said before the increase, a case sold for R13,50 plus tax. The "special" was expected to last for a month or two, she said.

A spokesman for Liquor Town in North End said their new selling price for a case of duumpels was R16,80 plus tax (total R18,83) It had previously been R14,88 (R16,67 with tax).
R10m Coke shares available to blacks

PATRICK BULGER

IN an unprecedented share deal in SA, black retailers will be given an opportunity to buy R10m worth of shares in Coca Cola bottlers Amalgamated Beverage Industries (ABI). Final details of the deal have yet to be agreed to but up to 8,000 small retailers on the Limpopo, Pretoria and Durban stand to gain from the deal announced by ABI chairman Peter Lloyd yesterday.

At the same time, SA Breweries is exercising its pre-emptive rights in acquiring another 15% of ABI equity bringing its total to 75%, while minority shareholder Cadbury Schweppes will acquire another 4% taking its total to 19%.

Another R1m worth of shares will be sold to ABI's 3,500 employees.

The deal completes Coca Cola's punt of SA announced late last year when a new company, National Beverage Services, was formed to accommodate a management buyout.

Lloyd said the offer to retailers would allow "many small businessmen who may never have had the chance to obtain shares in a company, to own a part of the company whose products they sell actively.

"Nothing on this scale has been tried in this country before."

Fred Meyer, the former head of Coke's SA operations, said this was "in line with our company's stated intention, as far as possible, to use its former investments in SA to create multi-racial participation in the SA soft drink industry".

5 March 1997
Chance to own Coke

By LEN MASEKO

COKE customers in South Africa are to be offered shares formerly held by the Coca-Cola Export Corporation, which has disinvested.

The multinational company’s 30 percent stake in Amalgamated Beverage Industries (ABI) has been sold, and thousands of Coke customers and ABI staff will be offered some of the shares.

The 30 million, two-phase deal was announced yesterday by the SA Breweries, Cadbury Schweppes and National Beverage Services — a local company formed last year to service local Coca-Cola bottlers.

The deal means that SAB will now own 70 percent ABI shares, Cadbury (19 percent) and the remaining 11 percent will be offered to customers and staff. A total of R10 million of the 11 percent stake will be offered to about 8,000 small ABI customers while R1 million will be offered to about 3,500 ABI employees.

Details of the share scheme are still to be worked out and will be announced later.

Mr Fred Meyer, former head of Coca-Cola’s South African operations, said most ABI customers were black small traders who could now own the company.

ABI bottles and distributes more than 40 million cases of soft drinks a year, worth about R440 million. It employs more than 3,000 people.
Cheers! say SAB investors

Magnus Heystek, Finance Editor

The capital expansion programme of R$500 million announced by South African Breweries yesterday is unlikely to arrest the company's 19-year stretch of increased earnings every year, says Mr Myer Khan, MD of SAB.

Most of the funding will be done internally and credit lines for the remainder have already been secured. No rights issue is necessary for the expansion programme, one of the largest single capital investments for a number of years.

The northern Transvaal, particularly Pietersburg, will benefit the most from the project, expected to start in May this year, but the spin-off effects on other related industries such as agriculture, construction, steel, engineering, glass and transportation will create at least $500 job opportunities and possible much more, Mr Pete Lloyd, MD of the beer division, said at the announcement of the project.

The programme involves:

- The construction of a new brewery in Pietersburg. The first phase, which will take two years to build, will cost R$720 million. A decision on the second phase, which would double capacity, will be made when the first phase is commissioned.

- A R$50 million expansion of the packaging and brewing facilities at the Roslyn brewery in Pretoria.

- A R$30 million enlargement programme for selected SAB depots around the country.

- A R$30 million programme to upgrade brewing and packaging facilities at the Bloemfontein, Chandor and Newlands breweries.

"We believe that these projects are a tangible demonstration of our complete faith in the people and economic future of South Africa," Mr Lloyd said.

The latest move by SAB, who euphemistically call themselves "a temporary monopolist in the beer market," will ensure that the future needs of beer drinkers are catered for. No new brands are considered at this stage.

While SAB might be in the perhaps untenable position of being the sole supplier of beer to the Southern African market, they cannot be accused of misusing this position to the detriment of the consumer.

Beer prices have increased by no more than 70 percent of the increase in the consumer price index during the last six years, surely an example for other "temporary sole suppliers."

Another positive fact to emerge from yesterday's announcement is that the imported component of breweries has decreased over the last six years by more than 20 percent.

The new brewery at Pietersburg will only have an imported component of 20 percent. "Six years ago, 40 percent of such a project would have had to be imported," Mr Lloyd said.

The new brewery has also been designed to conserve as much water as possible in the brewing and bottling processes. This has been made possible through the experienced gained in other breweries, notably Roslyn.
R470m expansion for SAB

From MICK COLLINS

JOHANNESBURG — South African Breweries (SAB) yesterday announced a huge capital expenditure programme, involving more than R470m, due for immediate implementation.

The managing director of SAB's beer division, Mr. Peter Lloyd, said the programme would create more than 3,500 permanent and temporary jobs.

"We believe that these projects are a tangible demonstration of our complete faith in the economic future of SA. Many more jobs will be created in secondary industries," he added.

The announcement is expected to spur an economic chain reaction as it impacts on satellite industries — construction, steel, engineering and transport.

The expansion programme, one of the biggest undertaken in the industrial sector, includes a new R270m brewery at Pietersburg and a R150m expansion at Roslyn brewery in Pretoria.

Agricultural benefit

Mr. Lloyd said the agricultural sector would also benefit as he foresaw an increased demand for sugar, maize and hops.

The project includes at R20m plan to upgrade brewing and packaging facilities at the Newlands brewery in Cape Town, and at Chamdo, Bloemfontein, and Isando. A further R20m will be spent on enlarging existing SAB depots.

Funds for the financing of the giant Capex programme will be self-generated and according to SAB, have been in place for some time.

The first phase of the Pietersburg project will have a capacity of 160-million litres of beer a year. Work on site will commence next month and the plant will come on stream in October 1989.

"These projects will have a ripple effect on other sectors including construction and equipment suppliers. All plant will have an 80% local content ratio," Mr. Lloyd said.

"Over the past few years SAB has worked hard at reducing the imported content of our breweries. Six years ago 40% of such a project as Pietersburg would have had to be imported."

The Roslyn brewery, already one of the biggest in the world, will handle 60,000 bottles an hour when in full production.

BUSINESS BRIEF

Gold (close) $405.25
Rand $0.4762/72
FT index (close) 1875.00
BD 100 1740.20
KWV profit rises 20%

Business Day Reporter

PAARL — The Cape-based liquor co-op KWV raised profits for 1986 by more than 20%, from R20,7m to R25,7m, chairman Pietman Hugo said yesterday.

The KWV board would recommend to its members at the AGM in May that a bonus of R17,5m be paid out to producers, he said.

The continued good financial results were due to greater profitability of overseas markets caused by exchange rate benefits; effective marketing of surplus stocks; a moderate recovery in the domestic brandy market; strict control of expenses and increased productivity.
Weak rand helped KWV

Financial Editor

THE weakness of the rand against the dollar has helped to boost KWV’s profit for the past financial year by R5m to R25 718 000 (R20 707 000).

The rise was due mainly to increased export earnings and improved demand in this country for brandy, now cheaper than imported spirits.

A spokesman said the higher export earnings were due to the exchange rate and not to any rise in the quantity sold overseas.

He said there was no difficulty in finding export markets, but because most of the wine produced in SA was drunk here, there was never more than between 10% and 20% available for sale overseas.

"We have no such thing as a ‘wine lake’ in this country. We do produce a little more than we need but that is to ensure adequate supplies in a lean year.

"There is no big, unsaleable surplus."

Last year’s crop of wine grapes was below average. About three-quarters of this year’s crop has now been harvested and KWV expects production to be 8,30m hectolitres — about 9,2% more than last year.

Chairman Pietman Hugo announced yesterday that the board would recommend at the annual meeting on May 12 that a bonus of R17,5m, or R5,33 for each hectolitre of distilled wine, should be paid out.

He said the continued good financial results were “mainly attributable to greater profitability of the overseas markets thanks to exchange rate benefits of the rand against other currencies, the effective marketing of surplus stocks, a moderate recovery of the domestic brandy market, strict control of expenses and increased productivity."
SA Breweries will go ahead with its R500m expansion programme, despite its tax-sensitivity. If the Margo Commission report leads to changes before the project gets off the ground, SAB could lose up to R125m to the taxman (relating to some R250m of the capital expenditure, now classed as "plant").

Inland Revenue, of course, is already a senior partner in SAB — mainly through substantial excise duty on beer. Perhaps enough is enough. But Peter Lloyd, MD of SAB's beer division, says the expansion will go ahead regardless. "SA must be supplied with beer," he says.

See Business
SAB goes north
SA Breweries' (SAB) new R470m expansion scheme is unlikely to affect the price of beer, say spokesmen for the giant beer group. And beer drinkers have economies of scale to thank for it.
Production capacity at the Rosslyn plant, for example, is now being expanded from the existing 5.5m hl a year to 6.75m hl a year.
"This will make it one of the largest breweries in the world," says beer division MD Pete Lloyd. Only the US and Japan boast larger breweries.
But the biggest single project on SAB's plate — in money terms — is the new R270m Pietersburg brewery. Lloyd tells the FM that one of the reasons for situating the new plant at Pietersburg is the steady rise in demand in the northern and eastern Transvaal. This is more or less in line with national average sales growth of 8% over the past seven years.
"Currently, per capita beer consumption in the northern and eastern Transvaal is still below that of major urban centres, despite healthy growth. So there is plenty of potential in that area," adds Lloyd. Northern and eastern Transvaal account for just below 10% of total SAB beer sales.
Lloyd says per capita consumption varies tremendously from area to area — depending on average per capita income in any particular district. In more affluent areas of the PWV it can go as high as 100/l a year, while in the poorer — usually rural — districts it is often as low as 1-15/l a year.
Another reason behind the siting of the plant at Pietersburg is transport costs. Lloyd explains: "Most people prefer beer out of returnable bottles, as they get a deposit back on the empties. We have to return these empties to the nearest brewery for reuse. Obviously, it is cheaper to move Louis Trichardt empties to the Pietersburg brewery, for example, than to Rosslyn outside Pretoria. Transport savings could be around R3m a year once Pietersburg is up and running."
The Pietersburg brewery, which will be sited next to the national road to Zimbabwe, will provide a welcome fillip for the entire area. Lloyd estimates that the capex programme will create about 3,500 temporary and permanent jobs.
Construction of the Pietersburg plant is looked on as a first phase, taking about two years to complete. Thereafter, the plan is to double capacity. The Pietersburg brewery and extensions at Rosslyn will add a combined capacity of 3m hl a year to SAB's current 18.5m hl capacity, with Pietersburg producing slightly more than the Rosslyn expansion. Lloyd anticipates national beer sales this year to be about 15m hl.
Go-slow at Coca-Cola

Go-slow action has been mounted at five Coca-Cola plants in Pretoria and on the Reef.

The industrial action was confirmed by Mr A H Reid, managing director of Coca-Cola’s local bottlers Amalgamated Beverage Industries.

Mr Reid said go-slow was concerned with several issues not clear at this point. He said negotiations with union representatives were under way.
Suncrush acquires Vaal Bottlers

SUNCRUSH, the soft drinks bottler and marketer, has acquired competitor Vaal Bottlers for R17.7m cash and sold part of its East London operation for almost R11.3m.

The two transactions, published in a joint announcement released by Standard Merchant Bank today, will reduce the earnings of Suncrush by 1.5% or 5c a share to 346c, and the net asset value by 2.4% or 46c a share to 1896c.

Vaal Bottlers, which also operates in the soft drinks market, has been bought from the Forbes family in Cape Town. The company is based in the Vanderbijlpark, Vereeniging and Sasolburg areas and has territory adjacent to Suncrush branches at Klerksdorp and Welkom.

Suncrush has sold 49% of its interest in its wholly-owned East London subsidiary, Kilimanjaro Bottling, to Kilimanjaro Investments, an investment company owned by black businessmen and 30% to National Beverage Services. It has retained 31% of the equity, which Kilimanjaro Investments has the right to acquire in the future.

The selling price of Suncrush’s 69% interest in Kilimanjaro Bottling will be paid for in cash on April 30, and the remaining 31% of equity will be sold at a price based on future earnings.

Suncrush has entered into a management agreement with Kilimanjaro Bottling to manage the business in East London for a management fee for three years.

The net effect of the transactions on Suncrush’s holding company, Daily’s, will be to marginally reduce the investment company’s earnings a share by 0.5c to 23.5c and its net asset value by 5.6c a share to 214.2c.
BLACK soft drink retailers in South Africa are to be given an opportunity to buy R10-million worth of shares in Coca-Cola Bottlers Amalgamated Beverage Industries.

About 8 000 small retailers on the Witwatersrand, Pretoria and Durban are expected to gain from the deal.

The offer is being described as unprecedented in SA, where few blacks own shares.

And the first steps in turning black businessmen into shareholders began last week when ABI salesmen called on street corner soft drink salesmen to tell them about the opportunity being offered.

ABI also plans to sell R1m worth of its shares to its 3 800 employees.

Peter Lloyd, chairman of ABI, said that the offer “would allow many small businessmen who may never have had the chance to obtain shares in a company, to own a part of a company whose products they sell. Nothing on this scale has been tried in this country before”.

The former head of Coke’s SA operation, Fred Meyer, said that the arrangement was “in line with our company’s stated intention to use its former investments in SA as far as possible to create multi-racial participation in the country’s soft drink industry”.

Lloyd said that the majority of ABI’s customers comprised black traders.
SAB creates 3 500 jobs

By SELLO SERIPE

SOUTH African Breweries has announced an expansion program costing nearly R500-million, with R270-million from this sum to be used to construct a new brewery in Pietersburg.

SAB Beer Division managing director Pete Lloyd said the expansion was expected to trigger a multi-million rand economic stimulus as it impacted on back-up industries such as agriculture, construction, steel, engineering, glass and transportation.

Lloyd added that R150-million would be used to expand packaging and brewing facilities at the Rosslyn brewery in Pretoria; a R30-million enlargement program for selected SAB depots around the country and a R20-million program to upgrade brewing and packaging facilities at the Bloemfontein, Chamdon, Isando and Newlands breweries.

"The program will create temporary and permanent job opportunities for at least 3 500 people," said Lloyd.
Coke workers end go-slow

— About 2 500 workers at Coca Cola plants on the Witwatersrand and in Pretoria have ended a go-slow which protested against the manner in which the multinational company was conducting its withdrawal from South Africa.

A spokesman for the Coke Workers’ Committee said this did not mean workers had given up their fight for a say in the pullout.

A national meeting of delegates from Coke plants around the country will meet on April 15 to plan a new strategy.

“We are still going to investigate the whole issue as workers feel they were not consulted about the pullout and feel they should be paid severance pay,” the spokesman said. — Sapa.
Producers win gains on liquor GST

KAY TURVEY

LENGTHY representations by liquor producers have won limited concessions to the proposed imposition of GST at producer level.

SAB and the Cape Wine and Spirit Institute representing Gilbeys, Douglas Green, Cape Wine Distillers and Union Wine last week succeeded in having government rescind its decision for GST to be charged on returnable crates and bottles at the producer level.

However, GST will still be charged on all liquor bought at the primary level as from May 1 and consumers will still be charged 12% on the liquor and its returnable container.

SAB marketing director Peter Savory said last night he was pleased no tax would now have to be paid on deposits at a primary level. The SAB had never been in favour of GST on bottles, as ownership...

Liquor producers win concessions on GST

was not passed on through sales

He said the SAB was still not happy that the liquor industry had been "singly out" as the only industry to pay GST at source.

Savory said he hoped retailers would not push up markups because of the added costs of GST at primary level.

A spokesman from the Commissioner of Inland Revenue’s office said GST would be charged on returnable liquor bottles and crates at wholesale and retail level, as it was “easier to levy a tax on the total purchase”, which included the deposit.

It would be discretionary for bottlers to refund the GST with the deposit.

He said there would be “no obligation” for the retailer or wholesaler to refund the GST, yet if they did they would be entitled to claim the taxable value from the Receiver of Revenue.

He said it had been decided to charge GST on all liquor right from producer to consumer to tighten control at all stages because of tax evasion in the liquor industry.

He said if GST was to continue to be paid only at the final stage as in the past, all tax would be lost if this GST was avoided.
KWV negotiates

PAARL. — For the first time in its 70-year history, the KWV, with a membership of 6000 wine farmers, has negotiated with a trade union, the Wine, Spirit and Allied Workers' Union, according to a report in the latest issue of the company's house magazine.
Sorghum beer industry in line for privatisation

THE R400m-a-year sorghum beer industry is likely to be ready for privatisation next year.

Constitutional Development and Planning Minister Chris Heunis said yesterday interim control of the industry had been handed to the Industrial Development Corporation (IDC) and that privatisation legislation would be considered in the next parliamentary session.

IDC GM Jan de Bruyn said the corporation hoped to have the industry ready within 12 months.

Control has been transferred to the IDC from provincial administrators. It was originally the responsibility of the now-dissolved development boards.

Heunis said the IDC would rationalise the industry before handing it over.

De Bruyn described the IDC's role as that of a "trustee owner". He said it would consult merchant banks before deciding how privatisation should be approached.

"We don't know yet if it is a profitable industry," he said. "Some breweries make money, some don't. We have only just been handed control and there is a lot of work to be done."

Competition for shares in the sorghum beer industry has been hotting up since it became clear privatisation was on the way.

Late last year, the Kwazulu Finance and Investment Corporation formed a consortium with local companies to bid for sorghum breweries in Natal.

SA Breweries is interested in acquiring a major stake. A spokesman said yesterday: "People shouldn't think we are panting to take over the industry. Like any enterprise, we must first examine prospects and decide whether to go for it or not. Nevertheless, any move that will hasten privatisation is to be welcomed."
Strike at breweries

(Cont from Page 1)

negotiate at national level until agreement has been reached on procedures;

- Much progress has been made in negotiating a national agreement which provides for wages and substantive conditions of employment;
- Grievances, disciplinary procedures and other industrial relations processes should remain at plant level, and
- There is no agreement over the nature of the bargaining "unit".

According to the notice, management proposed that the unit should be weekly paid employees. The union demanded that it should be "all persons employed by the company engaged in production work or engaged in work incidental to production", excluding management.

FAWU members were involved in an illegal strike "even while negotiations are in progress and without a dispute being declared".

"The apparent issue concerns measures taken by management to ensure adequate supplies to consumers over the Easter peak," he said.

The company would abide by procedures and was taking legal advice.

Mr Spolander said that while deliveries might be interrupted there was no immediate threat of beer shortages.

In Durban about 500 brewery workers have been on strike since Friday when wage talks between SAB and the South African Allied Workers' Union deadlocked.

And FAWU members in Port Elizabeth have imposed an overtime ban in support of demands for pay parity with SAB employees in the Transvaal.

- Hopes that the 25-day-old rail strike would end faded as talks between the two sides yesterday failed to materialise, the Argus Correspondent in Johannesburg reports.

A Sats spokesman alleged that worker representatives did not arrive for talks yesterday because they had been intimidated by the Railways and Harbour Workers' Union (SARHWU). But a union spokesman denied the claim, saying the talks did not take place because management had reduced the number of worker delegates it was prepared to allow.

Beer strike brings threat of drought

By DICK USHER
Labour Reporter

A BEER strike is threatening Cape Town because workers at South African Breweries (SAB) plants are on strike.

All production and deliveries have been halted and private delivery vehicles were lining up outside the Newlands brewery gates today as customers tried to get supplies.

The strike also involves workers at SAB's Pinelands plant. Workers said the whole plant had been shut down, but were unable to say how many employees were involved.

Spokesmen for management and the Food and Allied Workers' Union (FAWU) were not available to comment.

But workers at the plant said they had discovered that Transvaal workers were being paid more. They were demanding parity before negotiations over pay increases could start.

PROCEDURES

A notice at the brewery gate from acting general manager Mr P Spolander, dated April 1, said management was not refusing to negotiate wages.

"We are prepared to negotiate at plant level, but have not received any demands," he said.

Further point were.

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(Turn to Page 3, col 1)
Strike at breweries

(Cont from Page 1)

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(Turn to Page 3, col 1)
Beer rush: Suppliers queue at breweries

By DENNIS CRUYWAGEN
Staff Reporter

REPORTS of a possible beer drought in Cape Town gave owners of bottle stores and pubs visions of customers starved of their tipple peering into empty glasses over a warm autumn weekend.

Hell-bent on preventing disaster and keeping their clients happy, they rushed in cars and lorries to the SA Breweries plant in Newlands early today to stock up.

STOPPAGE

Production and deliveries stopped yesterday when SA Breweries workers went on strike for higher wages.

The beer rush caused a queue of vehicles stretching from the plant into Biscada Road, Newlands.

Some of the drivers left the brewery empty-handed yesterday but were stoical about the long wait.

"It is terrible, but what can we do? We must just wait," said boxing promoter and liquor store owner Mr Manay Ribeiro who travelled from Stellenbosch to fetch supplies.

WAITED HOURS

Mr Harris Spannenberg of the Clovelly Golf Club said: "We were told they could not deliver any beer and were asked to fetch our orders. I waited for almost three hours yesterday and left without the beer."

He made an early start today and arrived at 03:00 — but the drivers of 11 other lorries were on the same wavelength and he was 12th in the queue.

An hour later he was still waiting to pass through the gate to collect 15 cases of beer.

Alpine Bottle Store driver Mr Abe George also left SAB without his order yesterday and was back at 05:10am today.

"I will just have to sit it out and wait," he said.

Mrs Joyce du Wet of the Hanover Lounge in Hanover Park, was philosophical about the long wait.

"I am on duty so I am being paid to wait here," she said.
Strike may mean beer shortage

Staff Reporters

A STRIKE at SA Breweries has crippled deliveries and could result in a beer drought in Cape Town before the weekend is out.

Workers at both the Newlands brewery and SAB's Pinelands depot have been on strike since last Friday, but the reasons for the action are not yet clear.

A statement from SAB's acting general manager, Mr Peter Spoelander, says the dispute concerns "the measures taken by management to ensure adequate supplies to consumers over the Easter peak".

Although Mr Spoelander said there was no immediate threat of a beer shortage, Cape Town hoteliers and liquor outlets are worried.

"We've got about 18 cases -- enough for today and tomorrow, but after that nothing," said a Bantry Bay hotelier.

The main liquor chains are currently fetching their own beer and hope to be able to keep up with demand.
Tipplers can relax — beer strike over

Weekend Argus Reporter
BEER drinkers can breathe easy — the strike at South African Breweries is over.

Queues of anxious customers, eager to ensure weekend supplies, formed at the Newlands brewery early yesterday after work stopped on Wednesday night.

The strike also affected SAB's Pinelands depot.

However, the strike was settled on Thursday night and work started again when the night shift reported for duty.

Mr Peter Spolander, acting general manager of the brewery, said "I am confident the matter will be settled to the satisfaction of both parties."

He expressed appreciation for the sense of responsibility shown by the union and brewery employees.

Basic causes of the strike were worker demands for parity with higher-paid Transvaal employees and a dispute over transport arrangements to cope with the seasonal Easter rush.
**Sorghum goes private**

LEGISLATION leading to the privatization of the sorghum beer industry will be considered during the next parliamentary session, Minister of Constitutional Development and Planning Chris Hennis announced this week.

He said interim responsibility for the industry had been transferred from provincial administrators to the Industrial Development Corporation from April 1.

The government is convinced that privatization will benefit both the industry as well as the personnel and therefore banks upon their continued cooperation to maintain the industry and to expand it into a more vital and profitable undertaking," said Hennis.

"I am confident that this interim step will serve as an example of the government's earnestness to privatize the industry," he said. - Sapa.
Hey, stop taking the skop out of our dop!

There's trouble out there in mampoor country, where the men are men and the booze is strong. The traditionalists are on the warpath.

They claim "moonshiners" from outside the "real" mampoor area and wittibits distilling areas have climbed on the mampoor wagon and are giving their fiery liquor a bad name.

Oom Schalk Lourens (of Herman Charles Bosman fame) would not be amused.

This week, an indignant Oom Pieter Ernst, a Western Transvaal wittibits king, said "These people are taking the skop out of our dop."

"They're messing with Afrikaans culture. They're abusing the romance behind this Afrikaans art to get rich."

"What they're distilling and selling as mampoor and wittibits is not the true thing."

"We will not tolerate it any longer."

For the unenlightened, mampoor is traditionally distilled in the Transvaal from grapes and apricots. In fact, any fruit except grapes.

Grapes are used for making wittibits (also known as wittibit) and is traditionally distilled in the Cape, where grapes are plentiful.

But Oom Ernst is the best mampoor producer in the Western Transvaal.

He even planted vines on his farm near Leeudoringstad solely for this purpose.

Now the Agricultural Distillers' Guild, of which Oom Pieter is the proud chairman, is approaching the Government for aid in keeping mampoor and wittibits right on its track — and legally.

Plans

Just in case there's no help forthcoming from the authorities, the traditionalists have drawn up contingency plans — there's no lack of entrepreneurial spirit among the "wittibit" wittibits and mampoor distillers.

They envisage a mampoor/wittibits route, similar to the Cape's wine route, where tourists can stagger from farm to farm sampling the strong stuff.

"We want to share our skills and products with others," Oom Pieter said.

The guild is also considering registering the names of mampoor and wittibits to protect them from fakers.

"Faker" Pieter said the initiation mampoor and wittibits were being distilled illegally in South Africa and the meantime, it's being made in the stills of illegal bottlers.

"In the mountains, we — the real distillers — are protected by law from selling the good stuff, produced from our old copper stills.

"If we can't get a license, we'll have to sell our goods to the middleman."

They are not allowed to sell their product and it may never leave the boundaries of the province, he said.

They may only use fruit grown in their own area.

The traditional distillers were under a lot of pressure from people wanting to get hold of some good mampoor and wittibits.

But if we do this we are liable for prosecution."

The Department of Customs and Excise has suggested the unhappy distillers apply for a commercial license.

"That's stupid man, such a license would cost us between R5 000 and R5 000."

"Anyway, we don't want to make money out of our products."

"All we want is the opportunity to share the fruit of our cultural skills with our fellow South Africans on a legal basis," Oom Pieter said.

A campaigning by the Roos shown to the mampoor and wittibits distillers of South Africa was received at a big Mampoorfeest in Leeudoringstad this week.

Oom Schalk Lourens himself (actor Patrick Mohnardt) modelled for the work of an

Looie Dulseen van Manen, of Pretoria, with the sculpture of a mampoor distiller.

Friendly match ends in tragedy

By Margaretha De Paravicini

THE final whistle blew early for an Allevard North business man who loved rugby.

He was Morn E. M. died of a heart attack last weekend after taking part — against his uncle's advice — in a friendly rugby match at Durbanville in the Eastern Cape.

He was buried at Allevard North this week.

His widow, Mrs Martjie E. M., 31, said "I tried to stop him, but he wanted to play. Last year Roos played very well and got his North-Eastern District colours but this year he was unfit and had been training because of a back operation six months ago."

With thanks to the writer for providing the information.
Breweries interdict on strikers before court

Supreme Court Reporter

SOUTH African Breweries took court action against the Food and Allied Workers' Union (FAWU) to halt the strike which crippled its Newlands and Pinelands beer plants last week.

In the Supreme Court yesterday, Mr Justice Baker was asked to discharge an urgent interdict granted by Mr Justice Tebbutt on Thursday April 9.

Mr R D McClarty, for SAB, said today the issues were resolved after the order was granted.

In terms of the discharged order, FAWU and 17 shop stewards were to show cause before April 29 why a final order should not be granted restraining FAWU from organising an illegal strike at the two plants and forcing the union to resolve disputes according to procedure set down in its recognition agreement with SAB.

FAWU was also ordered to ensure that its members at SAB complied with their obligations not to strike illegally.

In an affidavit, SAB acting general manager Mr Peter Spolander said the strike was illegal in terms of the agreement signed in December 1985 recognising FAWU as representing the majority of SAB's weekly-paid workers.

The strike, which started on April 6, had serious implications for SAB and its customers, liquor groups, bottle stores, restaurants, hotels and clubs.

They were "laying in" stocks for the Easter weekend and if SAB had been unable to deliver beer on April 9 and 10, SAB and its customers would suffer heavy losses.

Mr Spolander said that in the past wage negotiations had been held on a regional basis and wages paid by SAB differed from region to region, because economic circumstances differed.

The agreement prescribed annual wage negotiations. The first agreement was effective from April 1986 to April 1987.

Late last year FAWU indicated it wished to deal with SAB on a national basis because different agreements for different areas were inappropriate.

SAB was willing to consider national wage negotiations, although wages would not necessarily be the same in different regions, but it required a master recognition agreement before it would negotiate nationally.

Negotiations for this agreement had reached an advanced stage.

Therefore, FAWU had not initiated regional wage negotiations in spite of the expiry of the last wage agreement.

This led to "discontent and unhappiness" among SAB's local workforce, said Mr Spolander.

Mr McClarty was instructed by Routledge-MacCullums FAWU was not represented.

SAB workers went back to work on April 9 after the court order was granted.
The great mampoer war is on! "We aren't moonshiners abusing the name of mampoer to sell fake stuff to the public," Marcoo Mampoer Distillers claimed when lashing back at traditional "boerestokers" on the warpath.

They were responding to a warning last week by "traditionalists" from mampoer country to "moonshiners" from outside the "real" mampoer and with a distilling area to stop messing about with the piece of South African culture.

But the "rebels" distillers from the bushveld maintain their product, Marcoo Mampoer, is the real McCoy.

Reason

"The only reason our distillers are in Transvaal is the availability of the various fruits for our purpose throughout the year," said Riaan van Rensburg, director of the company.

"We don't want to cross swords with the traditional distillers of the Agricultural Distillers Guild. Our mampoer is part of the culture and distilled the right way.

"According to Mr van Rensburg, his co-director, John Kirstein, grew up in mampoer country of the Western Transvaal and is an official member of the Guild.

Negotiations with overseas buyers who want to sell this precious "dop" with the shop internationally are underway.

"We want to be part of this culture and if we can export it to other countries, why not?" asked Mr van Rensburg.

"The chairman of the Guild, watchful of mampoer culture, Oom Piet Erasmus, last week complained that mampoer and withis being abused to make money." They are taking the "dop" out of our dop," he warned.

"They're messing with Afrikander culture. They're abusing the romance behind this Afrikander art to get rich.

"But the Transvaal mampoer kings say the Guild has their sympathy in the fight against these abuses of the traditional "dop".

Storm clouds

"We would welcome if the traditional distillers could put their products alongside ours on the market," said Mr van Rensburg.

"It could only result in sound competition and an improvement in quality." Although storm clouds are gathering around the country's mampoer fraternity, Mr Henkie Oberholzer, the man who organised last week's Marcoo Mampoerfees in Zeerust, is busy with negotiations to get the Marcoo Mampoer producers and the Guild's warlords round a peace table.

And in Transvaal, Johan Kirstein and Riaan van Rensburg have gone out of their way to promote mampoer since the official Marcoo Mampoer, distilled from peaches, pineapples and hibiscus, was sold in January.

People flocked to their stall at the Rand Show to taste this rare cultural drink. "If we were allowed to sell it at the show, we would have made a fortune," said Mr van Rensburg.

At this stage, they claim, they are capable of producing 500,000 bottles annually.

Last weekend's Marcoo Mampoerfees drew people from far and wide. The only disappointment was the absence of one of Marcoo's most-colourful characters, Oom Mool Plet van der Merwe, who was unable to make the trip because of rain in his area.

"When it rains in Zeerust, the dirt road to Oom Mool Plet's farm makes it impossible for him to come to town," said one of the organisers.
The Swiss roll
Swimming against the disinvestment tide, Swiss chemical and pharmaceutical heavyweight Ciba-Geigy (CG) is ploughing some R16m into a self-medication division for its South African subsidiary. CG has few — if any — worries on the disinvestment front because Switzerland is not greatly interested in taking political sides.

The move is part of the Basle-based company's diversification into over-the-counter medicines in world markets, notably in Europe and the US.

While prescription-only business still offers pharmaceutical companies big profits, the rate of new-product development is slowing, with costs being increasingly pared to boost bottom lines.

Kobus Nel, head of CG's self-medication division, estimates the value of SA's self-medication market at some R500m. "It's the right time to expand and we hope to capture roughly 8% of this market by the early Nineties," he says.

Already on the self-medication trail in SA are traditionally prescription-only companies Hoechst and US-owned Leader Laboratories.

CG's South African operation earned the group R140m last year, with the pharmaceutical division's turnover rising to R40m, from R32m in 1984. A similar 20% increase in turnover is slated for this year.

The spadework for a self-medication division in SA started four years ago and CG has now drawn up a list of some 12 established over-the-counter drugs on the market that it hopes to add to the division's product portfolio.

Head of CG's pharmaceutical division Johann Niehaus stresses that the company intends to stay clear of high-abuse areas, such as central nervous stimulants.

Late last year, CG bought Salusa 45, a multi-vitamin tonic, from Noristan for an undisclosed sum, and the next product launch is expected in 1987.
KWV under fire over ad campaign

LINDA ENSOR

KWV has been attacked for its proposal to spend about R2.5m on subsidising an advertising campaign to promote the sale of wines, particularly in the Transvaal.

It appears that most of the advertising funds will be used to stimulate demand in this sector of the market.

Wine consultant Michael Fridjhon says farmers' money will be used for the campaign but KWV will, through its stake in Cape Wine Distillers (CWD), be reaping the benefits.

KWV has a 30% stake in CWD and together with the Rembrandt group has a joint controlling interest in its holding company.

KWV spokesman, Kobus Smit, yesterday refused to provide details of the plan saying a decision would only be taken at a board meeting on May 12.

But a confidential KWV circular outlines the details of the scheme and of the formulas for qualifying for the subsidy. It calls on marketers to submit the required figures and other information before April 10 so they can be informed by April 23 of the amounts they will receive.

Fridjhon says the formulas appear to exclude most wholesalers who are not in the CWD camp.

"While it seems to be a smart idea to get rid of the wine surplus, the major beneficiaries will be CWD wholesalers. The consumers are paying more, the KWV is reaping more profits and the farmers are getting less and less."

But Smit demes that only CWD wholesalers will be able to participate, saying all marketers can do is follow the requirements.
Big rise in KWV export earnings

CHRIS CAIRNCROSS

ALTHOUGH foreign markets continued to be hit by anti-SA activities, KWV was still able to report a 22% increase in the value of export earnings over 1988.

In the company's annual report released in Cape Town yesterday, the directors pinpointed a total boycott of SA wines in Canada, the US, Australia and New Zealand.

But they said the 22% increase was due to the favourable exchange rate—despite the improvement in the strength of the rand towards year end.

They warned, however, that this favourable rate was rapidly being neutralised as a result of the low inflation rates in most foreign markets.

"KWV is disappointed that the upsurge in consumer spending in SA during the closing months of the year did not extend to this sector."

The performance of flavoured wines was disappointing, and the high growth rate achieved in 1985 could not be maintained.

This trend, together with a decrease of about 3.2% in the sales of standard-priced wines, led to a 2.4% decrease in the sales of all natural wines.

High-priced red wines, however, showed a sales increase of 14.3%, while high- and medium-priced rose wines also showed encouraging growth.

It was observed that the tendency to enjoy sparkling wines at times other than the traditional festive occasions was continuing, and sales of this product had increased by 12.2%. 
Beer with low alcohol withdrawn

SOUTH AFRICAN Breweries is to withdraw LA Lager, the country's first low-alcohol beer.

Announcing the withdrawal yesterday, SAB's public affairs manager, Mr Gary May, said the beer, which has been available only in the Peninsula, was being withdrawn because "the demand for it has not met our minimum requirements".

"LA Lager was launched on a trial basis in the Cape Peninsula for two reasons, firstly to see whether we could master the technology needed to produce a half-strength beer and, secondly, to test consumer demand for the product," he said.

"After being on the market for more than 12 months we regret that the demand for LA has not met our requirements and so we are reluctantly taking the beer off the market," said Mr May.

He stressed that the door had not been closed on low-alcohol beers and that SAB had more than mastered the technology of low-alcohol beer-brewing.

"It was a technological achievement for us, one we are proud of, and we are ready to go back into production if the need arises."

The beer will be on sale till stocks run out some time in the next few weeks.
SAB toasts R7 billion turnover

SA BREWERIES (SAB) completed 20 years of consecutive rand (monetary) earnings growth and emerged from four years of real decline with a bang, toasting a 36% rise in attributable earnings to a record R294m, from R216m.

With turnover topping the R7 billion mark for the first time, SAB sales accounted for just under 1% of SA’s 1986 private consumption expenditure of R77 billion. And the 24% rise in turnover from R5.7 billion against an estimated 20% increase in consumer spending translates to market penetration for the mass market giant.

Group MD Meyer Kahn attributed the results to “burgeoning consumer spending, operating efficiencies, stabilised finance costs and quality management”.

An additional R100m tax bill was mainly responsible for the failure to maintain 56% interim earnings growth, as effective tax rates absorbed 25% of pre-tax profit, compared to 9% the previous year. Kahn said any speculation as to a future tax rate was clouded by the outcome of the Margo Commission, but the group — with R500m-plus expansion plans — was well placed to benefit any capex-related taxbreaks.

The 36% rise in earnings a share to 112.3c from 82.5c, coupled with reduced gearing of 46% (50%), enabled the group to up its final dividend from 10.5c to 37.5c, thereby boosting total distribution by 35% to a high of 50c (37c). Earnings covered dividends 2.2 times, reflecting an unchanged distribution policy.

Beer Division increased earnings 22% on volume growth of 13.5% and accounted for R163m of income, while other group interests (Edgars, OK, Southern Sun etc) upped their contribution by 59%, to R131m.

Consumers “voting with their throats” drank 15m hectolitres of beer, 14% more than the previous year, Kahn said.

“SA clear beer consumption per capita — currently about 60 litres per person a year — is nowhere that of many Western beer-drinking countries like the US and Germany. Future capex plans will provide capacity to produce 3.3m hectolitres more beer by 1989 and ensure we are well placed to improve market share.”

SAB’s quoted share price has risen 125%, from 96c, over the last year. At its current high of 2.150c, it represents 31% of the net worth a share of 612c and a 19.1 price earnings ratio.

Kahn said “Given a reasonably settled socio-political environment, group earnings should reflect further satisfactory growth. It is still too early to forecast the effect the new liquor GST regulations will have.”
at last

"There is no doubt that there is an upturn. A lot of money is being poured into black housing and roads. Black housing provides longer-term work while roads are mostly short-term, so it is a moot point as to how long the upswing will last. "But the mines are very buoyant and there is plenty of work there. Margins are also starting to pick up again."

Concor Construction financial director Graham Mulany says since February Concor has experienced a marked upturn in business. He says there is a lot of work in the mining sector, notably in headgear and reduction plants. "But we also have township reticulation and road work on hand."

"Margins are looking a lot better," adds Mulany. "Though they are still nowhere near where they ought to be."

Murray & Roberts Construction and Engineering executive chairman Geoff Knudsen says he is also budgeting for more work this year.

One of the biggest contracts awarded last month, for R34m, went to Group Five. It was for work on Escom's new Majuba power station near Amersfoort, and follows an earlier R6m contract won by the group.

Meanwhile, LTA Construction has just been awarded a R9m contract for the construction of earthworks, retaining walls, a bridge and roads at the R500m Bruma Lake development outside Johannesburg.

Things are looking up — and there is plenty more in the pipeline — especially with major projects like the Lesotho Highlands Water Scheme and the Mossel Bay gas plant passing beyond the planning stage.

KWV

Sparkling results

In what is arguably its best performance ever, KWV last year turned in record profits, lifted bonuses to producers, reduced the "wine lake," and increased export earnings in the face of foreign boycotts of South African wine.

These sparkling results flow from the smallest wine crop since 1981 and follow a fall in wine production for the third consecutive year. Last year's 7,62m hectolitres crop was 8% below 1985's 8,26m.

The wine co-operative's annual report will be formally presented to KWV's 6,300 wine farmer members at the AGM in Paarl next week.

Last year's surplus production was only 4,7%, compared with 20,2% in 1985. This emphasizes that "wine is in the first place an agricultural industry and, as such, highly sensitive to several variables," says the report.

KWV points out that while the crop decreased by 8% on the previous year, the industry's total income increased from R262,4m in 1985 to a provisional R309m last year.

"This is an 18% increase in industry revenue, while price adjustments amounted to only 16,6% in 1985 (effective in 1986). This trend emphasizes the importance of the increase in sales relating to the total income of the industry," says KWV.

Farmer members will receive increased dividends, with the producers' bonus rising by 67% — from R10,464m in 1985 to R17,506m last year. Net profit is up 24%, from R20,707m in 1985 to R25,718m. This amounts to a massive 2,668% net profit increase in only 10 years — the 1976 profit was R929,000.

The favourable results are attributed to increased profitability of remaining and new export markets resulting from the weak rand, sale of surplus stocks, a moderate recovery in the domestic brandy market and strict control over expenditure.

While the foreign market was characterised by "a further increase in anti-South African activities" — which led to a total boycott of South African wines by Canada, the US, Australia and New Zealand — commercial exports nevertheless increased by 22%.

This was due mainly to favourable exchange rates and the restructuring and rationalisation of KWV's marketing operations in the UK and Europe.

On the domestic market, flavoured wines performed poorly compared to the previous year and there was a decrease of about 3,2% in the sale of "standard-priced" wines. These two factors led to a 2,4% decrease in the sale of all natural wines.

But the sale of high-priced red wines increased by 14,3%, while there was "encouraging growth" in the sale of high and medium-priced rose wines. A 12,2% increase in the sale of sparkling wines is attributed to the growing tendency among consumers to drink these wines at other than festive occasions.

Sales of fortified wines increased by 4,8% after dropping slightly in 1985.

In the spirits market, "cheaper products" performed well and a 20% improvement in the value of the rand compared to its earlier low, allowed importers once again to sell imported brandy and whisky at highly competitive prices.

Vodka sales increased, particularly in the Transvaal where 25,6% of all sales were made compared to 21% in 1985.
THE shortage of beer, particularly quart-size (750ml) beer packs which are SA Breweries' (SAB) largest seller, has reached "crazy" proportions, liquor outlets and retailers say.

Some SAB depots have also reported "nil availability" in pint (375ml) and dumpy (340ml) pack sizes.

The shortage, which is acute in the Transvaal, Free State and Northern Cape, is unlikely to ease until the end of the month.

Coming to a head a week after the release of SAB's sparkling year-end results, the shortage translates into loss of business for liquor retailers and increased expense for beer drinkers.

SAB's Southern Transvaal beer division's regional director Tony Bates said yesterday that "industrial relations problems, coupled with reduced production time resulting from the two-day election stayaway and the multitude of four-day weeks, compounded by buoyant beer sales have contributed to the shortage."

Bates said it was difficult to measure the deficieny but he was hopeful the imbalance would be rectified within two weeks.

Liquor retailers — empty-shelved and faced with the prospect of turning away customers — were left to count the cost of the shortage.

Benny Goldberg's MD David Botha said "it is disastrous — SAB cannot supply beer — the situation gets worse by the day. We will not have a quart of beer left before tonight."

An irate northern suburbs retailer said: "It's a disgrace that the only supplier of beer in the country runs short. If they had competition, this would never happen. We find ourselves in the embarrassing situation of having to turn away customers without the backing of a formal SAB statement to support us."

Bates said the stock situation, which had persisted at differing levels of acuteness for the last four to five months, was exacerbated by politically motivated stayaways which had reduced output significantly.

Botha said: "The effect of the shortage is that if people want beer, they will have to pay more."

GOLD and industrial shares moved in opposite directions on Diagonal Street yesterday. While the fearless performance of the gold price pushed down the JSE all gold index by 54 points to 2 163, industrial shares continued upward, rising eight points to a record 1 978.
Breweries’ billions

SA Breweries (SAB) expects to hand over no less than R1.7 billion in taxes and levies to various authorities in its 1987-1988 financial year. This follows changes to the method of collecting and administering duties in the liquor industry.

Excise duties are estimated to increase to R600m in 1987-1988. From May 1, SAB has been paying “GST at source,” as part of a new tax mechanism for the liquor industry. The system was instituted in an attempt to reduce losses suffered by liquor retailers who allegedly evade GST. Those who buy from SAB will now automatically bear GST. It is understood that retailers buying ahead of the new system were responsible for the recent unusual demand for stocks.

Assuming SAB’s turnover again grows by 20% in 1987-1988, it will be liable to GST on R8.8 billion — R1 billion at 12%. And there’s more, with the expected implementation of regional service councils (RSC) on June 1. Assuming SAB pays the full rate of 0.1% on its turnover, one RSC levy will absorb an annualised R8.8m, the payroll levy another R23m. All these add up to about R1.7 billion.
Workers protest

MEMBERS of the Food and Allied Workers' Union employed at the Rosslyn plant of the South African Breweries are up in arms against the newly introduced working system which is meant to operate 24 hours a day and seven days a week.

The system was introduced by the company recently "to step up its production and ensure that the short supply of liquor apparently being experienced does not recur."

A spokesman for shop stewards committee told the Swetnan yesterday that workers viewed the new system as part of conditions of employment and wanted the matter to be discussed at Fawu's national level.

Workers have complained that the continuous shift will be strenuous and interfere with their personal lives," the spokesman said.

In letters from the SAB to the families of Fawu members, the company states "Your breadwinner through his union has informed us that he refused to work continuous shifts and therefore we regret to inform you that by doing so, he is breaking his employment contract."
TDC forced to sell brewery at R7 m loss, inquiry told

Dispatch Reporter

UMEATA — The Transkei Development Corporation (TDC) was "forced", by a government directive to allocate Transkei Breweries to a company for approximately R7-million less than the price determined by an external auditor — and the TDC also had to finance the loan for the takeover.

This emerged in a memorandum before the Commission of Inquiry into the Department of Commerce, Industry and Tourism regarding the handover of Transkei Breweries.

The business was sold for R720 000 and the external auditor's "fair and reasonable" price stood between R7.5 million and R9.5 million.

The memo said it appeared the allocation of the business and the directives received not only caused a considerable loss of public funds but also favoured certain Cabinet Ministers who appeared to have enjoyed the favours of the ex-State President.

Transkei Breweries was initially awarded to BOPQ Properties.

The name was changed to Fingoland breweries before it was sold to Leopard Breweries — one of the shareholders.

On April 15 a directive was received from the Secretary to the State President, Mr Monyeni — who later became a beneficial shareholder of Fingoland Breweries — to the effect that "His Excellency the State President has directed me to inquire from you what the cause of the delay in transferring the business"

The board felt it had no option but to comply with the directive.

The commission continues next week.
SAB union reach agreement

SA Breweries and the Food and Beverage Workers Union of SA said yesterday they had reached agreement to recognise the union as representative of workers at SAB's Chamdor brewery, near Krugersdorp.

The recognition came after two days of talks in which both parties said had been conducted in a constructive and cordial atmosphere. Union and management spokesmen voiced confidence in a lasting and mutually beneficial relationship.

The union will start negotiations on wages for Chamdor in June.
Prospect of Christmas beer drought

A BEER drought over Christmas — particularly of quart-size (750ml) packs — is the grim prospect facing beer-drinkers as SAB prepares to go into round-the-clock production to prevent a five-week shortage.

The five-week shortage translates into increased costs for consumers (forced to purchase less economical pack-sizes) and loss of business for retailers, particularly shebeens, who are major distributors of quarts.

SAB's beer division public affairs manager Gary May said yesterday: "Unless we have a normal work environment between now and the year-end, the shortage can be expected to extend to Christmas. If the mass stayaway materialises next week, it will aggravate the situation still further."

SAB is hoping to soak up some excess demand by round-the-clock production at its Rosslyn brewery. However, the success of this plan, which could boost output by 30% from July, rests with the Food and Allied Workers Union (Fawu) who have not yet accepted the proposal.

The quart-bottle deficiency — initially the result of industrial action — has been exacerbated by a rampant beer market.
About 1 000 SAB workers go on strike

About 1 000 workers went on strike at three SA Breweries (SAB) Transvaal plants yesterday. The strikes followed a dispute over attempts to introduce continuous, round-the-clock production at the Rosslyn plant.

SAB spokesman Gary May said most workers at the Rosslyn plant were dismissed on Friday for ignoring an ultimatum to accept the new working arrangement. They had "dismissed themselves".

Another 10 withdrew their agreement on Monday, but had not been dismissed. May said an agreement with weekend work, SAB had offered a decrease in the working week from 45 to 40 hours and up to a 5% wage increase.

Fawu could not be reached for comment yesterday. But SAFTU reports that Cosatu condemned the dismissal of the Rosslyn workers yesterday.
SAB fires 340 workers

Johannesburg - SA Breweries dismissed 340 workers yesterday at the company's Rosslyn plant after a work stoppage.

The Congress of South African Trade Unions said: "The dismissals come at a time of important national negotiations between the Food and Allied Workers' Union and SAB.

"The work stoppage at Rosslyn was over management plans to introduce continuous shifts to keep the plant running for 34 hours a day."

A spokesman for management at SA Breweries, Western Cape, said the dispute between management and workers at Rosslyn which "might develop into a strike". It would not have any impact on Cape Town. — Sapa
Strike threatens drastic cuts in supplies

Massive beer shortage looms

The Transvaal and the Free State have been hit by a severe shortage of beer quarts — and cans and dumpy bottles could soon run short, a spokesman for South African Breweries (SAB), said today.

Mr Gary May, SAB public affairs manager, said if the strike at three Transvaal plants was not resolved soon, beer in all sizes of containers could run dry.

Faced with the serious shortages, management and salaried staff at the three Transvaal plants at Rosslyn, Isando and Denver are already helping out on the production lines.

Mr May said staff members were working on the production of dumpy and canned beer but not on quarts because production on this line was more complex and required more staff.

"The strike will have a serious effect on quart supplies in the Transvaal and the Free State," he said.

At least 1 000 workers at the Rosslyn and Isando breweries and the Denver depot stopped work yesterday in protest against the introduction of continuous operation at Rosslyn and at the dismissal of 343 Rosslyn workers who refused to work the shifts.

Double shift

Mr May said the shortage would last until the dispute was settled.

"We will be working a double shift at the Rosslyn plant today and, depending on how many workers turn up, we expect production to continue at well over 30 percent," he said.

At the time of going to Press, management was not ready to comment on a meeting held with the Food and Allied Workers' Union yesterday.

The union and management met until late last night and the meeting continued this morning.

★ See Page 1M.
Transvaal quart supplies

SAB strikes to affect OFS.
SAB to decide on workers' fate

The fate of the more than 2,000 South African Breweries' workers, on strike at seven Transvaal and Cape plants since last week, will be decided today, the company said.

SAB public affairs spokesman, Mr. Gary May, said a meeting would be held today to consider the position of the strikers and whether replacement labour should be brought in.
Beer workers go on strike in city

By DICK USHER, Labour Reporter

SOUTH African Breweries workers in Cape Town stopped work today in support of workers dismissed in Pretoria — but there is no immediate threat of beer running out.

Strikes involving members of the Food and Allied Workers' Union (Fawu) started at Rosslyn in Pretoria this week.

They spread to Isando and Denver in Johannesburg and Wadeville in Germiston.

In Cape Town workers at the Newlands brewery and the Pinelands depot went on strike this morning.

Mr Gary May, public affairs manager for SAB, said: "We have enough stock to last for some time. Management and monthly-paid workers are running brewing operations."

Mr Jan Theron, general secretary of Fawu, said today the company had forced the issue.

"The strike at Rosslyn was legal, following a ballot, and the workers had no option but to strike or be locked out the next day.

"After this workers were dismissed."
Two thousand strike at brewery

MORE than 2,000 workers at four depots of the South African Breweries have gone on strike in sympathy with the dismissal of 340 workers at SAB’s Rosslyn plant near Pretoria.

SAB’s representative Gary May said the sympathy strikes at Isando, Denver, Airode and Wadeville were illegal and in breach of the agreement with the Food and Allied Workers Union (Fawu).

May said the strike has resulted in shortages in the Transvaal and the Orange Free State which might get worse unless the dispute is resolved quickly.

He said the company might be forced to engage a new labour force by next week if the issue is not resolved.

The dispute centres around the company’s decision to implement a continuous shift system at its Rosslyn Brewery near Pretoria, which would have meant non-stop production, even over weekends.

This would have meant an extra 200m litres of beer per year, May said.

Throughout the negotiations, which started in March, the workers rejected the continuous shift system on religious and social grounds.

“Township funerals take place over weekends. In any case we need to spend time with our families and this can only be done over weekends,” one of the dismissed workers said.

The workers also feared their new working conditions would have prevented them from attending union meetings over weekends.

Even management’s offer, which would have included a 50 percent premium on all shifts worked on Saturday and a 100 percent premium on Sunday, could not entice the workers to accept the offer.

The talks deadlocked in April and the SAB declared a dispute with the union and applied for a conciliation board.

Fifteen evicted

By VUSI GUNENE

In an effort to break the year-old rent boycott, the Soweto Town Council evicted 15 Pimville families yesterday.

According to a representative of the Pimville Civic Association, police and kiskonstabels (special constables) removed fridges and television sets and smashed tables, chairs and wardrobes.

Those evicted include Wonder Nhlapo, who owes R442, Elizabeth Selepe (R531) and Nellie Vanga (R570).

A police representative yesterday said the South African Police had no knowledge of this incident.
Cape SAB workers on sympathy strike

Staff Reporter

FOUR HUNDRED South African Breweries employees at the Newlands brewery and Pinelands depot went on strike yesterday in sympathy with 343 workers dismissed at SAB’s largest brewery, Rosslyn, north of Pretoria, this week.

This brings to 2,800 the number of SAB workers now striking in sympathy with the dismissed workers, who refused to work a continuous shift — a system which relies on consecutive eight-hour shifts to keep the brewery running continually.

According to Mr Gary May, SAB’s manager (public affairs), the company was “deeply concerned” that the striking Cape Peninsula workers were jeopardizing their own employment for an issue “at the other end of the country”.

The issue had been handled according to the “highest moral, legal and industrial relations standards”.

In an advertisement in yesterday’s Sowetan newspaper in the Transvaal, SAB said the 343 brewery workers had broken a contract agreeing to the system before they were employed by SAB.

The 343 workers have objected to their two-day break occurring during the week and only during three weeks out of four.

Spokesmen for the Food and Allied Workers’ Union were not available last night for comment on the strike.
THE BEER SHORTAGE

THE FACTS ABOUT
MAKING BEER. MAKING FRIENDS.

SAB

The dispute is resolved.

And of course we will continue to negotiate with our brewery workers.

And our very valued customers. We assure you that we are doing everything

everything we can to bring you your favourite beers.

In the meantime we sincerely apologise to all our loyal and thirsty beer-drink-

ers.

Brewers, managers and other staff are working to bring you your favourite

brands, quantities you expect but they're still under the guidance of our master

production in the hands of our management and office staff. They are

working this leave your

package.

Now 43 brewery workers have broken this contract and have received the

All workers at Rosslyn were asked to sign a contract agreeing to this system

8. Twelve paid holidays including May 1st and June 16th.

7. Three weeks paid annual leave for workers with less than five years.

5. 80 new jobs will be created and 70 promotions will take place.

4. The work week is reduced from 45 to 40 hours.

3. Wage Grade 5 (£6,500 pa minimum): £291 per week plus four

2. Wage Grade 1 (£4,000 pa minimum): £1340 per annum

Wage Grade 1 (£4,000 pa minimum): £292 per week plus

Wage Grade (£2,500 pa minimum): £292 per week plus

1. The worker is paid a substantial "necessities allowance" monthly.

This is an example of the new "Workers Package" at Rosslyn.
'Sympathy strikes' at breweries

2 000 out

Labour Reporter

STRIKES at South African Breweries plants around South Africa continued today with about 2 000 workers involved.

Workers at SAB's Newlands brewery and Pinelands depot who went on strike on Friday were still out today.

Negotiations are continuing between the management and the Food and Allied Workers' Union (Fawu).

Some production is being maintained at Newlands by monthly paid and technical staff and deliveries are still going out.

The strike wave was sparked by the dismissal of 343 employees at the Rosslyn plant near Pretoria over a dispute about the introduction of continuous-process production.

Sympathy strikes spread first to plants in the Free State and Transvaal before starting in the Cape.

National wage talks with Fawu were halted.

Fawu claims that the company walked out of talks while SAB says talks have been postponed until the sympathy strikes—which it says breach the agreement between the two—are ended.

Workers at East London plants joined the strikes today.

Only two breweries in the Transvaal were reported to be operating but it is understood that workers in Port Elizabeth who were on strike last week have returned to work.
Brewery workers on strike

JOHANNESBURG - Workers at two more South African Breweries today downed tools in sympathy with striking Rosslyn workers.

Mr Gary May said workers at SAB's East London plant and its Caledon malting plant had joined workers at Isando, Alrode, Denver, Wadeville, Newlands, Pinelands and Rosslyn.

He said about 2,900 workers had now downed tools in sympathy with Rosslyn staff, who stopped in protest against the plant going on to continuous production.
Dispute worse: beer crisis may spread

By Mike Siluma

The dispute between South African Breweries (SAB) and the Food and Allied Workers Union (Fawu) has worsened with both sides making public accusations and the beer crisis now threatens to spread.

At least 2 900 Fawu members at nine plants in the Transvaal and the Cape have stopped work in protest against the company's handling of the dispute with employees at the Rosslyn plant.

SAB said it was looking into possible legal action against statements made by Fawu.

Fawu had rejected as false SAB statements that workers had reneged on contracts to work a continuous shift system.

"Workers at Rosslyn work a five-day week (except for security and boiler room workers) and are used to arranging their social life on weekends. The union is willing to negotiate. "Fawu regards it as a basic principle of sound labour relations that workers should not be forced to accept changed conditions of employment."

Rosslyn workers had agreed to work a shift system, but not to working on weekends.

Mr Gary May said SAB would seek legal opinion over allegations, which, he said, bordered on defamation.

SAB was prepared to demonstrate "in court if necessary" their integrity and good faith in trying to resolve the strike.

To increase beer production, which had been disrupted by the "unfair and unjust actions of the union", SAB had decided to hire casual workers for all the breweries and depots affected by the dispute.

Fawu said it had proposed that all workers at Rosslyn be reinstated, that the status quo at the plant be restored and an objective study be done into the question of continuous shifts and possible alternatives and that an interdict preventing the Rosslyn workers from entering company premises be withdrawn.

The Congress of SA Trade Unions (Cosatu) said it would "intervene" if the dispute was not resolved.

SA beer drinkers go west

The Star's Africa News Service

WINDHOEK — South West Breweries — Namibia's major beer brewer — says it expects to benefit to some extent from increased orders from South Africa because of the South African Breweries strike.

A spokesman for the company said in Windhoek that, in the past few days, a number of extra orders had been received from customers in South Africa. He said these were over and above the increased demand for South West beer which was being experienced from the "more sophisticated" sections of the South African market.
Brewing up a storm in labour relations

NOT ONLY beer drinkers will be hoping that conciliation will be possible at today's important meeting in the dispute at South African Breweries over extending production time to meet growing demand. The confrontation covers the whole field of labour relations — a crucial area for the economy and for politics.

Essentially, SAB appear to have offered generous terms in deciding to introduce continuous 24-hour production. But the decision to bring in the new shifts appears to have been taken without consensus first being reached with the Food and Allied Workers' Union. The workers downed tools at the Rosslyn plant where the new shifts were to be worked. They were fired, but that brought sympathy strikes by Fawu workers at plants in several parts of the country.

In present-day South African industrial relations, collective bargaining over any changed terms of employment has become essential. When workers were employed at the new Rosslyn plant about two years ago it was written into their contracts that they might have to work shifts, but a pattern of work routine was established which made the new shift system a shock to the workers' way of life. It would have been wiser in retrospect to have renegotiated the shift system before launching it.

What should have been a great opportunity for SAB to expand business and profits while demand was booming, has been turned into a nightmare that threatens to damage employer-worker relations very seriously. At present a beer drought threatens because management and labour are choosing to pit strengths against each other. It is in the interests of nobody.

Today's talks between the SAB management and Fawu give a welcome opportunity to remove the obstacles and dispel illusions. We hope a settlement can be reached and that the message of this strike can be learnt throughout industry.
Beer crisis may spread as SAB and union argue

JOHANNESBURG — The dispute between South African Breweries (SAB) and the Food and Allied Workers' Union (Fawu) has worsened with both sides making public accusations — and the beer crisis now threatens to spread.

At least 2,900 Fawu members at nine plants in the Transvaal and the Cape have stopped work in protest at the company's handling of the dispute with employees at the Rosslyn, Pretoria, plant.

Yesterday Fawu said workers at other plants had pledged solidarity with colleagues dismissed at Rosslyn after rejecting the company's plans for a continuous shift system.

SAB says it is prepared to demonstrate, "in court if necessary", its integrity and good faith in trying to resolve the strike.

Meanwhile, the Congress of SA Trade Unions (Cosatu) said it would intervene if the dispute was not resolved "in the near future".

The National Council of Trade Unions and its affiliate, the Food Beverage Workers' Union (FBWU) have pledged solidarity with the Fawu, workers, with FBWU saying it had suspended wage negotiations with SAB at the Chambor plant.

Johannesburg pubs will start closing from next Monday unless the breweries strike finishes soon and the beer starts to flow again, barmen have warned.

"What's the use of staying open when we have no beer?" asked a barman with 37 years' experience.

"People don't drink just spirits and wine With no beer we'll just close This town will be dead from Monday on You watch"
Breweries: SAB strike not drastic in W Cape

The strike that has affected beer production at the Rosslyn plant of South African Breweries near Pretoria has not yet reached drastic proportions in the Western Cape, according to SAB spokesman Mr Gary May.

He said about 470 workers at the Newlands plant and Pinelands depot did not report for work yesterday.

This constituted about 80% of the workforce in the Peninsula, but production and distribution were satisfactory. About 150 workers at the Caledon malting plant were also on strike, he said.

In Johannesburg, the Food and Allied Workers' Union (Fawu) yesterday called for the reinstatement of the 343 SAB workers dismissed 10 days ago as a prelude to negotiations on the dispute which now involves at least 2 950 workers at nine plants.

Mr May said it had been decided not to begin replacing strikers.
— Sapa, Own Correspondent
3 900 SAB staff now on strike

JOHANNESBURG: The strike by South African Breweries workers escalated to nearly 4,000 workers yesterday and barkeepers warned they may have to shut down next week if the taps are not turned back on.

The strike, which began on June 19 over a change to 24-hour production and round-the-clock work shifts, has escalated from about 350 workers to 3,900, SAB spokesman Mr Gary May said.

He accused union members of using violence and scare tactics to prevent non-strikers from going to work. "We are very worried about the innocent people being affected by the actions of striking union members," he said.

He said workers were attacked with knives and stones at a Cape Town station, and employees' cars were burned at the Rosslyn brewery near Johannesburg.

Four people were arrested yesterday at the plant after police dispersed a group of about 100 dismissed SAB workers who had demanded entry to "evict" other workers in violation of a court order preventing them access unless it was to work.

SAB is currently running at 50% of planned production, Mr May said.

He said SAB, which provides 98% of South Africa's beer, is using management and casual labour in an effort to meet the demand.

Beer production in Namibia will not be able to offset the shortage, marketing manager of South-West Breweries, Mr Ernst Ender, said yesterday.

The SAB has ordered supplies from Namibia, but production facilities in the territory are not geared to satisfy the demand. "Obviously we will try to fill the gap wherever we can," Mr Ender said.

Hotels, bars and liquor stores in Cape Town and Johannesburg yesterday reported short supplies of beer.

"What is the use of staying open when we have no beer to sell," lamented a Johannesburg saloon keeper. "With no beer, we will just close. This town will be dead from Monday on."

The Food and Allied Workers Union (Fawu) and SAB management were scheduled to meet last night. — UPI, Own Correspondent and Sapa

Alleged intimidator in court

Court Reporter

A MAN pleaded not guilty in the Wynberg Regional Court yesterday to intimidating workers at Ohlson's Cape Breweries in Newlands by forcing them to stay away from work.

The State alleges that Mr Wennington Nwezo, 43, of Khayelitsha — who was charged and brought to court the day the alleged offences took place — intimidated Mr Michael Tite, Ms Noheza Nemble and Mr Welcome Jubisa yesterday by forcing them to stay away from work.

It is further alleged that he assaulted and injured them by hitting them with an axe or sharp instruments, punching and kicking them.

He is alternatively charged with assault with aggravating circumstances and intimidation in that he threatened to kill, assault and injure them.

The matter was adjourned to July 8.

Mr M S Knox was the magistrate. Mr M W Sher prosecuted. Mr Nwezo was not represented.
BEER STRIKE

The Argus Correspondent

JOHANNESBURG. The beer strike is over. An agreement has been reached between South African Breweries (SAB) and the Food and Allied Workers Union (Fawu), ending widespread strikes at brewery plants.

An SAB spokesman said the company's employees were returning to work today.

Casual workers

The agreement reached in Cape Town, said the spokesman, would provide for the immediate return to work of all employees. The agreement would be implemented in all SAB plants within 48 hours.

Emergency supplies

The agreement provided for the immediate return to work of all employees. The agreement would be implemented in all SAB plants within 48 hours.

South African Breweries received an urgent request from the government for emergency supplies of bottled beer. The company immediately initiated a programme to supply urgent quantities of beer to affected areas.

Police confirmed that the Rosslyn plant had been closed down and that the workforce had been dispersed. The police had been called in to restore order.

The police had been called in to restore order.

Sources at the brewery in Newlands said there had never been a complete stoppage in Cape Town.
Shortage looms as SAB strike grows

THE SA Breweries strike intensified yesterday with 700 workers at the Chandor brewery and the Vereeniging depot joining the Strike.

And four people were arrested after police dispersed a group of about 100 dismissed SAB workers at the company's Rosslyn plant.

The group had demanded entry to the plant to "evict" other workers in violation of a court order preventing them access, unless it was to work.

SAB is currently running 50% of planned production.

A spokesman said "There will be shortages caused by distribution delays and so-called stock-outs, even though there is beer in the system."

Beer production in Namibia will not be able to offset the SA shortage, South West Breweries marketing manager Ernst Ender said yesterday.

SAB had increased orders for Namibian beer, but production facilities in the territory were not geared to satisfy the demand.

"Obviously we will try to fill the gap wherever we can," Ender said.

Management said rising intimidation and violence were preventing many employees from returning to work.

An SAB spokesman said the company had "a mountain of evidence" of intimidatory actions. He said the allegations would be raised at a meeting with the Food and Allied Workers' Union, scheduled for last night.

Fawu members have been on strike since June 19 in protest against the introduction of seven-day-a-week production.

Worker sympathy stoppages have been reported at about 10 other company plants and depots in the country, Reuters reports.

A-G Meese subject of probe

WASHINGTON -- Attorney-General Edwin Meese violated federal law because he failed to get Government Ethics Office approval when investing $90,000 in a limited blind partnership.

This was said by Office of Government Ethics director David Martin in a letter to Congress yesterday.

Meese is the subject of a criminal investigation by independent counsel James McKay, who will determine, among other things, whether any of the money was invested in scandal-plagued Wadtech.

The 1978 Ethics in Government Act "contains specific requirements for the creation of blind trusts, including necessity of approval by our office," which Meese did not obtain, said Martin.

The ethics law which Meese violated contains criminal penalties. But it is not known whether they apply in Meese's case.
Fawu in a froth over its 'great victory'

Battle begins to beat backlog as SAB strike ends

MEMBERS of the Food and Allied Workers' Union (Fawu) began returning to work at midday yesterday after agreement to end the SAB strike, and the company said it expected stocks to return to pre-strike levels in two to three weeks.

In terms of the temporary settlement, the question of continuous operation at the Rosslyn Brewery will be referred to joint mediation. All dismissed workers have been reinstated.

Volunteers, casual labour and employees recently engaged specifically to work on continuous operations, will do weekend work.

The return to work has, however, been marred at a Cape Town plant. According to SAB Industrial Relations Manager Rob Childs, workers refused to resume production after a shop steward was arrested and charged in terms of the Intimidation Act.

In a statement yesterday, Fawu described the outcome as a "great victory."

Childs said he did not think that statement was correct or constructive. "We prefer to see it as a negotiated compromise between the parties. We must now endeavour to find a mutually acceptable solution."

Fawu said it remained "of the strong view that workers cannot be forced to accept changes in conditions of work."

Responding to SAB allegations of intimidation, Fawu said it "did not operate according to methods of intimidation."

However, "as long as we have antiquated laws that regulate strikes and workers are denied basic rights such as to gather and to picket, and as long as the police and defence force are present at every industrial dispute, it is inevitable there will be incidents."

"In many cases these incidents are due to management or police overaction, and could easily be avoided,"
Beer strike
over for some

THE national beer strike is over, but strikers at the Newlands SAB plant are refusing to return after the arrest of a worker.

The strike, which began over a decision by South African Breweries to introduce non-stop production at Rosslyn, slashed beer production to about a third of the normal output of five million litres a week.

The Rosslyn workers felt that although management had reduced their working hours from 46 to 40 and increased their wages, the continuous shifts would interfere with their social lives. Saturdays and Sundays would become ordinary working days.

When SAB sacked the strikers, brewery workers at 10 plants throughout the country began a sympathy strike a week later.

In Cape Town workers downed tools at the Newlands and Pinelands plants.
Beer strike is settled

Own Correspondent

JOHANNESBURG — Members of the Food and Allied Workers' Union (Fawu) began returning to work at midday yesterday after an agreement to end their strike, and SAB said it expected stocks to return to pre-strike levels in two to three weeks.

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Mr Childs said he did not think that was correct or constructive. “We prefer to see it as a negotiated compromise between the parties. We must now endeavour to find a mutually acceptable solution.”

Fawu said it remained “of the strong view that workers cannot be forced to accept changes in conditions of work.”

Mr Childs said that, while he was not acknowledging any union allegations, he thought the company and the union had structured a solid foundation from which to move forward.

Responding to SAB allegations of intimidation, Fawu said it “did not operate according to methods of intimidation.”

However, it added, “As long as we have antiquated laws that regulate strikes, and workers are denied basic rights such as to gather and to picket, and as long as the police and defence force are present at every industrial dispute, it is inevitable there will be incidents.

“In many cases these incidents are due to management or police overreaction, and could easily be avoided.”
SA Breweries and the Food and Allied Workers Union (Fawu) were due to meet to try to resolve the week-old Rosslyn strike as the FM went to press. A quick breakthrough, ending a looming beer shortage, seemed unlikely. Yet both sides were keen on talks or, more likely, a series of talks to resolve their deadlock dispute.

The company said on Monday that the fate of the 343 employees — dismissed on June 19 for refusing to work under its new "continuous production" system — was not final. Nor had management taken a decision to stop the Rosslyn plant, which employs 2,550 (and growing) workers who joined in a sympathy strike at its other plants around the country. The total workforce is around 10,000.

At issue is the company's implementation of a new system of "continuous production," which SAB points out its Rosslyn plant was designed for. All employees were consulted from the outset that the system could be introduced at any time, maintains company spokesman Gary May. Herein lies the rub.

Fawu General Secretary Jan Theron, on the other hand, says it's "absolutely untrue" for SAB to claim (as it did in newspaper advertisements last week), that all workers signed contracts agreeing to the continuous shift system before they were employed at Rosslyn. The company began doing this only fairly recently with new employees, Theron concedes.

The company is quite happy to have this wrangle sorted out in court if it should come to that, maintaining that the workers were informed throughout.

In its ads, SAB outlined what seems to be quite acceptable pay and other conditions under the continuous system — in this case tied to a "core" biological brewing process "which you don't shut off," and around which its other divisions (packaging, transport) must be geared as volumes build up.

The company says continuous production would enable it to produce an additional 210 M/1 of beer a year — significant in relation to SAB's current total production of 650 M/1 and "the demand is there." Since the strike, the company estimates planned production is about 50% down, but no serious shortages have been experienced in "white" bottle stores so far.

Its Rosslyn plant is "crucial" to beer supplies in the Transvaal and the Free State. By Monday, the company said it had taken on casual labour to boost production of cans and dumps. However, the supply of quarts was "critical" as beer in this form accounts for around 70% of sales. Black account for the biggest sales and are most affected by the shortage, which was marked in Soweto's she-

Rosslyn plant...less to shift

changes are being forced on the workers. "Our article of faith is that you do not change conditions without negotiations with the representative union."

Theron concedes that the question of continuous production had been raised by the company in February, but he was evidently under the impression that the matter was postponed until their next round of annual wage talks. Later, however, Theron claims, the company said it wanted to "separate out" the continuous shift question from its annual talks with the union. And this is what got Theron's back up from the start.

Although aware of the production advantages of continuous shift work, the union is concerned that a precedent (changed conditions unilaterally imposed) is being set.

There seems to have been a breakdown in communication somewhere along the line. In accordance with the newly agreed principle, the union wasn't agreeable to the idea, mooted earlier, of a joint study with management of the continuous system — but emphatically not if it were first unilateral imposed. The company, however, claims that the union ignored its formal proposal to this effect.

The annual SAB wage talks were broken off last Thursday because of the stoppage. The union claims the workers took a strike ballot that day, which was 92% in favour of the stoppage. The company counters that only 55% took part in the ballot, SAB had set an ultimatum — midday Friday June 19 — for a return to work. The ballot result came just one day before the deadline, which meant some workers were deemed to have been dismissed. Others had agreed to the new shifts but nonetheless voted for a strike, placing them in an odd, but legal position.

SAB had declared a dispute with the union in April over what it saw as a separate wage issue. It had applied for a conciliation board, which was not instituted within the 30-day limit.

The rest, as they say, is history...Given both sides' willingness to negotiate an end to the strike, clarity will no doubt emerge over the range of complex issues involved.

These are — whether or not Rosslyn workers signed any undertaking, whether they knew what they were signing, whether the union was by-passed in implementing the new shift system and, related to it, the company's shift to implement it and, to what extent union members are concerned about the social implications, the status of "enterprise bargaining" whereby the unions are seeking one set of negotiations for one company, and whether a political protest aspect is involved.
The brief beer battle fizzes away

BY SEFAKO NYAKA

THE Food and Allied Workers' Union won a partial victory this week when the South African Breweries agreed to reinstate 343 dismissed workers at the Rosslyn plant near Pretoria.

The SAB also agreed to take back all the 3,200 workers who went out on a solidary strike at 12 depots and plants nationwide — and to withdraw interdicts barring workers from entering the plant "save for the execution of their duties pursuant to their contracts of employment".

Workers at the Rosslyn plant went on strike in protest against a proposed seven-day week continuous shift.

According to Fawu, the SAB had agreed that only one of the four production lines would operate on the continuous shift system. The line would be manned by workers who were employed about two months ago specifically for a continuous shift and are presently on probation with the company.

These workers have accepted a continuous shift and working on this basis does not represent any change in their conditions of employment.

The shift will not affect the workers who had signed an agreement for a five-day week.

The agreement is in sharp contrast to the SAB's earlier claim that all the dismissed workers had signed an agreement that they would work a continuous shift when the plant came into full operation.

The beer supply in the retail industry had almost dwindled. At pubs in town, "happy hour" discount prices were cancelled. Meanwhile shebeens were forced to charge R1.50 for cans which normally sold at 80c — and would sell only to regular customers.

The strike was reaching alarming proportions, with several non-Fawu plants threatening to come out in strike.
Zimbabwe brewery ‘did not defeat strike’

BULAWAYO — The general manager of Zimbabwe’s National Breweries denied local press reports that his company defeated the SAB strike in South Africa by agreeing to supply beer to SA.

Mr Denu Watts told Zana here yesterday that it was “mere coincidence” that the order for 1.1 million cases of “Leon Lager” worth £2 25 million (R2 million) had been placed at a time when brewery workers around SA were on strike in solidarity with dismissed workers in Pretoria who refused to work on a continuous-shift basis.

Mr Watts said negotiations for the export orders began more than five months ago.

“We have had five months of planning and this has nothing to do whatsoever with the strike.”

He also said there was no intention to flout the sanctions call against Pretoria and the order was not aimed at frustrating the aspirations of the 37 000 black workers who called off their 10-day strike yesterday — Sapa
Workers fight to control their own lives

The main message that seemed to emerge from the South African Breweries strike was that the workers were not prepared to accept unilateral changes in their conditions of employment.

Relatively early in the strike Jan Theron, Food and Allied Workers' Union (Fawu) general secretary, said the company had made it clear that the introduction of continuous processing was non-negotiable.

"All they were prepared to talk about was the conditions under which it would be introduced," he said.

"SAB attempted to force the issue by threatening a lockout when workers refused to accept this. Their options were to strike or be locked out."

Another unionist pointed out that the growth of the Congress of South African Trade Unions (Cosatu) was based on building structures through which workers could control their daily lives — "a democratic process where we are challenging the arbitrary rule of management in the factories."

"Unilateral moves to impose any process in a factory are seen as attempts to erode worker organisations," he said.

Among unionists there's also some elation that the compensation package being offered by the company comes fairly close to meeting several demands of the Cosatu living wage campaign.

- A monthly minimum wage of R877.50.
- A reduction in the working week from 45 to 40 hours, and
- The creation of about 80 new jobs.

But one has to wonder what the IR staff at SAB thought about the "Facts About The Beer Shortage" newspaper advert.

Fawu immediately called it a ploy to capture public sympathy — and why the SAB monopoly would need to appeal to the loyalty of their captive market is a trifle difficult to understand — which was hotly denied by SAB.

The advert, which would appear to have been motivated by marketing rather than IR considerations, immediately introduced an additional dimension into the situation.

There was also the claim by SAB that all the workers had signed contracts "agreeing to this system before they were employed," which Fawu said they were unable to prove when challenged.

SAB responded by claiming this approach was defamation and public affairs spokesman Gary May said yesterday the contracts would probably be laid on the table at some later stage.

In the end, Fawu claimed that "breweries workers nationally won a great victory."
THE SAB strike is over something the Food and Allied Workers’ Union regards as a “great national victory for the workers.”

This follows an agreement reached between SAB and Fawu. A key factor in the agreement is that one of the largest 750ml bottling lines at Rosslyn will start operating continuously with immediate effect.

Fawu said that in terms of the SAB settlement, the dispute concerning continuous work at the Rosslyn plant would be referred to mediation.

All dismissed workers at Rosslyn would be reinstated “on conditions not less favourable than those applicable prior to their dismissal”, and the other plants which have been on strike in solidarity with the dismissed workers at Rosslyn would resume work.

Fawu said before taking industrial action, workers at Rosslyn had offered to work overtime on Saturdays to help overcome the production shortfall and the SAB had now agreed to the offer.

“In addition, one out of the four production lines will work on a continuous basis. However, this line will be manned only by workers who SAB employed some two months ago specifically for continuous shifts and who are presently on probation with the company,” said Fawu.

Fawu said workers who were employed on the basis of a five-day week and who never agreed to work on a continuous basis would not be required to do so.

“We must emphasise that this is not a final settlement,” said Fawu.

The dispute, which developed into a strike last week by over 3,000 Fawu members at nine SAB operations in the Transvaal and Cape, arose as a result of the dismissal of 343 workers at SAB’s plant at Rosslyn after their objection to a system of continuous operation.

Although SAB claims that the workers at Rosslyn had agreed in contract to work on a continuous shift system, Fawu described these claims as “false.”

Asked to comment on the stance taken by Fawu, Memtjes said “In keeping with the present general worker tradition in South Africa of challenging managerial objections on conditions of work, Fawu members have surfaced to reveal the kind of attitude of employers in this country that has been prevailing over the decades.

“The workers have built the prosperity of this country with their toil. Now that we are asking for is simple fair play, justice and understanding,” said Memtjes.

The striking members of Fawu were supported by another trade union, the Food and Beverages Workers’ Union (FBWU), which has 300 members employed by SAB. Four days of no talks, with SAB in sympathy with those workers already on strike.

Meanwhile, a mid-year report on collective bargaining trends released earlier this week, makes the point that strikes in South Africa that extended for longer than four weeks are indicative of the solidarity and militancy of labour at the moment, as well as the ability to sustain extremely lengthy strike action.

“We are of the view that workers cannot be forced to accept changes in conditions of work and hope that SAB will now accept this”

An SAB spokesman said the company hoped the mediation would lead to “a speedy and lasting settlement, which would be in the best interests of SAB employees, customers and the South African beer drinker.”

Almost from the outset SAB had experienced critical shortages of 750ml bottles of beer, and at the weekend the Reef experienced a wave of panic buying.

Yesterday, SAB accused Fawu of intimidation of workers at Rosslyn and at the Caledon malting plant and near its Newlands brewery.

Police confirmed that they arrested four people after an incident outside the Rosslyn plant early yesterday.
Zimbabwean beer, 'Tlo SA', plan shelved
Mugabe halts beer earmarked for SA

HARARE — The government of Zimbabwe's teetotaller Prime Minister, Mr Robert Mugabe, this weekend temporarily halted delivery to South Africa of 1.1 million cases of beer brewed in Bulawayo.

Advocates of a Zimbabwean trade boycott against South Africa claimed the beer export order, worth nearly R4 million rand, was desperately needed foreign currency, would literally give "cheer and comfort" to thrifty supporters of apartheid.

Workers on shift at the National Breweries plant in Bulawayo were yesterday all set to load up the first consignment due to cross the Limpopo today when the order came from Harare to down crates. Much of the Transvaal and Free State has been "dry" since the strike at South African breweries plants halted production in mid-June.

Sources in Harare said Mr Mugabe's Ministry of Trade and Commerce stopped the beer exports "on political grounds" until the deal has been discussed by the Zimbabwean cabinet at its scheduled weekly meeting tomorrow.

South Africa is still Zimbabwe's second largest trading partner after Britain, but political sources say supply of the much publicised beer export order might damage the credibility of Mr Mugabe's demands for mandatory sanctions against Pretoria at the forthcoming commonwealth leaders' conference in Vancouver.

Mr Mugabe reaffirmed his commitment to sanctions when he spoke at the weekend in Ndola, Zambia, at the end of an official visit.

A spokesman for National Breweries last week denied that the export order, sealed two months ago, was intended to break the strike by 3,000 black workers of South African Breweries, which ended last Wednesday.

No comment was available yesterday from National Breweries' chiefs.

Mr Mugabe's government is currently negotiating acquisition of a sixty per cent controlling interest in the company, in which South African Breweries holds a 41 per cent stake through a subsidiary.
HARARE. — Staff at Zimbabwe's National Breweries depot in Bulawayo yesterday resumed loading the first consignment of beer for South Africa after an unexpectedly swift reversal of policy by Mr Robert Mugabe's government.

Zimbabwean officials halted the departure of the beer exports over the weekend, fearing grave political embarrassment to Mr Mugabe in his quest to have comprehensive mandatory sanctions imposed on South Africa internationally.

Zimbabwe's National Breweries maintains an order for 1.1 million cases of lager — worth nearly R4m to the country in desperately-needed hard foreign currency — was sealed more than a month before the recent strike by South African Breweries' workers.

The first thirst-quenching Zimbabwean consignments may now cross the Limpopo today. They will be off-loaded at Messina, according to sources here, and the lorries re-loaded with the high quality packaging material needed for the next consignment. Due to the foreign exchange crisis here, such packaging is unobtainable in Zimbabwe.

A spokesman for National Breweries would yesterday only say that "the matter had been resolved".
Zimbabwe beer: Nobody knows

OWN CORRESPONDENT
JOHANNESBURG — Whether the beer SA Breweries ordered from Zimbabwe will eventually get to SA remains to be seen.

SAB public affairs manager Mr Gary May yesterday said the Zimbabwe government had not told SAB it had banned the consignment, company representatives were still talking to the government and delivery was only due by the weekend.

But Reuters reports that Zimbabwe Trade and Commerce Secretary Mr William Mudekunye announced on Monday night that the consignment had been banned.

Mr May said the order, worth about R3m and involving a single brand, would ease the shortage in the Northern Transvaal.

A new SAB bottling line is to come on stream in Chamdor, Krugersdorp, next month. Its R150m extension at Rosslyn is scheduled to produce next April.
At SAB the pace is Setting machinery

BY: OREGE TOMER

SAB

BUSINESSMAN OF THE WEEK

THOMPSON, Thoispokwana, in the Thohoyandou district of Lephalale
and the Tshing College, the University of Limpopo
The first student of the African Development Corporation
His first job was building the power station.

SAB (South African Breweries)

Prince Charles

2887

1/11/82
SAB acquires control of Lion Match

SA BREWERIES has acquired control of Lion Match, the South African arm of the Swedish brewing company, for more than R100m.

The acquisition was announced by the company yesterday, and the purchase of the 46.6% shareholding of Lion Match is valued at R60m.

The deal was subject to a cash payment of R60m, to be made by the company.

The acquisition will be financed by borrowings and cash generated by the company.

The company's chairman, Mr. P. H. M. van der Merwe, said that the acquisition was a significant step forward for the company.

He added that the acquisition would enable the company to expand its operations in South Africa and increase its market share.
SA BREWERIES

**Flexing retail muscle**

**Activities.** Diversified liquor group dominating the SA beer industry, and holding 30% interest in Cape Wine and Distillers. Subsidiaries include Afocl, Amrel, Edgars, OK Bazaars and Southern Sun.

**Control:** The Premier Group holds 35.6% of the equity, while Old Mutual has 14.7%.

**Chairman:** M.B. Hofmeyr, managing director J.M. Kahn.

**Capital structure.** 26,2mords of 20c, 1m 6.2%cum prefs of R2, 42,6m 7% red cum prefs of R1, 2.5m 7% cum prefs of R1, 1.7m red cum prefs of 10c. Market capitalisation R5 billion.

**Share market.** Price 1900c. Yields 2.6% on dividend. 5.9% on earnings. PE ratio, 16.8. Cover, 2.2. 12-month high, 2175c. low, 980c. Trading volume last quarter, 2,09m shares.

**Financial.** Year to March 31.

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**Performance.**

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<td>9.9</td>
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<td>5745</td>
<td>7083</td>
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<td>Pre-m profit (Rm)</td>
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<td>387.4</td>
<td>367.2</td>
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<td>Pre-m margin (%)</td>
<td>7.4</td>
<td>6.2</td>
<td>6.6</td>
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<td>243.5</td>
<td>252.6</td>
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<td>Dividend (Rm)</td>
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<td>3.7</td>
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<td>Gross dividend (Rm)</td>
<td>4.2</td>
<td>470</td>
<td>535</td>
<td>615</td>
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SAAB's Kehn... maintaining the earnings growth

SAB's Kehn broke through four stages, to record a powerful 36% in the last year. The beer division has swung off an already high base, as beer is the key determinant of SAB's health. The level of private consumption spending. This is estimated to have grown last year by 20%, while SAB's turnover advanced 24% — reflecting the extent to which the group is gaining penetration in markets that are themselves recovering.

When the group's retail interests collapsed after 1983, many analysts might have questioned the direction SAB had taken in its diversification into new markets during the Seventies. The group could hardly have chosen more cyclical industries than those represented by Amrel, Afocl (furniture), Southern Sun (hotels), and, to a lesser extent, OK Bazaars and Edgars. It was thanks only to the beer division that group earnings never declined.

But few groups offer better prospects in a rising economy. SAB's beer profits, accounting for 55% of group income, have easily recovered, while other subsidiaries are ready to respond to any increase in consumer spending.

Last year's performance can be summarised as follows: The beer division lifted earnings by 22% to R163.3m, while profits from retail and other interests increased by 59% to R131.1m. Among the non-beer interests, the most significant earners were OK Bazaars, up by 23% to R15.1m (R12.3m). Amrel, which transformed a R1m loss in 1986 into profits of R14m, Afocl, which more than doubled earnings to R23.8m (R11.1m), and the extraordinary Edgars, whose 123% rise to R40.5m (R18.3m) played an important part in SAB's recovery. However, Southern Sun, representing a still weak hotel industry, slipped further to profits of only R1.9m (R3.1m).

It is not only the quantity, but also the quality of SAB's earnings that is "a major attraction for investing in the share," says William Bowler of stockbroking firm Ferguson Bros. Hall Stewart. Bowler puts to the group's conservative method of valuing fixed assets vital in an inflationary environment — and its use of a tax equalisation reserve to smooth out the inevitable increase in its currently low tax rate.

The R29.1m charged towards replacement cost depreciation last year is an adjustment, says Bowler, "not normally found in primary accounts." Had SAB used conventional accounting, adds Bowler, group earnings last year would have amounted to R15.7c — some 24% higher than the actual 11.2c.

For a consumer group emerging from an extended recession, SAB has done well over the past seven years to maintain key performance objectives. Growth in shareholders' wealth, measured by combining growth in SAB shares with total dividends, now stands at 36% per year. This compares, says MD Meyer Kahn, "with a rate of 50% calculated for the 10 largest comparable industrial equity investments." Return on revalued equity — again over seven years — is 19%, just short of the targeted 20%. The gearing ratio, treating the variable rate redeemable prefs as borrowings, improved last year to 46% from 50%, using the group's method of calculation (48% and 51% according to the FM's method).

This is well below management's self-imposed ceiling of 60%, and will allow for some gearing up ahead of the massive expansion planned for the beer division. Some R500m will be spent over the next three years. Borrowings will need to be increased by about R250m, says Kahn, and although "existing facilities are adequate to handle the further funding needs there are a number of interesting alternative financial propositions being studied."

At R19, the counter trade on a p e ratio of 17 times. It is a better rating than the group has enjoyed for a long time, but still remains, in Bowler's view, a rating that is undemanding in relative earnings and dividend yield terms.

SAB is likely to see solid growth from its beer division, and further recovery in its other interests. It appears to be in a sustainable growth phase that should receive imputus from growth in the economy this year and in 1988. The share may consolidate further around present levels, but could show continued growth in the medium-term.
Liquor prices set to go up

By MICK COLLINS

The price of a bottle of spirits will rise by between 5c and 5% from August 1. The price of a bottle of beer will go up by between 20c and 5%, depending on the area.

The increases are the second liquor price adjustments this year and follow closely on beer price rises announced by SA Breweries.

Gilbeys' MD Peter Fleck says the price rises are the result of a 19% increase announced by primary producers on February 1.

He says: "At the time we felt the impact of that would be quite severe and hence split the increase into two legs. Lower percentage increases are less disruptive on consumer trends."

Federated Hotel, Liquor and Catering Association (Fedhassa) says the increases will also affect restaurant and hotel prices.

But Fedhassa executive director, operations, Fred Thermann, has given the assurance that its members will not use the increases to inflate prices.

"Fedhassa is not exactly ecstatic about the hikes — any increase in the present economic climate is bad news. The traditional liquor retailing sector is threatened by over trading, statutory monopolies, falling liquor sales, rising costs and the freer issuing of liquor licences."

Some housebrands of white and brown spirits, as well as all economy packs of wines have escaped unaffected, while some estate wines will go down in price.

Meanwhile, governments have plugged another loophole in GST evasion by which Therrianz describes as "delinquent" liquor sales practices.

From August 1, all liquor sold will be subject to GST, whether for local consumption or export, as scrapping a over export exemption system.
Brewery strike continues

ABOUT 200 members of the Food and Allied Workers Union employed by South African Breweries in Bloemfontein are still on strike — since Friday — following allegations that a white official attempted to drive over a union member who he called a kaffir.

Workers downed tools after accusing management of delaying the matter for almost two months and postponing discussions indefinitely.

Fawu has also accused the SAB of not following proper procedures in the dispute and was not prepared to discuss it.

Workers at various other SAB plants are discussing the issue with a view of taking action.

The workers said the white official had insulted a union official, called him a kaffir and threatened to run him over with a car.

SAB spokesmen were not available for comment yesterday.
250 are still out at brewery

MORE than 250 workers at the South African Breweries' Bloemfontein plant were still on strike yesterday following a dispute over a white official's alleged use of abusive language. The Food and Allied Workers Union (Fawu) spokesman, Mr Ronnie Petersen, said the strike would continue even after the official this week.

management suspended the official without a proper hearing and consultation with Fawu.
that Potwa be stopped from influencing more workers to go on strike.

Potwa was reported to have filed replying affidavits on Monday.

Meanwhile, the nine-month-old Post Office strike in the Eastern Cape is still continuing.

Last week 17,000 Post Office workers in the country downed tools for two days—an sympathy with their Eastern Cape colleagues.

However, the 17,000 workers went back to work last Wednesday and only 1,700 Eastern Cape workers remained on strike.

The Eastern Cape workers are asking for the reinstatement of 60 workers.

Potwa is also asking that the striking workers be paid in full for the duration of the strike.

At the height of the sympathy strike last week, the government applied for an urgent Supreme Court interdict to restrain Potwa from promoting strike action.

Judge Roux ordered Potwa and Van Khumalo, Potwa's national president named in the application, to file replying affidavits.

In support of his affidavit to prohibit Potwa from interfering with the black work force of the postal services, the Minister handed in a statement by Captian GG Sima, of the security branch.

Smit said Potwa had decided at a meeting in Mokwakwe, Randfontein, last week that all striking workers should return to work on July 20.

However, Smit said he had information that Potwa could start another general strike.

Concerning the SAB dispute, public affairs manager Gary May said this week the white supervisor at the centre of the row has been suspended while management and workers were holding talks over the matter.

Food and Allied Workers' Union regional organiser Ronnie Pettersen, who is handling the SAB dispute, said workers did not accept management's proposal that the matter be referred for mediation.

He said the workers had lodged a complaint about the white supervisor on June 24 and management had been 'dragging it's feet' in taking action.

"The workers are prepared to resume duties at anytime once management addresses the situation by dismissing the culprit with immediate effect," said Pettersen.

Pettersen added if the dispute was not settled quickly the strike might spread to other provinces, particularly the Western Cape and the Transvaal.

He said shop stewards in those areas have already indicated that they shared the same sentiments with workers at the Bloemfontein plant.

The organisers said beer supplies in Bloemfontein have been affected as there have been no deliveries since Friday.

"People have been seen forming long queues at the brewery plant to fetch their orders.

Bloemfontein's Molteno affected employees, who wish to remain anonymous told City Press that there was no beer at the hotel over the weekend.

Last month SAB workers at the Royalton plant were the largest in the country—went on strike.

The strike was most effective in brewery history—disrupted beer supplies to major bottling plants and more plants joined in.

The Transvaal encountered a serious beer drought as a result of the action.

Soweto council workers wait for the outcome of the talks with the mayor and their representatives.

A 10-member delegation yesterday met council officials at the Jabulani Civic Centre, while thousands of workers stood around in groups at Zondo, awaiting the outcome of the talks.

Other worker grievances include:

- Disparity of pay between black and white staff.
- A senior black administration clerk with at least 10 years' service earns R1,750 a month, while whites with a few months' service earn R1,917.25.
- Artisans and labourers were used as errands, but were not paid for driving council vehicles.
- Black workers were given a 12.5 percent increment at the beginning of July, while whites got 12.5 percent, retrospective to April.
- The effect of the strike would mean that, if there is a power failure or burst water pipe, there would be nobody to effect repairs, and very few people will be buried at the weekend because there are not enough grave workers in the centres.

Picture: EVANS M'BOWENI

Nelson Mandela

Englands Luxury Cigar BACK IN THE MILLER SPECIAL

Mills Special is made from only the finest and most expensive tobaccos for your smoking enjoyment.

Also in the new 10s and 30s packs.

THE CIGARETTE FOR CONNOISSEURS

Now manufactured in South Africa.
JOHANNESBURG. —
The Chemical Workers' Industrial Union had no intention of defaming the directors and senior managers of Sasol and never alleged their involvement in vigilante attacks on its members, the CWIU said in a statement yesterday.

Branch secretary Mr Chris Bonner said in a statement to Sapa, however, that there was evidence "to suggest that certain members of lower management were involved in organizing and/or condoned the attacks on our members".

"The CWIU has informed Sasol accordingly and has proposed that an independent commission of inquiry be set up to look into the attacks..."

The statement suggested the inquiry be "headed by a senior member of the Johannesburg Bar". — Sapa
Poor coffee sales hit Beckett's bottom line

Earnings (2.6 times)
At the year-end, turnover had increased 11% to R183m (R166m) but operating profit was 10% lower at R16,6m (R20,5m).

The increase in sales revenue was thanks to improved tea sales, notably rooibos tea which reached record levels. Nonetheless, planned levels of turnover were not achieved. Although long-term borrowings rose 125% to R38,3m (R15,4m), total debt was reduced to R17,2m (R24,4m) resulting in lower interest payments of R2,1m (R4,1m) and a reduction in gearing to 40% (65%).

Despite the dismal performance over the past 12 months, the directors see an improvement in both sales and profits in the current year.
Workers tell of assault by strikers

AN UNEMPLOYED man and another man who had been "casualling" at a brewery for five years told the Wynberg Regional Court yesterday how they were assaulted outside the brewery for wanting to go in when other workers were "on strike."

The two gave evidence in the trial of Mr Wennington Nwezo, 43, of Khayelitsha, who is charged with intimidating Mr Michael Tite, Ms Nozima Nembole and Mr Welcome Jabusa at Ohlsson's Cape Breweries on June 30 by forcing them to stay away from work.

The state alleges he assaulted and injured them with an axe or sharp instruments, punching and kicking them. He is alternatively charged with assaulting with aggravating circumstances and threatening to kill, assault and injure them.

Mr Tite, who has been working at Ohlsson's since 1993 as a "casual," said he had come to work on June 29 and "some people told me if I did not want to die then I must stop work. A white man stopped them."

Mr Tite returned to work the following day and on his way to the entrance gate he was attacked by a man wielding a "small axe." He was hit on the leg and was bleeding. On his way to Newlands station the police told him to return to work to find someone to take him to a hospital.

As he approached the gate a second time Mr Nwezo came to him and told him to go back.

"The accused told me it was dangerous to go on to the premises as I could be assaulted. I told him I wanted to work because I was hungry," he said. The police arrived soon after and arrested Mr Nwezo.

Mr Welcome Jabusa said he and others had gone to Ohlsson's to look for work. A man told them to go home as the "workers were on strike."

"They said they would hit us and when we turned around to go home the men hit us," Mr Jabusa said. He said Mr Nwezo was one of the men in the group.

He said he was assaulted with an object, but was not sure whether it was a stick or an iron bar.

Stones were thrown at them while running to the railway line at Newlands station. Mr Nwezo said Mr Jabusa said Mr Nwezo threatened to kill him if he returned to the brewery. He was later taken to Victoria Hospital.

The hearing was adjourned to August 24.

Mr P.J. Fedler was the magistrate. Mr P. Mothoane prosecuted. Mr A. Chaff appeared for Mr Nwezo.
Soft drink giant’s offer to workers

MICK COLLINS

SOFT drink giant Amalgamated Beverage Industries (ABI) yesterday popped the question to 3 500 employees and 7 000 dealers with an R11m gilt-edged share offer in its R440m-a-year bottling business.

The bottlers of Coca-Cola, Fanta, Sprite and Schweppes products, made the non-racial, nobody-can-lose, offer of

AMALGAMATED BEVERAGE INDUSTRIES

Profit after
18,123
18,107
16,885

15.86
16.13
15.78

Shareholders Funds
Earnings per
18.66
18.13
22.08

share

Year ending 31 March
1986
1987
1988 Forecast

shares priced at R1 in blocks of 100

MD Alex Reid said the offer would allow 11% of ABI to be owned by customers and staff.

"It’s the biggest offer of its type in SA, and gives all our staff and independent dealers the chance to own a meaningful stake in a multi...non-rand company.”

“We would like them to become shar-holders and share in the profits that ABI expects to make,” Reid said.

ABI says anyone wanting to sell their shares is guaranteed not to lose money on the deal.

They can sell them at R160 for 100 shares in July 1988 to major shareholder SA Breweries, which guarantees to buy them at that price.

Coca-Cola sold its 30% holding in ABI in October last year amid US anti-apartheid pressure.

At the time of its withdrawal, the company announced that most of its holdings would be sold to SA Breweries, while the remainder of its shares would be distributed among dealers and employees on a non-racial basis.
Loans

The company's man shareholders, SA Brew, have granted a loan to a bank to lend deposits to shareholders. Any employee who has been with the company for at least six months can get a loan to buy shares in the company. The maximum loan is $100 for each employee. The interest rate is 6% per annum. The number of shares a person can get depends on their contribution to the company. For each deposit of $100, a person can get one share. The company expects to start making profits in the next three years. The price of a share is expected to rise. If SA Brew and the other shareholders agree to buy more shares, the price of a share will also rise. The company is trying to avoid raising the price of a share. The Managing Director, Mr. Alex Rile, said they had asked for more shares to help shareholders and employees.
ABI makes dealers, staff an offer they can't refuse

By Ann Crotty

Full marks to Amalgamated Beverage Industries (ABI) for its attempt to get independent dealers and staff involved in share-ownership.

ABI, which was formerly controlled by the Coca-Cola Corporation, is offering 11 million shares to approximately 11000 of its independent dealers and staff at R1 a share.

With the final withdrawal of Coca-Cola Corporation earlier this year, ownership of ABI ended up with South African Breweries, who held 70 percent, and Cadbury-Schweppes who held 19 percent.

The outstanding 11 percent was held by National Beverage Service — which was controlled by the Coca-Cola Corporation — with the intention of making the shares available to dealers and staff.

This was in line with an agreement, struck last year, between SAB, Cadbury-Schweppes and Coca-Cola.

According to the prospectus, the purpose of the offer is to provide an opportunity for non-racial participation in the Coca-Cola bottling system in South Africa and for ABI's independent dealers and its staff members at all levels to acquire an equity stake in the company.

According to MD Alex Reid, the majority of the 11000 dealers and staff who stand to benefit from the offer are black.

Earnings per share for financial 1988 are forecast to increase to 22c from the 1987 level of 18.1c.

This puts the share on a price-earnings ratio of 4.5 times which is remarkably cheap given the quality of the company.

The offer price is apparently in line with the price paid by SAB and Cadbury-Schweppes for their increased stake earlier this year.

SAB has undertaken to buy-back the 11 million shares being offered at 160c a share in July 1989.

Unless ABI goes into a nose-dive, it is difficult to see any of the new shareholders accepting this offer.

What should help to make the deal even more attractive to potential buyers is the prospect of some two years down the line of ABI getting a listing on the JSE if conditions are suitable.

This should result in a sharp surge in the share price which would provide shareholders with more than a 60 percent return on their investment.

Although management control will remain firmly with SAB, the offer is extremely exciting in view of the immense efforts ABI are making, particularly in terms of educating the potential buyers and organising the facilities, to ensure that it is well received.

Govt to sell beer outlets to blacks

THE Government is to speed up its deregulation policies and to privatise and sell its sorghum beer outlets to blacks in South Africa, a Government official said yesterday.

Addressing the fifth annual conference of Ukamba Liquor Association, the chief executive director of the Department of Development and Planning, Mr J Scheepers, said the Government wanted to speed up these practices because it aimed at improving the standard of living as well as to involve blacks in the free enterprise system.

He said various organisations such as the National African Federated Chamber of Commerce (Nafcoc), Ukamba and the National Tavern Association had made proposals to the Government concerning the selling of liquor outlets to blacks in residential areas. The proposals were put before a Government select committee.

The Government is prepared to give blacks opportunities to get into the black liquor trade because it wanted to relinquish these industries to private sector, Mr Scheepers said.

He added that there had been a sharp decline in the profits made by these outlets while they were owned by government institutions such as administration and development boards.

"The main reason for the decline was because of political unrest which erupted in black residential areas in recent days," he said.

Replying to a question from a delegate, Mr Scheepers said the Government did not intend selling these outlets to the private sector because of unrest situation but mainly because it wanted blacks and the private sector to get involved in the free enterprise system.

However, he said it was not the intention of the Government to sell these outlets to community councillors or to any government bodies.

He encouraged Ukamba members to establish partnerships with other companies in order to buy these outlets with the purpose of uplifting the standards of living for blacks and to improve their quality of life in the country.
Brewery employee acquitted of assault

A BREWERY employee was yesterday acquitted in the Wynberg Regional Court of intimidating and assaulting colleagues and forcing them to stay away from work.

The state had alleged that Mr Wennington Nwezo, 43, of Khayelitsha, intimidated Mr Michael Tite, Ms Noheza Nembile and Mr Welcome Jubisa at Olissons Breweries on June 30 by forcing them to stay away from work.

Mr Nwezo said he was a shop steward at the brewery whose duties included liaising with workers and management.

At a previous hearing Mr Nwezo said he arrived at work at about 6.30am and saw policemen on the premises. He was told by fellow workers that there was a "problem with casuals" and they had been chased away.

The magistrate, Mr A S McCarthy, said the complainants had clearly been assaulted by a group of workers. He said the state had failed to prove Mr Nwezo was a part of the group.

Mr P Mostert prosecuted Mr A Chitai appeared for Mr Nwezo.
Beer dispute: Possible shortage

Labour Reporter

SOUTH AFRICAN beer drinkers might soon be faced with a shortage if the South African Breweries and the Food and Allied Workers' Union fail to settle their wage dispute, which began in June.

SAB's manager of public affairs, Mr Gary May, said yesterday that it and the union had applied for a conciliation board after national pay talks broke down this week.

A strike in June this year, beginning at Roslyn brewery, Pretoria, resulted in sympathy strikes by 500 Western Cape workers and thousands more across the country, causing severe beer shortages.

Mr May said he hoped a conciliation board meeting would take place in the next month.

Fawu's assistant general secretary, Mr Mike Mdlalaza, said the conciliation board was the last step before industrial action could be taken.

He said the union had suggested that the dispute be referred to mediation, but this had been rejected by management.
Warning for beef drinkers

JOHANNESBURG - South African beer drinkers face a national shortage of their favourite drink unless a pay settlement is reached soon between the Food and Allied Workers' Union (Fawu) and South African Breweries.

Fawu's assistant general secretary, Mr Mike Madlala, said wage negotiations, had deadlock and the union had decided to apply for a conciliation board, a last step before industrial action can be taken.

Mr Madlala said the union had suggested the dispute be referred to mediation, but management rejected this. SAB's manager of industrial relations, Mr Rob Childs, said the company would go to the conciliation board with the hope of resolving the problem.

Mr Madlala said about 5,000 workers at 15 plants in the Transvaal, the Free State and the Eastern and Western Cape were affected by the dispute. — Sapa
Bakoven hot on SAB talk

Bakoven rose as high as 70c on the Johannesburg Stock Exchange this week from the previous week’s 55c on market talk of a buy-out.

The share reached a staggering PE ratio of more than 40 before closing at 60c. SA Breweries is thought to be interested in channeling its industrial catering interests into Bakoven.

Market talk is that SAB has recruited staff from Feds for the new business. SAB was steady on the week, closing at 242c.

Malbock added more than R12 to 1.275c on Friday, making a 57c gain on the week. A reshuffle of interests within Gencor’s industrial divisions is imminent.

Little-traded Frencorp, primarily a supplier of industrial goods, bolted up from 460c to 800c on the week. The market got wind of the takeover by HUDACO Hudaco gained 10c to 760c.

Dimension Data is thought to be talking to Unitech, an even more recent listing. Di-data lost 20c to 240c on the week, but Unitech peaked at 130c before easing to 120c on Friday.

Adprom was also thought to be involved in negotiations. It traded between 235c and 243c, but closed strongly at 240c bid. Perhaps the market is becoming more sceptical about every smaller company’s acquisition plans.

Punch Line was again a climber. Having bought Computer Sciences, Punch may now be talking to another company — one speculator suggests Hewlett-Packard, but this could not be confirmed.

One market source says that Elecnum may be trying to buy Litocor, which was wrested from its tentative grasp this year by Form-Scaff. Form-Scaff managing director Jeff Liebesman declined to deny the speculation.

Elecnum shares were offered at 440c on Friday, a gain of 60c on the week. Holding company Ebro touched 226c before easing to 210c, a not gain of 15c.

Oil finds

Consolidated Granite was actively traded and was 25c firmer on the week at 195c. Granite shares are coming into vogue.

The mining exploration sector was again active, notably Corex, which gained 70c on the week to close at 370c. The price leapt from 320c to 370c in one deal on Friday. Market talk is that there may be oil finds in the Algoa Basin.

Rho-Ex eased 30c on profit-taking to close at 440c. PGA traded at 860c, up 15c on the week. Freedev continued its strong run, peaking at 3.560c. Although closing 20c lower on Friday, it was 250c up on the week.

Also in the Johnnies, stable, Western Areas scooted up almost 50c to 2.560c, closing 50c off top. Holding company Elburg added 30c to 1.67c, closing 30c off the top.

A report in the London Financial Times about higher grades and better prospects seems to be behind the strength.

New listing Ospray Gold mine made a fine debut, issued at 75c in a private placing, the share reached 390c before easing to 320c. Versteling, which gained a similar gold spurt, reached 330c, closing 30c off its R132-million market capitalization exceeds that of sister mine Rand-Leased by 25% Many analysts believe the reverse would be more appropriate.

Leukophoresis took a bit of a pounding from sellers, dipping under 2.800c but closing there above Friday’s low of 1.950c.
Contracts for new brewery

SAB expansion programme goes into top gear

Johannesburg — SA Breweries' R500m expansion programme has moved into top gear, with the awarding of the civils and process equipment contracts for the new R270m Pietersburg brewery.

CMGM has been awarded the R19m civils contract and the company has moved on site.

The German company Steinecker has obtained the R46m process equipment contract. This embraces all materials handling equipment, the brewhouse, cellars, filtration, piping and associated process controls.

The remaining utilities, packaging and ancillary contracts will be awarded shortly to ensure that SAB meets its target date for the first brew of April, 1989, the beer division MD, Graham Mackay, announced yesterday.

This will be followed by the run-up to the full production output of 3.7m litres a week by September, 1989.

At SAB's flagship brewery, Rosslyn, the R340m brewery expansion was well under way, said Mackay, and the new bottling line, which would handle 60,000-750ml returnable bottles an hour — making it one of the biggest in the world — would be fully operational by September next year.

Two overseas suppliers, Simonazzi of Italy and Holstein and Kappert of Germany, had been awarded the equipment contracts for the project.

Simonazzi are supplying the wet packaging equipment (pasteuriser, washer and filler) and Holstein and Kappert the dry packaging plant (packers, unpackers, palletisers and depalletisers).

The R4m civil contract had been placed with Grunaker, and Mackay said orders for process and utilities equipment, necessary to increase brewing capacity to 15m litres a week, were about to be placed.

"Site clearance has already commenced, and our target date for commissioning is April, 1989," he said.

The Newlands brewery, in Cape Town, is boosting its capacity to 4.6m litres of beer a week from October next year in a R40m expansion project, and contracts are about to be awarded for brewhouse equipment, additional fermenting vessels, support utilities and piping.

Mackay announced that the R17.5m Butterworth brewery expansion was complete, and the unit now had a brewing capacity of 1.2m litres a week.

In addition, another bottling line at the Chardon brewery, outside Krugersdorp, had been installed, with an hourly production rate of 34,000 750ml returnable bottles — Sapa
Brewing giants shape up for international battle

Beer, once as local as the village blacksmith, is going international. Faced with flat or slow-growing home markets, brewers everywhere are scrambling to sell their ales outside their home territories.

For most of them that means (low volume) exports, licensing agreements and reciprocal distribution deals.

For Australia's international marauders it means full-blooded takeovers.

Exiling China, world beer production is only 0.7 percent higher, at 95.5 billion litres, in 1988 than in 1984, according to the International Beer Bulletin.

Japan was the fast-grower among the top five brewers, boosting production 3.1 percent a year.

Britain became more sober, turning out almost one percent less per year — partly because the British summers of 1985 and 1986 were awful. Soviet production fell 4.5 percent a year.

The fastest-growing market for beer is China. Despite a four-fold increase since 1988, production cannot keep up with demand (as brewers and consumers are getting richer). A London firm of market researchers, ERC Statistics International, expects China's beer consumption to grow by 20 percent a year until 1991, by which time it will be the world's third-largest market.

Brewers are turning over themselves to stave off competition from Chinese firms. Among the projects is a joint venture brewery with Switzerland's Pilschenronic with a capacity of 20 million litres a year. Why are two pugnacious Australian brewers looking instead to Europe and America?

Elders IXL (which makes Foster's lager) and Bond Corporation (with its Swain Lager and Chatham's) both want to turn Gold rushers into global household names by acquiring other brewers at quickly as bankers and shareholders allow.

The Aussies believe that existing global beer brands (such as Guinness and Heineken's Heineken) have forgotten about producing a beer that could be the drinker's equivalent of Coca-Cola, available in many places at a popular price. They could be right. Tastes are becoming more international.

Bond Corporation, controlled by Mr Alan Bond, an Australian financier, bought Pittsburgh Brewing in 1985 and has just offered $1.1 billion for G. Heidemann of West Germany, whose Old Style brand has helped it become second in the world.

If successful, the bid would catapult Bond's brewing interests past those of Elders IXL.

Elders IXL plans are no less ambitious. The company, which bought Britain's Courage brewery last year, is working on a financial restructuring which would leave it with a cash advance of $3.5 billion and no debt.

Mr John Elliott, chairman of Elders IXL, has hinted that he may bid for Anheuser-Busch of St Louis, the "King of Beers", with its Brauerei and Meisterbils breweries. He may also be casting his eyes on West German brewers.

On September 4, Elders IXL became the first Australian company to trade on the Frankfurt Stock Exchange.

If Elders IXL is to make a name for itself in the continental European market, it probably has to buy a big brewery.

Under West German law, brewers cannot brew foreign beer under licence, and they prefer to export bottled beer, rather than brewing someone else to use their name.

But experts in this business are not aware. The value of beer shipped in 1982 from the world's two largest exporters, West Germany and Belgium, was slightly over 1 percent of the year's world consumption, according to ERC Statistics International.

Even Britain and America, who import the most beer, only guzzle imports equivalent to 1.5 percent of world production.

Unless the American and European brewers start thinking internationally, the Australians will fetch their drink.

Anheuser-Busch, which has successfully repelled challenges from Japanese-based brewers (Foster in the 1980s, Schlitz in the 1950s and Miller in the 1970s), could be one of the first victims.

In the second quarter of 1987, pre-tax profits grew 10 percent to $811.2 million. Anheuser-Busch's share of America's domestic market increased from 37.5 percent to 38.4 percent, but it neither produces foreign beers under licence nor does it sell them.

The company says that its expenses overseas are limited to licensing agreements and joint ventures (mainly in the USSR, because output-bottlers like Elders IXL and Bond make buying breweries too expensive.

Anheuser-Busch's reluctance to spend its money could have left it with more than $1 billion in cash — which makes it a tasty takeover candidate. But the company is adopting a typi- cal Wall Street defence.

It plans to buy back its own shares, a sure sign that it is telling Elders IXL's threat serious- ly.

Almost half of Anheuser-Busch's $1 billion may be spent buying back its stock from shareholders over the next two years or so.

If Elders IXL backs away from Anheuser-Busch, it will be taking another step in its likely targets is the Miller Brewing Company, America's second biggest brewer, owned by cigarette maker Philip Morris.

Elders IXL already owns Cal- ing O Keefe Breweries, which makes Miller beer in Canada.

Either way, the Australians are likely to give Anheuser-Busch a tough time in its own backyard.

It will be a marketing battle, convincing American hauliers that a can of beer brewed and canned in America is Australian — and that having something Australian is good.

The first step toward success is an Aussie in charge. After that, what could be more British or French or Japanese than Coca-Cola, "the real thing"? - Economist.
SA Breweries (SAB) foresees a rapid growth in the market for beer as a result of the development of such areas as Blue Downs, Durbanville, Kuils River and Khayelitsha, its GM in the Western Cape, Sam Montsi, said yesterday.

It is planning a R40m expansion programme in the Western Cape and the first phase, a huge beer distribution depot in Bellville, was formally opened yesterday.

In addition to this, contracts are being awarded for major extensions to the brewery in Newlands which will boost its brewing capacity from the present 3.5m ℓ a week to nearly 5m ℓ.

At the opening of the Bellville depot Montsi announced that SAB would use it as an opportunity to create small businesses in the area.

It will contract out the distribution function at the depot to individual operators, some of whom now work as drivers for SAB.

"Once they have established themselves we will sell off our trucks to them to enable them to become owner-operators," said Montsi.

"In other words we will enable them to become entrepreneurs by giving them the opportunity to create their own capital base."

The new Bellville depot has 6,000 m³ of space. In addition to this it has office space for administrative and marketing staff and will provide ancillary services for truck handling and servicing.

Montsi said it was the second depot to be opened to improve customer service and "provide for the growing needs of beer drinkers in the northern suburbs of greater Cape Town as well as the Boland."

It was well positioned to cope with the anticipated growth in demand for beer in that area. The first depot was opened in Pinelands in 1961.

"The new depot is part of a long-term suite of depots aimed at improving road deliveries from the Newlands brewery to its customers in the Western Cape," Montsi said.
South African Breweries GM in the Western Cape, Sam Montsi, in the now R8bn beer distribution depot at Bellville, opened yesterday. Situated on a 4ha site, it can store 400 000 cases of beer and is the first phase of a R40m expansion plan in the Western Cape.

Beer market changing rapidly

Financial Staff

The beer market in the Western Cape is not only growing but changing rapidly, Mike Kovensky, President of the Federated Hotels, Liquor and Catering Association (Fedhas), said yesterday.

Speaking at the opening of the SA Breweries depot in Bellville, Kovensky warned retailers that they must define their target market and cater effectively for it if they wished to benefit. He said the building of the depot and the planned 40% increase in brewing capacity at the Newlands Brewery "must surely be highly significant for both the wholesale and retail trade in this region."

"We can safely assume that SAB is deciding making and forecasting is based on well researched fact, and recognition that the market place is endlessly capable of relatively free licensing, particularly in the black and coloured market."

"This will impact dramatically on the redistribution business, where there is intense competition between the 'legal' and 'illegal' operators. Retailers are already feeling the competition generated by new licences and feel threatened. This anxiety is often misguidedly transferred to the suppliers who are blamed for the retailers' woes," Kovensky said that SAB had clearly positioned themselves strategically to serve not only the existing but also the emerging markets.

"The enormous investment in new and upgraded roads to Mitchells Plain, Khayelitsha and Blikkiesdorp clearly shows which were the expected growth areas in the Peninsula."

"Far reaching changes and shifts in distribution patterns can and should be expected. I predict a significant increase in on-consumption facilities, whose profit margins are considerably higher than in the off-consumption business."

"This will result in a chain reaction as these new outlets seek a consistent source of supply. Are we not likely to see new distributors and suppliers emerge?"

"For the channel of distribution, it is clearly a time to re-assess and define its business. A time to identify the market segment and what business you are really in."

"For too long now, liquor retailers have regarded themselves as merely being part on an amorphous mass and in many instances have failed to identify the market segment they are serving."

"Accordingly, they have competed essentially on price, totally disregarding the fact that price is only one of the inputs to their marketing mix."

Kovensky said poor reporting "and failure to identify the business one is actually in have often resulted in costly services being offered for free and prices being below those the market can bear."

Heaters in Johannesburg, the clothing and textile prices, are clearing gold prices and other costs were not received last night.* * *
Beer shortage in city follows strike at SAB

Strike action by members of the Food and Allied Workers' Union (Fawu) at South African Breweries plants around Johannesburg has resulted in a partial shortage of beer.

SAB spokesman Mr Gary May, saying no "major problems" had been experienced, confirmed there had been "a shortage for about two days, and that has been corrected". Only one brand, which he could not name, had been affected, he said.

"In all our Johannesburg depots everything is normal, but there are still problems at Isando," said Mr May.

A spokesman for one of Johannesburg's major liquor suppliers, Benny Goldberg's, said the supply of pints had been affected. "Everyone is having the same problem," she said.

Fawu members at Dwyers and Isando stopped work for three days last week in protest at the dismissal of 12 workers.

Workers at the Dwyers and Isando plants decided to resume work today after management agreed to reinstate the dismissed 12.

SAB and Fawu are awaiting a conciliation board to resolve a national wage dispute affecting about 3000 workers and which has led to an overtime ban by workers.
200 more join strike

About 200 workers are on strike at two South African shippers plants on the Reef.

An SAB spokesman confirmed that the 800 workers who downed tools at the Isando plant on Friday in solidarity with six dismissed colleagues had been joined by about 200 workers at the Denver depot.

He said the dismissed workers at Isando had declined to work at previously agreed levels.

This was rejected by the Food and Allied Workers' Union (Patwa) spokesman.
Share offer 'politically ill-timed'

Soweto Chamber of Commerce rejects ABI deal

From THEO RAWANA
Johannesburg — Amalgamated Beverage Industries' (ABI) share offer to black traders has run into trouble. It has been rejected by the Soweto Chamber of Commerce, whose projects director, Peter Temane, said it would not mean meaningful business participation and was politically ill-timed.

He said the chamber would fight to get Coca Cola in Atlanta to withdraw the supply of syrup from Swaziland, where it is produced under franchise.

Temane said ABI, which was formerly controlled by the Coca Cola Corporation, approached the chamber after failing to sell to individual traders. The offer of 11m shares, at 100c each, to staff and about 11,000 traders had already been rejected by the Food and Allied Workers' Union (Fawu).

"Since the offer would constitute only 11% of ABI shares and black consumers form about 30% of its market, why not reverse the ratio and give blacks the major share? Or sell one plant to run?" he asked.

He said the absence of risk made the offer look suspicious. "Why is there a guarantee to sell a R1 share at R1.60 after 18 months? Black traders will not be enticed by 'blood' riches rejected by unions," he said.

"We will be taking steps to get Coke in Atlanta to withdraw the syrup produced under franchise in Swaziland. No syrup, no Coke," he said.

ABI director Alex Reid said the offer was not meant to stall US sanctions moves as Coca Cola had already disinvested from SA.

"To say the offer should have been made in 1975 cannot be answered by ABI since Coca Cola made its decision to sell then and ABI became wholly SA-owned only last year," he said.

He said there was nothing sinister in making the dividend a sound investment, and selling one plant was not seen as a sound investment sense.

Reid said only Fawu did not support the offer. The other union, the Food and Beverage Workers' Union, had given its members the freedom of choice.

"The mother chamber, the National African Federated Chamber of Commerce (Nafcco), had taken a non-partisan attitude on the issue and only the Soweto chamber, which has a small percentage of traders being offered shares, has indicated non-approval," he said.
SAB’s overtime application fails

SOUTH African Breweries (SAB) has failed in its application to declare it unlawful for the Food and Allied Workers Union to encourage an overtime ban.

SAB brought an urgent Rand Supreme Court application against Fawu and 1,534 members, who had refused to work overtime unless their wage demands were met. The ban was costing SAB R150,000 a day, the court was told.

JENNY BOBERG

Mr Justice Goldstone said the hub of SAB’s case was that while individual employees were not obliged to work overtime, it was however “normally done”.

The company’s complaint was that a collective decision had been made in order to induce it to comply with the Union’s wage demands.

Mr Justice Goldstone said to deprive workers of the right to refuse overtime would amount to a serious inroad into individual rights.

The application was dismissed with costs.

Meanwhile, workers at Wadsville joined others at the Isando, Debonair and Wadsville plants on strike, taking the total number involved to 1,000, said May. The strike was sparked by the dismissal of six Isando employees said to be participating in a go-slow strike.

Bid to keep Lavi fighter plane going

SA govt funds ‘considered’

NEW YORK — Washington must maintain its sanctions against SA as a clear signal of US opposition to Pretoria’s apartheid policy, the New York Times said in an editorial yesterday.

The newspaper said President Ronald Reagan was wrong to assert that economic sanctions had failed. It said the collapse of the SA government was never the aim.

“They were meant to sell South Africans where America stands on a question of good and evil. The hope was that the ruling National Party would cease deceiving itself about American sentiment and reconsider emergency rule, Press censorship and its refusal to meet with black leaders to discuss political rights for all under a non-racial constitution,”

The editorial said arguments that sanctions weigh most heavily on SA blacks and weaken the economic expansion that give them power had some merit. But it said the political signal must take precedence for now. — Sapa-Reuters

LONDON — SA government funds had been considered as a source of finance for the doomed Israeli Lavi fighter plane project, Jane’s Defence Weekly said.

It said the value of military trade with SA was kept secret but civilian trade between the countries totalled $250m last year.

Recently, the Israeli government imposed trade sanctions against SA and cut scientific and cultural links with Pretoria.

Jane’s said “The Israeli Foreign Ministry is determined to cut ties with SA as far as possible, despite stiff opposition from defence echelons which allege thousands of Israeli workers would be out of a job if defence sales to Pretoria are curtailed.”

These job losses would be in addition to a cutback of between 4,000-6,000 in the 23,000 workforce at the government-owned Israel Aircraft Industries, after the cancellation of the Lavi project because the planes were too expensive to produce.

Jane’s said “There is talk of continuing the project with SA funding, but the political climate would not allow for such overt defiance of the UN and the US.”

The report also said Israel may look to China as an alternative supplier of coal.

Jane’s said there were persistent reports that Israel already had a flourishing covert arms hardware and know-how relationship — in the multi-billion dollar range — with the Chinese. However, those reports were unconfirmed in Israel.
Suncrush shows R13,5m profit

DURBAN — Soft drink bottlers Suncrush had a turnover growth of 24% in the year to June and an after-tax profit of R13,46m, as against R9,96m in 1986.

Earnings per share were 49c compared to 35c. This includes a doubling of investment income to 36c.

Writing in the annual report, the chairman, R D Hamilton, says that for the second half of the financial year turnover growth was 32%, sharply higher than the 19% of the first half, due mainly to a hot summer and calmer conditions in the marketplace.

This gave rise to a 61% growth in attributable earnings for the period.

Hamilton says that the purchase of Vaal Bottling and the sale of part of their East London operation achieved a number of objectives, diverse enough to seem conflicting at first sight.

"These were to achieve meaningful black participation in the Coca-Cola bottling industry by way of black ownership of a franchise, while ensuring staff stability and continued successful management of that operation, to sustain the growth and improve the profitability of our company, and to improve the productivity of the management services provided by our head office."

Hamilton says that Vaal is expected to contribute to turnover nearly double the amount lost by the sale of East London, and "profits will be enhanced by the inclusion of Vaal's profits for a full year."

"With better utilization of its production facilities and a general improvement in productivity, it has the potential to make a significant contribution toward profit growth for our group this year," he says. — Sapa
The Food and Allied Workers Union (Fawu) and South African Breweries (SAB) management are expected to meet today to try to resolve a five-day strike by more than 1,400 Fawu members at four SAB operations.

SAB spokesman Mr Gary May said stock levels were "reasonable" but "some areas could run short of minor brands" as a result of the strike.

Fawu assistant general secretary Mr Mike Madlala said the strike, over the dismissal last week of six workers at Isando, now included the Alrode, Wadeville, Denver and Isando plants. Workers had decided to continue striking until the six were reinstated.
Breweries man rebukes no-credibility programmes

Corporate social responsibility programmes come under critical scrutiny at the Institute of Personnel Managers convention this week. By HILARY JOPPE

COMPANIES spend hundreds of millions of rand on social responsibility programmes but these have lost credibility and support in the black community.

"CSR is implemented in such a way as to preserve and perpetuate the status quo," by, for instance, supporting racially segregated schools, technicians and universities and developing racially segregated residential areas," SA Breweries Project Officer Bhekukuhle Sibiya argued. "Under these conditions should one blame the black community for claiming corporate complicity with apartheid?"

He urged companies to base CSR on "the conversion and conviction of the top managers of the need for real involvement in community problems" rather than directing it into cosmetic measures designed to alleviate the "unacceptable face of capitalism"

He emphasised that companies should consider first their roles as employers, paying a living wage so that employees could afford nutritious food, education and housing.

Sibiya was particularly critical of the black advancement strategies of some companies "Quite a few blacks in executive positions are relegated to personnel, sales and community affairs positions, while their own kind, instead of being involved in the nuts and bolts of business" Blacks continued to be absent in core and meaningful management positions and "the face of corporate captains is still shamefully white," Sibiya said.

He urged business "to change from being the lukewarm defenders of the status quo and to become active proponents of a non-racial democracy." It was imperative for business to be politically involved "It is my plea that business should support, materially and otherwise, the real opposition which is figuratively speaking "boxing from outside the ring" whereas companies should condemn real violence, they should support resistance," Sibiya said.

He urged companies to assist in giving people an economic and polit-

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Bhekukuhle Sibiya
cal stake but distinguished between real CSR and welfare. "Wellness is a short-term act of improving which deals with symptoms, CSR is a long-term developmental process of solving the root causes of problems," Sibiya argued.

But industrial social worker Angela de Plessis did see welfare programmes as part of corporate social responsibility. She identified three "levels" of corporate social responsibility and argued for "congruent" efforts at all three levels. The first was social responsibility as a reflection of the organisation's role as employer, such as assisting workers with personal problems or problems arising out of the nature of work. These need not be the paternalistic welfare programmes of the past if there was in-employee participation in social work decisions, she said.

The second level, she said, was social responsibility as a function of an organisation's role as a leading "cruizer". This did not only mean giving away money. "Other examples include making company facilities available to community groups and sharing expertise."

The third level of social responsibility, she argued, was a function of the organisation's role in South Africa, "industry and business are being called upon to assist in the breaking down of apartheid and the removal of injustices," she said.

Responding to De Plessis, Anglo-Alpha's Andy Graham, who described himself as a line manager, said of how management in his company transformed a "sick organisation" into a successful one through improving wages, improving workplace facilities and health and safety and addressing employees' needs. He also described how his company had learnt about participation and about asking communities what they wanted after a "near disaster" in one Cape Town area. The company was going to finance teacher training but discovered that the community wanted salaries for four teachers and some furniture for the school. "We could have imposed something that actually might have failed," he said.
2m Coca-Cola shares taken

JOHANNESBURG — More than 2m of the 4m Coca-Cola shares offered during its disinvestment from SA had already been taken up by traders and staff, Amalgamated Beverage Industries (ABI) said yesterday.

ABI, which took over Coca-Cola's SA interests in a management buyout, said it would decide on November 1 what to do with shares not taken up in its offer.

The announcement comes after the Soweto Chamber of Commerce turned down the share offer to black traders because it felt the deal would not be a meaningful business participation and that it was made to stall US sanctions moves.

ABI is offering the 11m shares at 100c each to staff and about 11 000 traders after the Coca-Cola withdrawal from SA.

The ABI spokesman said more than 1m had been taken by traders and another more than 1m by staff.

Pettinji complained about ABI's offer for not being meaningful, the Soweto chamber's projects director, Peter Temane, also said the chamber would lobby to get Coca-Cola in Atlanta to withdraw the supply of syrup from the Swaziland plant. "Without syrup, no Coke," he said.

Rand eases

JOHANNESBURG — The rand closed slightly lower at $0,4840/47, mainly due to a lack of interest in late trading, after holding steady at slightly higher levels of above $0,4850 earlier on a weak dollar and steady gold price, dealers said.

The rand closed at $0,4848/56 here on Wednesday.

The financial rand eased slightly to $0,2958/63 from on Wednesday's $0,2968/38 finish.

Against other currencies the rand closed at:

USA: 0,4840/47
UK: 3,3910/40
Germany: 0,8950/55
Switzerland: 0,7360/75
France: 2,9380/430
Netherlands: 0,9930/60
Japan: 70,30/40
— Reuter

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Cautionary announcement

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JOHANNESBURG. — About 600 workers went on strike yesterday at SA Breweries' Rosslyn plant to back demands for the reinstatement of a colleague who was allegedly fired last week after he punched his supervisor, the company said. The strikers also demanded that the black supervisor be sacked.
SAB action dismissed

BY MARTIN NTSOELENGOE

A Rand Supreme Court judge dismissed, with costs, an urgent application by South African Breweries against the Food and Allied Workers' Union because it was not specific.

Delivering judgment this week, Judge H. Goldstone said allegations by SAB that the union was instigating and inciting employees were not specific and hung on a very thin thread.

SAB had brought the application against Fawu and its members alleging that there had been a collective decision to start a "go slow" and refusal to work overtime.
NOW for a beer
to beat the breathetest

WHILE ordinary beer supplies are curtailed because of work stoppages and go-slows at some South African Breweries plants, a new low-alcohol beer will hit bottlers, supermarkets and cafes tomorrow.
The alcohol content of the new beer is so low that the average man will have to drink 35 cans to make a breathalyzer blush.

Cape Display, which supplies foods and other products to supermarkets nationally, believes it has a product that will appeal particularly to businessmen who like a lunchtime pint or two but forget the pleasure to keep a clear head.

Kaliber, as the beer is called, is a low-colour beer with an alcohol content of 0.5% which is about nine times lighter than Castle or Lion. Made from imported German ingredients, it tastes like light lager, as it has a bitter aftertaste.

It is brewed by South West African Breweries (SWAB) and sells at about R2.30.

"Expecially, Gilbeys will distribute it to the liquor retail industry," Sarman said. "Cape Display will take care of supermarket chains."

"We have presented it to buyers and they went for it. We've got a winner here, claims Mr. John Christie, Cape Display's executive chairman.

Like other small brewers who have tried to carve a niche in the beer market, Christie does not see himself as serious competition for mighty South African Breweries.

"We are only looking at one percent of the beer market, which is worth about R700 million a year now," he says.

South African law does not regard a beer with an alcohol content of 0.5% as a real beer and allows it to be distributed from non-licensed outlets.

As usual, SAB is not worried about its new "competitor." Since the demise of ICB in 1979, very small beer competitors have been nibbling away with brands, packs and beer styles which filled gaps that didn't interest SAB.

The losers have all come and gone or been swallowed up since 1989. The victims include Mortensens. Chandlers, Obsession, Stag Breweries, Old Dutch, Whitbread, Louis Layt and even Anton Rupert's Inter-Continental Breweries.

SAB has also tried to establish a low-alcohol beer market, with its 2.5% alcohol content LA beer, but after a year spent perfecting the technology and testing the product, the company has withdrawn.

"We found the market is not strong enough to produce it on an ongoing basis, but we will monitor the situation," a spokesman said.

Meanwhile, beer drinkers are continuing to feel the effect of go-slows and work stoppages at SAB following a wage dispute which has dragged on for several months.

Two court rulings, one in favour and the other against SAB, have not taken things any further.

Two Johannesburg plants, one in Bloemfontein and another in Port Elizabeth, have been affected.

The production of Lion and Castle is not seriously affected, although in some cases, Johannesburg hotels are suffering.

When a dummy, be-
Strikers coerced customers, claims SAB

War of words as beer strike spreads

By Adele Baleta

As the seven-day-old beer strike continued to spread, a war of words erupted yesterday between South African Breweries' (SAB) and the strikers' union over allegations that union members have been involved in intimidation.

CASUALS AND SUPERVISORS

The company's public affairs manager, Mr Gary May, said intimidation had been directed "not only at our casual workers, but at supervisors and customers." He appealed to the Food and Allied Workers' Union (Fawu) to urge its members to act responsibly.

A union spokesman denied the allegations, saying the workers believed in freedom of association. He said workers believed supervisors were being coerced not to join the strike and many were being instructed to train "scab" labour.

Mr May said the possibility of charges being laid by individuals could not be ignored as some of the incidents were of a criminal nature.

INCREASE

He said workers at the Roslyn brewery in Pretoria had stopped work yesterday, joining the 1,600 employees on strike at the Isando, Airode and Bloemfontein breweries and the Denver, Wadesville and East London depots.

SAB is offering, on average, a 33 percent national wage increase, while the union is demanding 43 percent.

A date for a meeting to resolve the deadlock, agreed to in principle by the company and Fawu this week, has still to be set.

The baby is recovering rapidly and doing well.

The tiny twins, who are small enough to fit into a shoe-box, are resting on sheepskin blankets in open incubators in the clinic's neo-natal unit.

Their mother, Mrs Latchme Pillay (22), of Benoni said she was terrified when the babies were born. "They were so small, I just wanted to cry," she said.

The twins will not be named until they leave the clinic. According to Hindu custom, their naming forms part of an elaborate ceremony.

*Photo by Karen Sandison.*
SAB concerned at beer strike

Daily Dispatch

EAST LONDON — The strike situation at certain South African Brewery (SAB) plants was getting more serious and could not continue indefinitely, the firm's public affairs manager, Mr Gary Nell, said in a statement yesterday. He said the SAB was "deeply concerned at the increasing incidents of intimidation aimed not only at our casual workers, but at supervisors and customers," and appealed to the Food and Allied Workers' Union (Fawu), who are representing the strikers, to urge its members to "act responsibly!"

Workers at the Roslyn brewery stopped work at mid-morning yesterday, joining the 1,000 workers on strike at the Isando, Alroyde and Bloemfontein breweries, and the Denver, Wadeville and East London depots. The branch secretary here, Miss Deborah Komose, said negotiations to end the eight-day wage-related strike would be conducted at national level. Fawu would meet with workers at the depot today to discuss the situation and the union's demands.

Negotiations to resolve the dispute broke down with an SAB offer of an average 33 per cent national wage increase on the table and the union demanding an average 43 per cent. No date has yet been set for a resumption of the negotiation process.

Mr Nell said normal production was being maintained in the Eastern Cape region.

According to the Daily Dispatch Port Elizabeth correspondent, beer stocks had run down in the Southern Transvaal but production targets in Port Elizabeth were being met — and there was thus no danger of a shortage in the Eastern Cape.
Breweries strike talks set for Monday

Talks between South African Breweries (SAB) and the Food and Allied Workers' Union (Fawu) aimed at resolving the nine-day wage-related strike which has affected several SAB operations, are scheduled for Monday.

The company's public affairs manager, Mr Gary May, said yesterday "All signs are that both parties will get together on October 19." He said workers at the Isando, Alrode and Bloemfontein breweries, and at the Denval, Na-deville and East London depots, were still on strike.

He said some packs were scarce but there was still enough beer in other packs to meet demand.

The breweries have offered a wage increase of an average 33 percent while the union has demanded 45 percent.

Mr. May said the company hoped the talks would help create a climate which would lead to a speedy resolution of the problem.
Strike threat to Xmas cheer

By DON ROBERTSON

The cheer may well go out of Christmas — beer could be in short supply.

The deadlocked strike at most of South African Breweries' plants has left the country short of beer, and even if the matter is resolved soon it is unlikely that enough can be produced before the traditional Christmas swill.

The month-old strike has hit beer supplies in major centres and is still unresolved. However, there are hopes that renewed discussions which start tomorrow will lead to a resolution.

The strike has resulted in a shortage of beer in certain bottle sizes only, but SAB's public affairs manager, Mr Gary May, says there is no shortage of beer except in required packages.

Deadlock

The strike is the result of a difference in the minimum wage increase of 43 percent demanded by the Food and Allied Workers Union (Fawu) and SAB's offer of 33 percent.

Fawu's demands would push up minimum wages to R4.30 an hour compared with the offer of R4 an hour by SAB.

Mr May, however, would not indicate what the cost of the union's demands would mean to the annual wage bill for its 5,600 workers.

Discussions reached deadlock after 15 days and, despite a call for the appointment of a conciliation board, this has not happened.

Some strikers have returned to work at the Bloemfontein and Roslyn plants, and this is seen as an encouraging indication of a possible solution.

SAB has indicated that at this stage it will not budge from its final offer, and will entertain a shift in this policy only if a productivity improvement is negotiated.

Mr Chris Dlamini, president of Fawu, has indicated that there is room for flexibility in the discussions.
Beer strike: Meeting today

Johannesburg — South African Breweries and the Food and the Allied Workers' Union, representing 1,500 striking workers, meet today in an attempt to resolve the wage-related strike at several of the company's plants and depots.

The strike, now more than two weeks old, has affected beer supplies in the Transvaal and the Free State. At the workers went on strike after SAB declined to return workers at its Isando plant for refusing to end a go-slow.

On Friday workers at the Rosslyn, Pretoria, and Bloemfontein breweries returned to work, but the employees at the Isando and Alrode breweries and the Denver, Wadeville, and East London depots are still on strike.

In June this year, beer supplies to the Transvaal and the Free State were severely affected after 3,000 workers went on strike.
New bid today to end beer strike

South African Breweries (SAB) and the Food and Allied Workers' Union (Fawu), representing 1,500 striking workers, are meeting today in an attempt to resolve the wage-related strike at several of the company's plants and depots.

The strike has affected beer supplies in the Transvaal and the Free State.

On Friday workers at the Rosslyn, Pretoria and Bloemfontein breweries returned to work but employees at other breweries and depots are still out.
Kaapwyn plans to list
SFW and Oude Meester

By MAGGIE ROWLEY
CAPE Wine and Distillers is seriously investigating listing its two main subsidiaries — Stellenbosch Farmers Winery Group and Oude Meester Group — separately on the Johannesburg Stock Exchange in “the very near future,” says the chairman, Mr Owen Horwood.

At the annual meeting in Stellenbosch yesterday, Mr Horwood said the separate listings would not only enable the two companies to secure their place in the market in the long term but would also enhance the “already healthy competition” between the two subsidiaries.

Both companies were previously listed separately but were de-listed after a Government reorganisation of the liquor industry.

He said recent allegations of a monopolistic wine and distillers industry were “astonishing.”

Although the group’s three main operating subsidiaries — SFW, Oude Meester and Henry Tayler & Reis and their component companies — held a joint share of about 70 percent of the country’s market for wines and spirits, each operated as a fully separate company in order to ensure maximum competition in the industry, Mr Horwood said.

“Each handles its own production, distribution, and marketing, has its own board and management and competes with each other and all other producers on the market.”

POSITIVE

The group’s policy of separate, competing companies ensured strong competition not only in the industry but also within the group. The listing of the two main subsidiaries would increase this competition.

Both Mr Horwood and the group’s managing director, Mr P G Steyn, attacked the Margo Commission’s Report for failing to make positive recommendations with regard to stocks and said that the group, along with others, would continue to make recommendations and push for changes in this area.

Mr Horwood said inflation gave rise to fictitious profits on machinery, equipment and stocks and taxation of these fictitious profits often pushed companies’ taxation rates far beyond the nominal rate.

While the Commission’s recommendations had provided for a reasonable measure of relief in respect of machinery, equipment and other fixed assets, it had failed to do so with stocks.

“The present system comes down hard on companies that are compelled to carry stocks for long periods.”

“It is patently unfair that certain industrial sectors should have to shoulder a heavier tax burden simply because they are compelled to carry larger stocks for longer periods.”

“I trust our taxation authori-
ties will, in considering the recommenda-
tions of the Margo Commission, pay pertinent at-
tention to this problem, which is peculiar especially to indus-
tries like ours which use sea-
sonal agricultural products as their raw materials.”

Mr Horwood said in spite of adverse conditions, the company had increased its exports for the year ending June 30.

“Our efforts are being hampered by large surpluses in foreign wine-producing countries, which are often put on to the international market at very low, subsidised prices.”

“In addition negative international publicity and boycott actions against South Africa have also created substantial difficulties.”

Exports had been increased by both the opening up of new markets and the expansion of existing markets.

“With the threat of sanctions the group is actively searching for new markets,” he said.
Beer production nearly normal says spokesman

Daily Dispatch Reporter

EAST LONDON — Output at South African Brewery (SAB) plants was continuing at more than 90 per cent of normal demand despite the strike by members of the Food and Allied Workers Union (Pawu), the public affairs manager of the firm, Mr Gary May, said yesterday.

Mr May attributed the continued production to "contingency strike plans" which existed at most SAB plants and said management, non-striking staff and temporary workers had taken over key positions to ensure that no beer shortage occurred.

He described the supply situation here as "very good" despite the strike, as the local depot had stocks to last until full production was resumed.

"There is a possibility that the issue will be resolved by next week. At the moment both parties are taking a break to consider the proposals it has become clear that the issue is more complicated than just a wage per hour dispute."

The wage package under discussion includes rate per hour, overtime allowance, shift configuration, weekend work rate and holiday pay.

Mr May said the negotiating teams would probably resume discussions early next week.

"While both parties have gone a long way towards resolving the wage issue, there are still some important outstanding agreements on work configurations to be resolved."

"We believe we can agree on what to pay per hour, but it is when those hours are worked that constitutes the real problem."

"A solution of the wage issue alone will not solve the long-term problem of an adequate beer supply for South Africa," he said.

SAB was investing R500-million in plant and technology to meet these demands.

"As we are in the process of laying down the ground rules to determine efficient operation, we need labour's understanding of the need for flexible work configuration, after which it should be possible to agree on a package which maintains the best quality of life for workers," he said.
JOHANNESBURG — The beer strike is over.

The South African Breweries (SAB) said in a news release here yesterday that the strike by brewery workers was called off and that workers would return to work today. The SAB said it would be back to normal working conditions. Manufactured goods, including beer, would be available.

The SAB said that employees would receive the wages and benefits that were paid during the strike. The workers would be paid their normal wages and benefits. The strike was called off after the SAB and the Workers' Union (PWU) reached an agreement on the wage demands. The strike lasted for 10 days.

The SAB said that the workers would be back to work today and that the company was committed to maintaining good working conditions for all employees. The SAB said that the strike had been caused by a dispute over wages and benefits. The SAB said that it would be committed to maintaining good working conditions for all employees.

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SA Breweries (SAB) and the Food & Allied Workers Union (Fawu) this week agreed on wage rises of R4.02 an hour, ending four months of negotiations and a three-week strike by 1,100 employees at two SAB breweries and four depots. The union had demanded R4.30 against SAB's opening offer of R4. The agreement, which holds until next July, also covers improved bonuses, allowances, and paid holidays.

SAB spokesman Gary May said half the work force affected were back by Tuesday, he expected the rest to return in a few days. With overtime work now back in force, he added, normal demand and that expected over Christmas would easily be met. Losses caused by the strike are being quantified, production had fallen by 10%, but distribution was more seriously affected.

May tells the FM no agreement was reached on the question of continuous production at SAB's Rosslyn plant, where matters came to a head earlier this year. However, various techniques associated with continuous production have been clarified. It was agreed to treat the matter as a separate, local issue, which is to be referred back to mediation. The company also hopes the Appeal Court will clear up the confusion in industrial relations law over two conflicting rulings on the question of overtime, which has implications for dismissals, lock-outs and unfair labour practice.

While Fawu had dismissed allegations of violence and intimidation during the strike as a "smear campaign," May says the union undertook to condemn such action.

SAB describes the wage agreement as "proof that collective bargaining procedures remain the most effective method for the resolution of industrial conflict even in the complex SA situation. Free collective bargaining must remain the objective of both the union and industry, and all attempts from whatever quarter to attack the process should be opposed vigorously."

About 4,000 employees at Volkswagen, Uitenhage, also returned to work on Monday, their four-day strike having cost about 700 vehicles in lost production.

The metalworker union (Numsa) members downed tools the previous Wednesday after the dismissal of a colleague who allegedly assaulted a foreman. The union agreed to an independent arbitrator being called in to review the incident, but demanded that the foreman be suspended until the arbitrator's findings are made known.

No doubt, Volkswagen's undertaking to dealers to supply 3,000 cars ordered by Avis for next year, a R55m order, lubricated the search for a settlement.

Ellerines' first year of negotiations with organised labour could be a baptism of fire. The company and the Commercial & Catering Union (Cecavusa) are to meet this week to discuss wage increases. The union says workers are prepared to strike if their minimum wage demand for R350 a month, plus a R200 a month across-the-board increase are not met. It is also opposing the trade's "performance targets."

The company has offered a basic R90 a month wage increase, in addition to other improvements in service conditions, but won't say more until it has met the union's claims to have 6,500 of Ellerines' 9,600 workers as members.
CHEERS!

Glasses full again

THE beer strike is over. South African Breweries' beer division said brewery workers were returning to work and beer supplies would be back to normal to satisfy peak demand at Christmas.

SAB and the Food and Allied Workers' Union reached an agreement on wages at R4.02 an hour and on various conditions of employment, including allowances, bonuses and paid holidays.

An SAB statement said the question of continuous operation at Roslyn Brewery remained unresolved but would be a matter for joint mediation.

More than 1,000 workers had been on strike for almost three weeks.

The agreement, which came after four months of protracted negotiations, expires at the end of June 1988.

SAB said that since August 20 it offered a national minimum wage of R4 an hour — representing an average increase of 33 percent — while FAWU had sought a 49 percent increase.

SAB's industrial relations manager, Rob Childs, said, "We are satisfied with the agreement and believe it is a fair settlement."

He added that it was unfortunate that negotiations had been hampered by non-procedural and unlawful action by workers.

Childs dismissed allegations of intimidation as "a smear campaign."

"The agreement on wages is proof that collective-bargaining procedures remain the most viable method for the resolution of industrial conflict even in the complex South African situation," said Childs.

"Now that the wage agreement has been finalised, we hope to return to joint mediation on the question of Roslyn's continuous operation and are optimistic it can be resolved."

Childs said work should be back to normal in a matter of days, at all plants affected by the strike — Sapa.
SAB results still showing up well

CHEERING results from South African Breweries (SAB) have become almost a norm and those for the six months to September are no exception. Earnings per share climbed 32% to 40c (30,3c) and an interim dividend of 16c — a 28% increase on the previous period's 12,5c — was declared.

Turnover rose 19,4% to R3,8bn (R3,2bn), which Group MD Meyer Kahn regards as a remarkable achievement given the fact that the beer price increases lagged inflation by about 30%.

"I am very pleased with the results," Kahn said yesterday. "Every division did well relative to the industry in which they operate and we achieved our objectives both in terms of the management of earnings as well as of assets. Generally, there was not one weak link and that includes Southern Sun."

"For the tax rate to be significantly increased and yet to still come up with a 32% rise in earnings per share pleases me. And with an inflation rate of 17%, a 5% increase in net assets indicates good management of the business."

During the past six months SAB was struck by a series of labour disputes which Kahn said "certainly impacted on our bottom-line performance". However, he added, the impact was "manageable". Margins improved on higher volumes and increased productivity from 6,4% to 7,3% which on the rise in turnover translated into a 36% increase in trading profit to R279,4m (R265,5m).

An 11% decline in finance costs to R57,7m due to low interest rates and the reduction in borrowings from R501m to R319m was offset by the significant hike of 15,4% in the tax rate — imposed so funds could be transferred into a tax equalisation reserve.

This conservative accounting policy has been adopted since 1985 to maintain an even flow of earnings when the company, SA Breweries, becomes liable for tax in about 12 months time.

Compared to the 36% rise in trading profit, after-tax income excluding outside contributions, rose by 22,6% to R119,7m (R97,6m).

A strong performance by associated companies such as Cape Wine and Dis-

SAB's results encouraging again

...
Earnings per share climb 32%

Cheers for SAB's profits

From LINDA ENSOR

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Margins improved on higher volumes and increased productivity from 6.4% to 7.3%, which on the rise in turnover translated into a 36% increase in trading profit to R279,4m (R205,5m). An 11% decline in finance costs to R57.7m due to low interest rates and the reduction in borrowings from R901m to R819m was offset by the significant hike of 13.4% in the tax rate — imposed so funds could be transferred into a tax equalisation reserve.

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Compared to the 38% rise in trading profit, after-tax income excluding outside contributions, rose by 22.6% to R119,7m (R97,6m).

A strong performance by associated companies such as Cape Wine and Distillers, Rokatex and Sun International, meant a 60.8% rise in dividend income and equity accounted earnings to R39.4m (R24.5m). This lifted attributable income by 32.6% to R105,3m (R79.4m) after the deduction of a hefty R19m (R16.5m) for additional replacement cost depreciation (based on the revaluation of assets).

Beer volumes rose about 12% and the division's contribution to attributable earnings rose 30% to R69,3m (R53,3m) and the other interest's contribution was up by 36% to R36m (R26.1m).

The balance sheet is sound with gearing down to 45% (58%), due both to a reduction in borrowings and the R53,2m increase in shareholders' funds, which resulted from the acquisition of Lion Match. Net asset value currently stands at 642.5c (507.4c).
Pepsi-Cola in a precarious financial position, court hears

Supreme Court Reporter

PEPSI Cola is in a precarious financial position, doing business on a hand-to-mouth basis, according to evidence in the Supreme Court.

The Supreme Court has temporarily restrained the South African Allied Workers' Union (Saawu) and seven shop stewards from participating in or initiating any illegal strike or go-slow at the Epping Industry bottling plant of Pepsi Cola.

Mr Justice van Heerden granted a temporary order on Tuesday further restraining Saawu and the shop stewards from interfering with, obstructing or retarding the normal operation of the plant.

In addition, they were ordered not to picket or restrict access to the plant, or to intimidate or harass employees.

All these directions were to be carried out in compliance with the recognition agreement between Saawu and Pepsi Cola, the court ordered.

In an affidavit Pepsi Cola managing director Mr Graeme Wynne said wage negotiations with Saawu were in progress.

He said Pepsi Cola was prepared to offer a minimum hourly wage of R2 but the union wanted R2.50.

After a one-day stoppage on October 19, employees returned to work, but a week later about 80 bottling and warehouse staff started a go-slow, Mr Wynne said.

"The result was that only 3,000 cases of soft-drinks a day were produced, instead of the normal 8,000."

Mr Wynne said the results of this action were serious for customers and employees.

"Pepsi Cola has been trading unprofitably for a number of years and has serious cash flow problems because it cannot raise further loans to fund its operation."

The return date of the order is November 11.
No fizz in Pepsi finances
Supreme Court Reporter

THINGS are not going better with Pepsi Cola, managing director Mr Graeme Wynne told the Supreme Court this week.

In an affidavit filed in support of an application for an order restraining workers from illegal strikes or go-slows, Mr Wynne said Pepsi Cola had been trading unprofitably for years and had serious cash-flow problems because it could not raise any further loans.

A temporary interdict was granted with a return date of November 11.
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Rising all round
Interim figures from leading consumer group SA Breweries underline the present irony as many of SA's major companies are producing superb results at the very time that the market is hammering their share prices. Granted, the stock market is expected to look ahead, but it seems highly unlikely that SAB, for example, is going to experience an earnings fall, let alone anything like the 35% noseive its share price has taken since early October.

Performance in the six months to end-September shows improvements in almost every area. As usual, the group responds to increases in consumer expenditure and the 19% turnover increase was in line with this. Operating margins improved from 6.4% to 7.3%, causing trading profit to rise 36%. But group MD Meyer Kahn says that the impact on margins was due to operational gearing. "We are structured for high volume, low margin business," he says. "When volumes increase the benefits are large because of fixed costs."

With lower interest rates and borrowings down from R901m to R819m, interest costs fell 11%, but management last year started setting aside sums for future tax in an equalisation account, so the effective tax rate rose from 31% to 46%.

Richard Jesse of stockbroker Martin points out that SAB's earnings are very "hard," as the accounting is so conservative. Apart from the tax equalisation account, extra depreciation is included. "Earnings could have been shown as much greater on a less conservative accounting basis," he says.

With volumes rising by 12%, the beer division, SAB's major contributor, reported a climb of 30% despite the recent strike. Some of the other main subsidiaries have been covered as their results were announced. Edgars' earnings rose by 54%, OK's by 25.7%, Amrel's by 121%, and Afcol's by 70%. Southern Sun continued to make a loss, but this was reduced from 8.5c per share in the six months to September 1986 to 5.4c in the latest six months.

Kahn expects the earnings growth will continue, though not necessarily at the same pace as in the first half. But he does say that the group is optimistic about consumer expenditure and this must benefit SAB. Last year first-half earnings amounted to only 20% of the total and there is the advantage that another strike is unlikely, so perhaps Kahn is being conservative.

Despite this, analysts suggest the price could come off further. One mentions that a number of institutions are buyers only at R15, against the present price of R16.75, down from a high of R26.25. Another agrees that the share is expensive, especially relative to the sector, but feels the market is recognising the potential for long-term growth. OK, Amrel, Afcol and, of course, the beer division are geared for the lower segment of the market where the major spending power growth lies. Edgars is well positioned and focused, and Southern Sun could achieve a major turnaround.

Overall, the earnings outlook is good. The market has been expecting 140c to 150c (an increase of close to 30%), but the marketability of the share must make it vulnerable to further price falls.
Brewers mobilise for attack on tax

THE brewing industry, which has 80% of South Africa's liquor market by volume and 57% by value, is mounting a campaign to fight what it sees as official discrimination against beer.

Brewers, who spend R180-million a year on agricultural products, are trying to mobilise the powerful farmers' lobby to support their claim for equal treatment with the wine industry.

Traditionally dominated by South African Breweries, the industry has long complained that it carries an unfairly high excise duty while natural wines are exempt from it.

In addition, the Government has allowed wine to be sold by supermarkets, but beer is still banned from their shelves. SAB has been forced to sell its liquor retail outlets and wine interests have been allowed to keep theirs.

So far low-key attempts to change the legislation governing beer sales have failed.

"Now the gloves are off," says Bern Pienaar, executive director of the Brewing Industry Association of SA (BIASA).

At a meeting this week the three other breweries serving the SA mar-

ket, South West Breweries in Windhoek, Mitchell's Knysna Brewery and Our Brewery in Ophirton, agreed in principle to join BIASA.

The association has started negotiations with the influential National Association of Malhe Producers (Nampo) to form an agricultural chamber in BIASA. Other organisations, such as the hop and barley growers and the Sugar Association have been approached.

A third chamber could be formed by packaging suppliers, which earn R38- million a year from the industry.

By Ian Smith

He says that last year beer sales contributed R680-million to the fiscus from excise duty and another R564-million from GCT.

SAB's beer division alone employs 8,750 people and has an annual wage bill of R152.8-million.

Mr Pienaar says there are signs of an increasing appreciation of the beer industry's importance.

"Excise duty on beer has not been badly hit in recent budgets. But there is still a long way to go before the balance is redressed."

So far much of BIASA's effort has been directed at farmers, making them aware of the importance of the brewing industry. "Now we must look further afield."

Last year the industry bought 110,000 tons of SA malt for R71-million and 65,000 tons costing R46-million was imported. SA purchases of 607 tons of hops were worth R3.5-million and 613 tons costing R26.3-million was imported.

SAB alone bought 75,000 tons of malt for R29.3-million and 4,000 tons of sugar for R8.1-million.

Mr Pienaar says "The brewing industry is a major contributor to the national and provincial economies. We must be allowed to compete on an equal basis with the other sectors of the liquor industry."

Same boat

Mr Pienaar says "We are all in the same boat. If our industry prospers, we all benefit. We can only grow to our full potential if we are treated equally with other sectors of the liquor industry."

"One of our main objectives is to create a realisation that solutions to the problems of particularly the wine and spirits industry do not lie in restricting the brewing industry."

"Our industry must not have its freedom to market and to compete restricted or artificially restrained."
Union ‘did not break agreement’ court told

Staff Reporter

MANAGEMENT at Pepsi Cola’s Epping plant were unavailable when contacted during a go-slow and did not attempt to involve the South African Allied Workers’ Union (SAAWU) in resolving the strike.

This was said in affidavits yesterday by SAAWU officials on the return date of the temporary order granted to Pepsi Cola, restraining the union and its shop stewards at Epping from participating in or initiating any illegal form of strike or go-slow.

Mr Zuzile Ramacwana denied the union was in breach of the recognition agreement between them and the company and said management had made no attempt to inform any union official of the go-slow strike.

He said a court application would have been avoided if Pepsi Cola had given the union proper notice of the court application.

Mr Justice Latief was on the Bench.
Coca-Cola workers on strike

By DICK USHER, Labour Reporter

CANNING workers at three Coca-Cola plants are on strike following a breakdown in wage negotiations.

A Food and Allied Workers' Union spokesman said the strikes started after management refused to increase a wage offer of R182 a week at talks in Johannesburg on Friday.

"We started with a demand for wages to be increased to R240 a week and came down to R198," he said. "Management said a dispute could not be declared because they were still willing to negotiate but they also said R182 was their final offer."

About 250 workers at the plants in Cape Town, in Natal and in Transvaal are involved.
Epping workers down tools

Labour Reporter
ABOUT 60 workers at Amalgamated Beverage Canners Pty Ltd in Epping downed tools for the second day yesterday — joining a further 240 softdrinks canning workers nationally who began stoppages after wage negotiations deadlocked.

An organizer for the Food and Allied Workers’ Union, Ms Renee Roux, said yesterday that workers were “frustrated” over management’s failure to budge from their R132 a week minimum wage offer.

Workers are demanding R198, which represents a R46 increase on the present minimum wage of R150.

The director of the ABC plant in Epping, Mr L Czilak, could not be reached for comment.
THE ECONOMY

Share offers gain momentum ... but not yet labour acceptance

The more management offer shares to workers, the more they fail to win friends. Why? DUNCAN INNES reports

Ten years ago the Coca Cola Corporation owned 82 percent of ABI, but when it divested its stake to the South African Breweries (70 percent) and Cadbury Schweppes (19 percent), Coke's intention was that the remaining 11 percent of ABI's shares, which amounted to 11-million shares valued at one rand each, should be made available to staff and dealers who handled ABI products. Two million of the shares were to be allocated among the 4 000 ABI employees and the remaining nine million shares were to be allocated among the 7 000 ABI dealers.

The target ABI publicly set themselves was that they would be able to persuade 60 percent of their staff and dealers to take up these shares.

The Standard Bank agreed to lend money to those dealers without the ready cash to take up the offer, while ABI itself offered to lend money on an interest-free basis over 18 months to staff members ABI's major shareholder, South African Breweries, agreed to buy back any outstanding shares at R1.60 each.

To popularise the scheme ABI sought assistance from the Centre for Developing Business at the University of Witwatersrand to produce a video informing its staff and dealers of the benefits of the scheme. In addition, a simplified prospectus was produced in four different languages and numerous lecturers were brought in to offer direct counselling.

Despite these efforts, initial responses to the scheme were not favourable. As far as staff were concerned, both the Food and Allied Workers' Union and the Food, Beverage Workers' Union initially rejected the offer, arguing that equity participation without participation in decision-making was unacceptable.

The only cases in which staff have been offered a meaningful share in a company, from the point of view of participation in decision-making, is Numa's 24 percent holding in Samcor. Significantly, Numa is the only Cosatu union so far to accept management's share offer.

But leaving aside this issue, unions also fear that the dividend payments arising from share ownership will ultimately be used by management as a substitute for wage increases.

Edmund Rudman of Unisa puts forward the management case, arguing that employees share ownership "works best when a modest base salary is supplemented with cash bonuses and equity shares which are linked to corporate performance."

Unions fear this means that in good years when wages will in effect be held down so that dividends can be paid to employees shareholders face the problem of how to negotiate over wages, they cannot negotiate over the size of the dividends. Secondly, while wage agreements cover all employees, dividend payments are made only to shareholders and the amount of cash received depends on the number of shares held.

In the case of Fonterra, Cua unions fear that management may simply decide not to pay any dividends at all even though workers have become dependent on dividend payments to supplement their wages.

It is problems like these which have caused unions to reject most of the share ownership schemes that have been proposed so far. However, as the ABI case suggests, there is no shortage of non-unionised workers who are present eager to participate in such schemes. This is a factor which unions cannot afford to ignore.
Liquor retailers under pressure

A TIGHTENING of credit lines by SA's largest liquor supplier is likely to put hard-pressed retailers under more pressure, Fedhasa says.

The curtailing of credit terms by the Cape Wine & Spirit Institute (CWSI), due to come into effect on April 1, 1988, will see the introduction of a 30-day settling-up period, without any period of grace.

Fedhasa president Mike Koveszky said the move was likely to put retailers, who were starting to emerge from a traumatic period, under more pressure.

He said: "Our appeal, which was turned down, was that in what appears to be a slight economic upturn, the trade should be allowed to recover more fully from the recession."

He said despite the belief that liquor sales were buoyant, they had contracted during the past year.

"Honest traders realised smaller profit margins in a market where delinquent retailers and tax evaders competed on equal terms."

But CWSI director Rian Kruiger said the change of credit terms would assist in achieving more stability in the retail trade.

Quoted in the Liquor Store Monthly magazine, Kruiger said: "Where credit is granted, the terms of payment shall be a maximum period of 30 days from the date of statement, without a period of grace.

"Customers who are granted credit will have the option to either pay the full amount within 30 days, or pay within 15 days and receive an early settlement discount which will remain unchanged at 2%"

The magazine said the move, which was expected to strengthen the position of bona-fide retailers, was supported by numerous members of the trade.

It named CWSI members, who represent 96% of the liquor products sold in SA, as Douglas Green of Paarl, Gilbeys, Stellenbosch Farmers' Winery, the Oude Meester group, Union Wine, E W Sedgewick & Co, Central Wine & Spirits, Moonshins Wynkelders, Jonkeer Boerewynmaker, J D Bosman & Co and Avrons.

The magazine quoted Gilbeys MD Peter Fleck as saying the new terms would make the institute's business more manageable.
MANUFACTURING - BEVERAGES

JAN - DEC 1988
Still a hic in beer supply

Daily Dispatch Reporter

EAST LONDON — There is still a beer shortage in the Border area, but a South African Breweries spokesman has assured beer drinkers that the situation will be back to normal in a week's time.

An SAB spokesman, Mr Gary May, said the reason for the shortage in pints was caused by a problem with the production of quarts — South Africa's biggest seller.

Mr May said the same equipment was used to fill all returnable beer bottles and the company had given priority to replacing the quart supply — at the expense of pint production.

He said the supply of quarts had been normalised and, apart from "sporadic shortages on certain brand packs", the production of cans and duppees was back on line.

"The pint situation should be back to normal next week," he said.

Meanwhile, bottle store managers in East London were divided in opinion as to whether they were still experiencing a beer shortage or not.

Three bottle stores reported no problems with supplies, while two others said they could not get beer.

The manager of one liquor outlet, Mr Charlie Kombos, said they were warned before mid-December to stock up on supplies, but he was able to cope with the Christmas demand.

Another bottle store manager, Mr Neville Preston, said the breweries were not supplying him with beer.

"The breweries make statements to the press saying supplies are back to normal while they are not. They are making us look stupid! We have not got everything in stock like they said."

He said he was experiencing shortages of pints and certain brands of cans, quarts and duppees.

An assistant at another outlet, Mrs L. Goddard, said they had been without pints since the New Year.

"The breweries say we've got beer, but we haven't," she said.

Mrs Goddard said she had placed several orders for beer but had not received anything.
Black group buys Pepsi

By SHAUN BENTON and DAVE PHILP

A GROUP of black businessmen has bought the last remaining Pepsi plant in South Africa—located in Cape Town—with intentions to put the soft-drink company “back on the map.”

Soweto Investment Company Ltd (SIC) bought the troubled plant late last year from Cape Beverage Holdings just a day before liquidation procedures were due to begin. The Pepsi plant had run into financial difficulties arising from, among other things, a labour dispute in August last year.

SIC’s co-managing director, Mr. MacDonald Temane, said yesterday that in spite of the plant’s former financial problems, he was confident that it would soon turn in a profit. “You can safely say that Pepsi Cola is now in black hands.”

He envisaged an advertising campaign to relaunch the product—“we want to put Pepsi right back on the map.”
Beer still top in drinking stakes

LINDA ENSOR

BEER quaffers worked much harder raising their arms last year than their spirited and wine-loving rivals on the South African drinking scene.

However, the delicate, civilised habit of liqueur drinking took off due to the number of new products, namely whisky and brandy liqueurs, which came onto the market last year.

A massive 63.7% rise in the volume of liqueurs sipped — 2.1-million litres, excluding imported liqueurs — left beer-drinkers holding their mugs saying cheers.

The growth in the consumption of vodka and gin also outstripped the growth in volumes of beer drunk — 15.5% in the case of Vodka and 10.9% in respect of gin according to figures provided by Stellenbosch Farmers' Winery (SFW).

The volume of beer sales grew by about 10% last year over 1986, reports Gary May, public relations manager for South African Breweries' (SAB) beer division. But considering the base from which this increase comes off, beer still holds the top position as SA's national drink.

Sunny skies and hot weather over the festive season contributed to the lively trade and beer sales in some coastal areas topped a frothy 26%.

Had the strike at SAB towards the end of last year not resulted in a shortage of quart supplies in the Transvaal, sales in this busy province could have been much higher.

On the other hand, the growth in the volume of wine consumed last year was rather more modest and in some cases even indicated sharp disagreement with the gods over the fruit of the vine.

Apart from sparkling wines which, according to SFW's figures, sipped ahead with an 8.7% growth to 6.5-million litres (5.8-million in 1986), there was a reversal in the consumption of natural wines (excluding sparkling wines) which dropped off by 0.7%.

Only 237.3-million litres (239.6-million litres) of natural wines was drunk.
Comeback trail

New Pepsi Cola owners, the Soweto Investment Company (SIC), are planning a major comeback in the competitive soft drink market. But it is not going to be easy.

"They've got a long, uphill battle ahead of them," says Richard Cook, MD of the Cook Group bottlers who own the Sparletta franchise.

Pepsi's decline started even before the US parent pulled out in 1979. In its heyday in the early Seventies its national market share was around 20%. It has been slipping ever since and is now estimated at under 5%. In the lucrative PWV area, where the company does not even have a bottling plant, the figure is closer to 1%.

Consensus in the industry is that this has been mainly due to poor local management. Indeed, Pepsi's decline in SA coincided with its much publicised victory over Coke in America. "It's obviously not the product," says Cook.

Before being salvaged by the SIC only a day before liquidation procedures were due to start, Pepsi had been run by Cape Beverage Holdings.

The new owners are reluctant to show their hand. All they will say is that they plan to acquire more bottling plants, possibly in the PWV area, and relaunch Pepsi on a national scale.

Rival bottlers are not overly perturbed about Pepsi's plans. For good reason, the three big names - Amalgamated Beverages (bottlers of Coke), Cadbury-Schweppes and Sparletta - have the market pretty much sewn up among them.

Pepsi's strength seems to be mainly regional. In Cape Town, for example, market share as measured by retail researchers was 15.2% last year. This compares with 67.7% for Coke, 6.7% for Sparletta and 3.9% for Schweppes.

The threat from Coke obviously looms large. As it is, cola's account for around 50% of the total market, the rest being the "other flavours" category. Another problem is the capital intensive nature of the industry in which 70% of business is done in returnable bottles. Bottling plants cost anything up to R30m, and require highly-skilled staff. Schweppes, with only around 7% of the national market, has 45 bottling plants countrywide. Pepsi has only two.

Nevertheless, competitors are being magnanimous. "The market is big enough for all of us," says Ian Jameson, franchise manager at Schweppes. "We wish them luck."
A FOOD and Allied Workers' Union member was given a hero's welcome by his co-workers this week when he returned to work after being unfairly dismissed in October.

Sithembele Kawa, a Fawu shop steward, resumed his duties at SA Breweries in Port Elizabeth after an independent arbitrator ordered his reinstatement.

Fawu representative Mxolisi Ndzuulwana said Kawa's dismissal stemmed from a management ban on shop stewards taking time off to attend meetings.

Ndzuulwana alleged that this was in violation of the national Fawu-SAB recognition agreement.

According to Ndzuulwana, management refused permission for Kawa, 29, to attend two union meetings in September. When he did so, he was dismissed.

His dismissal prompted a two-day strike that ended when Fawu head office intervened.

Port Elizabeth's SA Breweries general manager, Richard Davies, said the independent arbitrator had ruled that he should only be suspended without pay for a month. This suspension ended on Monday.

"SAB is firmly committed to orderly industrial relations and is more than prepared to meet its earlier commitment to abide by the arbitrator's decision," said Davies.
Soweto firm challenges Coca-Cola

THE Soweto Investment Company (Sico) is entering the soft-drink market and intends to make its subsidiary, Pepsi Cola, a winner.

Sico faces a difficult battle against established competitors Coca-Cola has 70% of the market, Sparlettta 15% and Schweppes 5%. Pepsi’s share is less than 5%.

The immediate difficulty facing Sico is the capital-intensive character of the soft-drink industry. Pepsi needs additional bottling facilities, it has only two distribution outlets.

But Pepsi is dealing systematically with each challenge, says Sico managing director McDonald Temane. It has a foothold in the Cape with a market share of 17%, and activity at the Bloemfontein plant is beginning to bubble. A bottling plant is envisaged for the Reef.

Pepsi has adopted an innovative national marketing strategy. Mr Temane says it will be unconventional.

According to Coca-Cola marketers National Beverage Services (NBS), Pepsi Cola is not as popular as Coke in America.

By Bronwyn Adams

Africa and Asia Pepsi is outsold by Coke 6:1 in Latin America, 15:1 in Africa, and is not the No. 1 soft drink in Japan, as claimed by Pepsi.

Pepsi’s revitalisation does not end with its new marketing strategy, says Mr Temane. It puts a great deal of store in its 350 Pepsi employees at the Cape Town bottling plant who have undertaken to push the product.

Concern

However, there may be cause for concern over Coke’s competitive edge. Some marketers fear price wars and counter advertising campaigns.

NBS managing director Sandy Allan says that if Pepsi undercut Coke prices, Coke will not sit back. However, Coke will not initiate a price war.

Mr Allan says that given the capital-intensive nature of the industry, and the need for sophisticated transport, marketing, and bottling techniques, he does not fear Pepsi’s challenge.
Beer to go up 9.6%

Staff Reporter

The brewer’s price of beer is set to rise an average 9.6% on Monday — but local retailers have stocks for about a week and will sell these at the old prices.

The actual rands-and-cents dent in the average tippler’s pocket will, however, only be clear by mid-week, retailers said yesterday.

A statement from SA Breweries said the average price increase of 9.6% was well below the inflation rate, in spite of substantial increases in costs.

Last year’s price increase was an average 9%.

Windhoek beer prices will remain unchanged, SWA breweries said.
Beer ads for men only

By Bronwyn Adams

ADVERTISEMENTS by South African Breweries are generally sexist, says Wits Business School economics lecturer Mark Addelson.

Women go unnoticed because the target market is masculine. As a result, beer advertisements carry an implicit gender stereotype.

SAB group financial manager Brian Borcherts says about 80% of the beer market is made up of blacks. Almost 28% of the market is composed of women. About 7% of white consumers are women.

Mr Addelson says SAB, as the major producer of beer, has to meet a wide range of tastes. This means that many brands are produced.

SAB public affairs manager Gary May claims that advertisements, directed at males, are getting the message across adequately to both sexes.

But Mr Addelson says there is no obvious reason why beer advertising

should not be directed at women. Beer brands have been marketed to much smaller target populations than women.

Mr May declines to elaborate on the size and value of the market segments. He acknowledges that SAB is continually looking for markets. But the female market has not been investigated.

Mr May insists that gender is not used as a criterion in market research. Women's taste differentiation is not significantly different from men's. However, no statistics are available to substantiate this.

Mr Addelson says the dominance of male models in advertisements together with the rigidity of the masculine image indicates the lack of recognition of a significant proportion of the beer market.

He suggests that SAB's reservations about women may be due to fears that a softer image might threaten beer's established "macho" impact and have repercussions on the rest of the market.
Two years on, brewery may not negotiate

Weekly Mail Reporter

The government has stepped in to prevent Ijuba Breweries—a profitable parastatal—from wage-bargaining with the Food and Allied Workers Union, after two years of negotiations between the company and Fawu.

The Commission for Administration says that last year's general salary increases are adequate. It has restricted wage negotiations between Fawu and Ijuba to discussions, not decisions. Ijuba's assets are owned by the Industrial Development Corporation but its management falls under the administrator of Natal.

The union believes it has a right to negotiate wages with the company, since it is a profit-making enterprise.

But negotiations have been complicated by the upcoming privatisation of the sorghum industry and Fawu has accused the government of stalling wage increases until these are no longer a state responsibility.

Fawu says the wages are below the Household Subsistence Level determined by the University of Port Elizabeth and demands an increase above last year's government raise of 12.5 percent.

Fawu's lawyer, Chris Albertyn, said substantial increases were last granted in 1985 after a dispute was taken to the Industrial Court.

"Since then, there has never been a proper increase. Despite Fawu having made proposals in 1986 and 1987, there has never been effective bargaining from Ijuba's side."

The union is demanding an across-the-board increase of R120 which will raise the minimum wage to R550. Ijuba has refused, recommending an across-the-board increase of R70.

In January workers at the Congella, Stanger, Pinetown and Pietermaritzburg branches downed tools after learning that the Commission for Administration had rejected their demand for an increase. The work stoppage ended two days later when management issued an ultimatum that they would dismiss the workers who did not return to work.

The union and the company agreed in mediation talks that any wage increase would be effective from May. If the Commission for Administration does not approve an increase, the union may declare a dispute.

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Picapli's results sparkle

By Ann Crotty

Picheli, a white goods subsidiary, Picapli, has reported a massive 150 percent increase in pre-tax income from R5.8 million to R14.6 million in the six months to end-December. This is more than the pre-tax profit for all of financial 1967.

But the resumption of tax payments meant that the improvement at the earnings level was a more modest 42 percent as the company had to hand over R6.8 million of its profit to the taxman. At the previous interim no tax payments were made because the group continued to enjoy the benefits of past assessed losses.

Earnings per share were 66.3c (46.6c). Taking into account the conversion of the 14.9 million compulsory convertible preference shares, this figure is diluted to 30.2c, which is 37 percent ahead of the previous interim's comparable figure. No interim dividend will be paid.

Conversion of the prefs is compulsory at the end of September 1969 but they may be converted 12 months earlier so it is prudent of management to provide the earnings figure on a fully converted basis at this stage.

Picheli's turnover was up 168 percent (no absolute figure is provided), which suggests that the pre-tax margins were slightly squeezed. It may be that growth is so rapid that margins are not being as tightly managed as they would be in quieter times. Given the pace of growth and the consequent demand for cash, a 15 percent increase in the interest bill seems acceptable in the short term.

But the company's massive debt is a problem that management will have to address in the very near future because the growing interest burden continues to undermine the return to shareholders and leaves the company too exposed.

If growth continues at the current pace, earnings per share for the full year should be in the region of 120c pre-conversion or 60c after conversion.
Operating profit down at Uniwyn

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By Ann Crotty
A drop in interest and lease payments enabled Pichel's Union Wine subsidiary to report a 23 percent increase in earnings for the six months to end-December.

But the full picture does not look nearly as strong. Although turnover was up 19.6 percent, operating profit dropped two percent to R3.54 million. A drop of 4.5 percent in interest payments and lease charges meant that for shareholders the performance was turned into an increase in earnings from 3.5c a share to 4.3c.

The group does not have to pay tax because of unutilised tax losses which amount to R7.3 million at the end of financial 1987. At its current rate of performance it is unlikely to have to pay tax for a considerable period. However, management may decide at an earlier stage that it should begin to make some provision for tax payments.

The directors note that growth momentum was achieved despite the difficult trading conditions in the liquor industry. The “difficult trading conditions” were presumably responsible for lower margins implicit in the drop in operating income.
Whisky prices jump by 10% — the second increase in just over a month — without any warning to retailers.

Retailers said the increase in whisky prices this year, after a February hike for a currency adjustment, amounted to about 15%.

Retailer Vaughn Johnson said yesterday’s increase would not replace the annual April 1 increase.

Industry sources expected the April increase to be another 10% — which means an overall increase of 25% for this year.

Retailers and liquor-industry experts slammed the move, for which no official explanation has yet been given, saying consumers would be badly hit and the whisky trade would suffer.

Although retailers acknowledge the slide of the rand against major European currencies is one of the reasons for the price hike, they blame suppliers in the UK and SA for the sharp increases.

Retailers said whisky had risen by about R30 a case since the end of last year amounting to about R156 a case, while there had been an increase of about 33% in duty free prices.
Earnings up for Picbel, Pichold

BY LAWRENCE TOTHILL
Investment Editor

THE strong growth reported by Picapli last week is the main reason for the sharp advances in operating profit made by both Pichold and Picbel, but its tax hike also accounts for both of the top companies showing more modest bottom line improvements.

The top company, Picbel, reports turnover for the six months at December 1987 at R244m — 42% up on the previous R171m. Profit before interest and tax was R34m (R15.4m).

Interest paid and lease charges remained high at R7.4m (R7.3m), and tax (nearly all payable by subsidiary Picapli) was a whacking R7.7m against R500 000. Bottom line profits attributable to ordinary shareholders amounted to R4.8m against R4m, equal to earnings of 107.8c (90.7c) a share.

Picbel's main investment is its holding in Pichold and this company reflects a similar position with its profit before interest and tax sharply higher at R23.8m (R15.1m), but the bottom line earnings are up more modestly at R7.6m (R6.4m). Earnings per share amount to 125c (110.8c).

Pichold says that as far as the full year is concerned, the management is optimistic that it will achieve earnings of 256c a share. Since the end of 1987 there has also been the creation of the financial service arm, SAGIC and the Cape Investment Bank.

The third Pickard company reporting results is Union Wine. In this case the saving of interest and lease charges helped in the improvement of profits at the bottom line to R577 000 (R466 000) equal to earnings of 4.6c (4.1c) a share.

Although turnover rose 19.6%, operating income slipped slightly to R3 544 000 from R3 585 000. The interest and lease charges is a heavy burden at R2 575 000, which is a little down from the previous R2 697 000 and help the bottom line profits. No tax was payable.

Union Wine says it has maintained its growth momentum and prospects for the rest of the year are promising and an increase in earnings per share is expected.
Boost for Cape Wine's pre-tax profit

Cape Wine and Distillers reports that pre-tax profit for the six months to December 1987 is up by 26.5%; it has declared an increased interim dividend, but warns shareholders that the same rate of increase should not be expected in the second half of the year.

While the company's turnover increased by 15.2% during the six months, the pre-tax profit at R109.6m showed a healthier 26.5% increase on the corresponding R86.6m. The after-tax profit is up by almost the same percentage at R53.4m (R42.2m) giving earnings of 38.1c (30.2c) a share.

The interim dividend has been increased to 7c (6c).

Capital expenditure during the six months, including liquor licences and trade marks, amounted to R21.1m (R12.9m) while a further R32m was authorized.

The company says the increase in income for the whole financial year is expected to be at a lower rate than that achieved in the first half of the year.

Regarding the possible JSE listing of the two major subsidiaries - SFW and Oudeneister - Cape Wine says this investigation is still proceeding.
Whisky price is up another 10pc

JOHANNESBURG — Whisky prices yesterday shot up another 10 per cent — the second increase in just over a month.

Retailers said the increase in whisky prices this year amounted to about 15 per cent.

Industry sources expected the annual April increase to be another 10 per cent — which means an overall increase of 25 per cent.

Retailers and liquor industry spokesmen slammed the move, for which no official explanation has yet been given, saying consumers would be badly hit and the whisky trade would suffer.

Although retailers acknowledge the slide of the rand against major European currencies is one of the reasons for the price hike, they blame suppliers in the United Kingdom and South Africa for the sharp increases.

A liquor industry spokesman, Mr Michael Frigidon, said, however, until recently retailers could buy stock from a choice of wholesalers.

Now most brands were "in the hands of a sole importer".

The sudden announcement meant retailers were not able to buy stock ahead of time, thus the public would not be shielded from the rises — DDC.
Row over whisky price rise

LAGGING profit margins, currency adjustments and an attempt to penalise imported products in favour of local products were reasons given yesterday by Stellenbosch Farmers Wineries (SFW) marketing director Dick Coleshaw for the whisky price increase.

He dismissed the possibility of the expected annual-price increase in April taking place, saying it had been replaced by this week’s 10% increase which was imposed without prior notice to prevent “destabilisation” in the market.

Responding to allegations this week by retailers that price increases were the result of cartel-type control among whisky importers — involving companies in the Cape Wine Distillers (CWD) group — Coleshaw said: “That is not altogether true.

“Whether the CWD is a cartel or not, the fact is the profit margin on imported whisky is not there. If profit margins are not satisfied, distributors’ prices have to go up,” he said, adding that currency adjustments were also a factor in this week’s price increase.

The Guinness takeover of Distillers Corporation in the UK, “rearranged Scotch in SA” — in terms of which a first step was taken towards sole distributorship, Coleshaw said.

Liquor industry expert Michael Frisson said until recently retailers could buy stock from a choice of wholesalers.
CAPE TOWN — KWV's earnings a share rose from 30.2 to 38.1 cents in the six months to end-December compared with the the same period the previous year, the interim report shows.

The dividend has been lifted to 7c (6c).

Net income before tax increased from R92.1 million to R114.7 million and after-tax income from R42.3 million to R53.4 million to produce attributable earnings of R53.3 million (R42.2 million).

In comment with the results, the directors say investigations are continuing into the possibility of listing the Stellenbosch Boerewynasakery group and the Oude Meester Group separately on the Johannesburg Stock Exchange — Sapa.
JOHANNESBURG
Cape Wine and Distillers posted 20 per cent improved earnings in the six months to December and have declared a higher interim dividend of 7c a share (6c)

Earnings a share 38.1 cents (30.2 cents) Attributable earnings amounted to R33.4 million (R42.2 million)

Turnover increased by 15.3 per cent and income before interest was R114.7 million (R92.1 million) - Sapa
Sugar shock

One tragedy for South African wine is apartheid.

This is not politics mixed up with wine, one merely wonders at its possible growth on world markets with the excellence of some quality offerings, and technological advances.

Sugar we do not need, and cannot add, by law. But a French consumers' magazine has said Beaujolais wine makers are adding illegal amounts of sugar to make up for low alcohol content.

The magazine Que Choisir said tests on 21 wines from the Beaujolais region showed 11 contained more than the permitted level of sugar.

Producers in northern France are allowed to add beet sugar in years of rainy weather.

It was a good year, 1982, and one of the cream of the crop. Fleur du Cap of that vintage has come tops in the annual South African Airways winetasting against 36 other cabernet sauvignon entries. Some on the market, but limited.

Dias had to spawn marketing ventures. SEW has produced three Navegador wines in a special edition — brut, (from riesling) a crisp white (chenin blanc) and a red blend based on cabernet.

GLYN WILLIAMS
Standard Bank and the South African Breweries beer division have signed a R250m financing agreement for the partial funding of the division's R500m expansion programme.

The non-syndicated funding facility is believed to be one of the largest ever concluded in the country.

"Beer division went out on tender for this funding and Standard were best able to offer the degree of flexibility both in terms of funding options and payback period which beer division required," a spokesman for the division said last night.

"Although tied to short term borrowing rates, with the offshore options the deal offers significant improvements against funding at current long-term borrowing rates," he added.

The facility is for 10 years and the draw-down period is between 18 months and two years.

Senior GM of Standard's Corporate Banking Division, Mike Thompson, is reluctant to disclose details of the package for competitive reasons.
Liquor hike double tax?

CAPE TOWN — The extra duty on beer and spirits announced in the budget yesterday will lead to an immediate increase in the wholesale price of spirits which will be passed on to the consumer.

The managing director of Gilbey Distillers and Vintners, Mr Peter Sleek, said that he was extremely disappointed at the substantial increase in excise duty on beer and spirits announced.

He regarded it as a major setback to the spirits industry in South Africa, particularly in the light of current inflationary conditions.

He said the increase of 1,8c a tot represented an increase of about 20 per cent and this price increase would be passed on to retailers with immediate effect.

The chairman of Fedhasa for Port Elizabeth and Uitenhage, Mr Trevor Lombard, said the increase in duty on spirits and beer would be inflationary because it would be passed onto consumers.

"Consumers will be paying double tax on spirits and beer because they will be paying sales tax as well as the increased excise duty," he said.

Mr Lombard added that he thought it strange that wine had been excluded from an increase in duty yet again.

A spokesman for KWV said that management was obviously pleased that no increase in the excise duty on wine had been announced.

The regional director of Stellenbosch Farmers Winery in the Eastern Cape, Mr Willie du Toit, said he was pleased that wine would not be taxed because it was seen as a healthy drink associated with food, while spirits had always been regarded as a more taxable commodity.

The managing director of South African Breweries' beer division, Mr Graham Mackay, objected strongly to the increase in excise duty on beer but said SAB would only pass on the amount of new excise to recover costs.

He said the increase of 4,8 cents a litre represented a 12,8 per cent increase on the present excise rate and meant that 33 per cent of the price of beer was now composed of government excise duty.

The brewer's prices, he added, would go up approximately 4 cents a quart (750 ml), 2 cents a pint (375 ml) and 2 cents for 340 ml cans and dumpees.

"Beer is the working man's pleasure, but it is the most heavily taxed beverage. This R70-million has to come out of the working man's pocket," he said.

"If the minister was consistent he would put some excise on wine and sorghum beer which have carried no excise burden for some years," Mr Mackay added.
Cheers for wives

A spokesman for the Department of Finance said that the increase in duties on spirits, wine, and beer would amount to about R30 million in revenue, which would be used to improve government services. The increase is expected to impact consumers, particularly those who purchase alcohol regularly.

The Minister of Finance, Mr. Bernard du Plessis, defended the decision, stating that it was necessary to increase revenue in order to fund essential government programs. He acknowledged that the increase would be felt by consumers, but argued that it was a small price to pay for the benefits that would accrue.

Some critics, however, felt that the increase was unjustified and would disproportionately affect lower-income households. A spokesperson for a local alcohol trade association expressed concern that the increase would lead to higher prices for consumers.

The increase in duties on spirits, wine, and beer was one of several measures announced in the budget, which also included increases in duties on cigarettes and motor vehicles. The government justified these measures by arguing that they were necessary to raise revenue in order to fund essential government programs.
KWV unhappy with duty hike

Daily Dispatch Correspondent

PORT ELIZABETH — The increase in excise duty on spirits had potentially dangerous repercussions for the spirit industry and for the intended government revenue from this source, the chairman of KWV, Mr Pieter Hugo, said in his reaction to the budget yesterday.

He said the industry understood that the Minister of Finance, Mr Barend du Plessis, was seeking other revenue sources to bring about relief for individual taxes, but thought it strange that an increase on spirits had been announced.

The total spirits market had not recovered from the drastic excise tax increase in 1981 when consumption had declined sharply. This decrease in consumption had actually resulted in a decrease in excise revenue, Mr Hugo said.

The total consumption was still lower than in 1981 and it was therefore highly unlikely that the government would achieve its higher revenue goal of R50 million, he said.

"It appears to be a decision that was not given good thought."

The duties increase also served to defeat the object of a stronger balance of payments.

As a result of the general agreement on tariffs and trade, increased excise duties encouraged imports, particularly of low-priced and low-quality spirits, and inhibited the domestic spirit market.

Mr Hugo said the state got considerable revenue from wine through GST and the fact that brandy and other wine products were being taxed particularly heavily, caused the wine industry's contribution to the government's coffers to be the lowest of all industries when taken per product unit.
SAB'S A-TRUCK-TIVE OFFER

What's brewing in the transport business? Is a South African Breweries (SAB) scheme in the western Cape, encouraging drivers to set up their own businesses as cartage contractors — a sign of things to come?

Eleven SAB drivers already have independent contracts to carry SAB goods, with clauses built in giving them the option to buy their company vehicles after a year.

Area GM Sam Montsi predicts at least 50% of them will make a success of the venture and hopes to see drivers expand their fleets to three or four trucks.

Transport experts see it as part of a trend. Consultant Max Braun says it makes economic sense to contract out. One reason is that vehicles operated by companies like SAB are inefficient because they carry loads in one direction, then return empty.

Independent operators may seek loads on the return leg, thus making better use of their vehicles.

A Public Carriers' Association spokesman says once a driver owns a vehicle, he has more interest in its economical use. "He'll want to ensure the best fuel economy and highest productivity. We prefer entrants into professional trucking to come this route rather than to start from scratch."

National Association of Private Transport Operators CE Andre Jacobs says selling off vehicles is the best way for owner-drivers to enter the business in SA. It is preferable to what happened in the US and Australia, where people mortgaged their homes to buy a truck.
Bill revises all liquor laws

CAPE TOWN — All legislation affecting the sale and supply of liquor — encompassing about 35 different laws — has been revised and put together in a 127-page omnibus Liquor Bill tabled in Parliament yesterday by Economic Affairs and Technology Minister Dame Steyn.

In a memorandum attached to the Bill, government says it has tried to give effect to the following principles in preparing the draft legislation:

☐ The Liquor Act should be more accessible to users,

☐ Free enterprise within the Act should be encouraged, and for this purpose, less expensive application procedures should be created, and local conditions should be taken into consideration,

☐ Measures which handicap licence-holders unnecessarily should be removed,

☐ More stringent action should be possible against licence-holders who abuse their rights and privileges,

☐ The variety of licences and authorities to sell liquor should be reduced,

☐ The sale of sorghum beer should be controlled by the Liquor Act.

To give effect to these principles, the Bill has been re-arranged to provide a better chronology, particularly governing all those steps necessary in applying for a liquor licence.

The Liquor Board chairman is given additional powers to deal with certain issues without having to refer to the Board.

Provision is contained in the Bill to condone more readily any defects in applications for a particular kind of liquor licence.

Measures which, in the past, imposed undue handicaps on entrepreneurs, such as those which impose a de facto prohibition on the giving of credit, have been abolished.

Liquor sales trading hours have been extended to meet present requirements. Additional flexibility has also been given to holders of certain kinds of licences to provide tasting facilities and for selling different types of liquor.

To counter the easing of restrictions, licence holders will now face the threat of a prohibition being placed on the sale of liquor pending any inquiry by the Liquor Board.

CHRIS CAIRNCROSS

House of Assembly — Legislation aimed at easing the acquisition of black ownership and giving them a greater say in matters affecting them, was in the interests of whites' security, Constitutional Development and Planning Minister Chris Heunis said yesterday.

The Black Communities Development Amendment Bill was not, as CP speakers had claimed in their opposition to the measure, "at the cost of whites' security", he said in reply to the second reading debate on the legislation — Sapa.
SA liquor laws consolidated

CAPE TOWN — A 125-page Liquor Bill which consolidates the 35 laws passed since 1928 to control the distribution of liquor and which aims to bring about greater freedom of movement for the entrepreneur in the trade, was published yesterday.

A memorandum attached to the bill says, however, that as a counterbalance to the removal of handicaps for licence holders it makes provision for more stringent action against the abuse of licences.

The measure also brings the sale of sorghum beer under the control of the Liquor Act.

A special attempt has been made to make the proposed act more accessible and manageable, and the workings of the Liquor Board have been simplified and made more informal.

Measures which could unduly handicap the entrepreneur, such as those which imposed a de facto prohibition on the granting of credit, have been done away with.

Trading hours have been extended to meet modern requirements, and additional privileges have been granted to holders of certain kinds of licences.

The chairman of the Liquor Board is given additional powers to deal with certain issues without having to refer them to the board.

Provision is contained in the bill to more readily condone any defects in applications for a particular kind of liquor licence — Sapa
CAPE TOWN — The board of directors of KWV is to recommend at its annual general meeting on May 10 that a bonus of R18,2-million be paid out, the chairman, Mr Pietman Hugo, announced yesterday.

The bonus amounted to R4,58 per hectolitre of distilling wine supplied last year.

KWV recommends R18,2m pay-out

KWV's profit for the financial year was R27,2-million, compared with R25,7-million in 1986. Mr Hugo said the profit was achieved despite the loss of foreign markets as a result of sanctions in America, Canada, Australia and New Zealand and despite the strengthening value of the rand against the dollar during the financial year.

The continued favourable results were mainly due to the successful marketing of KWV brand products in traditional and new foreign markets, a stable domestic market for brandy, increased productivity within the KWV as an organisation and the effective marketing of the surplus — Sapa.
CAPE TOWN — Bottle store and pub owners have welcomed the new Liquor Bill — allowing for longer trading hours and deregulation of the liquor industry — but do not envisage any immediate changes in business hours.

The retail liquor trade is reserving their comment until the legislation has been studied.

In terms of the Bill, liquor stores and grocers licenced to sell table wines will be able to trade until 8 pm on weekdays and 2 pm on Saturdays.

Licenced restaurants and holders of club liquor licences will be able to sell liquor from 10 am to 2 am throughout the year, including Sundays.

However, on Sundays, religious holidays and other "closed" days of the year, restaurants will only be allowed to sell liquor with meals.

Theatres holding liquor licences can sell liquor for 30 minutes before and after a show, but only between 10 am and midnight.

Sportsgrounds holding liquor licences may sell liquor from the start of a sports event until 30 minutes after its end, but only between 10 am and 11.30 pm.

The president of Federated Hotels and Restaurants Association, Mr Mike Kovensky, yesterday said the Bill was aimed at simplifying existing legislation.

1 million blacks not
SA mineral sales dropped 4.8% last year

SA's total mineral export sales for 1987 dropped 4.8% in value to R25.5bn. This compares with R25.2bn in 1986.

The provisional figures, released by the Mineral and Energy Affairs' minerals bureau yesterday, show that total production tonnages for many minerals were substantially down on the previous year.

Coal exports, in the face of world oversupply and sanctions, fell 6.3%, fetching R2.9bn, 27.3% down on the previous year. On the local market, demand increased by 2.6%, with receipts of R2.5bn surpassing export income.

Platinum is excluded from the precious metals category. However, figures for gold confirm a 6.2% drop in production to 398 tons (935 tons). Nonetheless, the higher rand gold price helped boost revenue from export sales to R17.5bn. 1.5% up on the previous year.

Silver showed a similar trend with production down 6.3% to 206 tons (222 tons) and export value up 1.1% to R70.8m (R70m).

Among the minerals that performed particularly badly were zinc, tin and manganese ore, all of which registered falls of more than 25% in export sales.

Performing particularly well were copper, chromite and lead.
That we're dream is going to cost a mile more.
Black Pepsi takeover may crash

THE ECONOMY

Weekly Mail Reporter

28 March 1988

[Content of the newsletter discussing the potential impact of a Pepsi takeover on the economy and related issues.]
Wine crop slightly up

CAPE TOWN — With 90 per cent of this year's South African wine crop harvested, the estimated total size will be about one per cent larger than last year's crop of 8,76 million hectolitres, KWV reports.

The heatwave during the first half of February in all the wine producing areas, as well as the floods in the Orange River area in January and February, had affected the final size of the crop. "Inconsistent weather conditions were also responsible for the fact that all cultivars did not bud and bloom equally well in the different districts, but the overall quality of the grapes is good," KWV said.

Sapa
Things go better with Coke

ATLANTA — First quarter Coca-Cola Company profits rose by 13.5 per cent to $211 million, reflecting a surge in its worldwide soft-drink sales and gains from the dollar's steep decline.

The company's operating earnings increased even more dramatically, jumping 34 per cent to $309.7 million, but net earnings were weighed down by a $51-million loss on an investment in Columbia Pictures and the weak performance of the firm's food operations.

The Atlanta-based company, which controls 40 per cent of the US soft-drink market, but relies on overseas sales for more than half of its operating income, saw its first quarter revenues rise from $1.55 billion to $1.87 billion.

Coca-Cola's worldwide soft-drink volume rose nine per cent, gaining ground in the Far East, West Germany and Italy, but declining in the UK, where bottlers had built up inventories in anticipation of a joint venture with Cadbury Schweppes Plc. — Sapa-RNS
PORT ELIZABETH — The price of soft drinks will increase by 14 per cent from Monday.

The sales manager of South African Bottling here, Mr Chris Boshoff, said the hike would apply to all loads of soft drinks leaving the warehouses on Monday.

He said his company increased the price of soft drinks annually to meet inflation.

This year's increase had also been affected by the recent sugar price rise.

The industrial price of sugar was increased by 15 per cent from January 2 this year.

The chairman of the Consumer Association in Port Elizabeth, Mrs Jean Brittain, said although soft drinks were not an essential item, the high price increase would contribute to inflation.
Price of whisky to rise again

EAST LONDON — Whisky prices are set to rise for the fourth time since Christmas — this time by as much as R5 a case.

Several East London hoteliers and publicans confirmed yesterday they had been informed that an increase of R12 a case to R53 a case, depending on the brand, would come into effect on Monday.

However, Mr Christopher Sedgwick, chairman of the Cape Wine and Spirits Institute in Cape Town — whose members' products represent 95 per cent of the country's liquor business — said he had not heard of a new increase in the whisky price “although it's bound to go up sooner or later because of the exchange rate.”

The director of the institute, Mr Ruan Kruger, could not be contacted for comment yesterday as he was overseas.

Mr Kruger was quoted in the April edition of a liquor-trade magazine, “Liquor & Store Monthly,” as saying that whisky price increases were “likely this month.”

“Increased FOB prices, together with the fact that producers' wholesaler's profit margins are too low at the moment, will more than likely force us up whisky prices by anything between five and 10 per cent,” Mr Kruger said.

Early in March Mr Kruger rejected news reports that there would be a price increase in April.
Boland shows growth

**Financial Staff**

INCREASED demand for credit helped the Cape-based Boland bank group to lift after-tax profit for the year to March by 40% to R11,6m (R8,3m) after transfers to reserves.

The final dividend has been increased by 1c to 24c, making a total of 42c (40c) for the year.

MD Gert Liebenberg said “Income from services showed a healthy growth, and income from financing also improved notwithstanding a narrowing in the net interest margin on financing activities.

“Although bad debts were still high, there is now a definite decline in doubtful accounts.”

Pepsi Cola US intervenes in local operation

**From SIMON BARBER**

WASHINGTON — Pepsi Cola International, the US soft drink giant, is concerned about the viability of the Soweto Investment Trust Co (SITCO) which owns its former SA bottling operation, and has decided to intervene.

“We know SITCO is in financial difficulty and we are sending a team to talk to them and look into possible solutions,” company spokesman Barry Holt said yesterday.

“We are watching the situation very closely and are committed to nurture and help the development of all our franchise-bottlers, and obviously, we're not crazy about the decline in our market share in SA.”

**Disinvestment agreement**

Under a disinvestment agreement finalized last December, the former US parent helped SITCO take control of Pepsi SA from Cape Beverage Holdings for a nominal sum.

Holt could not say when the Pepsi International team would be arriving in SA or what its brief would be. Under existing US law it might be permitted to inject fresh capital as long as the venture was wholly-owned by black South Africans.

The threatened collapse of Pepsi SA could have serious implications for future disinvestment deals in which departing companies seek to hand over control of local franchises to black entrepreneurs.

It might also have a strong negative impact on US Commerce Department efforts to promote investment in black ventures.

In promotional literature, the department has specifically cited soft drink bottling as an attractive sector.
Liquor market up by R1bn

CAPE TOWN — The value of SA's liquor market jumped by almost R1bn, to R8.2bn in 1997 compared with R6.3bn the previous year, said KWV chief marketing executive Koos van Niekerk.

The volume of liquor consumed amounted to about 4.3-billion litres, Van Niekerk said at a conference reviewing prospects for the SA economy held by Stellenbosch University Business School on Friday.

Analysing the structure of the domestic liquor market, Van Niekerk said the beer industry's share amounted to 66.7%.

The wine industry had a total market share of 23.7%, fortified wines accounting for 17.6%, brandy for 6.8% and white spirit for 1.8%. Whisky, which is almost 100% imported, had a market share of 3.4%.

Van Niekerk said trends reflected within SA were little different from those displayed internationally.

World trends revealed a general slow growth in demand for natural wines, stagnation and decline in the demand for fortified wines and spirits. There was also a general movement towards spirit products with lower alcohol contents.

Preferences

Looking at likely consumption patterns within SA by the end of the century, Van Niekerk listed the following five factors that could have a positive influence on the market from the industry's perspective:

- Increased urbanisation and westernisation of the total population, and changes in consumer preferences;
- A freer market as a result of the liberalisation of the country's liquor laws, and an improvement in the living standards of the black population;
- Improvements in the quality of life of the population through training and upgrading programmes;
- Growth of a black middle class, and
- Renewed capital investment activity within the country.

Van Niekerk tempered the above positive scenario by identifying the following factors he believed would impact negatively on the liquor market:

- Cost-push inflation;
- International political pressures imposed on SA;

The underlying role played by the existing participants in the market, the beer monopoly in particular;

- Tax demands exerted by the state, and

- The rate of growth of the population and the short-term pressures it could exert on the economy.
Drop-Inn wins wine appeal

The Drop-Inn group has succeeded with costs on all counts in its appeal against Hyfarm Investors represented by Hans Schreiber of Neethlingshoof Wine Estate.

In terms of the judgement of the appeal panel, Drop-Inn is not obliged to purchase any of the wines in dispute — some 40,000 cases out of 55,000 cases which the court held do not constitute "noble cultivar white wines".

The contract value of the disputed wine is R2.2 million and the costs are estimated to exceed R600,000.

Group chairman Mr Sam Berk, said that the judgement vindicated his board's view that by tendering delivery of wines purporting to be "noble cultivar white wines" Neethlingshoof was in breach of its obligations in terms of the contract.

The outcome of the appeal may see a re-rating of the group's share price which has been depressed by the market's perception that Drop-Inn was involved in unfavourable litigation.
Cart before horse?
The sad saga of the Soweto Investment Trust Company (Sitco) losing its grip on Pepsi Cola SA, which it recently acquired from Cape Beverages, sounds like a classic case of misplaced venture capital (VC) financing.

Sitco was set up by the Greater Soweto Chamber of Commerce as a vehicle to acquire and set up businesses with the financial help of First National Bank (FNB), which donated R100,000 and also gave it a soft loan of R2.4m.

However, executive director of the Johannesburg Venture Capital Association Francois Baurd maintains banks cannot be effective players in the VC market because of their obligations to the Reserve Bank.

To help meet these obligations, FNB set up a finance committee to approve payments by Sitco, but this proved an ineffective curb on the directors. After the initial R300,000 injected into Pepsi, they put in an extra R800,000 without authorization. FNB has since ended its credit line to Pepsi.

Baurd says for a VC arrangement to work, a venture capitalist should bring in management experience and develop a partnership in that way.

"If SA follows the American pattern, wealthy individuals will provide the initial backbone of VC and then pure VC companies will emerge."

"The American VC market has grown from $8bn to $24bn in five years. Nearly 50% of VC there is provided by pension funds. We are at the bottom of the curve and we do expect a number of failures at this stage."

FNB senior GM Jimmy McKenzie says the bank is committed to black business development and provides risk capital through its Small Business Unit.

It is possible that FNB saw Sitco as another form of small business financing. But the decision to buy a company like Pepsi, with a debt of R2bn and no operation on the Reef, was obviously a shot in the dark. It was at best unrealistic to expect Sitco to run an operation based in Cape Town from Soweto.
Another good year for KWV

Flank Staff

In spite of the heatwave which hit many KWV wine producing regions and the floods of the Orange River most districts showed a crop increase this year.

Thus was announced in the chairman's report presented at KWV's annual meeting held in Paarl yesterday.

In his report, Mr Pieter Hugo said it was provisionally estimated that 9,09 hectares of wine was produced, which is 3,6 percent more than last year's 8,77 hectares.

The association's net profit from own transactions for the year ending December 31 showed an increase for the sixth consecutive year from R25,7 million in 1996 to R27,2 million last year.

This represents an increase of 5,6 percent.

Even though the rise was modest and well below the inflation rate, the board was satisfied with the results, Mr Hugo said. Last year was not an easy year.

The implementation of sanctions led to the loss of certain important KWV export markets, including the United States, Canada, Australia and New Zealand. The rand also strengthened against most of KWV's trading partners which affected the organisation as well as in the highly competitive international market.

It is a little early in the financial year to give an accurate estimate of KWV's profit, but at this stage, however, it seems the profitability levels achieved in 1997 will be repeated in 1998, said Mr Hugo.
SA Breweries keeps on treading ascendant path

By Ann Crotty

At first glance, SAB's reported results for the 12 months to March look strong, with earnings up 30 percent to R146.5m and the dividend up 32 percent to 68c.

But a closer look reveals what is in fact an outstanding performance, which should enhance the rating the market gives the share.

The 30 percent increase in earnings was achieved despite a sharp increase in the tax rate from 28 percent to 36 percent, which lopped an additional R58m off the tax-profit figure. The group's policy of providing for additional replacement cost for depreciation, cut some R4m off the tax-profit figure.

If the tax rate had remained unchanged at 28 percent, and if the additional replacement cost for depreciation had been held at R25m, SAB would be showing an increasing attributable earnings closer to 50 percent than 30 percent.

The fact that the group was able to show a strong improvement despite these major factors, and the highly conservative accounting policies it applies, is proof of SAB's strength and must enhance its rating as a blue-chip stock.

As group MD Meyer Kahn points out, there has been a lot of scepticism about the effect that full taxation would have on SAB's earnings record. But the latest figures show that even at a relatively high tax rate, the group is able to produce a 30 percent improvement off a very high base.

With the listed subsidiaries having already reported performances that were generally ahead of market expectations, all that remained was for the beer division to add the froth to the final picture. In this respect it did not disappoint the market.

Group turnover was up 23 percent to R8.7 billion (R7.1 billion) and trading profit showed an even stronger 34 percent advance to R746 million (R567.8 million). This reflects an improvement in operating margins from 7.9 percent to 8.5 percent. Improved margins were recorded throughout group subsidiaries.

Management says that with regard to the beer division a volume increase of 13 percent was accompanied by a 29 percent increase in earnings. The other interests increased their contribution to attributable earnings by 37 percent.

Mr Kahn describes the 13 percent increase in volume sales in the beer division as phenomenal when compared with the three percent growth in the economy.

He says it reflects an exceptional performance by the sales team. He disputes the notion that the beer division's position as a dominant player in the market was instrumental in its ability substantially to boost operating margins. He says the group keeps its prices at very competitive levels and that price increases over the past 10 years have been kept within 70-75 percent of the rate of inflation.

The group's financing costs were down from R121.1m in 1996 to R109.7m in 1997. This was achieved, despite the increased use of borrowings, because of lower interest rates.

The higher effective tax rate reflected the improved profits achieved in the high tax-paying sectors and the practice of setting aside additional sums to a tax equalisation account. Management says: "This latter action has now effectively bridged the transition from an assessed-loss position in the company to one of resuming tax payments."

Gearing at 38 percent was the lowest in more than a decade. This was achieved despite the major commitment to the expansion of brewery facilities and reflects rigorous working capital management.

The extra capacity in the beer division is due to come on stream over the next year or so. This will boost the beer contribution and ensure that group earnings remain on a solid tack and more than compensate for any adverse effects a slower economy could have on the other divisions.
SAB on R1,2bn expansion drive

SA BREWERIES (SAB) has put up a sterling performance worthy of its status as consumer industry leader and is now steering on a R1,2bn expansion course.

The huge capital expenditure (capex) is a demonstration of SAB's major commitment to the economic potential of the country, says MD Meyer Kahn. About 60% will be spent on expanding the brewery division, which has been operating at full capacity.

"SAB is now set on course for a big expansion in the consumer market."

The basis for expansion has been laid by two years of solid advance — 1987's 36% rise in attributable profit, followed by this year's 33% increase in attributable profit to R389m (R294,5m).

Earnings are up 30% to 145,5c a share in the year to March (112,3c last year). A 50c final dividend (37,5c) lifts total distribution 32% to 66c (50c).

The capex will be comfortably funded by existing borrowing facilities within the group's spare gearing capacity.

After two prosperous years, which enabled SAB to set aside R52,3m in additional replacement cost depreciation and build up its tax equalisation account, the gearing ratio at 35% is at its lowest in more than a decade.

Kahn says SAB's gearing could rise to 45% in the current financial year. He shrugs off the effects of higher interest rates and says he would still be happy with a ratio of 50%. In fact, SAB would be comfortable with a 60% ratio.

Kahn says the low gearing at the March year-end benefited from the timing of Easter, but also bears testimony to rigorous working capital management throughout the group.

This improvement comes at a time of significant increases in operating fixed assets, particularly with the start of the major brewery expansion programme.

Kahn says SAB has proved the sceptics wrong about its ability to tackle large capex. "SAB is big enough to take the risk to provide additional capacity ahead of increased consumer demand."

A significant point in the latest results is that the setting aside of additional amounts to the tax equalisation account has now effectively bridged the transition from an assessed loss in the company (as opposed to the group) to one of resuming tax payments.

SAB set to spend R1,2bn on expansion

Kahn sees the buoyancy in consumer spending moderating somewhat in the year ahead. For instance, the leap in the furniture division's profits in the past year was attributable to a large extent to replacement buying.

The beer division's performance was particularly pleasing and surpassed most analysts' expectations.
Strong SAB plans
R1,2bn expansion

Own Correspondent

JOHANNESBURG — South African Breweries (SAB) has put up a sterling performance, worthy of its status as consumer industry leader, and is now steering on a R1,2bn expansion course.

The huge capex is a demonstration of SAB’s major commitment to the economic potential of the country, says MD Meyer Kahn.

About 60% will be spent on expansion of the brewery division, which has been operating at full capacity. "SAB is like a supertanker which needs wide space to manoeuvre. It is now set on course for a big expansion in the consumer market."

The basis for massive expansion has been laid by two years of solid advance — 1987’s 36% rise in attributable profit, followed by this year’s 32% increase in attributable profit to R383m (R294,5m).

The capex will be comfortably funded by existing borrowing facilities within the spare gearing capacity of the group.

After two prosperous years, which enabled SAB to set aside R62,3m in additional replacement cost depreciation and build up its tax equalisation account, the gearing ratio at 38% is at its lowest in more than a decade.

Kahn says SAB’s gearing could rise to 45% in the current financial year. He shrugs off the effects of higher interest rates and says he would still be happy with a ratio of 50%. In fact, the consumer giant would be comfortable with a ratio of 60%.

Kahn says the low gearing at the March year-end benefited from the timing of Easter, but also bears testimony to rigorous working-capital management throughout the group, especially its interest-free liabilities.

This improvement has been achieved at a time of significant increases in operating fixed assets, particularly with the start of the major brewery expansion programme.

Kahn says SAB has proved the sceptics wrong about its ability to tackle large capex. "SAB is big enough to take the risk to provide additional capacity ahead of an increase in consumer demand."

A significant point in the latest results is that the setting aside of additional sums to the tax equalisation account has now effectively bridged the transition from an assessed loss in the company (as opposed to the group) to one of resuming tax payments.

Kahn sees the buoyancy in consumer spending moderating somewhat in the year ahead. For instance, the leap in the furniture division’s profits in the past year was attributable, to a large extent, to replacement buying.

Kahn says he would be quite satisfied with slower, but sustainable, growth in this division. He welcomes the authorities’ action to cool down the tempo of spending and the use of credit as a timely and responsible brake on the pace of growth in the economy.

The beer division’s performance was particularly pleasing and surpassed most analysts’ expectations. Sales volume increased by just over 13%, contributing to SAB’s 23% rise in turnover to R2,7bn (R2,1bn).
About 2,500 members of the Food and Allied Workers' Union (Fawu) have stopped work at five Amalgamated Beverage Industries (ABI) plants in Natal and the Transvaal, the union said yesterday.

A Fawu statement said the stoppage had started in the company's Phoenix, Natal, plant two weeks ago after management failed to address workers' grievances over a "new style of management and numerous unfair labour practices".

ABI attributed the workers' action to a misunderstanding over "traveling" at Phoenix.

ABI managing director Mr Alex Reid said four plants were affected. The company regarded the stoppages as illegal.
AMALGAMATED Beverage Industries yesterday confirmed that there were work stoppages at some of its plants in Durban and the Reef, saying the industrial action was illegal.

ABI managing director, Mr Alex Reid, said the stoppage started in the company's Phoenix plant near Durban over "a misunderstanding involving the plant manager over training."

He said: "When the misunderstanding was detected, we immediately had a meeting, not only with the shop stewards, but with the workers as well."

"However, this did not prevent the stoppage, and the second Durban plant, Devland and Midrand plants also decided on a stoppage in sympathy. We regret the misunderstanding that sparked off the stoppage which we regard as illegal," he said.

At this stage, Mr Reid said, there was "no question of dismissing workers" but the company was seeking a legal advice.

Strike

Scores of Food and Allied Workers' Union members were still out on strike at ABI plants yesterday.

A union spokesman said the workforce went on strike in protest against a new system introduced at the Phoenix plant.

A delegation from various ABI plants was scheduled to meet in Johannesburg late yesterday to discuss the matter, the spokesman said.
Coke Workers strike

JOHANNESBURG. — Workers at the Pretoria plant of Amalgamated Bottling Industry (ABI) — bottlers of Coke — yesterday joined four ABI plants in the Transvaal and Natal in a work stoppage, bringing the number of workers involved to 2,700. Food and Allied Workers' Union spokesman Mr. Goerge Nene said yesterday.
Coke bottlers on strike

Johannesburg — Coke bottlers, Associated Beverage Industries (ABI), experienced some disruption to production and deliveries yesterday when their 2,7000 workers continued to strike.

Reports by Staff Reports, Own Correspondent, Gapa Former AP and SNN
Not the least of those has been SA Breweries (SAB), a giant of the industrial board.

Listed companies in the group which had reported before SAB itself showed that a large earnings increase could be expected. Amstel's EPS climbed 50%, those of Afcol 42%, OK Bazaars' 32% and Edgars', which is by far the largest non-beverage contributor, leapt 50%. Southern Sun reported a climb from 2.7c to 14.9c. All the SAB group showed improved operating margins, which were reflected in the consolidated results.

The most important contributor remains the beer division, which accounts for about 53% of SAB's bottom line, says group MD Meyer Kahn. SAB is justly proud that price increases have been kept to around 75% of the rate of inflation and earnings growth relies heavily upon improvement in productivity, which Kahn says the group expects to be around 10% annually.

"We have to keep the price down to keep beer competitive with other beverages which do not have the same level of excise duties," Kahn points out. In the past two years, sales volumes have risen by 13.5% and 13.3%, after the tough period after 1981, when the pace of volume increases declined to a low of 2% in 1986.

**BREWING UP PROFITS**

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<thead>
<tr>
<th>Year to March 31</th>
<th>1987</th>
<th>1988</th>
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<td>Dividends (c)</td>
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Kahn contends this shows that beer sales consistently outperform the economy. There were real increases in the recession, when PCE fell and, now that the economy is improving, beer sales are rising faster than the economy. This proves, he says, that the South African market is far from being a mature beer market and real increases in sales can be expected for some time.

With a market this strong, it is small wonder that the group is planning capital expenditure of R1,200m this year, with 65% of it going to expanding beer capacity. In the past, attention has concentrated upon the Transvaal, which accounts for 60% of the total market. Kahn says that sales in the western and eastern Cape and Natal are also rising rapidly and investment is thus being made in these areas on a pro rata basis.

SAB is building a new brewery in Pietersburg and making major extensions to Rosslyn, Newlands and Prospecton.

However, the immediate outlook is not as bright as the past year. The non-beverage interests will be affected by rising interest rates and tighter HP terms. With the group forecasting an increase in PCE of 2%, beer volume sales are expected to rise about 5% and earnings growth of somewhat over 20% seems reasonable.

At R16.85, the share is on an historic dividend yield of 3.9% and a forward yield, based upon stockbrokers' forecasts, of 4.3%.

Though this may seem low, SAB's blue chip status and hedging qualities make the price seem attractive.

Pat Kenney
Soaring beer sales...

Malt-house to spend R70m on expansion

BY AUDREY D'ANGELO
Financial Editor

SOUTHERN ASSOCIATED MALTSTERS (SAM) will spend R70m on expanding its Caledon plant to meet soaring demand for malted barley caused by a rise in beer sales.

SA Breweries announced last month that beer sales in the Western Cape alone had risen by 24% in the previous six months and it was spending R40m on increasing local capacity to meet expected further demand.

This means a bonanza for local farmers whose barley is an essential ingredient of beer.

The GM of SAM, Charles Coe, announced yesterday that the Caledon plant would increase production to 127 000 tons of malted barley a year from the present 85 000 tons. This will make it the fifth biggest on-site maltings in the world.

Construction is expected to start in August and the new plant is due to be commissioned in December 1999.

Coe said that when it is completed Caledon and its sister plant at Airode in the Transvaal will be able to supply about 70% of the malt needed by SA's lager beer industry, reducing dependence on imported supplies.

Keeve Steyn Inc have been appointed project managers for the expansion and design work which is at an advanced stage. Coe said tenders would be called for shortly.

"Since Southern Associated Maltsters — a joint venture between SA Breweries, SASKO and the Caledon Riversonderend Co-op — was formed in 1978, we have nearly quadrupled our local malt production," said Coe.

"The expansion will make it nearly fivefold. "The company was established to develop a local malting industry and to promote a high standard of barley production in SA. I believe we have succeeded on both counts." Coe said this expansion went hand in hand with the development of suitable barley cultivars.

"To date the SA industry has been dependent on only one cultivar, Clipper. "However, SAM plays a leading role in developing new strains both through local breeding programmes and the importation of internationally-accepted cultivars for testing under local conditions. "This programme recently yielded its first major success with the release of an imported strain, Stirling, for commercial cultivation."

SAP and leading liquor retailers say that there has been a swing to beer from wines and spirits by white and coloured people.

But the main reason for the dramatic increase in beer sales is the lifting of influx control which has resulted in an enormous increase in the black population of the Western Cape. Both the black population, and beer sales, are expected to go on growing...
Beverage firm resolves strike with Fawu

The strike involving more than 2,000 members of the Food and Allied Workers' Union (Fawu) at five Amalgamated Beverage Industries (ABI) plants has ended, the company announced yesterday.

In a statement, ABI managing director Mr Alex Reid said workers had agreed to return to work today following talks between the company and the union on Friday.

Prior to Friday's talks, ABI had obtained interim court interdicts declaring the strike illegal and giving strikers until today to resume duties.

The statement did not say if the issues which sparked the strike had been resolved.
Rosslyn brewery hops on

The R80-million first stage of the final phase of SA Breweries expansion programme at its Rosslyn brewery — the largest in the Southern Hemisphere — is now complete.

This leaves a further R70 million to be spent on upgrading the brewing and utility sections of the plant.

Beer Division managing director Graham Mackay said yesterday a total of R150 million would have been spent on the final phase by September.

Phase one of the expansion programme was completed in 1982 and the second phase in 1984.

The just-completed expansion involved construction of the world's fastest 750 ml bottling line, with a capacity of 60 000 bottles an hour, at a cost of R40 million, plus extensions to the brewery's warehouse.

The completion of phase three will lift the brewery's output from 550 million litres a year to 650 million and enable it to supply 45 percent of the beer needs of the Transvaal and OFS, said Mr Mackay.

"When completed, Rosslyn will be on a par with the world's leading high-technology breweries operated by American brewing giants Anheuser-Busch and Miller and the European-based Heineken.

"They dominate their markets partly because of the efficiencies of continuous operation, from brewing through to packaging. Rosslyn was designed from the start to operate in the same way," he said. — Sapa
By Derek Tommey

The 'turbulent labour scene' is worrying South African Breweries' top management. The group's chief executive, Mr J M Kahn, has much to say about this in the latest annual report.

"The group lost more manhours last year than for the preceding six years since black unions became legal," he says.

"Many trends and tactics on the labour front have been drawn into a pattern, where the distinction between ideological objectives and shopfloor aspirations has become more blurred than ever before.

"The search for constitutional solutions, which would accord justice and dignity to all had inevitably created a climate of uncertainty, he continues.

"This, coupled with the limited opportunities for political negotiation, has facilitated the emergence of forces with hidden agendas.

"This had done organised labour a great disservice as the numerous violent incidents during protracted major strikes testified.

"Mr Kahn says he wonders whether labour mobilisation during the year was in the best interests of the workers on bread-and-butter issues.

"He says it is too early to tell what the proposed amendments to the Labour Relations Act, which had drawn criticism from both unions and employers, would achieve. But there could be little doubt that those elements which seek to exploit the labour movement, with scant regard for the welfare of the ordinary worker or for positive interaction on the shopfloor, must be discouraged.

"The group's chairman, Mr M B Holmey, says it is imperative for the country to sort out its internal affairs into better order.

"Several factors, including far greater momentum towards political change, were needed to harness the remarkable natural and human resource with which South Africa is blessed.

"Uncertainty exists in the socio-political and industrial relations environment. But providing reasonably settled conditions prevail, the group expects further satisfactory real growth."
Cape Wine to list its main operating subsidiaries on JSE

The huge Cape Wine and Distillers (Cape Wine) group yesterday reacted fast to government orders to sever all vertical integration in the liquor industry.

The board of Cape Wine recommended to shareholders that its two main operating subsidiaries, the Stellenbosch Farmers Winery group and the Oudemeester group be listed separately on the JSE, which was one of the directives handed down by Minister of Economic Affairs and Technology, Dane Steyn, on Thursday.

The group said it was making the move in order to “entrench competition on a permanent basis between the two companies and the industry as a whole.”

The board said one of the companies would be the existing Cape Wine, and the other would be a newly listed company which will hold the interests of the Oude Meester group.

Shareholders in Cape Wine will receive shares in the new company on a pro-rata basis to their current shareholding in Cape Wine. Final details of the move would be announced in October.

The government’s directives, which attacked the controversial links between producers and wholesalers on the one side and retail stores on the other, was received with outrage by the wholesale liquor industry.

But while other groups like Gilby’s, owners of the Rebel stores, and Union Wine will also be severely affected, Cape Wine will have to sell off 200 stores to comply with the order. The group holds about 70 percent of the wine and spirits market at present.

Commenting on the government’s move, Cape Wine’s managing director, Cys Steyn, said: “We understand the Minister’s announcement to mean that producers and wholesalers must sell off all their retail stores and that the restriction of 12 retail stores applies only to people who have no production or wholesale interests.”

“We have to sell off about 200 stores, but will only plan the details once the Minister has decided upon the period over which it must be done,” Mr Steyn said.

He expected that the group would be allowed a reasonable number of years for selling off liquor stores and “we do not expect the sale to have any significant impact on financial results.”

Mr Steyn added that the government had consultations with his group before announcing the directives.

Trevor Pearmain, MD of Rebel stores, said the move would have a terrible impact.

“We were aware of the discussions and will now make whatever plans necessary to safeguard the interest of Gilby’s, Rebel’s and employees at its 53 stores,” he said.
CWD confident of more competition

CAPE Wine Distillers (CWD), the largest wine and spirit producer/wholesaler, is positive the elimination of vertical integration in the liquor industry will strengthen competition.

CWD MD Gys Steyn said the announcement last week by Economic Affairs Minister Danie Steyn that producer/wholesalers had to withdraw from the retail trade meant it would have to sell off all of its approximately 200 outlets.

He said: "CWD has, for years, strongly propagated the severance of wholesale and retail because it will inevitably lead to sounder business. It will create a freer and unfettered wholesale market which will make entry to that level easier."

CWD, controlled by Rembrandt/KWV Beleggings, is the holding company of Stellenbosch Farmers Winery (SFW) and Oude Meester. It holds about 70% of the wine and spirits market. CWD also announced the split between SFW and Oude Meester into two separately listed companies would be dealt with this year to enhance competition.

Steyn said CWD's retail outlets Western Province Cellars and Liquor Town had been run on sound business principles and selling them off would not present problems. He trusted the sales would be done in the "reasonable timeframe" Minister Steyn had indicated.

The minister said the period of selling off would be determined in consultation with the industry.

Government policy says no more than 12 retail outlets can be held by any person or group while no changes have been made to the hotel licences or grocers' licences to sell wine.
The recent announcement that SA’s producing wholesalers are likely to lose their retail interests appears to be the beginning of the end of a saga which began in 1979. In November of that year, government conditioned the restructuring of the liquor industry, which led to the creation of Cape Wines & Distillers (CWD), with its stranglehold on the wine and distillery industry, and the South African Breweries (SAB) beer monopoly.

The liquor monopoly was arrived at de facto during the long battle between international and SA brewers, and SAB had ended overwhelmingly in favour of SAB, CWD, however, was an artificial creation accepted by government as a political trade-off for the Cape wine farming community and the powerful Afrikaner business interests.

As a cheap spiv to muck the main protagonists in the new liquor industry monopolies were told to divest themselves of their retail chains. At the time SAB owned the Solly Kramer chain with more than 150 stores Distillers/Oudekasteur Group controlled nearly 200 liquor stores through its Francisco Cellars stores. Gilbey’s (40% owned by Rembrandt) had less than 100 Rebel/Lugana stores and Unie Wines controlled Picotel and the various Peciard Group stores.

It is clear that these retail chains had been built up partly to ensure brand throughput from the producing wholesalers, partly to cash in on the new side of the business with hard retail cash and partly to defend strategic counters in the fiercely competitive liquor industry.

As a sop to Jan Peciard’s Union Wine/Picotel Group, government had granted them exemption from the regulations concerning the abolition of vertical integration. The Peciard Group were told that they could retain 75 stores, an immunity in terms of the State’s espoused views on the subject of vertical integration.

This trade-off was to have substantial implications, in that it precluded government from implementing the 1979 agreement. However, the only one exception was that it was only a matter of time before the CWD obtained a similar deal for its Western Province Cellars/Liquor Town chain.

More trouble in store for SA’s liquor-drinkers

Business Day’s wine writer Michael Frijdhon, co-author of “Conspiracy of Giants,” an authoritative study of SA’s liquor industry, examines the implications of government’s decision to make liquor wholesalers sell their retail outlets.

With its usual bias against the beer industry, government has shown a tendency to enforce the vertical integration regulations, compelling SAB to sell off its Solly Kramer chain. They also imposed their maximum number of stores on the Solly Kramer deal, selling all their stores to the Kramer management in groups of 12.

At exactly the same time, Rembrandt/KWV-controlled Picotel was permitted to continue operating with a chain of more than 150 stores and with permission to acquire up to 20 stores.

The recent decision, however, to force the producing wholesale merchant to sell off their stores seems a complete mistake. The entire structure of the liquor industry has been built up around the sale of the stores and that the management of the stores was sold to the Kramer management in groups of 12.

No one in SA can be under any illusion as to government’s views of equality. The KWV and Rembrandt represented a sizable number of voters and considerable political clout within the community. Their names at the expense of SAB could not have come as much of a surprise to anyone.

Since the industry restructuring of 1979, two government commissions of enquiry have investigated the liquor industry. Both have commented adversely upon the monopolistic structure of the wine and spirits sector of the market.

The de facto SAB monopoly was treated with regret, but the sagging growth of the beer industry since 1979 has proved that the monopoly is likely to be entirely against the public interest. Despite recommendations by government-appointed commissions proposing the breaking up of the CWD, the State has – until now – continued to condone a market structure, a market structure.

Boards of enquiry do not represent the views of the producers of wine or the potential political lobby of the wine industry.

The recent decision, however, to force the producing wholesale merchants to sell off their stores seems a complete mistake. The entire structure of the liquor industry has been built up around the sale of the stores and that the management of the stores was sold to the Kramer management in groups of 12.

Gibbys is 51% owned by International Distillers & Vintners (IDV) and Rembrandt holds 49% stake. There are obviously funding problems and Rembrandt is likely to be hit by this decision. Gilbey’s, on the other hand, is a different company with its majority foreign shareholders.

There must presumably be some option arrangement between the majority and minority shareholders in the event of IDV wishing to dispose of its interest. If Gilbey’s performance as a producing wholesaler is to be crippled by the loss of cash-flow that the sale of their stores may occasion, it is no longer necessary to sell their stake in the company. Gilbey’s could take action against the CWD – directly or indirectly – part of the CWD. With such domination of the wholesale sector, the CWD has less need to be over a major chain of retail outlets.

But there are also clear signals that government is attempting to break-up the CWD with a series of separate listings for the Stellenbosch Farmers Winery (now a wholly-owned subsidiary of CWD) and the Oudekasteur/Distillers Group.

Such separate listings are likely to have more to do with cosmetics concessions than the companies are controlled and which policies they pursue in their dealings with the wine farmers and the retailers. The only real limitation is that a Rembrandt-owned Gilbey’s would fit into this scenario as yet.

What is certain, however, is that government has committed itself to this course of action, no matter when it comes to dealing with the producers.

The sale of hundreds of liquor licences probably will affect the average value of licences owned by small traders as government is likely to be hit by this decision. Gilbey’s, which benefit considerably from the cash-flows generated by their Rebel/Lugana stores, is a well known producer of wine.

The interest of Afrikaner business in the liquor industry is likely to be hit by this decision. The sale of hundreds of liquor licences probably will affect the average value of licences owned by small traders as government is likely to be hit by this decision. Gilbey’s, which benefit considerably from the cash-flows generated by their Rebel/Lugana stores, is a well known producer of wine.
Pay talks at brewery reach loggerheads

SA BREWERIES' beer division has declared a dispute with the Food and Allied Workers' Union. Human resources director and 'negotiating team' leader Rob Childs said yesterday the dispute came after three rounds of talks "characterised by ludicrous demands and disrupted by non-procedural actions" by the union.

SAB had offered a minimum wage of R4.60 an hour and improved shift allowances which, he said, together amounted to a 16% increase.

The union had originally demanded R10 an hour then R7.75. "Taken with their demands for allowances, this amounts to R2 200 per month. Overall their demands bear no relationship to existing market prices," Childs said.

The union had demanded a 12-week bonus, six to nine weeks annual leave, a 35% shift allowance and five times the normal hourly rate for working overtime on Sundays, he added.

SAB had on offer R940 a month for the lowest-paid shift worker and R1 280 a month for the lowest-paid continuous shift worker.

A senior blue-collar worker on continuous shift would, SAB said, earn R1 770 a month. — Sapa.
Boost from changing tastes

Activities. Diversified consumer products group with a virtual monopoly of SA's beer market. Subsidiaries include ABI, Alcol, Amarel, Edgars, Lion Match, OK Bazaars and Southern Sun.

Control. Premier Group has 34.9% Ultimate control lies with Anglo American.

Chairman. M B Hofmeyer, managing director J M Kahn.

Capital structure. 268m 6% ordinary 20c, 1m 6.2% cum prefs of R2, 42.6m 7% red cum prefs, 2.5m 7.2% cum prefs of R1. Market capitalisation R5,43bn.

Share market. Price 2 025c. Yield 3.3% on dividend, 7.2% on earnings, PE ratio 13.8, cover, 2.2 12-month high, 2 626c, low, 1 500c. Trading volume last quarter, 1.53m shares.

Financial. Year to March 31.'85 '86 '87 '88

Debt
Short-term (Rbn) 58 66 102 174
Long-term (Rbn) 618 671 652 762
Debt equity ratio 0.47 0.49 0.57 0.67
Shareholders' interest n/a n/a n/a 0.48
Int & leasing cover 1.6 1.6 3.7 5.3
Debt cover 0.48 0.51 0.65 0.78

Performance.

Return on cap (%) 11.8 9.9 12.5 13.7
Turnover (Rbn) 2 558 2 675 2 708 2 868
Pre-mt profit (Rbn) 367 367 558 748
Pre-mt margin (%) 8.2 8.0 7.9 8.6
Taxed profit (Rbn) 284 253 361 479
Earnings (c) 80.4 82.5 112.3 146.6
Dividends (c) 36 37 50 68
Net worth (c) 740 858 915 975

For years economists have been telling us SA's economy will really take off when black discretionary spending gets into gear. Like all generalities, it is of little practical use to investors. Black disposable incomes have been rising for years, but the economy has done little more than stumble along since the start of this decade.

Nevertheless, black discretionary spending remains the economy's most powerful locomotive. Firms such as SA Breweries (SAB), which capitalise directly on this, are likely to come up with the best investment performances through to the turn of the century.

MD Meyer Kahn isn't one to go overboard on this year's likely performance. Planning is based on real consumer spending growth of 2.5% and he warns that volatile industrial relations and socio-political environments could adversely influence the forecast. Nevertheless, this year alone the group is budgeting capital spending of R1.2bn, equivalent to more than half of last year's balance sheet value of plant and equipment. It represents a confidence in immediate trading prospects shown by few other firms.

The confidence is probably not misplaced.

Last year, malt beer sales increased by 13% in volume terms and by almost a quarter in rand volume terms. At the same time, sales of downmarket sorghum beer (largely handled by government agencies) stagnated, spirits sales volumes increased by 4%, and natural wine sales recorded another 3% decline. Alcoholic industry analysis see these as continuing trends. Black consumers are turning away from sorghum beers towards malt beers, seen as more up-market, and they are not switching directly from sorghum beer to wine — that's the next step in the consumer cycle.

Last year SAB sold 16.5m hl of malt beer. That's near enough 3 000m pints in understandable terms, but only two pints a week for every man, woman and child in the country. Sorghum beer sales, estimated at 26m hl, were 50% higher, so the scope for further growth in malt beer sales as drinkers switch from sorghum is plain. The upshot is that SAB will gain not only from real increases in consumer spending but also from changing spending preferences.

Last year, beer provided 25% of SAB's consolidated turnover and 54% of the group's attributable earnings — and that virtually guarantees future earnings growth. Whether the non-beer interests can match up is another matter. Amarel and Alcol are threatened by tighter credit controls, though the clothing retail interests managed by Edgars are less likely to be hurt by government-imposed economic curbs.

OK Bazaars is another matter. It remains affected by vicious competition for the housewife's rand and its margins and returns on capital remain dismayingly low. After tax and depreciation, the retail chain generated a return of only 2% on total assets last year and could be equally constrained this year if credit curbs cut into sales of higher-margin durables. Southern Sun, on the other hand, has considerable earnings leverage potential.

Last year, its SA hotel operations generated another, though lower, and the company as a whole only notched up pre-tax profits because of dividends from casino operator Sun International. Betting this year is that improved room occupancy rates and greater spending by tourists will lift Southern Sun's hotel operations fairly firmly into the black.

Newly acquired Lion Match plans to resume dividends this year, but they are likely to be restrained (see separate article).

Apart from the underpinning provided by the nation's developing liquor preferences, the quality of SAB's profits is unquestioned. The group provides additional replacement cost depreciation before declaring profits and financial planning is based on future earnings after total 55% of earnings. This year we are looking at an earnings increase of at least 20% even if worst economic expectations are realised.

Management expects internally generated cash flow to provide half of the planned capital spending budget. The other half will be raised through borrowings, which means the gearing ratio will remain well below the self-imposed 60% ceiling.

At just over R20, the share is rated on a historic p/e of less than 14 and a prospective dividend yield of 3.9%. That's sufficiently attractive for a share which should provide more than adequate protection from the next few years' rising inflation.

SAB BREAKDOWN

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FINANCIAL MAIL JULY 22 1988
Liquor Industry

No Small Beer for Investors

The R500m/year State-owned sorghum beer industry will soon be ready for privatisation.

The Industrial Development Corporation (IDC) and Volkskas Merchant Bank are about to start work on preparing a prospectus for the sale of 22 sorghum breweries around the country.

The IDC, given interim control of the industry last year, has almost finished the first part of the privatisation process — identifying and valuing the industry's assets. That exercise should be complete by the end of August.

If all goes according to plan, says IDC GM Jan de Bruyn, the sale prospectus will be ready by November and the industry will be in private hands by the middle of 1989.

It will be sold with management and work force in place. The breweries were formerly controlled by SA's now-disbanded development boards and still employ government staff. The staff must also transfer to the private sector and the IDC — with the Department of Development Planning and the Commission for Administration — is still seeking an acceptable formula.

No final decision has yet been made on share distribution, but it is likely that staff will be offered a stake and that blacks will be guaranteed a minimum percentage of the industry — possibly at reduced share prices. Investing companies and financial institutions will probably take up the balance.

De Bruyn says government wants the industry to be sold as a whole and for ownership to be spread as widely as possible. That won't preclude a company like SA Breweries (SAB) — which has expressed interest in buying a stake — from being a shareholder but, according to a government source, "I think the last thing government wants to see is SAB control."

However, even if it doesn't get control, SAB has other interests in the privatisation. It is a shareholder and holds management control in 11 breweries in the national states. Under a current agreement, these breweries may not market in SA and SA breweries may market only within SA's borders.

Whether such an agreement will survive privatisation of the SA sorghum beer industry remains to be seen. SAB certainly has the muscle to make major inroads but government may wish to continue protecting the newly privatised industry.

In its 1988 annual report, SAB states "Only privatisation which results in a free, competitive marketplace will bring about a revitalised industry. Anything short of this approach will only result in further inroads being made into the industry by other products."

De Bruyn says the IDC's interim management has already had an effect. Sales and turnover are both up for the first time in seven years. He admits it's not all due to management — relative calm in the towns has made the task easier — but adds that with a clear picture of the industry's future, staff are more motivated than before.

They'll need to be. It's a big step, from being a public servant in a protected market, to competing in the real world. If government is really serious about privatisation and open competition, they may need more motivation than they bargained for.

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Financial Mail July 22, 1988
Beer-loaders stop work

Labour Report
ABOUT 30 labourers at the South African Breweries depot at Bellville have stopped work over employment conditions.

They are employed by drivers contracted to SAB for deliveries under a scheme in which the company helps the drivers to become small businessmen.

After a specified period the drivers get ownership of the trucks.

WORKING AS CASUALS

Workers said they had been promised permanent employment, but had been working since October 1987 as casuals and paid R25 a day with no benefits or overtime.

They stopped work on Monday in protest at this and other working conditions and, though not members, consulted the Food and Allied Workers' Union.

Union officials were understood to have approached the breweries.
SAB offer by-passes union

SA BREWERIES' beer division has made its final wage offer to Fawu, upping minimum wages by 17%.

SAB human resources director Rob Childs said in a statement on Friday that after four rounds of negotiations, followed by mediation, there appeared to be no point in further negotiation.

"Our final offer of R4.70 an hour for the lowest-paid workers, and R6.46 an hour for the top grade, is the best available in the food and beverages industry. Taken with a substantial increase in shift allowances, it means a grade 1, continuous process shift-worker, working a 40-hour week, would earn a minimum of R1 278 a month, and a grade 5 worker a minimum of R1 757.

"These wages are well above both the inflation rate and other comparable wage settlements in this and other industries this year."

Childs said SAB was now appealing directly to its employees to consider the offer.

"I want to stress that at this stage the wage offer, backdated to July 1, is still valid."

He added that SAB was concerned that its employees had not received an increase from July 1 and so were being prejudiced.

"Negotiations this year have been characterised by procedural actions at various breweries.

"They have been complicated by the ludicrous original demands made by the union (for example five days' pay for overtime work on a Sunday), and we now question whether Fawu is acting in the interests of its members." — Sapa.
SAB still confident in the beer industry

SAB is one of the world's ten top brewing-based companies and for the past 20 years has never held less than 90% of the local beer market. While beer remains a major source of income, the group has over the years diversified into other beverages and industries.

WEIGHTY

This blue-chip industrial group was listed way back in 1897, and today has a weighty market capitalisation of more than R5 billion. Its proven track record and sound investments have resulted in the share being highly rated in the market.

At the current share price of 1850c, the price earnings (P/E) ratio is 12.5 and the dividend yield 3.6 percent.

This compares with industrial company averages of 8.4 and 4.1 respectively.

If bottom-line growth is around 20 percent this year, the forward P/E ratio remains above 10, while the dividend yield falls into line with the average for industrial shares.

PERFORMANCE

Group MD Meyer Kahn explains that because most of SAB's interests lie in companies which are primarily consumer-based, group performance is closely linked to private consumption expenditure.

He says that the all-important beer business has, however, largely outgrown its dependence on the variable.

Beer business contributes a major 54 percent to group attributable income and, according to Mr Kahn, is especially earmarked for growth in financial 1989, along with beverages in general.

In support of SAB's confidence in the beer industry, it plans to spend R700 million this year (nearly 50 percent of its total budget of R1.6 billion) on upgrading facilities and especially on expanding capacity.

Approximately 46 percent of SAB's attributable income comes from other beverage interests (mainly ABI, Appletiser and Cape Wine), retail investments (OK, Amorel and Edgars), hotels (Southern Sun), and manufacturing interests (Afcon, Lions Match and Consha).

CONTRIBUTORS

Of these, the two most important contributors are Edgars and Afcol.

The Edgars group comprises three major retail chains (Edgars, Sales House and Jet), a fourth experimental operation (Express), and an outerwear manufacturer (Celrose).

Its performance in the current financial year is expected to benefit from the emphasis being placed on productivity.

Mr Kahn says that Edgars is continuing to do exceptionally well.

Afcol, a sizeable furniture manufacturer, achieved bottom-line growth of more than 40 percent in the 1988 financial year.

But this rate is expected to be lower in the current year, following an expected cool-off in consumer spending.

SAB profit history shows a compound earnings growth over seven years of 15.2 percent a year, only marginally higher than the 15 percent compound inflation rate over the period.

This is after earnings increased each year and then climbed strongly by 30 percent to 146.5c in the year to March 1988.

DIVIDEND

The latest dividend was 66c, 32 percent higher than the previous year.

The balance sheet appears sound with gearing of less than 10 percent and unutilised banking facilities in excess of R780 million.

GEARING

However, the R1.2 billion that SAB plans to spend in the current financial year is expected to affect gearing to approximately 50 percent.

Mr Kahn says this is a normal percentage for SAB. Net asset value is 72c - 10 percent higher than year ago.

In last year's market crash, SAB's share price toppled from 2 624c to a low of 1 575c. It has since partially recovered to 1 850c. The trend looks promising as the share price successfully tested its support level of around 1 785c about a month ago. For the past five months, however, SAB has not been performing as well as most other industrial companies, but appears to be attempting to break this "bad habit" and resume a show of relative strength.
Boom times for beer sales

CHRISTOPHER TUCHER

In the last two years, however, shebeen legalisation has started to snowball. In 1987, more than 400 licenses were granted to black businesses.

The proliferation of legal black outlets is causing SAB to reconsider its marketing. "As volumes moved out of established channels into new ones, marketing to the retail trade has become more difficult," says Mackay.

Whereas the traditional focus was on brand awareness, SAB is having to do more to cultivate its new retailers — small, inexperienced black businessmen. "We try to support new retail customers without alienating existing ones," says Mackay. "It's a balancing act."

As retail reshuffles itself, Mackay is quite content to be an observer on the sidelines. The brewers have been out of retail since 1966, when they completed — at government's behest — the phased sell-off of Solly Kramers.

He is pleased that the Competition Board has now targeted its campaign to halt vertical integration in the beverage industry against the wine producers — Cape Wine & Distillers, Uncon Wine and Gilbey's. They control the several hundred bottle stores of Western Province Cellars, Picardy and Rebel respectively.

"Vertical integration causes enmity because you compete with your own customers," says Mackay. "Though CWD is acting moral about it, they are exiting the trade because it makes no business sense. Competition has grown so fierce that there is no more money to be made."

SAB prefers to focus on what it does best — brew beer. To keep up with volume growth, brewery capacity is being expanded. A new R250m brewery at Pietersburg will be on tap by Christmas, Mackay says, and R150m of enhancements are underway to the flagship Roselyn brewery. Likewise at Newlands, near Cape Town, and Prospecton, in Natal.

Fine line

In all, SAB will push up R700m for capital expenditure by 1990. Hereafter, expansion is on the cards for the Alrode (Johannesburg) and Durban breweries.

Because brewing is so capital intensive, high plant utilisation is the key to profitability, says Mackay. Investments are delayed to the last minute. "We tread a fine line between maximizing capital utilisation and avoiding stock-outs," he says. This strategy didn't fail until last year, when striking brewery workers left the retail trade high and dry.
CAPE TOWN — The restructuring of Cape Wine, which resulted in the separate listing on the JSE of the two leading wine and spirit companies in South Africa, builds strongly on the achievements reached since the founding of the company in 1979, says Prof Owen Horwood, chairman of Cape Wine and Distillers (CWD).

The company’s 1988 annual report which is being sent out today, is accompanied by a circular to shareholders with full details of the restructuring of Cape Wine.

The interests of the Oude Moezer Group are being transferred to Distillers Corporation, which will be newly listed on the JSE in the Beverages, Hotels and Leisure sector. The name of the present Cape Wine company is being changed to Stellenbosch Farmers’ Winery. The listings will commence on Monday, November 21.

In exchange for every CWD share, shareholders will receive a share in each of Distillers Corporation and Stellenbosch Farmers’ Winery, which combined have the same underlying value as a CWD share.

The advantage for shareholders is that they now have the option to hold interests in both companies as in the past, or to invest their funds in only one of these companies.

The way the companies are now constructed, earnings after tax for the year ended June 30, 1988 for Distillers Corporation was R55.5 million for 39.3c per share (36.4 percent above the previous year).

**Share issues**

The Stellenbosch Farmer’s winery after tax earnings amounted to R30.8 million or 27.4c per share (26.4 percent above the previous year). Both companies will have 140 million issued shares.

On June 30 the net asset value of Distillers Corporation was 258c per share and that of Stellenbosch Farmers’ Winery 274c per share.

Henry Taylor and Ries and Western Province Cellars, in which companies respectively two percent and seven percent of Cape Wine’s funds are invested, are not to be listed separately on the stock exchange. To ensure that both these companies operate as separate companies as in the past, the two listed companies will each hold 50 percent of the shares of each of these two companies purely as investments.

In a review of the achievements over the years, Prof Horwood points out that great benefits for the industry and consumer resulted from the establishment of Cape Wine and that investors have also done very well.

In 1979 the profits before interest and taxation of the companies taken up in the group were R57 million. For the past year Cape Wine’s profits were R207 million on a comparable basis.

For the past financial year the group’s net income before taxation and additional depreciation was R203 million as against R153.7 million the previous year — an improvement of 32.1 percent.

Out of earnings of 67.2c per share, 24c (1987: 18c) were paid to shareholders as a dividend.
Building group gets KWV's first award

By KIM CLOETE

KWV this week presented a "Black Achievement Award" to building company Vukoma Construction in the first of four annual awards the liquor company plans to present to black-owned companies.

KWV will also present awards to four individuals a month, in its attempt to "herald the achievements of black entrepreneurs and companies."

As KWV caters mainly for the export market and its brandies and wines are not stocked in township outlets, marketing director Jannie Retief said the awards concept, sponsored by KWV's 10-year-old brandy, was not meant to boost sales but rather as a social responsibility project.

Each company would receive a sculpture and the 48 individual achievers would each be presented with a buffalo hide briefcase.

The presentations were not limited to "big business" and would focus on people from all professions and in smaller companies.

However, go-getters in small businesses were left out of KWV's first presentation to individual achievers -- and the kudos instead went to four high profile community leaders:

Sowetan editor Aggrey Klaaste; supreme court attorney Dikgang Ernst Moseneke, gynaecologist Dr JM Mbere, and director of planning of Lintas advertising agency Madala Mphahlele, were singled out as KWV's August achievers.

Vukoma, formed in November 1985 and headed by Dick Mahane, Manda Ndlovu and Joe Nhlozi, has been working on projects in Dobsonville Extension 3, Mamelodi and Tembisa and aims to produce 20-25 houses monthly.

KWV's awards are run along similar lines to an annual award to a black businessman made by Kellogg's in conjunction with the Black Management Forum.

Kellogg's award organiser Thobani Loeza said an entrepreneur who showed outstanding managerial and organisational skills in a small black business, would be sponsored by Kellogg's to study for a month at a business school overseas.
Rembrandt continues on growth path

By AUDREY D'ANGELO
Financial Editor

TOBACCO and liquor are still the main sources of profit for the Rembrandt group, which invested R790,5m in SA and R209m overseas in the last financial year, executive chairman Anton Rupert disclosed at the 40th annual meeting in Stellenbosch yesterday.

Rupert forecast an after-tax profit of at least R500m in the current financial year.

"The company has virtually no debts and has the ability to finance developments, which must necessarily take place in Southern Africa, from its own resources."

He said in his annual report "The continued growth in the profits of your group was mainly due to increases in income derived from:

- Tobacco and liquor including certain international trademark products, up by R104,8m to R346m,
- Mining, up by R22,5m to R118,3m,
- Banking, insurance and financial services up by R33m to R81m,
- Other sources, up by a total of R21,5m.

Rupert said that at the end of March about 38% of the group's interests were in diversified investments including forestry and timber processing, printing and packaging, engineering, medical services and the petrochemical and chemical industries.

About 25% were in tobacco, liquor and certain international trademark products, about 19% in mining and about 18% in banking, insurance and financial services.

He said that "subsequent to the financial year-end new investments and additions to existing investments totalling R53,1m have been made."

Rupert said that in addition to acquiring a 10% stake in the Standard Bank Corporation and a 10% stake in Gold Fields of SA the group had taken an additional 14% of Total (SA) at a cost of R33,5m, an additional 25% in Bonuskor at a cost of R40m later exchanged for shares in Hunt Leuchars & Hepburn, and an additional investment of R67,5m in Volkskas Group.

The overseas investments were long-term and mainly additions to existing interests.

Emphasising that the group's foreign investments had "placed no unnecessary pressure on local capital resources" Rupert continued "On the contrary, over the years almost R1 000m was brought back to SA from overseas as opposed to the R1,5m initially taken out. All the other overseas assets were generated abroad.

"In the last financial year your group has sold foreign assets to the value of R55m to help finance investments totalling more than R700m in SA."
Improved beer sales give SAB a boost

By Ann Crotty

Lasted companies in the SAB stable turned in a mixed bag of results for the six months to end-September but strong performances from Edgars and SAB’s beer division were expected to ensure a solid overall group result. The 28 percent improvement in earnings to 51.1c (40c) a share and the 20c (16c) are in line with these expectations.

One surprisingly strong feature of the performance is the 10 percent volume increase in beer sales. This was a major factor in the beer division’s 26 percent increase in attributable earnings to R87 million (R69 million) which was achieved despite the major capital expenditure that the division is currently undertaking.

The group’s figures show turnover up 22 percent to R4.7 billion (R3.8 billion) and a 30 percent increase in trading profit to R363 million (R279 million), reflecting a significant increase in margins from 7.2 percent to 7.7 percent.

Financing costs were up 24 percent and the tax rate rose from 46 percent to almost 50 percent which left taxed profit up 29 percent to R205 million (R158 million).

Attributable earnings were up 30 percent to R137 million (R105 million). The beer division accounted for 63 percent of this, equivalent to R87 million (R69 million) and other interests contributed R50 million which was 39 percent ahead of the previous interim’s R36 million.

Group managing director, Meyer Kahn, describes the performance as excellent. Adding that the beer operation worked exceptionally hard to produce the 10 percent volume increase, he says that the division is not short of capacity and will not have problems handling the traditional heavy Christmas demand.

The new brewery at Pietersburg is expected to be commissioned at end-December and the extra capacity at Rosslyn is due to come on stream at the same time. Mr Kahn says that this will help to reduce the full year’s tax rate to about 40 percent as tax allowances will be utilised when the extra capacity is commissioned.

The group’s other interests include “other beverages” (ABF, Appletiser and Cape Wine), retail activities (OK, Amrel and Edgars), Southern Sun, and manufacturing interests (Aftcsl and Combu).

Although analysts felt that performances from the major investments were decidedly mixed, Mr Kahn says that the results were "very comfortable" especially given the state of the economy. And he is happy with the current spread of activities in the group’s portfolio.

Management budgeted for capital expenditure of R1.2 billion for the full year of which R750 million will be devoted to the beer division. A cash flow statement at the half-way stage showed that R413 million had already been spent with most of it going to increasing beer capacity.

The group’s cash flow provided R160 million of the capex spend with the balance provided by borrowings. The increase in borrowings has had negligible impact on gearing with is 45 percent (44 percent).

Mr Kahn expects full year earnings performance to show a handsome increase over the inflation rate. This could see second half earnings of 12c a share compared with financial 1988’s second half figure of 168.5c.
SAB shows higher profits, dividend

Financial Staff

SA BREWERIES (SAB) has reported after-tax profits of R205m (R159m) for the six months to September 30.

An increased interim dividend of 20c, compared to 10c for the same period last year, was declared.

Attributable earnings were 13.7c a share compared with 10.5c previously. Earnings per share were 51c (40c).

The directors said improved operating efficiencies and the enhanced utilization of production resources made it possible for trading profit to accelerate by 20%.

However, they point out that higher levels of borrowings and interest rates were responsible for an increased level of financing costs.

They said at the same time, the impact of taxation was greater than the previous year and has not yet been alleviated by the benefits expected to be brought to account by commissioning of brewery expansion later in the year.

The group said it had been decided to continue setting aside additional depreciation against the estimated rise in replacement costs of major operating assets.

On future prospects, the directors said the action taken by the authorities to cool consumer demand, together with higher interest rates will certainly moderate consumer spending for six months and beyond.

Accordingly, the pace of growth in earnings is expected to be slower. For the year as a whole, however, the earnings improvement should still be at a satisfactory level.
Pepsi-Cola fizzes back with new SA flavours

PEPSI-COLA is making a big comeback in the Western Cape, and its bottling plant in Epping will produce mixers under a local label, "Everess", as well as the full Pepsi range of products.

Pepsi disinvested from South Africa and sold its local assets to a consortium of black businessmen. The new local company, Pepsi-Cola SA, announced at the weekend that it would spend close to R2 million next year on advertising and promotions.

Its managing director, Mr Juan J Oeteza, a former Pepsi-Cola International executive, said most products would still have their international taste, but the promotions would be very South African.

Local pop stars Sipho "Hotstix" Mabuse and Yvonne Chaka Chaka have signed promotional contracts, as has radio DJ Alex Jay.
SOFT DRINKS

Full of pep

s\n
Coca-Cola SA says it has taken the first steps to recovery in Cape Town this week. The company was re-launched in Cape Town after the soft drinks sector sector was targeted by a consortium of black-business interests. The new Coca-Cola SA believes it has a future in the local market, where Pepsi has so far struggled.

By Peter Hallett

Pepsi's SA operations, which nearly saw the company's South African unit close down, has taken the first steps to recovery in Cape Town this week.

The company was re-launched in Cape Town after the soft drinks sector sector was targeted by a consortium of black-business interests. The new Coca-Cola SA believes it has a future in the local market, where Pepsi has so far struggled.

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It is amazing what a little goodwill can do

WHEN it takes six days for a company and a union to nail together a recognition agreement and conclude wage negotiations, you have to wonder why the process becomes so lengthy and troublesome in other cases.

The wonder increases because the recognition agreement included an accord that, provided both sides stuck to procedures, neither would use the provisions of the Labour Relations Act, and the wage agreement was struck in spite of a very wide initial gap between what the union demanded and what the employer could offer.

Perhaps it does something to demonstrate what can be accomplished with goodwill and a willingness to negotiate on both sides, rather obstructiveness and “intransigence.”

The agreement in question is between Pepsi-Cola and the Food and Allied Workers Union (Fawu).

Company industrial relations manager Adrian Graham said the starting point was a belief that one had to build a relationship with a trade union rather than trying to “nail them wherever you can.”

With this, and with both sides having similar understandings about certain aspects of the Labour Relations Act, an agreement was struck that neither would resort to the Industrial Court — arbitration and mediation would take its place.

At the heart of this was a recognition by the company that once rules had been established, and provided they were adhered to, the workers had the right to redress the balance of power in a dispute by going on strike.

The agreement included disciplinary, grievance and retrenchment procedures and the same definition of an unfair labour practice as the “old” Labour Relations Act and the same definition of an unfair labour practice as the “old” Labour Relations Act.

The agreement also has clauses about intimidation and harassment and there is an understanding that the company would keep authority out of labour relations.

“It is our relationship with the workers which has nothing to do with government or the police,” said Mr Graham.

Developing on this, the wage agreement was concluded on the basis of what the company could afford.

“We made a realistic offer of increases and although Fawu started off with much higher demands we didn’t have to get into financial disclosure to prove our case, the workers could see we had a bad situation and common sense won,” said Mr Graham.

A communication structure has been created with eight shop stewards and eight alternates for each department.

One representative from each department attends a monthly meeting between the stewards’ committee and management.

There is also a monthly general meeting for workers at which company and union matters are discussed.
LIQUOR INDUSTRY

The demons of drink

South Africans are drinking more, yet retailers complain of hard times

Liquor stores were once — notoriously — a licence to print money. Not any more. Some outlets are closing down — or so it is claimed — while others' margins are being slashed. Yet all the evidence suggests that consumption is growing. The question is why the contradiction?

According to Alistair Lewis of market research company Ibus, per capita consumption of alcoholic beverages is rising — this year, to date, South Africans have consumed 11.2% more liquor than last — and black consumption is growing apace. Yet, the new year holds little cheer for bottle-store owners.

The main reason for the crunch in bottle-store sales appears to be the impact of the aggressive and growing black trade in drink, with its expressly Third-World style, on the established patterns of the largely city and suburban-based retail sector.

SAB spokesmen say that an upward shift in black incomes and corresponding lifestyles has caused a surge in beer sales nothing short of a boom. And, interestingly, others in the trade report that wine and spirits consumption in the townships is also on the increase. The impact on the established trade of these shifting purchasing patterns, and the emergence of the black consumer as the dominant force in the marketplace, has been enormous.

And there are other factors. According to Fedhuss's executive director, Fred Therrien, one is that traditional small retailers have lost sales because of illegal cross-border liquor trafficking. Many stores, he claims, are for sale.

Most of the lost business, he feels, is in fact due to illegal trade — liquor sold on- and off-consumption by unlicensed shebeens whose numbers simply cannot be calculated. However, his past president, Mike Kovensky, says emphatically that it is not only blacks who are involved in illegal distribution.

Under the barrel

Size of liquor market categories

<table>
<thead>
<tr>
<th>Million liters</th>
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<td>1 188</td>
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<td>42</td>
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<td>3</td>
<td>62</td>
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Total: 2 708 4 907

In addition, government has relaxed its restrictions on liquor retailing and has granted 551 new off-consumption liquor licences in the past two years, mainly to blacks. So the competition is coming from legitimate quarters as well.

Competition faced by white retailers has also been seriously compounded by a steady consumer trend towards cheaper brands — especially in spirits, according to traders. That, they say, generally translates into a dismal profit margin, between the 4%-5% currently returned in by the average liquor outlet.

On top of the charges of endemic illegal liquor trafficking — allegations frequently made by retailers, but difficult to substantiate — is the question of the so-called selective discriminatory discounts (SDDs). These are offered by producers on volume sales — comparable to the "confidential rebate" system in supermarkets.

But why are these discounts discriminatory? While they gave an advantage to chains and high-volume outlets, they have the effect of discriminating against smaller independent retailers — who naturally complain.

Perhaps more serious is the issue...
of alleged massive bootlegging, which is a criminal matter. Kovensky and Kovensky claim that the formal trade is being sabotaged by it — liquor bought from outlets and wholesalers in the self-governing homelands or national states, especially Bophuthatswana, which is subject to little or no GST, can be sold informally in SA at a vastly improved margin.

Kovensky even alleges that whisky, in particular, is imported into SA and held in bond for export — but sometimes never leaves the country. It is claimed that consignment papers are falsely stamped in the bureaucratic net, evading both domestic excise duties and GST in the process, with the merchandise ending up on liquor shelves in SA.

Thermann blames this on "delinquent traders" — which presumably mainly means black ones — but Kovensky comments that while "some of this liquor may well end up in the black areas, merely because of the ability of the market to quickly absorb such quantities, the 'delinquent traders' involved in the chain of distribution are primarily, I understand, not black."

Kovensky adds "Hundreds of millions of rand is being turned over without being taxed. Beer brought in illegally drops margins by 12%. Nobody gets that kind of discount here. The black market has become its own source with huge operators supplying to the market. The situation is crying out to be controlled.

Relief may be at hand, depending on whether the TBVC countries accept a similar VAT system to that expected to be implemented in SA in 12 months or so. Kovensky believes "Whole margins could move up 3%-4% if they accept VAT. (VAT, as a cascading tax, would hamper bootleggers.) He puts annual liquor sales in SA at R3.5bn.

However, Peter Savory, SAB's marketing director, claims Fedhasa is looking for scapegoats by blaming unfair competition. The real reason, he says, is that township unrest "has killed tourism. It's forced Fedhasa members to rely on their off-sales outlets from which they made their money in the first place."

predictably, Thermann finds the dig outrageous, pointing out that due to changes in the Liquor Act, these hotel off-sales are now fully fledged stores and the hotelier has the option of selling them. He says "We are not here to collect tax for the government. We don't want GST — however, by cheating on GST, delinquents are undercutting the honest, professional trader with a social conscience who cannot compete."

Savory, however, on good reason to defend the Third-World marketing style. 80% of SA beer drinkers are black, and, with township incomes rising, there is a beer boom in the townships which for the first time is being administered by black traders. Black wages and salaries have risen, meaning blacks have been able, relatively speaking, to "buy up" — turning to malt beer and away from socially tainted sorghum. Blacks' disposable incomes are generally higher too because they benefit from low rents (or none at all), and the spin-offs of a huge, untaxed informal sector.

Savory's figures show that in the Transvaal, 65% of blacks drink beer, while in Natal and the Cape respectively, 48% and 27% of the total population are beer drinkers.

But he does concede "The liquor market (excluding beer) over the past five or six years has really grown only 2% or 3%. Licences have increased at a far greater rate than consumption. Inefficient traders have fallen and the efficient have become more so. Some people are making a very good living — but no ways is a liquor retail outlet a licence to print money any more."

Meanwhile, licensed black liquor-store owners are fighting it out with licensed taverners for control over supply lines to the hundreds of thousands of shebeens (household drinking clubs).

Joseph Nxosi, operations manager for a chain of seven Soweto bottle stores, says, "Taverners are trading up to 90% in off-consumption. If we carry on this way, sooner or later it won't be profitable to run a bottle store any more."

Zanou Kunene, vice-president of the 600-member Ukhumba Liquor Association, says the black market will pull itself right, but only after the "chancers" have folded "The industry is in a shambles. It is upside down. We are where white retailers were 50 years ago. A lot of chance-makers are around. We are in the process of recapitalizing the junk. The next five years will see the boys being separated from the men. Ultimately, it will be a period of growth and stability.

Fedhasa, however, obviously not prepared to play wallflower at the party, wants official action. In a recent letter to the Minister of Economic Affairs and Technology Dave Steyn, Thermann requested controls on those "delinquent" traders. Government's response was that it was aware of the situation, and the revenue authorities were looking into the matter.

The FM has learnt that the department's view is that this is simply a police matter and that Steyn is at this stage merely "watching developments."

Established liquor retailers may well have some legitimate grievances. But, with all the conflicting market forces at work and the various vested interests involved, it's becoming increasingly clear that by its very nature, liquor retailing in SA is likely to remain disorderly for some time to come. If anything, the dog-eat-dog competition — in both the informal and formal sectors — could get worse. We are reaching the end of a long period of selective prohibition.

While it is perfectly reasonable to ask for the police to stop illegal activities, it is quite another to resort to special pleading when the winds of competition grow too keen.

The cup runneth over

The total volume of liquor consumption.

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume</th>
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</thead>
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<tr>
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<td>1991</td>
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</tbody>
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Source: DBE
ROY COKANE

WILL TAKE TO

PICTORIANS

SOMETHING

A new beer for SA

A new beer for SA

NEWS

182

Saturday, 26 November 1998
**Mampoer men prepare to take on SA beer giant**

Staff Reporter

SOUTH AFRICA'S alcohol purists, the mampoer brewers, are taking on beer giants SA Breweries by building a R10-million brewery south of Pretoria.

The Verwoerdburg brewery will produce at least two brands of beer, according to Mr Rens van Rensburg, managing director of Transvaal Distillers Ltd.

Describing the Southern African beer market as "lucrative", he said final building plan approval was expected this month and construction would begin in January.

The brewery would be managed by Rico Breweries, a division of the mampoer distilling TDL.
Mampoer men prepare to take on SA beer giant

Staff Reporter

SOUTH AFRICA'S alcohol purists, the mampoer brewers, are taking on beer giants SA Breweries by building a R16-million brewery south of Pretoria.

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Describing the Southern African beer market as "lucrative", he said final building plan approval was expected this month and "construction would begin in January."

The brewery would be managed by Rio Beverages, a division of the mampoer distilling TDL.
ANY company with as strong a growth record as soft drink manufacturer and distributor Suncrush over 25 years or more deserves its high rating.

There will, therefore, be little surprise that the Durban-based company, which is now the country’s biggest soft drink manufacturer, has held on to its 14th position in the Top 100 companies with an all-in return over the last five years of 33.5%.

The company is emerging strongly from the doldrums of recent years when deliveries to townships were disrupted by unrest and consumer spending was under increasing pressure. Last year the Natal floods hampered delivery during the peak selling season.

The group manufactures and sells a number of strong product lines including Coca-Cola, Fanta, Sprite, Tab, Krest and Schweppes throughout much of the country outside the main population centres.

Suncrush has shown average growth of some 25% since the early 1960s, says chairman Robin Hamilton.

Benefits for the year to June 30 saw earnings per share from trading and investments flow a solid 37% to 68c. The dividend was increased by 36.6% to 26c and it was still covered 3.3 times.

The market’s favourable view has seen share price rise from the 5 800c level at the financial year-end to 7 000c. Part of the growth is attributable to the first full year’s earnings from Vanl Bottlers, which Suncrush bought for R17.5-million cash early in 1987.

The strategic acquisition, with operations in the Vanderbijlpark, Vereeniging and Sasolburg areas adjacent to Suncrush territory based on its Klerksdorp and Wolkom plants, has considerably expanded group capacity. Vaal Bottlers produces about 600 million cases a year, giving it a 29% share of total group sales, says Mr Hamilton.

At the time of the acquisition, however, Suncrush sold off 40% of its wholly-owned Kumanjaro Bottling in East London to black business interests for R11.5-million.

The net result, says Mr Hamilton, is that Vaal probably contributed some 10% to the group’s improvement. Other contributions came from good sales in its traditional areas, particularly in the second half of the year. In the current year sales are running at budgeted levels, but profits are a little ahead of target.

For the future, Mr Hamilton says the scope for major acquisitions and expansion appears to be limited. “We would say we are going into a period of steady growth.” Some minor product launches have gone well, but Suncrush has no plans for big-plant expansion after last year’s installation of a new bottling line at Pietermaritzburg.

Total capital expenditure last year was just over R22-million, but the budget has been trimmed to R8.6-million in the current year.

The cash flow should be strong. “It’s pleasant to have strong cash flow in a period when interest rates are moving higher.”

Debt was standing at R21.5-million at the year-end — up from the previous year’s R15.4-million — but it still accounts for just 21% of total shareholders’ fund.

Costs are running ahead of soft drink price increases. Plastic crates have increased by about 30%, glass bottle prices are up 15% and the cost of wage inflation is likely to be more than 16%.

In this environment, profits can only be increased by significant increases in sales volumes and by higher efficiency.

“Our search for efficiency is never-ending,” says Mr Hamilton. The fact that the efforts are bearing fruit is shown by a 15% increase in employee productivity last year.

Another bright spot this year is that the group expects investment earnings to jump nearly 30% on the current year, pushing up contributions of earnings per share from 5c to 6c. Most of the investment income comes from the listed investment trust, Tempora Investments, in which the Suncrush group has a 62% stake.

At the end of the last financial year Tempora had a carefully selected portfolio which cost R20.6-million and was standing at a market value of R47.5-million.
Cape wine industry expects record wine crop for ’89

CAPE TOWN — The Cape wine industry is expecting the 1989 grape crop, which is to be picked soon, to yield a record 9.4-million hectolitres, marginally above the previous record of 9.1-million hectolitres in 1988.

If these expectations are met, it will mean a continuation of the growth pattern set in 1986, after three years of dismal returns, and place the 1989 crop some 5.7% ahead of this year’s yields.

KWV says the vines have in general been performing well for the time of the year, and there have been few significant occurrences of diseases.

CHRIS CARRINGTON

The crop size may ultimately be adversely affected by a lack of enough soil moisture in some non-irrigation areas, as well as a shortage of water in some irrigation areas.

Although the total yield will be higher, the contributions from the eight wine regions in the Cape could vary considerably.

In the Paarl region, the 1989 crop is expected to be about 8% larger, in Stellenbosch up 7%, Malmsbury up 9%, Worcester up 15%, and Robertson up 1.5%.

KWV says Cape Riesling, Colomba and Pelomino show promise of good yields, with Consuelt average to good in the Wellington area.

There were slight problems with berry set in the Gewurztraminer, Chardonnay and Colomba varieties, evident in that bunches reflected unequal stages of development.

The yield for Chenin Blanc is not encouraging. Frost problems in September also damaged early vines in the low-lying vineyards. The damage was widespread but only a few farms were seriously affected.

No beer shortage, SAB guarantees

Festive season liquor demand is ‘promising’

Liquor demand had been strong this Christmas season, but SA Breweries (SAB) guaranteed there would not be a repeat of last year’s beer shortage.

Pretoria ex-president Mike Kovensky said sales in the first two weeks of December were up 20% over last year, promising a strong finish to an otherwise lacklustre year of no real growth.

An SAB spokesman said breweries had adequate stock on hand for the peak season. Last year, strike action prevented SAB from meeting demand from the trade, but this year retailers said they had overstocked.

Liquor retailers throughout the country said sales were buoyant and Christmas would be good, especially in the Free State, where hopes for a bumper crop had boosted liquor demand.

Durban’s Liberty Liquor MD Len Henske said Natal retailers still suffered at the hands of cross-border importers who smuggled stock from the Transkei and Ciskei, circumventing GST for a 15% cost advantage.

Kovensky said consumers stocking up for the holiday season had become price sensitive and retailers had slashed prices to levels “lower than need be”.

Fedhassa Free State representative Len Polunick said retailers had begun a price war two weeks ago, but were now “returning to sanity” and bringing prices back to normal levels.

Kovensky said the liquor trade had cut prices to lure buyers back from wholesalers such as Metro and Makro, which had encroached on bottle-stores’ business.

Non-licensed shebeens, which traditionally took their business to white-owned stores on the peripheries of townships, were going in increasing numbers to wholesale discounters — usually with someone else’s trading licence.

But off-premise retailers were winning customers back with broader ranges, house brands and better service.

Kovensky said the near monopolistic structure of SA’s liquor production provided bottle-stores some comfort in that the large wholesalers paid prices little better than theirs.

Montagu and the Orange River are the only two districts in the Cape wine region where generally smaller crops are expected.

In Montagu, the 1989 crop is expected to be as much as 15% smaller, mainly due to serious shortages of irrigation water around places like Outshoorn and the mountains above Montagu. Serious frost damage is also a contributing factor.

In the Orange River, the problem has mainly been flood damage, which is expected to trim 4% off the 1988 crop yield.
MANUFACTURING — BEVERAGES

1989

September Examination 2½ hours

Heat conduction and potential flow problems.

Discrete equations for two-dimensional problems in stress analysis,

An introduction to the Finite Element method and the formulation of the

30 lectures, 4 afternoon sessions, 2½ credits

Co-requisites: MEC4017 and MEC4522

MEC4172 FUNDAMENTALS IN MECHANICAL ENGINEERING

47
Plea for cheaper wine packaging

CAPE TOWN — Never judge a book by its cover, they say. Nor a wine by its packaging.

The chairman of the KWV, Mr Pietman Hugo, said last week that the wine industry found itself selling glass and boxes instead of wine, referring to the high price of wine packaging in relation to its contents.

He said the wine producer’s share of every rand spent on a bottle of wine had decreased by 20 percent since 1978 to 25c.

The average price of an empty wine bottle was about 55c. Other costs were that of the cork (21.7c), body, back and neck label (5.1c), capsule (10.8c); cardboard packaging (11.7c).

THREE TO ONE

Mr Hugo said, “When transportation costs, to Johannesburg for example, are included, the total cost of packaging and transport is R1.47 — three times the price of the wine, for which the wine farmers receive only 46c.”

“Choice wines for special occasions certainly justify expensive packaging, and are excellent value for money, but it is unnecessary to provide everyday drinking wines with expensive packaging.”

The price of wines in restaurants has reached such a level that the producer’s share is negligible.

“The consumer, who has to pay R10 or more for a bottle of wine in a restaurant or hotel, probably would not even notice if the farmers gave the wine away for free.”

“The wine steward regularly receives more as a tip for serving the wine than the farmer gets for producing it.”

Mr Hugo said the quality of South African wine packaging was outstanding and compared favourably with the best in the world.

However, he warned that wine as an everyday product to be enjoyed with a meal would in future have to be provided with more economical packaging.

“Because of the economic climate the South African consumer pays more for the packaging part of the final product than consumers elsewhere in the world.

“On the other hand, the wine content is much cheaper in South Africa.”

Mr Hugo predicted that the average consumer would give preference to products with a cheaper packaging.

In this way the consumer, and not the wine farmer, would eventually dictate to merchants which packaging should be used, he said.
THE R250m sorghum beer industry should be ready for privatisation by the end of March, senior GM of the Industrial Development Corporation (IDC), Jan De Bruyn said yesterday.

The industry's assets were being valued and the IDC was negotiating with public service employees in the sorghum industry to remain with the industry after privatisation, he said. A share option scheme for employees was planned.

The IDC was currently managing SA's 22 sorghum breweries as a private concern on behalf of government, he said.

Eleven breweries in the homelands, in which SA Breweries and homeland governments had shares and interests, were competitors in SA.

Though these breweries were technically not allowed to sell sorghum beer in SA, in practice a great deal of cross-border competition was taking place.

Ron Schreuder, GM for SAB's sorghum investments, would not comment on SAB's plans to acquire a stake in the breweries to be privatised, but it is known SAB is interested.

However government is known to be concerned at the idea of another beer monopoly and it remains to be seen whether SAB will be given a free hand.

Schreuder said it would be a good idea if government revoked the trade ban on homeland breweries after privatisation in SA. This would stimulate competition, widen the product range and revitalise the sorghum industry, he said.

An SA Agricultural Union report shows that 726ml of sorghum beer brewed in 1986 resulted in a gross profit of R104m and a net profit of R39m.
Campaign puts the pep back into Pepsi

Len as low as 1% last year in the wake of the disinvestment from SA of Pepsi Cola International

Bergh said western Cape December
sales were at a five-year high, and that Pepsi was "comfortably ahead" of budget in the six weeks since its relaunch on November 13.

The revival was masterminded by Pepsi Cola International "turn-around king" Juan Oteiza, who was brought to SA in a rescue bid by the Cape-based finance and investment service com-
pány Personal Trust.

Oteiza, 40, who was appointed MD of Pepsi Cola Africa, announced a three-
year plan in November to get Pepsi back to a 20% share of the western Cape market. The plan was spearheaded by a R2m promotion featuring local music stars in much the same way the US Pepsi promotional drive featured international stars.
CSS stands by its retail sales statistics

CENTRAL Statistical Service (CSS) is standing by its figures which show a decline in the percentage share of retail sales for beverages, cigarettes and tobacco over the past 10 years.

Analysts and retailers earlier this week expressed doubts over the trend suggested by the CSS figures.

The apparent decline in the percentage share of retail sales for beverages— from 11.8% in 1978 to 5.2% in 1988— raised the most doubt.

CSS economic statistics deputy director Roelf van Tonder suggests three reasons for this decline:

Drinkers have shifted from expensive hard liquor like brandy and whisky to relatively inexpensive, but high volume, drinks like beer and wine. Thus, although the actual volume of beverages purchased may have increased, the amount spent has decreased.

A growing number of black consumers purchase beverages from Shebeens, which are not included in the sample survey used by the CSS, and

Many people now order wine directly from wine producers, another form of consumption which the CSS figures do not cover.

Adjustment

Van Tonder says although the sample survey used by the CSS to compile the figures is slightly out of date, he nevertheless believes there has been a decrease in the percentage share of retail sales for beverages. However, the decrease is not as dramatic as it appears.

Earlier figures compiled by the CSS for the percentage share of retail sales of beverages have now been revised. The new figure for 1978, for example, has been revised from 11.8% to 9.5%.

In addition, if the figures are adjusted to reflect price as a constant, then the decline in percentage share of retail sales for beverages is even less dramatic— from 8.8% in 1978 to 5.9% in 1988 (last year’s figure is not yet available).

The main drawback of the sample survey, says Van Tonder, is that it is drawn from an address list of retail concerns, which is sometimes outdated.

Nonetheless, the survey covers all large retail concerns in the sector as well as using a certain portion of medium-sized and small retail concerns.

A particular weakness of the sample dealing with beverage sales is that it excludes beverages consumed at hotels, restaurants and sporting clubs.
No holds barred in Cola War

Weekend Argus Reporter

THE battle of the Colas in the Western Cape is set to hit a new high tomorrow when Pepsi will be giving away free drinks on all four Clifton beaches between 11.30am and 2.30pm

City Council contractual restrictions prevent Pepsi from selling its products on the beaches and to highlight this restriction, the Cape-based company is dishing out free coolers.

However, Mr. David Lewis, MD of the locally-owned Coca Cola franchise in the Cape says “We welcome any new competition as this can only widen the market.”

Request spurned

Coke has the exclusive right to Table Mountain. The cableway food contract has been granted to Fedics and a recent request by Pepsi to promote its Mountain Dew cool drink was turned down.

Municipal official Mr. John Fuhlalter said he saw nothing untoward in granting exclusive vending or peddling rights to certain individuals if they happened to do an exclusive deal with Coca Cola, then “that is competition.”

However, Mr. Victor Bergh, Pepsi’s marketing director, says it is ironic that Cape Town investors who have put up millions to get this Pennsular bottling plant back into full production are being penalised by bureaucratic strictures.

Mr Bergh said Pepsi Cola had written to the council asking for some clarification on just where and how it was allowed to sell its products.

Late last year, the company embarked on a major re-investment and the bottling plant at Epping is selling its products only in the Western Cape.

Pricing strategies adopted by Coca Cola following this development have raised some eyebrows. The price of a litre of Coke in the Transvaal, for instance, differed markedly, at one stage, from the price in the Western Cape.

Mr Bergh says “I flew up to Johannesburg to check prices at supermarkets as compared to those quoted in Cape Town and was quite surprised at the difference.”

However, Mr. Lewis is adamant that “our pricing policy at Coca Cola has not changed in the past five years. The Western Cape is one of the most competitive retail markets in the country and comparing prices in other provinces has nothing to do with our sales policy here.”

Free fridges

Mr Bergh noted that cafes stocked cool drinks in “tied” fridges. A Coca Cola fridge supplied by Coca Cola was out of bounds to Pepsi products. This was one of the areas of competition that Pepsi was addressing, he said.

Mr Lewis countered that it was Pepsi — back in the 1960s when it had two thirds of the market — that introduced the policy of “free fridges.”

Nevertheless, it is a fact that whichever way the Cola War hots up, it is the consumer who will win every time he heads for a cool fizz.
Scotch set to soar in new round of liquor price rises

Staff Reporters

SPIRIT prices are expected to rocket by early next month, with a possible Scotch whisky increase of about R2 a bottle, and wine prices are set to rise after the KWV promised farmers an increase.

Free-on-board (fob) Scotch prices at ports in Britain had gone up by between 7½ and 10 percent, and the increase would be greater when the whisky was imported to South Africa, according to Mr Bruce Anderson, regional director of the United Distillers Group in Cape Town.

LOWER-PRICED South African spirit prices could be expected to go up from February 1, and whisky would probably be increased then, Mr Anderson, the director of one of the largest whisky suppliers to South Africa, said:

"However, we pay less for Scotch than most other countries," he claimed, adding that the surcharge on imported goods did not apply to Scotch.

South Africa was eighth in the world in Scotch consumption, and volume consumption had held in spite of price increases. But there had been a discernible movement to the lower-priced Scotch, he said.

Meanwhile, primary producers KWV said wine farmers would receive 12 percent more for the major portion of their wine crop this year, representing an increase of 4.6c a bottle.

Average price adjustments for wines have been kept below the inflation rate for many years and considering the wine's quality, the price in South Africa remains among the lowest in the world, according to KWV chairman Mr Pietman Hugo.

Mr Hugo said the inflation index had increased by 13.4 percent a year since 1975, while the wine price had increased by only 10.6 percent a year over the same period.

Even after the increase, wine farmers would receive only about 50c a bottle for standard-priced wines.

"The increase by the KWV — who determine the so-called 'good wine' price — will have a direct impact on the wholesalers' price," says Mr Blackie van Niekerk, Gilbeys' marketing director.

Scotch prices were increased five times last year, largely because of the depreciation of the rand against foreign currencies. A case of Scotch that sold for about R135 at the end of 1987, now sold for about R14.

With the petrol price up today, all liquor prices will be increased again, according to a bottleshop manager. The price of imported liquor was also affected by the dwindling exchange rate, she said.

"People don't buy as many cases of whisky as they used to," she said. "There's also a swing towards brandy.

HOTELS

There were indications that liquor suppliers to hotels would increase their prices by about 10 percent by the end of this month, according to Mr Stephen Dagg, group general manager of the Boulevard Hotel.

Most hotels would not be able to absorb these increases and would pass them onto their customers, he said.

Beer drinkers need not expect a price increase until figures are reviewed at the end of April, according to South African Breweries' public affairs manager, Mr Gary May.
MORE THAN 300 striking workers at SA Breweries (SAB) plants in Port Elizabeth and East London yesterday continued their dispute over the payment of nightshift workers on January 2.

SAB's human resources director, Mr Rob Childs, said yesterday that the Food and Allied Workers' Union (Fawu) had not responded to a Port Elizabeth Supreme Court interdict ordering the strikers back to work and to abide by the recognition agreement between SAB and Fawu.

The East London workers downed tools in sympathy with 200 Port Elizabeth workers who went on strike last Friday in a demand for holiday pay, a union spokesman said.
SAB strike continues

MORE THAN 200 striking workers at SAB Breweries (SAB) plants in Port Elizabeth and East London yesterday continued their dispute over the payment of nightshift workers on January 2.

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Cop stabbed by fugitive

ＫＲＡＡＩＦＯＮＴＥＩＮ police sergeant J H Tolken was stabbed yesterday morning by a suspected poultry thief. A man will appear in court on Monday.

SAB workers down tools

ＦＯＲＴ ＥＬＩＺＡＢＥＴＨ — South African Breweries workers near Despatch have gone on strike in support of co-workers in PE and East London.
Drink drought faces beer consumers in PE

PORT ELIZABETH — A beer drought is starting in the Eastern Cape — and breweries around the country may have to come to the rescue.

'Right in the heat of summer, certain brands of beer are running low because of the SA Breweries' strike now in its second week here, and in its first in East London,' Mr Rob Childs, the company's human resources director in Johannesburg, said the PE brewery was still producing through low-intensity production, but beer in certain size cans and bottles could run short soon.

This was contradicted by a spokesman for the Food and Allied Workers' Union, Mr Elliot Nduzenwana, who said the "beer drought is already starting" in Port Elizabeth townships.

Workers had noted that there had been no production whatsoever in the past week.

Mr Childs said that although he was confident that "the needs of beer drinkers" would be met, they could find they could not buy their beer, for example, in 450ml cans that have only recently been introduced in the region.

Beer may have to be brought into the Eastern Cape from breweries in other centres, such as Cape Town.
Down down quick, before liquor goes up

Up, up, up — or down, down, down, depending on which way you look at the latest increase in the price of your favourite tipple. If Scotch whisky continues to go up — the price rises by another 12 percent on February 1 — the miniature bottle may soon cost what the litre bottle (left) did back in the good old days.

The price of wines and spirits increases on February 1.

McColin Tatham, commercial director of Stellenbosch Farmers' Winery (SFW), said a broad spectrum of increases affecting liquor wholesalers had forced the price adjustments.

Popular wines will increase in price by 6 percent in the Transvaal and 7.6 percent in the Western Cape. Fortified and flavoured wine will increase by 10.8 percent in the Transvaal, 11.6 percent in the Eastern Cape and 11.9 percent in the Western Cape.

Locally produced white spirits and brandies will go up by nine percent while imported whisky will rise by 12 percent.

SFW said the price of corked, or higher priced wines will rise by 15.4 percent in the Transvaal and 16.5 percent in the Cape for reds. Whites will increase by 13.8 percent and 15 percent respectively.
PORT ELIZABETH — The strike action by about 400 South African Breweries employees in the Eastern Cape is still unresolved, SAB’s human resources director Mr Rob Childs said yesterday afternoon.
Pepsi Cola makes a comeback

By JOSHUA RABOROKO

POPULAR United State soft drink, Pepsi Cola, which disinvested from South Africa a few years ago, has made a comeback in the Western Cape and indications are that it might soon challenge the Coca Cola’s monopoly in the lucrative Pretoria-Witwatersrand-Vaal Triangle market.

Pepsi has recaptured a 10 percent share of the Western Cape soft drink in six weeks in a R2-million advertising and promotion blitz against rival Coca Cola, according to sources yesterday.

The battle between the soft drink giants in South Africa is expected to go national — particularly that Pepsi intends to exploit the PWV area market with the possibility of a depot in Soweto.

Pepsi’s managing manager, Mr Victor Bergh, yesterday confirmed a three-year plan to get the soft drink company back to a 20 percent share of the Western Cape market.

He said Pepsi’s fizzy comeback in the Western Cape — December sales were at a five-year high — against Coca Cola monopoly, based on improved distribution, strong financial controls, a unique deal with trade unions and a music-based promotions campaign.

He conceded that Pepsi was “comfortably ahead” of its budget in the six weeks since the re-launch.

“Pepsi is ready to bubble again after years of market decline which nearly saw the company close down. I believe it has taken the first step to recovery,” Mr Bergh said.

The revitalised Pepsi SA is now owned by a consortium comprising black business interests through Soweto Investment Trust Company, Cape Town investors and individual shareholders.

For Pepsi SA, the slippery slope dates back to 1979 when the United States-based parent company pulled out. From the early 1970s, when its market share of the soft drinks sector was about 20 percent, Pepsi sales slipped to as low as one percent by some estimates.

The new consortium bought the franchise from Sito, which retains a 25,1 percent stake Sito — a venture capital trust seeking to assist black entrepreneurs — bought the franchise from Cape Beverage Holdings in December 1987.

Sito’s co-ordinating manager, Mr McDonald Temane said the company was likely to open a plant in the Transvaal thereby creating job opportunities for many people. At the moment the company has employed about 430 workers.

He would not say where the plant will be built, but did not rule out the possibility that it might be in Soweto.
Pepsi, Coke do battle in ‘cola wars’

Edward West

1% with Coke products (which include Fanta, Diet Coke, Tab, Sprite, Crest and Yello Mellow) claiming 1% of the national market.

The following Pepsi International's divestment from SA in 1986 — part of a worldwide strategy to divest of bottling plants and enter into franchise agreements. Pepsi is estimated to have lost R6m in 1986 and 1987.

Then came Oetzea and the relaunch of Pepsi in November 1988. The first shot fired in the war was a R8m advertising campaign in the Western Cape.

Within six weeks Pepsi claimed to have captured 10% of that region's soft drink market.

Coke hit back, disputing Pepsi's claims as inaccurate and misleading. Allan said it was impossible to establish what market share in the Cape because Pepsi had no idea how many cases Coca-Cola was selling.

Although Coke disputes the sales claims, it has nonetheless responded to the Pepsi attack.

The prices of selected Coke products were slashed by over a rand in the region soon after the start of Pepsi's promotional campaign.

Pepsi's promotional campaign

Coke admits it dropped its prices in response to Pepsi's reduced prices in the Cape, but says the price cuts were also part of a planned Coke promotional campaign.

Oetzea is quick to say he does not want a price war. Coke, he acknowledges, is big enough to force Pepsi right out of the market. But Oetzea is determined to fight for as great a market share as he can get.

The controversy claim by Pepsi that it is a better product than Coke has also surfaced in the local war, with Oetzea repeating well known US blind test results which, he says, show 60% of Coke drinkers actually prefer Pepsi.

Allan suspicious this latest as another inaccuracy. Pepsi has handed out to the media, and cites Coke's counter study, which he says, shows the methodology of the blind tasting tests to be wrong.

"Had the blind taste involved the testers drinking the whole soft drink out of the can instead of just swigging it, two to one tasters would have preferred Coke."

The cola wars have moved beyond the confines of advertising campaigns.

Pepsi, unhappy at a deal between the Cape Town city council and Coke which prevents Pepsi from selling its products in the region, turned to the National Consumer Council, which recently ruled in Pepsi's favor.

Children's market

The war is far from over. Coke is now planning to launch its own advertising promotion in the Western Cape in two weeks' time. Allan says the campaign is partly a response to the Pepsi challenge and partly to link Coca-Cola with the Community Chest charity.

Coke has also appointed TFE Public Relations to promote communications with the Community Chest and to deal with further alleged inaccuracies from Pepsi.

National last week launched a new soft drink in the Transvaal called Jumping Jack, specifically aimed at capturing the children's market, the same market at which Pepsi pitched its advertising campaign in the Western Cape. A Pepsi vehicle visited two to three schools daily if the Western Cape district educational talks and promoting Pepsi products.

Pepsi has also invited it to planning new products, but a secretive about launch date.
‘Turn-around King’ here to stay

EDWARD WEST

"TURN-AROUND KING" Juan Oteiza, now MD of Pepsi Cola SA, is quite comfortable to be scrapping again with Coke. A seasoned Pepsi campaigner, he has launched nearly 30 campaigns in more than 20 countries against his arch competitor.

In fact, the R2m SA campaign he has spearheaded is "one of the smaller campaigns", he says.

The portly 50-year-old Argentine, with a distinctive South American accent, has managed Pepsi operations in South America, the Caribbean, Puerto Rico and Europe.

He acquired his nickname by turning into money spinners the ailing Pepsi operations in Puerto Rico and Spain — and is determined to do the same here.

Before he arrived in SA in mid-August last year, the local Pepsi operation's future was in doubt.

The Soweto Investment Trust Company (Sitco) had acquired Pepsi from Cape Beverage Holdings in December 1987. Sitco had hoped they could turn around the loss Pepsi was running at with a cash injection, but things did not work out that way. They acquired the company just before winter, when sales usually fall. Also, production capacity was insufficient, and Pepsi sales slumped.

By April last year Pepsi's credit facilities had been withdrawn by FNB. Closure was on the cards when Oteiza arrived to carry out a viability study, sent by Pepsi International on a three-month consultancy to help Sitco.

A chance meeting, arranged by Pepsi's PRO, between Sitco and Personal Trust, a Cape-based investment group, resulted in Personal Trust raising R1.5m in venture capital in 24 hours to acquire a 74.9% stake in Pepsi.

Meanwhile, Oteiza put together a package transferring ownership to the new consortium with himself as MD. The deal was signed on September 1 last year, and Pepsi was back in the game.

Oteiza says three things have contributed to Pepsi's success so far: good products, experienced and reliable management, and solid financial backing from FNB, Standard and other institutions.

The new management team, under the chairmanship of Dairmuid Bagrie from Personal Trust, includes marketing manager Victor Bergh, formerly with Woolworths, and with international marketing experience, Alan Frames as financial manager with 20 years experience in SA and Australia, production manager Andre Rabie who did the same job for Coke in the western Cape for eight years, and Adrian Graham with six years as personnel manager at Kolker Packaging in Cape Town.

Oteiza says, Pepsi is back on its feet already and he predicts it will reach its target of 20% of the Cape market far sooner than the three years allocated.

Then Oteiza is looking forward to going national, although he will not say when.

"All we need is the capital," he grins.

However long it takes, it seems the "turn-around king" is here to stay, at least for a while. The last time Business Day tried to contact him he was out buying himself a house.

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CASHWORTH'S
CASHWORTH'S FASHION HOLDINGS LIMITED
("Cashworths")
(Registration Number 87/01675/06)

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 1988

CONSOLIDATED INCOME STATEMENT

6 months to 2 months to 12 months to
IN ONE of its most innovative advertising campaigns to date, SAB is spending a fortune trying to sell a beefed-up image of Ohlsson’s lager to rebellious young men.

The pale beer that used to be sold in a white-labelled bottle now has a bolder, dark-blue label. But more interesting is the kind of young men the advertisements are trying to reach and the extent to which SAB has gone to communicate with their target group.

DMB & B account executive Anton Tucker, who helped devise the transformation of Ohlsson’s image, says the campaign began last October.

Since the beer was introduced in 1984, Ohlsson’s had experienced a disappointing run, failing to gain the projected market share.

DMB & B proposed a two-pronged strategy:

- A change of packaging including the darker, “more masculine” label. The new label also notes that Ohlsson’s has a 5% alcohol content — the same as most other SAB beers; and
- A shift in marketing emphasis away from what SAB calls “the mainstream market”.

Squarerly in the sights of the new campaign are young men in the 18 to 30 age group, defined by Sicomonitor market researchers as the “I-Am-Me” value group.

Among the characteristics Tucker detects in the group’s behaviour are rejection of authority, sensation-seeking, assertiveness and a desire for racial harmony.

Although the advertisements are designed to appeal to beer drinkers of all races, the emphasis is on the black market.

In a way, the “I-Am-Me” group are selling the “new” Ohlsson’s to each other. As part of DMB & B’s plan, young men who fit the mould are brought together in general discussion groups. Opinions expressed in these chat sessions are taken down verbatim and used in scripts for print, radio and TV advertisements.

The downside of the campaign is that SAB is expecting to lose some existing Ohlsson’s drinkers, especially older people who like the beer but will not identify with the new image.

SAB marketing director Peter Savory, is enthusiastic about the campaign. He declined to say how much SAB was spending on it.

Although it is too early to draw conclusions, Tucker says feedback from the salesforce is good. Perhaps sleek marketing may yet pry SAB’s loyal beer-drinkers away from Castle lager.
"TURN-AROUND KING" Juan Oteiza, now MD of Pepsi Cola SA, is quite comfortable to be scrapping again with Coke. A seasoned Pepsi campaigner, he has launched nearly 30 campaigns in more than 20 countries against his arch competitor.

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The Soweto Investment Trust Company (Sitco) had acquired Pepsi from Cape Beverage Holdings in December 1987. Sitco had hoped they could turn around the loss. Pepsi was running at a cash injection, but things did not work out that way. They acquired the company just before winter, when sales usually peak. Also, production capacity was insufficient,

and Pepsi sales slumped.

By April last year Pepsi's credit facilities had been withdrawn by FNB. Closure was on the cards when Oteiza arrived to carry out a viability study, sent by Pepsi International on a three-month consultancy to help Sitco.

A chance meeting, arranged by Pepsi's BPO, between Sitco and Personal Trust, a Cape-based investment group, resulted in Personal Trust raising R1.5m in venture capital in 24 hours to acquire a 74.9% stake in Pepsi.

Meanwhile, Oteiza put together a package transferring ownership to the new consortium with himself as MD. The deal was signed on September 1 last year, and Pepsi was back in the game.

Oteiza says three things have contributed to Pepsi's success so far: good products, experienced and reliable management, and solid financial backing from FNB, Standard and other institutions.

The new management team, under the chairmanship of Diarmuid Baigrie from Personal Trust, includes marketing manager Victor Bergh, formerly with Woolworths, and with international marketing experience, Alan Frames as financial manager with 20 years experience in SA and Australia, production manager Andre Rabie who did the same job for Coke in the western Cape for eight years, and Adrian Graham with six years as personnel manager at Kohler Packaging in Cape Town.

Oteiza says, Pepsi is back on its feet already and he predicts it will reach its target of 20% of the Cape market far sooner than the three years allocated.

Then Oteiza is looking forward to going national, although he will not say when.

"All we need is the capital," he grins.

However long it takes, it seems the "turn-around king" is here to stay, at least for a while. The last time Business Day tried to contact him, he was out buying himself a house.

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CASHWORTHYS

CASHWORTHYS FASHION HOLDINGS LIMITED
("Cashworths")

(Registration Number 87/01807/06)

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 1988

CONSOLIDATED INCOME STATEMENT

6 months to 6 months to 12 months to
Coke rejects Pepsi market share claim

COKE has rejected Pepsi's claim that it has recaptured a 19% share of the Western Cape soft-drink market and accused Pepsi of releasing "numerous inaccuracies" to the Press.

Sandy Allan, MD of National Beverages (Natbev), master licence holders of the Coca-Cola franchise in SA, also objected to Coke being labelled "monopolistic" in Pepsi Press releases.

"With 68% of the national soft drink market, we prefer to be called market leaders," he said.

Natbev held 68% of the soft-drink market, Sparletta 20%, and Cadbury Shweppes 8%. The rest of the market comprised of small regional bottlers like Pepsi.

He said Coke would launch a promotion to combat Pepsi's challenge.

*The colas were See Page 6*

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**Challenge**

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HOW TO PLAY — Page 11

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SAB buys textile giant

By Ann Crotty

SAB is paying 70c a share to take control of textile group Da Gama.

The move, which was expected by the market, sees the giant SAB moving into an industry that has annual sales of £4 billion.

Da Gama is the second largest textile group in SA, is the most profitable and is the fastest growing. The frame group is the largest player.

The deal sees UK-based Tootal group selling its 49.9 percent stake in Da Gama to SAB for R175 million which is equivalent to 70c a share.

Minority shareholders are being offered a similar deal.

The R175 million will be raised through the issue of automatically convertible preference shares in SAB.

The pref shares will be entitled to an annual dividend of 15c and will be issued at R22.

This represents a dividend yield of 7.5 percent and compares with the historic dividend yield on the ordinary shares of 3.3 percent.

The pref will be convertible into ordinaries, on a one-for-one basis, in the year after the dividend on the ordinary share is equal to, or greater than 15c.

The prefs have already been placed, on behalf of Tootal, with institutions at R22 a share. In addition institutions have underwritten the additional R175 million worth of prefs that would be required if all the minorities accepted the offer.

That SAB was able to place a possible R350 million worth of prefs at a price that is slightly above the current market price of R21,00 reflects the strong attraction that the group holds for institutional investors.

Although Tootal will be getting its money up front from the institutions, it is tied into a technology agreement for a minimum of 10 years.

It looks like a good deal for both parties but in particular for SAB which gives some support to talk that Tootal was under pressure to sell.

INVESTMENT

Tootal's original investment in Da Gama was R250,000 made in the late 1970s. Excellent management since then has boosted the value of this investment.

Da Gama's very attractive dividend yield in the intervening years has provided the parent company with a good income flow via the commercial rand. The proceeds from the sale will be paid via the financial rand.

Market speculation is that Tootal was keen to get a lump sum from SAB in order to help fend off a hostile bid.

For SAB the price is on a very attractive price/earnings rating of 6.5 times.
SAB scoops control of Da Gama Textiles

JOHANNESBURG — SA Breweries has concluded a deal with Tootal Group plc, a United Kingdom company, for 49.8% of Da Gama's issued ordinary share capital for a purchase price of R175m.

In terms of the agreement SAB will acquire effective control of Da Gama from Tootal, which will result in Da Gama becoming a SA-controlled company. However, in terms of a management and technical services agreement, Da Gama will have access to Tootal's international technical and management expertise and technology for a minimum period of 10 years.

SAB will acquire its interest in Da Gama through Da Gama Holding Company (Holdco), the company through which Da Gama presently holds its interest of 49.8% in Da Gama's issued ordinary share capital.

The R175m payable by SAB will be settled by the issue of automatically convertible preference shares in SAB entitled to an annual preferential dividend of 165c per convertible preference share and which will be issued at a price of 2200c per share.

Arrangements have been concluded for the placement, on behalf of Tootal, of SAB convertible preference shares at 2200c per share.

Australian textile magnate Abe Goldberg has increased his holding in Tootal to 17.2% by mopping up 8m shares, bringing his stake to 17.2%, nearly double what it stood at two weeks ago.

Goldberg's £500m takeover bid for Tootal was rejected a few days ago.
Prices of canned food, beverages set to increase

Staff Reporter

Consumers might be in for a major blow on April 1 when the price of tinplate used in the food canning industry will jump by 18.5 percent.

A spokesman for the Consumer Council said the price increase, announced by Iscor last week, was "just one more increase in a horrific spate" of recent price increases.

He said consumers were still reeling from the petrol price rise in January this year and predicted 1989 would be a difficult year for consumers.

However, Mr Peter Campbell, a spokesman for a major packaging company, said he did not believe the cost of canned foods and beverages would rise drastically as a result of the increase — although it was possibly too early to tell.

He added that Iscor had "behaved very responsibly" in raising prices in the past and although this year's increase was substantial, those in the last five years had been well below the inflation rate.
KWV forecasts record crop

By DICK USHER
Business Staff

A RECORD wine crop of more than 9,1-million litres has been forecast by KWV for the 1989 season.

KWV expects the total crop to be marketed during the year.

It estimates that about 47 percent of the crop will be marketed domestically as wine, 30 percent as distilling wine and 21 percent exported.

The 9,1-million litre estimate made in January is slightly down from the December forecast of 9,4-million litres which has been reduced due to weather conditions since then.

Dr Ed Beukman, chief planning executive for KWV, said this week that the earlier estimate had been reduced after a very dry December.

DRYEST SUMMERS

"It was one of the driest summers we have had and especially in the non-irrigated areas the berries tend to be smaller and have not developed as much as expected," he said.

"But we still expect a record as the crop is in good condition."

But Dr Beukman dispelled suggestions that South Africa could end up with a "wine lake".

"The wine market is very carefully regulated both by limits on production and by planned marketing of the product.

"What is not used for wine domestically has many other uses:

DISTILLED

"Some is distilled for brandy, some distilled wine is used in fortified wines and for other spirits, some we have to keep in reserve in case of natural disaster which could severely affect production, and some is sold on the world market as commercial alcohol."


The farmer gets a guaranteed price for wine of a minimum quality from KWV. High quality wines are sold on the free market at what the market can bear and the commercial alcohol sold on the world market is subject to ruling prices.

KWV announced in January that farmers would get 12 percent more for the major portion of their wine crop this year, an increase of 4,8 cents a bottle in the standard price category.

The new minimum prices are 59,58 cents/litre for good wine for standard-priced wine, 47,67 cents/litre for distilling wine and a 15 percent increase for quality wines in the various categories according to quality.

STATIC MARKET

Dr Beukman warned that the wine industry, which supported about 300,000 employees and dependents, was caught between a static market and rising input costs.

It had followed a conservative pricing policy to try and stimulate demand.

"We are not trying to get consumers to drink more wine, but to persuade more people to drink it," he said.

The guaranteed price had risen only 12 percent, below the CPI, while many of the input costs such as labour and machinery were increasing faster than inflation.

Labour costs represent about 30 percent of farming costs, while the cost of implements has risen 17 percent a year since 1975.

Wine production, after hitting a previous high of 9,1-million litres in 1983, declined to 7,6-million litres in 1986 and has been increasing since then.
PWV is targeted by winemakers

By LEN MASEKO

"Since Soweto and its environs form a significant portion of this area, we chose to begin our series of visits with some of the higher profile residents," Mr Pegel says.

The vitrue to the Cape winelands is an eye-opener for a first-time visitor, who is introduced to the intrincacies of winemaking, several wine-tastings as well as a pant to a selection of vineyards and cellars. The hospitality of the local winober community is especially heartwarming.

As part of the educational programme, the visitor is exposed to the attention paid to the development of quality plant material, the vineyard establishment and to the careful monitoring of grapes from planting to the harvesting season.

South Africa has approximately 110,000 hectares of vineyards under cultivation and produces between eight to 10 million hectolitres of wine a year.

The country's Wine of Origin legislation has divided the Cape winelands into five districts, each with its own topography, microclimate and soil type. Each region is further divided into several sections, making it 12 districts in all.

The majority of wine grape varieties cultivated in South Africa are also grown in other major wine producing areas such as France, Italy, Germany, California and several other places.
**DA GAMA**

**SAB targets textiles**

By agreeing to buy UK-based Tootals interest in Da Gama, SA Breweries (SAB) has taken control of an outstandingly profitable company in the large but traditionally stodgy textiles industry.

Indifferent results from many of the listed participants, and frequent laments about imports, have contributed to a dreary image for the textile business. But SAB was attracted not only by the excellent performance achieved over a number of years by Da Gama, but also because SAB's management believes recent developments have brightened the industry's prospects considerably — at least for some.

"We've spotted textiles as an industry in which the dynamics have changed over the past two to three years," says Malcolm Wyman, SAB's GM group planning and development. "We have made a very good acquisition by buying control of the industry leader."

Last week's announcement of the deal with SAB, followed by excellent results from the East London textiles company, triggered a rapid ratering of Da Gama's share. The deal was struck at 700 c\per share, about 23% above the 570c price on the JSE when negotiations started. Within a few days after the announcement Da Gama had jumped to 780c.

The reason may be that the news focused investors' attention on Da Gama's profitability — in the year to end-December its pre-interest margin on turnover was 25,2%, and the return on total capital (including current liabilities) about 33%. This, claims MD Harry Pearce, makes the group the most profitable of the 'diversified textiles' group in the world. EPS grew 46% on an 18% turnover advance.

But the terms of the offer may be having a more immediate impact. SAB is paying R175m for Tootals entire holding in Da Gama Holding Company (Holdco), through which the UK company holds its 49.8% interest in Da Gama. Settlement is by issue of automatically convertible preference shares in SAB, each entitled to an annual preference dividend of R15c. A one-for-one conversion to ordinary shares will take place in the year after the dividend on the shares equals or exceeds the preference dividend.

The 1988 dividend on the ordinary shares was 66c per share, and the market is expecting around 80c this year, so the prospective income is about double that currently obtainable on SAB. At 25 125c the ordinary shares offer a prospective yield of 3.8%. Until the conversion, probably about two years off, the preference share offers a fixed annual payout. As the only way of obtaining the preference is by holding Da Gama shares, this explains why the market has been bidding up Da Gama.

For every 100 Da Gama shares held, minorities are being offered 31 of the SAB convertible preference plus R18 cash. Based on the R22 price at which the preffered are being issued to Tootals, this offer equates to R7 per Da Gama share. However, Da Gama's price of 780c on Tuesday suggests investors are effectively valuing the preffered at 245c, giving a yield of 6.7%.

This aside, the share may also have been boosted by speculation that the deal is only a first step into the industry for SAB, and that other big deals may follow. There had been talk beforehand that Da Gama was interested in acquisitions. It holds R32m cash, has no borrowings and shareholders' funds of R132m.

A local controlling shareholder such as SAB rather than a foreign parent reluctant to countenance expansion in SA might mean acquisitions would follow more easily. Da Gama is planning a capex of about R100m in current terms over the next five years, including some R24m for this year. Pearce says the group will have no difficulty paying tax and dividends and funding its capex out of cash flow. And he makes no bones that the group would not be averse to making acquisitions.

But it may be premature to expect other big deals soon. A problem is that the group's own success makes an attractive acquisition difficult to find. There are no sizeable textile firms which achieve margins and return on assets comparable to Da Gama's. There could be advantages for Frame, for example, in bringing in Da Gama's operating management. But Frame's profitability is so much lower that the terms of such a deal would presumably have to be extremely favourable to Da Gama. It is difficult to see SAB accepting an expansionary move that might upset Da Gama's profitability.

Pearce attributes last year's rise in pre-interest margins from 21.3% to 25.2% to productivity improvements that followed installation of new weaving equipment, and to a change in the product mix to more high-margin items. "Margins may not rise much but this level is sustainable," he says.

With some 72% of the earnings taxed by the Ciskei, only 9.1m or 14% of income was paid in normal and deferred tax last year, thus a further R27m was absorbed by Ciskei withholding taxation. Pearce says application has been made to have more of the group classified as part of the Ciskei, and this could further reduce the tax rate.

There does not appear to be any concern that others in the SAB group such as Edgars and Mayfair may be seen as competing with Da Gama's other customers. Pearce says groups such as Woolseym and Pep were consulted and no problems were encountered. Edgars, he points out, does not buy directly from Da Gama.

Unlike the giant Frame, Da Gama is focused essentially on added-value sectors of the textile industry, it has paid attention to niche markets and largely avoided commodity products. Da Gama's activities include apparel , household fashion to the lower and middle-income groups, and home sewing, mainly servicing the baux informal sector.

Wyman says that the homework that SAB has done indicates that sectors of the textiles industry are set for continuing growth. He points out that only recently has a lot of money been put into housing and influx control been removed. "More money will have to be spent on clothing and on textiles in homes," says Wyman. The group's earnings growth rate will have to slow as it rises off a low base, but Wyman believes the return on assets will be maintained.

On this outlook there appear to be attractions in either staying with Da Gama or accepting the SAB preffered. If the acceptance level is about 50%, SAB would end up holding 72% which is what it actually prefers to hold in major investments.

Andrew McNulty

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**Provisions rise**

Banks which are not on full disclosure have offered many reasons for treating their shareholders like children who might start a run if they were told the full story. Results from Standard Bank Investment Corporation (SBIC) for the year to end-December illustrate very clearly why there should be
Details of beer price rises

BY PETER DERNENY

BEER sales rocketed yesterday after news that the price of the malt is to rise by an average of 8.6% for retailers from Monday.

In addition, people living in Ceres, Moorreesburg and Worcester — until now free delivery areas — will have to pay a delivery fee of up to 40c more per case of punt bottles, on top of the increase.

Mr Lawrence Pool, chairman of the Western Cape Liquor Affairs committee of the Federated Hotel, Liquor and Catering Association of South Africa, said this was because SA Breweries had introduced a new system of differentiated prices for areas remote from supply points.

The new prices are:
- Quart bottles up 9.3% from R11.30 to R12.38 a case of 12 (apart from the deposit, which remains the same),
- 375ml returnable bottles rise from R12.48 a case to R13.90 a case of 12.
- Amstel 340ml returnables up 11.2% from R13.94 to R14.50 for 12,
- Long Tom cans up 10.5% from R18.55 to R20.50 a case,
- Standard cans, apart from Amstel, up 9.6% from R14.42 to R15.80, and Amstel up 9% from R15.82 to R17.25 a case,
- Dumpies (340ml non-returnable bottles) up by 6.1%, from R14.42 a case of 24 to R15.30, except for Amstels which go up 3.6% from R15.82 to R16.70 a case.
Liquor trade fighting restrictions

By MEG BRITS

FEDHASA, the hotel and liquor trade association, is so concerned about restrictive practices in the liquor industry that it has approached the government.

It has proposed a three-tier decision-making process for the industry which would involve the founding of an SA Liquor Institute and an SA Liquor Council.

Mr Ken Heneke, chairman of Fedhasa's national liquor affairs committee, said antiquated legislation had led to practices in the industry which were generally regarded as restrictive to fair competition and were not in the public interest.

He said that traditionally, the liquor trade had been subject to strict regulation, which meant the industry was divorced from market forces.

The proposed first tier of the decision-making process would probably comprise representatives of the Cape Wine and Spirit Institute (CWSI), the KWV, SAB, Fedhasa, the Wine and Spirit Importers Association, and Ukhamba, the black bottle store owners' association, Mr Heneke said.
Beer price up as coffee drops

By CHARIS PERKINS

Take a coffee break and read this — the price of the much-consumed beverage is about to drop.

But the bad news is that beer will cost more from tomorrow.

The Department of Trade and Industry has decided to drop the 15 percent surcharge on imported coffee beans from this week.

The chairman of the South African Tea, Coffee and Chicory Association, Mr Tom Young, said pure coffee would be between four and six percent cheaper, while mixes would cost about two percent less.

“We will drop our prices to pre-surchage levels with immediate effect,” said Nestlé corporate affairs manager Dave Upshon.

The South African Tea, Coffee and Chicory Association made representation to the Department of Trade in October — two months after the surcharge was imposed.

Dumpsies

“We pointed out that coffee was a basic commodity,” said Mr Young “The consumer does not have a cheaper alternative.”

Meanwhile, South African Breweries has announced an average 8.6 percent increase in wholesale beer prices from tomorrow.

Bottled beer will cost 9.3 percent more for 750ml and 11.4 percent more for pints.

Dumpsies will cost about six cents more in bottle stores.
No end in sight

THE strike at SA Breweries in Port Elizabeth has entered its seventh week.
An attempt last week to break the impasse failed.
According to a Food and Allied Workers Union spokesperson the company is employing "scab labour" at the plant.
SAB has described the staffing as "contingency crews" and said production and deliveries were back to normal.
There are disputes at three other SAB plants in the Transvaal.
Sorghum going private

THE Industrial Development Corporation (IDC) had created a private company as the first step in the privatisation of the R350m sorghum beer industry, IDC senior GM Jan de Bruyn said yesterday.

The private company, which would be provisionally controlled by IDC shares until it found a way of disposing of its shares on the private market, would run the sorghum beer industry.

He said the 3 500 employees in the industry were successfully divorced from state employment and were now employed by the IDC's newly created private company. Pension schemes and other employment benefits were now run by private institutions.

He was not sure just how or when the IDC's shares in the industry would be released into the open market, but said it was due to happen very soon.

Volkkas Merchant Bank deputy GM Jan Bezuidenhout said he expected the industry to be ready for privatisation by the end of March.

Bezuidenhout said he was awaiting a decision by government as to how the shares would be divided up and allocated so he could decide where to sell them.
Wine, beer industries clash over excise duty

A ROW is brewing between the wine farmers’ co-operative KWWand SAB over government’s excise duty policy on various products in the liquor industry.

KWW executives have been stung by SAB marketing director Peter Savory’s recent remarks and have responded angrily to what they perceive as an attack on their interests.

Savory recently suggested in an Afrikaans financial magazine article that excise duty should tax the alcohol content of beverages and not the beverage as such. Such a policy would allow for cheaper beer.

Savory’s remarks were taken by KWW executives as an attack, albeit veiled, on the fact that natural wine in SA was not subject to any excise duty at all.

KWW, chief executive Ritzema de la Bat responded to Savory’s remarks in an Afrikaans Sunday newspaper article. He described Savory’s remarks as a "tax attack" on the wine industry.

He said SAB earnings from beer surpassed those of other sectors of the liquor industry, while the wine industry was experiencing stagnant sales.

However, Savory was adamant this week he was not launching an attack on the wine industry. He said: "We are just campaigning for equal treatment. A third of our selling price for beer is excise duty while no excise duty at all is paid on natural wine."  

Wrong

“We are not going to attack other people in the drink business, there is room in the sun for everyone.”  

Savory said the excise-duty policy was fundamentally wrong because most beer drinkers were drawn from lower or middle-income groups. In contrast, most wine drinkers belonged in upper-income groups.

SA beer drinkers paid R744m in excise duty last year compared with the R8m which was paid by the wine industry, mainly in the form of excise duty on sparkling wine, a wine product not exempt.

De la Bat was overseas this week, but KWW acting chief executive Kobus van Niekerk said yesterday: “The wine industry has, in the past, refrained from the attacks of the beer industry on the excise duty situation.

“But to try and pull us in by the hair and to try and create a new base for the taxation of alcoholic beverages is just not on.”

Any change in excise policy would be to the detriment of the wine industry. Some wine products such as port, fortified wine and sparkling wine paid excise duty.

Van Niekerk said: “SA is not the only country in the world in which natural wine is not taxed by excise duty, other countries such as France and Switzerland have the same policy.”
Row between KWV, SAB on excise policy

Owen Correspondent

JOHANNESBURG. — A row is brewing between the wine farmers' co-operative, KWV, and SAB over government's excise duty policy on various products in the liquor industry.

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"But to try and pull us in by the hair and to try and create a new basis for the taxation of alcohol is just not on."
Drink giants turn ire on government
SAB and KWV have denied they are at war with each other over excise duties.
Spokesmen said the problem was with government.
SAB marketing director Peter Savory said "Government had been saying the consumption of lower alcohol natural beverages — beer and wine — should be encouraged but the system works against this.
"All we are asking for is equal treatment."
KWV acting CEO Kobus van Niekerk said "The wine industry has in the past reframed from attacking the beer industry on the excise duty situation but to try and pull us in by the hair, and try to create a new basis for taxation is just not on." — Sapa.
'Govt discrimination against beer-lovers

Political Correspondent
THE PFP's Mr Ken Andrew yesterday accused the government of discriminating against beer-lovers and showed favouritism towards wine drinkers.
This followed the outright rejection by the Minister of Economic Affairs, Mr Danie Steyn, of a proposal that not only wine but beer should be allowed to be sold in supermarkets.
Speaking in Parliament during the second reading debate on the Liquor Bill, Mr Andrew said he had not heard of any good reason why supermarkets which could sell table wine could not sell beer. He said that in a year in which news about scandals and corruption had rocked the country, the only reason for the discrepancy appeared to be undue influence from the wine lobby.
When he challenged the minister to explain the apparent discrimination against beer, Mr Steyn declined to do so in Parliament but added that he would be happy to inform Mr Andrew in private.

Afterwards, Mr Andrew said he would definitely take the minister up on his offer, but quickly added "This is totally unsatisfactory."
"His approach convinces me more than ever that he is simply playing politics with wine industry voters."
"Both products are locally produced. Beer is more heavily taxed. Wine has a higher alcoholic content."
"None of these are grounds for why wine should be favoured by the authorities over beer."

(continued)
Townships run dry as taverners support striking SAB workers

CP Correspondent

Uitenhage taverners are joining the 1500 strong boycott of beer sales by Eastern Cape taverners, in support of the ongoing strike by SA Breweries workers in Port Elizabeth.

The boycott decision was made after a meeting between trade union leaders and the community in Yeepi last week.

Cape Province Taverners Association official, Knox Tlotsebe, said taverners had met SAB management to try and solve the problem.

With nearly 500 registered taverners in Port Elizabeth alone, and another 1000 unregistered selling about 300 cases of beer a weekend, each, SAB should be losing money.

But SAB public relations manager, beer division, Gary May has denied this.

"In fact, sales figures for the Eastern Cape are up 13 percent on last year," he said.

He said the informal sector would find ways of distributing beer.

"You can't kill the spirit of free enterprise," he said.

But reports from the townships are that after nearly a week, the boycott is total.

President of the Eastern Province Taverners Association, Welcome Duru said taverners had nothing against SAB, "but it must be remembered that taverners are part of the black community and as such cannot simply go against the wishes of the community that supports our business."

SAB claim the strike - which started over a pay dispute involving 16 nightshift workers and members of the Food and Allied Workers Union - was unprocedural and illegal.

As a previous dispute, also involving nightshift workers and pay was already going to arbitration, FAWU said it felt the latest matter should automatically be included with the first.

Meanwhile the National Shop Stewards Committee; FAWU officials and breweries management met in Cape Town this week to discuss the national recognition agreement.

May said the meeting was being held "to discuss ways of getting people to comply with that agreement." - Pen
Wine row bubbles between hoteliers and KWV

By SHARON SOROUH
Staff Reporter

The KWV and wine farmers blamed the high mark-up on wines in hotels and restaurants on falling sales and virtual stagnation in the wine industry.

But Fedhassa has dismissed the allegations and blamed the overflow of wine in South Africa on over-production owing to guaranteed minimum prices.

Reacting to comments by KWV executive director Mr Kobus van Niekerk that wine farmers’ share of income from wine production was falling steadily, Fedhassa executive director Mr Fred Thermen, said “Our business is regulated by the public, which dictates pricing.”

“KWV’s criticism of efforts by its customers to sell wine has harmed the image of wine more than attempts by the hotel, restaurant and retail liquor industry to create a market niche for wine as an alternative beverage.”

PROMOTE

“KWV has a duty to promote and market generic wine and not create an image of a prestigious product.”

However, owner of Simonsig wine estate and KWV director Mr Frans Malan said “The stagnant wine industry has shown little or no growth in the past three to four years in spite of the population growth and an effort is being made by the Wine Foundation to market generic wine.

“However, restaurant and hotel mark-ups on beer are much lower than they are on wine and this leads to weaker wine consumption.”

“A wine farmer gets 45 cents a bottle for standard wines and 57 cents for quality wines, and 39 percent of the crop is sold as standard wine. Wine that retails at R3 a bottle increases to R9 or more in restaurants,” he said.

Peninsula restaurant owners said the mark-up on wine in the Cape was reasonable. It ranged from 50 percent to 250 percent, but averaged nearer 100 percent.

Restaurant owners felt wine prices should be kept low as it was to accompany good food and not restrict the sale to a privileged group.
SA's sweet tooth delights Cadbury

By Derek Tomney

South Africans' love of chocolate and soft drinks is making leading confectioner and soft-drink company Cadbury Schweppes highly prosperous.

Last year it increased its profit by 42 percent, it reports today. This brings the growth in profits in the past two years to 100 percent.

Shareholders are to get a final dividend of 17c, making a total of 15c for the year. This is 36.4 percent more than the 11c they received last year.

The company also reports it is building a R10 million factory in Swaziland to make confectionery for both the local and export markets and, in a move which should make its shares more marketable, it is planning a five for one sub-division.

The directors say that the increased profits were the result of higher volumes, improved efficiencies and a lower tax rate.

Amalgamated Beverages Industries also contributed good results.

Turnover rose 20.4 percent from R271.2 million to R338.5 million, while earnings from ABI rose 33 percent. Taxed profits, excluding the ABI contribution, rose 45.4 percent from R11.9 million to R17.3 million.

Taxed profits including ABI's earnings, rose 48 percent from R16.1 million to R22.4 million.

The EPS rose 37.2 percent from 264.1c to 348.6c, which is less than the increase in profits, owing to the conversion of the debentures.

The directors say that the total chocolate market grew by 15 percent and Cadbury was able to increase its market share through strong branding and launch of new products.

Cabby, in particular, proved an outstanding success and operating profit increased significantly.

The carbonated drinks market also grew strongly, but intense competition limited Schweppes' volumes to their 1987 levels.

The company is expecting a real increase in profit in 1989 even in spite of the prospect of a slowdown in consumer spending.
WINE PRODUCTION

Vanishing vintage

Enjoy that superior red wine while you can. It may not be obtainable in such vast quantities much longer.

Wine producers and distributors alike say there is a shortage of good-quality, local, red wines — and it's getting worse. Already, the industry can supply only 80% of demand.

While white wine and medium-quality red wine are in oversupply, well-matured red wine bottled in the early 1980s has become a rarity. The earliest vintage most wineries as merchants can offer is relatively free supply is 1985 — and it's expensive.

Wineries increased prices of these vintages to merchants by 14%-16% at the beginning of the year, but merchants increased their price to the public by 20%. Geoff Carter, head of the Benny Goldberg wine department, says they will almost certainly go up another 30% by Christmas.

The shortage, which could last as long as five years, is caused by an unexpected increase in both local and export demand. Red wine producers cannot cope as easily as white wine producers with sudden increases in demand.

Jacques Bruwez, manager of Distillers Corporation's Bergkelder, says the wine industry tries to plan seven to eight years ahead.

"Clearly we misjudged the increased demand for good red wine, so farmers pulled up their vineyards with those cultivars and replanted them with other grapes. Now they cannot supply our needs.

"We have even had to shelve our pre-release scheme this year to meet current demand. That will give us another 16 000 cases, but that won't be sufficient."

Bergkelder has been operating its pre-release scheme since 1985. It involves selling young wines at current prices and delivering them when they are suitable for drinking.

Douglas Green of Paarl is also having difficulty finding wines with a reasonable vintage, says MD Wellesley Britton: "Demand for top red wines increased by 8% in 1988."

Stellenbosch Farmers' WInery (SFW) chairman Dave Marlow says: "We have no problem with wine for the medium sector, but supplies are tight in the higher-priced sector."

KWV's Ed Beekman says latest estimates suggest this year's grape crop will be a record 917 m³. The existing record of 911 m³ was established in 1983.

Considerably more than half of the roughly 100 000 ha planted to grapes is for the production of white wines. The biggest areas planted to red wine grapes is the 8% of total for cinsaut, followed by cabernet sauvignon (24%).

One memory haunts Beekman and others in the industry. A similar shortage in the early 1970s was followed by a glut as vineyards over-compensated and produced too much red.

A better balance must be found this time round.

STAINLESS STEEL

Sticking an ore in

Hefty increases in the price of nickel in the past two years have pushed up world stainless steel prices — leading to fears that price restraint could lead to product substitution.

Although world stainless steel production reached an all-time high of 10.6 Mt in 1988, with mill sales worth nearly US$25bn, efforts have been stepped up to find an alternative to nickel.

SA, the Western world's major producer of chrome ore, ferrochrome and manganese ore and one of the largest producers of manganese alloys, has a strong vested interest in this search. It could benefit substantially, for example, if manganese is found to an acceptable substitute.

Rand Afrikaans University (RAU) professor Pieter van der Merwe is doing research on manganese/chrome alloys as a substitute for high nickel/chrome alloy stainless steels. With the manganese price one-twentieth that of nickel, substantially lower stainless steel prices, along with additional market development for manganese, chrome and stainless steel, could result.

"Popular stainless steels traditionally have a content of about 18% chrome and 8% nickel. But it has been found that the 8% nickel can be replaced by 16% manganese, resulting in a cheaper product with similar properties. As SA's nickel output is limited, it would make eminent sense to develop, produce and market this alternative product," says Van der Merwe.

He notes that chrome/manganese stainless steels were widely introduced during the Korean War, when nickel was in short supply. Since then, with the relatively cheap nickel prices which have prevailed (1972-1987), their use has declined. However, current sky-high nickel prices make alternatives more feasible.

SA Stainless Steel Development Association (Sasdsa) executive director Ian Evison-Dew says the only problem with marketing the manganese-based alloy is getting international approval of the metal for specific uses.

"One first has to get the product tested and approved by US, Japanese and EEC authorities in order to establish its international acceptability. And there are some difficulties in handling the material — for ex-

CARLTON GETS ITS GM

The Carlton Hotel's long wait for a full-time general manager is over. Nicholas Martin, a 34-year-old from Glasgow, arrived in SA recently to run it.

The five-star hotel has been without a full-time GM since Westin Hotels ended its management contract last year.

Martin was appointed by Three Cities, the hotel management group that now manages the Carlton, along with Durban's Royal Martin, who has been in the hotel trade since leaving school, formerly worked for Ramada International, a US-based hotel group.

His previous job was GM of the group's hotel in the Thames Valley, near London.

Martin
KWW Investments (KWW Bell), which derives its entire income from a 35% interest in Distillers Corporation (Distill) and the Stellenbosch Farmers' Winery Group (SFW), has declared an interim dividend of 8c (7c) a share for the six months to December.

The dividend was declared from a taxed profit of R3.7m (R2.8m).

KWW Investment's share price put on 15c yesterday, rising from 325c to 340c, ahead of the results announcement.
Wineries workers in wage strike

Staff Reporter

HUNDREDS of workers downed tools at two major Western Cape wineries yesterday in support of wage demands during industrywide negotiations.

The stoppages at the Distillers Corporation Epping factory and Stellenbosch Farmers Winery (SFW) followed workers' rejection of management's final wage offer, a spokesman for the National Union of Wine, Spirits and Allied Workers (Nuwsaw) said last night.

About 800 workers at the Distillers' Epping plant yesterday voted in favour of industrial action after rejecting the company's offer of a R28 across-the-board (ATB) weekly increase, the spokesman said.

Workers at the Epping plant were demanding a R45 ATB weekly increase over and above the minimum weekly wage of R148, the spokesman said.

The secretary of the Wine and Spirits Manufacturing Association of SA, Mr Riaan Kruger, confirmed the stoppages last night, adding that Nuwsaw had till the end of the week to report back on the employers' final offer.
1 000 stop work at liquor plants

By JOHN YELD
Staff Reporter

MORE than 1 000 workers have downed tools at liquor plants in the Western Cape after a pay dispute.

Stellenbosch Farmers' Winery, Moms and Nederburg in Paarl, and Distillers' Corporation in Epping have been hit by the stoppage.

The National Union of Wine, Spirits and Allied Workers said in a statement that about 1 500 members started industrial action on Monday after a report-back by union officials on wage negotiations with the South African Wine and Spirit Industry Employers' Association.

The association has offered increases ranging from R26.50 to R33.50 a week, against the union's proposal of R45 across the board.

The union and the association are to meet again in a few days to decide how to resolve the dispute.

Association spokesman Mr Ruud Kruger confirmed the work stoppage on Monday and yesterday, but said he did not have information about attendances today.
Soft drink duty 'last straw'

By Dan Side

Soft drink manufacturers are very upset with the increase in customs and excise duties announced on their products in the Budget.

Mr Hennie Viljoen, president of the SA Federation of Soft Drink Manufacturers, said last night the new rise in duty of 1c for a 340 mm tin or 2,6c for a litre would add to a cost spiral already threatening to cause a round of big price rises in soft drinks.

The decision not to extend customs and excise duty to pure fruit juices was a huge advantage to a competitor, he said.

Finance Minister Mr Barend du Plessis expects an extra R35 million in revenue from the sale of soft drinks.

Mr Gary May, manager of public affairs at SA Breweries, agreed with the assessment that R35 million extra would be realised from the increased duty on beer, of which SAB produced 1,8 billion litres last year.
SA BREWERIES

Not so frothy

SA Breweries (SAB) is reconsidering the pace of expansion plans.

Three of the biggest expansion projects, initiated in 1987, have already come on stream at a cost of R460m, and others are still in progress.

But an undisclosed number of further projects have been placed "down the road" because of signs of economic slowdown.

Beer division MD Graham Mackay says the Petersburg Brewery expansion in the northern Transvaal, costing R250m, is on stream.

The largest bottling line in the country, at Rosslyn near Pretoria, was switched on last year at a cost, including further plant expansion, of R130m.

At Newlands in Cape Town, a new R80m brewhouse is operating, while upgrading of the Prospection plant in Natal is nearing completion.

SAB group MD Meyer Kahn said last year R700m would be spent on plant expansion and upgrading.

Mackay tells the FM "We spent it on plant expansion and upgrading, and on more routine capital projects such as purchasing containers, fleet, warehousing, offices and refurbishing.

"However, there are signs all over the place that the economy is slowing down and if real growth rates continue to taper off we will have to reconsider some of our later projects.

"These, plus extra commitments, are in the balance."

The immediate effect is that projects planned for the Alberton plant near Johannesburg have not been given the final go-ahead, while further expansion at the Prospection plant has been postponed.

More delays are likely to follow these if the economic slowdown shows no signs of abating.
Cadswep is sweet

CADBURY Schweppes (Cadswep) intends to improve the marketability of its shares by sub-dividing them five-for-one.

The 377,532 12½% convertible debentures will be converted one-for-one into ordinary shares on March 31, taking the number of ordinary shares to 6.5-million.

After the split, from May 15, there will be 34.7-million ordinaries.

Before the sub-division was announced Cadswep shares were R47. They are now R54. The average number of deals in a month was 11, and the number of shares changing hands a mere 12,600.

The debentures look like a good buy — if any sellers can be found. The last trade was at R40, and they will be converted to shares which are R54.

If the spectacular success of share splits in Berzack and Rivee is anything to go by, Cadswep shareholders could be sitting pretty.
Rapid urbanisation spurs growth

Demand leads to R40m OCB expansion

By BRUCE WILLAN

RAPID urbanisation in the Western Cape has lead to a greater demand for beer and a R40m expansion of the brewing facilities at Ohlsson's Cape Breweries (OCB) in Newlands.

The expansion programme included the building of a new brewhouse and additional tankage.

The new Huppmann Brewhouse will give the brewery 48% more capacity with output increasing to some 4.9 million litres per week, which is 1.3 million litres more than before the expansion programme was initiated.

GM of OCB, Sam Monts, said at a function to mark the opening of the new brewhouse and the start of the OCB centenary celebrations that the expansion do not simply mean an increase in capacity, but also growth.

"Like any other commercial venture the brewery lives and depends upon its greater environment. Many others will benefit from our growth. More jobs will be created, other entrepreneurs will benefit, the liquor industry as a whole will benefit."

While the additional capacity is only expected to be taken up over the next four years, the need for this additional capacity is clearly a result of the projected growth in consumption of beer as more and more people flock to the urban areas and disposable income increases.

The annual capacity, including the increase, now totals some 2.2 million hectolitres (220m litres). This is a far cry from the 6m litres produced annually 100 years ago when the OCB, as it is known today, came into existence with the merging of the Annasberg Brewery and the Marredahl Brewery.

The expansion has also created a further 64 jobs to cope with the increase in production, sales and distribution.

Most of the R40m spent on the expansion went on equipment and only R6m was spent on buildings to house the equipment.

The main equipment for the new brewhouse and tankage was supplied by Hauppmann of West Germany.

The space-age technology used in the new brewhouse is designed to do only one thing according to Monts - to provide the best possible environment, perfectly controlled, for the brewing process which remains true to the ancient art of brewing.
Brittle market in 'boutique' wines

THE 15th annual Nederburg Wine Auction revealed trends in the fine wine market which could have a considerable impact on the future evolution of the Cape wine industry. Superficially, the sale was a success, with turnover reaching the R2.3m mark, compared with the R2m figure of 1988. Red wines averaged R23, compared with last year's R26, and white wines R17 (1986 R12.5). However, an examination of the actual lots sold shows that, for some of the country's smaller producers, the auction was not a profitable exercise.

A commonplace

Auctioneer Patrick Grubb was compelled on several occasions to reduce the quantity of wine in the various auction lots to make them digestible sizes for the retail and on-consumption trade. At previous auctions, this has happened perhaps once or twice during the course of the sale. At this year's auction, it became a commonplace event. More embarrassingly — at least for the farms in question — some wines failed to reach reserve prices. Several well-known producers suffered the indignity of watching their wines sell at reserve, or perhaps a rand or two over the minimum price.

Clearly, the market for these "boutique" wines is not as buoyant as the overall statistics of the auction suggest. There can be any number of possible explanations for the brittle nature of this market. The reserve prices were sufficiently high for nothing on offer to be thought of as "cheap".

If there are a limited number of buyers prepared to part with R20 plus per bottle for auction wine, it follows that they will spend their money on stock which sells. The auction is, after all, directed at licensed only Nederburg auction wines must still pass through a retail licence before they get to the end consumer.

Boutique wines pitched at reserve prices so high — in comparison with the farm prices that there is no justification for a retailer committing himself to the stock, which will inevitably struggle at the sale. For the same reason, the auction works well for Nederburg. The wines it sells at the auction are specially prepared for the auction; they are labelled accordingly, the publicity which surrounds the Nederburg auction — itself funded by the Paarl winery — generates public demand for Nederburg auction wines. Some of this cachet rubs off on all the wines offered for sale at the auction. It obviously favours Nederburg as the largest investor (with more than 80% of the stock on auction) as the focus of the sale.

The smaller sellers are failing in their responsibilities if they think that the very fact of the auction will necessarily sell their wines — however good — at prices as high as their reserves. Since the boom in the premium wine market over the past three years it has become customary for the Cape's wine farmers to assume that they can flog anything on the country's wine drinkers, trading only on the presumed rarity of the goods in question.

They see the success of Nederburg's auction wines and the Bergkelder's Vinoteque arrangement and presume that they can expropriate a portion of the glory for themselves.

Marketing exercise

The Nederburg auction is a major marketing exercise. The Bergkelder tender is supported by a national advertising campaign. But the independent estates who appear at the Nederburg auction fail under their own flags. If they have failed to provide a purchase motivation to buyers to share in their delusion, they will find themselves — as they did at the April auction — paddling around aimlessly on the turgid tide of a stagnant wine market.

MICHAEL FRIDJHON
Cadswep predicts good year

CADBURY Schweppes (Cadswep) will achieve further real growth in earnings this year, although perhaps not at the rates achieved in the last three years, says chairman Alan Clark.

Emphasis has been placed on replacing and upgrading the group's capabilities to keep the competitive edge that comes with modern technology and provide for an increase in demand, says Clark in his annual review.

The group's ratio of interest-bearing debt to total shareholders' funds improved further to 0.19 from 0.34 in 1997 and financing costs cover improved to 11.7 from 8.7. Of the group's three divisions, Cadbury achieved the highest growth in sales and profits. While Bromor and Schweppes contributed a lower growth.

The return on average shareholders' equity increased further from 20.8% to 25.5%.
Exports needed to revitalise wine industry

By Dick Usher

CAPE TOWN — The Cape’s 3,600 wine farmers are caught in a squeeze between swiftly rising costs and slow growth in sales.

While per capita consumption of wine and wine products such as fortified wine and brandy has dropped since 1970, total consumption has risen from 160 million litres to 270 million litres, leaving the industry increasingly dependent on exports for its economic health.

KWC said recently that one of the most important factors in maintaining profits was a significant increase in exports.

KWC reported considerable success in developing new markets and, according to the annual report, exports picked up in the second quarter to grow 20 percent in rand terms for the year. Packaged products achieved a "noteworthy" growth of 33 percent.

Producers have already received R11.1 million for 1988 with a further R7.1 million now due making the full payment for 1988 R18.2 million against R13.1 million for 1987.

Mr Theo Pegel, chief personnel executive for KWC, said wine was extremely important to the economy of the Cape. The 3,600 farmers employed about 50,000 people, in turn had about 250,000 dependents. But several factors limited broadening the market base.

Overseas there was resistance to South African agricultural products generally, which also affected wine.

"To complicate matters further, while beer is sold under a few brand names, wine has a huge range of 'brands', estate wines, cooperative wines and cultivars within the basic divisions of dry, semi-sweet and sweet wines."

Wine is also strongly area-based, with most wine being consumed in the area in which it is produced.

"For wine, the Transvaal becomes an export market and because it's more expensive to get it there than overseas it also faces a cost disadvantage in markets outside the Cape," said Mr Pegel.

These factors are reflected in the drop in annual per capita consumption of wine from 8.75 litres in 1970 to 8.05 litres in 1987.

Fortified wine dropped from 2.59 litres to 1.46 litres a year and brandy from 0.50 litres to 0.48 litres over the same period.

Meanwhile, costs had been rising on all fronts. Up to 30 percent of costs went into labour and farmers have been conscious of the need to improve living conditions for their workers.
60% champagne surcharge corrects anomaly

GOVERNMENT'S imposition of a 60% import surcharge on champagne last week was aimed at correcting an anomaly, a spokesman for the Board of Trade and Industry (BTI) said yesterday.

BTI chairman Lawrence McCrystal said champagne, as a "non-essential" or "luxury" item, should have been subjected to the original 60% surcharge on imported goods, introduced last year.

McCrystal said he differed with the views of Business Day wine columnist Michael Fredjohn, who suggested last week that the imposition of the surcharge represented a technical violation of GATT.

Fredjohn said champagne was protected by GATT from any import surcharge — the only non-spirit to enjoy such protection.

McCrystal, however, was adamant yesterday: the new surcharge on champagne was not a breach of GATT.

"The imposition of an import surcharge is an acceptable measure for a country which is protecting its balance of payments."

"For GATT to come and tell us — when other countries are imposing sanctions against us — that we cannot introduce an import surcharge on champagne is just not on."

McCrystal added government had no intention of including imported whisky in the category of luxury goods which are subject to a 60% import surcharge.
Wine glut causes industry crisis

THE wine industry is stuck with an unprecedented glut of wine — and faces a marketing crisis as thousands more litres will have to be sold overseas.

The "lake of wine" has been caused by burgeoning crops from the winelands of the Cape for nearly a decade — topped by a predicted record crop of 9.4 million hectolitres for this year — "stagnant" local sales and large stock volumes which have had to be carried over from last year.

And according to Mr Pietman Hugo, chairman of KWV, the situation is certain to mean a multi-million-rand cash drain on the reserves of the KWV.

"In 1986 KWV had to apply R11m from its own profits as a result of a crop which proved larger than had been expected," Mr Hugo told shareholders at the annual general meeting of the KWV in Paarl yesterday.

KWV uses these funds to pay the farmers for the surplus distilling wine not sold on the local market.

"Indications are that this situation will repeat itself in 1989. This could place serious pressure on KWV's finances," he said.

The massive surplus would now have to be sold as industrial alcohol or grape juice.

According to Mr Ritzema de la Bat, KWV's chief executive, local sales of wine were not increasing.

Wholesalers had overestimated demand last year and were sitting with a build-up of products on their shelves. This has meant that they have cut back appreciably on orders for this year.

"Though we are already marketing overseas with some success, efforts will have to be much more aggressive," he said.

Mr Hugo said the wine industry was faced with several problems in selling its product locally.

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"Though we are already marketing overseas with some success, efforts will have to be made more intensive," he said.

Mr Hugo said the wine industry was faced with several problems in selling its product locally.

Apart from an already glutted market, sales this year would also be hit by factors such as higher interest rates, higher excise duties and an expected higher inflation rate which "could have a negative influence on consumers".

He told the meeting that KWW paid R24,4m to local wine farmers for products saleable in this country in the past financial year and R11m for distilling wine not sold on the local market.

It made a net profit for the year of R27,4m and transferred R9,1m to general reserves.

In an effort to boost local sales, it launched an intensive marketing campaign on the Reel last year to stimulate wine drinking, particularly by black people.

But, though its exports have risen and it has discovered a growing market for unfermented grape juice in this country and overseas, Mr Hugo said that the market for wine in South Africa was "stagnant" and that higher excise duties had hit sales of brandy and "wine-based spirits".

Mr Hugo said the wine farmer, "as far as quality and size of the 1989 crop is concerned, a lot to be thankful for".
KVV PAYOUTS HIT BY R11-M PAYOUT

1988's Dreams Fall Apart

The result of the KVV fund in 1988 could be considered higher than 1987's, but the fund's overall performance was still disappointing. The KVV fund suffered from losses in its investments, particularly in real estate and property. The fund's management was criticized for its lack of diversification, and the fund's performance was below expectations.

Despite these challenges, the KVV fund continued to operate and paid out a dividend of 11 million. This was seen as a positive move by shareholders who had been disappointed with the fund's performance in recent years.

The fund's management promised to improve its performance in the future, but many investors remained skeptical. The KVV fund's future remained uncertain as it struggled to find a way to achieve consistent returns.
Wine surplus could benefit consumers

Staff Reporter

CONSUMERS could benefit from the current wine surplus if wholesalers were able to boost sales on the sluggish local market, the KWV said today.

The benefit would be limited to the general white wine category and would not affect premium red or white wines, where cultivars such as Chardonnay and Sauvignon Blanc were still in short supply.

In a statement, the KWV said there was a possibility that consumers could benefit from a bumper crop but this would happen only if sales increased.

The harvest this year was a record 9.4-million hectolitres, 0.3-million more than the previous record in 1983.

24% discount

KWV has agreed that if the total purchases of wine exceed wholesalers' 1988 purchases, the wholesalers will be offered a 24 percent discount on certain wines.

Every year, the KWV sets minimum prices on behalf of its 6 000 members. This year's price, set in January, took into account the bigger crop and market circumstances, according to the statement.

For good standard-priced wines, farmers will receive 59.58c a litre while the minimum for good higher-priced wines is set at 76.92c a litre.

Wholesalers who sell more wine than last year will be offered the higher-priced wines at 59.58c a litre, which represents a discount of 24 percent.

"If there is a growth in sales above last year it will come from the larger portion of the crop and the benefit will be passed on to the consumer by the industry," the KWV spokesman said.

The Wine Foundation, a joint effort by the KWV and wholesalers, has been actively promoting wine consumption to change local attitudes, particularly on the Witwatersrand.

© Difficult times lie ahead for the KWV and the wine industry.

This was the message from KWV chairman Mr Pieter Hugo at the annual general meeting in Paarl yesterday.

Mr Hugo said that while the largest crop in history was expected this year, the local market was stagnating and large volumes of stock had to be carried over from 1989.

Because of the sluggish market local wholesalers had been reducing provisional purchases, while at the same time government was requiring more revenue in the form of excise duties and increased GST.

News editor held after Natal bomb blast

Political Staff

The news editor of a Natal newspaper has been detained by the police after a bomb blast at the police angle quarters in Durban.

This was confirmed by police sources after a speech made by Minister of Law and Order Mr Adriaan Vlok at a medal parade in Pretoria.

In his speech, Mr Vlok said that the news editor of a Durban newspaper, naming neither the person nor the newspaper, was arrested by the ANC during a "safari" with a group of journalists and clergymen to Lusaka.

Mr Vlok said the person detained was a "trained terrorist" who among other things was linked to the weekend explosion.

Possession had also been taken of a large amount of terrorist weapons which included parts to make a car bomb.

"In exchange for committing terror deeds the terrorist alliance promised him so-called inner circle information which he would use in his newspaper to advance the image of the perpetrators of violence and his own career."

Mr Vlok said this was not the first time a South African journalist had been bought over and misled "to do the terrorists work of the devil."

Mr Vlok said the question now arose what promises were made to "safari-goers" who were always knocking at the door of the ANC/SACP alliance.

"And why do these people try so hard to inform the South African public and the world that the ANC/SACP alliance and these communist perpetrators of violence have honest motives and good intentions towards the country and the people?"

"These people know the creation of a 'classless communist society' will only lead to the destruction of defenceless people."

"Or is it that some of these people are only useful idiots in the hands of terrorists but who form part of the well-oiled gears of the communists' machine of violence?"
CAPE TOWN — The western Cape’s 1989 distilling wine pool was expected to show massive surpluses — often described as a wine lake — of well over 42% in excess of demand, KWV chairman Pietman Hugo said yesterday.

He told the co-operative’s annual meeting in Paarl that circumstances were serious with KWV facing another drain on its cash resources in order to finance distilling wine not sold on the domestic market. This, in turn, would place strains on KWV’s profits and lower eventual payments made to producers.

The industry experienced its third largest crop in its history last year, amounting to 8,98 million hectolitres but, with the market “stagnating”, large stock volumes had to be carried over to 1989, which KWV had to finance by withdrawing R11m from its own profits.

This situation was destined to be repeated and deteriorate even further. At this stage, it was apparent that 1989 would produce the biggest harvest ever, with KWV estimating the crop would top 8,4-million hectolitres — 4,8% more than the 1988 crop and 2,5% higher than official estimates made in January.

Standing

Hugo said in most circumstances this would reflect a sector in a healthy state. But conditions in the domestic market were totally unsatisfactory, with the outlook not favourable as far as volume growth was concerned.

Inhibiting factors included higher interest rates, higher excise duties and an expected higher inflation rate, which could all impact on consumer spending.

Due to the absence of any growth in the wine market, plus the higher stock carry-over from 1988, wine wholesalers had indicated they would cut back drastically with regard to specific wines on their respective purchase lists for 1989.

Hugo said this development had caused considerable consternation within the industry because of the serious impact it could have on certain producers. It led to urgent discussions being held between KWV and wholesalers leading to a compromise and assurances that cut-backs would only be of a temporary nature.

As another step to offset the big accumulation of surpluses, KWV was also concentrating on improving the export performance of the wine and spirit industry, to which some of these surpluses were being diverted. The year had started off well with a growth of more than 26% experienced during the first two months.

As part of this effort, KWV was taking initial steps to bulk export natural wines as part of a strategy to increase the value of surplus products to the benefit of producers.
Transvaal Distillers Limited (TDL), whose subsidiary Rico Breweries yesterday started construction on a multi-million rand brewery in Verwoerdburg, has applied for a listing on the JSE.

In addition, an application for the separate listing of Rico Breweries on the Venture Capital Market (VCM) is expected to be submitted soon.

The envisaged listing of TDL will be via a reverse takeover of Agaery, whose listing was suspended a while ago.

TDL managing director Rens van Rensburg said they were hoping to list TDL on June 12 or 13. He added that only a small amount of capital — less than R1 million — was to be raised with the envisaged listing of Rico Breweries.

The cost of construction and equipment of the brewery is being met by a private placement of shares through Miles McMillan, who are also the sponsoring brokers to the envisaged listings.
Wine prices 'too high'

A LIQUOR industry cartel is responsible for the wine glut by keeping prices artificially high and cutting out market competition, Pick 'n Pay chief Mr Raymond Ackerman said yesterday.

He reacted to the KWV announcement of an unprecedented "lake of wine" which faces Cape wine farmers and marketing men this year.

Mr Ackerman said that since 1984, the number of wine licences granted to any one grocery chain had been limited to 36. This had been done to protect bottle stores and other retail outlets such as hotels, vertically integrated with the wine wholesalers.

The effect had been to limit competition and keep prices artificially high. This in turn led to reduced consumer demand and a wine glut.

Pick 'n Pay has 108 outlets but since 1984 has not been able to obtain one more than its quota of 36 grocery licences for wine.

If wine could be sold in these stores it would increase competition and demand, and force prices down.

Research figures show that total sales of natural wine in the past 18 months decreased from 218 million litres to 210 million litres.

However, the share of this market represented by sales from outlets with grocer's licences increased from 12.4% to 13.7% (or 38.8m litres) from 1987 to 1988.

The grocers' market share of sales by sector in 1988 was 20.9% of high-priced wine (5.4m litres), 21.2% of sparkling wine (1.9m litres), 19.1% of medium-priced wine (18.9m litres) and 0.3% (1.8m litres) of low-priced wine.

But Fedhala executive director Mr Fred Thermaen responded yesterday that grocers' licences had so far not succeeded in promoting the overall sale of wine.

"The pie is not getting any bigger. If grocers are showing an increase in market share it means they are taking sales away from the small retailer.

"If Mr Ackerman were to buy supplies at the same price as these retailers, the only way he could sell it more cheaply would be by cross-subsidisation from other products or by negotiating discriminatory discounts with wholesalers. The small retailer does not have these at his disposal."
New dilemma for the KWV

WINE/PRODUCTION TRENDS

Statistics recently released by the International Wine Office (OIV) in Paris detail trends in wine production—and wine consumption—which must inevitably impact upon the industry in SA. The world’s major wine-producing countries are witnessing a decline in consumption, while production grows or—at best—remains static.

Italy is still the largest producer, though the French are the greatest consumers. The 1987 Italian crop yielded just over 75-million hectolitres—more than eight times the estimated vintage this year in the Cape. Italian domestic consumption has been falling over the past two decades, it is now nearly half of the national production.

This means that almost half the crop is surplus, as far as domestic wine consumption is concerned. This surplus is used up in the distillation of spirits, such as grappa, or is exported in bulk, much to the chagrin of the southern French producers. Doubtless a substantial percentage contributes to the European "wine lake".

French production has remained more or less static, though consumption is down about 20% on the figures of 20 years ago. Per capita consumption figures are still an impressive 7.5 litres per year—eight times more than the average in SA. France, however, still produces a substantial surplus—some two-and-a-half times SA’s total annual production. The French are also the world’s leading wine exporters, at 13.2-million hectolitres, their exports alone exceed SA’s total production one-and-a-half times.

**Tariff advantage**

SA consumes only 25% to 30% of the Cape’s annual production as wine: the surplus goes—in part—into fortified wines and brandy so that less than 40% is really surplus to the country’s needs. Some of this true surplus is foisted upon gin and vodka drinkers, since grape spirit enjoys a hidden tariff advantage compared with other sources of neutral spirit. The remaining over-production is marketed by the KWV abroad—"sold," as they so euphemistically put it, "in the international commodities markets".

But it is clear that trends in the world’s wine markets do not favour the profitable disposal of such wine and alcohol abroad. It is a tribute to the KWV’s ingenuity that it has been successful thus far in getting rid of SA’s over-production. Faced with what is probably the Cape’s largest ever crop, the KWV’s is not an enviable task. The wholesale producing merchants—the most important domestic buyers—have already indicated that their purchases this year will be 20% to 30% down on previous vintages because of lower local demand.

But the lesson from the trends abroad, coupled with domestic statistics, leave one in little doubt as to where the local industry is going. The Cape’s over-production will ultimately have to be addressed.

The country’s wine farmers are all pinning their hopes in the Wine Foundation, an industry-funded operation aimed at producing a swing towards wine in the black market. If it succeeds, it will be the first major wine marketing success in an area, and to a people, without a history of viticulture.

MICHAEL FRIDJHON
"Govt curbs to blame for wine prices"

By Helen Gange

The massive surplus in the Western Cape's distilling wine pool is largely a result of unrealistic prices set by monopolistic wholesalers as well as Government restrictions on marketing.

This is the view of Mr Brian Sacks, Checkers' grocery merchandise director, who pointed out that in terms of Government restrictions, only 36 of the 170 stores nationwide were permitted liquor licences.

"We believe that if food giants were allowed to sell wine in more of their outlets they could greatly assist in selling off KWV's wine excesses," he said.

However, this view has been disputed by the executive director of the Federated Hotel, Liquor and Catering Association of SA (Fedhasa), Mr Fred Therriam, who says that issuing more liquor licences to grocers would merely shift established trade from liquor stores to food outlets. "It would not increase consumption," he said.

Mr Sacks replies that selling wine in food outlets would attract a different market to that of liquor stores.

"Selling liquor in supermarkets would expose wine to consumers who, under normal circumstances, would not be exposed to wine: The average housewife for instance does not usually go to a liquor store.

Mr Sacks added that the monopolistic situation which existed in the wine wholesale industry was "not conducive to competitive pricing".

Mr Trevor Pearman, managing director of Rebel Liquor Stores, says that high wholesale prices on wine had the effect of outpricing itself against cheaper liquors.

"The biggest problem lies with low quality wine which is affected by increasing beer consumption. High quality wine appeals to the white high income group, but there is not enough emphasis placed on marketing low quality wine," he said.

KWV's distilling wine pool is well over 42 percent in excess of demand after the wine industry experienced its third largest crop in its history last year.
‘Wine lake’ due to price policy

The wine “lake” that is building up in SA is partly the result of over-production caused by guaranteed minimum prices to producers, says Fedhasa executive director Fred Thermann. He rejects wine industry claims that high prices in restaurants are behind poor wine sales. At the root of the problem, he believes, are the industry’s minimum price policy and its failure to mount an imaginative marketing campaign.

“To appreciate what can be achieved,” he says, “one only has to look at the phenomenal success of Appleuser, which captured the public imagination through creative marketing at a time when most competitors in the apple juice market were failing.”

Wine farmers, notes Thermann, receive a floor price of between R1 500 and R1 800 a ton on certain premium wines compared with R600 to R800 in 1965. It is these premium wines, representing about three percent of the market, that are principally sold in hotels and restaurants and not the low priced wines which present the surplus and the problem.

Wine production in 1988 amounted to 174,6m litres and this year is estimated at 180m litres. Fedhasa, he says, has no quarrel with wine farmers, who deserve prices of this magnitude for a product that compares with the best in the world. “We also understand the wine farmers’ problems with increased costs.”

What we do have is a problem with is the KVV’s attacks on a part of the industry which represents a small part of total wine sales. Only 228 restaurants hold full liquor licences, he says. Another 1 302 have wine and malt licences.

“Wine’s only competition in those establishments is beer and non-alcoholic beverages.”

“It seems the KVV and the wine farmers need reminding that restaurants today will make net returns of between 5% and 7% on sales. Those that are less professionally run will make even less, break even or even go out of business.”

“Naturally it is a question of what the market will accept and it would be foolish to price oneself out of the market.”

Restaurant prices in SA have remained “ridiculously cheap” by world standards, and South Africans can buy the best wines for prices which are “laughable” compared with similar overseas establishments.

He defends wine mark-ups of 200% in five-star restaurants and 100% to 120% in one-star restaurants on grounds that overall running costs are high. “Fedhasa calculates that restaurant ‘on-costs’ such as rent, labour, power and equipment have increased faster than the consumer price index.”

Food costs have also risen dramatically. Five years ago a restaurant worked on a food cost factor of 36% of sales.

“Today it is closer to 50%,” he says.

For almost a decade restaurant margins — unlike other sectors of the economy — have not kept up with inflation.

“Had prices moved in line with car prices, for example, a steak would be costing R300, a luxury fish item R40, and an average bottle of red wine R25. Instead, restaurants have absorbed costs to the point where they are at best making a small profit.”

Three Middle Eastern delicacies — tahina, halva and Turkish delight — are now being made by Avv Food Processors at a factory just north of Pretoria. MD Brian Nathan says some 60% of output is exported, mainly to Britain.

Most of the balance goes to the catering industry, supermarkets and health shops in SA.

Investment in the plant, which employs 108 people,...
SA Breweries' (SAB) beer division was expected to boost SAB's results on May 15, market sources said yesterday.

Rocketing beer sales were one of the reasons given by analysts for the climb of SAB's share price ahead of results.

SAB's share price peaked at 2 400c on March 21 and then slipped back slightly to 2 200c before firming to 2 275c at the end of last week.

Yesterday the shares were well bid, touching a high of 2 285c before slipping back to close unchanged at 2 275c.

One analyst said he could not see the buying of SAB being based on the fundamentals as estimates of SAB's results did not show exceptional earnings. His estimate of SAB's results put earnings a share at 180c, up 23% from 146,5c last year. Allowing for SAB's normal dividend cover of 2.3 times, that would mean a dividend this year of 80c (66c) a share.

Another analyst said SAB's share price has been lagging behind that of other blue chip industrials.

"With an expected downturn in consumer spending in the second half of this year, the one thing that has been keeping the share back has been SAB's consumer interests. The share should not necessarily be downrated because of SAB's consumer interests, the analyst added."

Market sources said that among the factors that could have prompted buying of the share were:

- The prospect of a rationalisation of OK Bazaars, the beleaguered SAB subsidiary with a turnover of almost R1bn.
- A rumour that liquor sales might be deregulated to allow the selling of beer in supermarkets. However, SAB beer division MD Graham Mackay said he thought it unlikely that beer would be able to be sold in supermarkets in the near future, and
- SAB's purchase in February of a 49.8% controlling stake in Da Gama Textiles.
A whine about our wine

SYMOND FISKE

Left to their own devices, all markets clear. That the domestic wine market hasn't cleared for many years is attributable solely to the fact that government has licensed the KWV to prevent it happening. The result is woefully to the detriment of most wine farmers and all consumers.

Note carefully that there are some short-term beneficiaries, apart from the directors and employees of KWV itself. These are the farmers who grow the worst quality and most tasteless grapes and the vintners who turn them into the tasteless, most unpalatable and insipid wines — the very ones who have done most to earn this country's natural and fortified wines such a down-market image overseas.

By putting an artificial bottom in the market, the KWV has raised the price of our worst plonk way above its natural level. So we keep getting more of it. To pay for the removal of that surplus and subsidise its producers, KWV is forced to extract monopoly profits (which are tantamount to a consumer tax) from the willing buyers of what it calls the "good" wine. So we can't afford to drink so much of that.

To prevent the lake swelling to even more unmanageable proportions it restricts the planting of new vineyards by means of production quotas. These have two detrimental effects First, they prevent those farmers who produce the best grapes and estate wines (i.e., the ones who salvage our reputation) from expanding production as fast as they and their customers would like.

Second, they encourage others to cut corners with the highest yielding, low cost cultivars to maximise their own margins from the "good" wine they are allowed to sell. That merely adds to the size of the lake while aggravating the marketing problem by spoiling its flavour.

Four years ago the KWV did make one tentative step towards an acknowledgement that markets might be better than its own gurus of allocating resources. It authorised the sale by private treaty (subject, of course, to a few of its own rules) of production quotas.

That does give the best producers a chance to expand their vineyards, more or less logically. But it still demands a price penalty which is indefensible on moral as well as economic grounds. Why should the farmers who have a genuine market and a solution to the problems caused by the KWV be obliged to buy permission to implement their plans from the boxes without genuine markets who precipitated the problem in the first place?

What is needed is an end to the KWV's politically granted stranglehold If Pietman Hugo and his chums were obliged to earn their keep by satisfying customers instead of dictating to them for a change, we would all be better off. They might also ponder the fact that the market wouldn't be stagnant and that expectations of inflation, interest rates and excise duties wouldn't be so high if only the rest of the economy were rid of the myriad similar schemes designed to protect work-shy and competition-shy stagnators like themselves.

Can we drink to that?

Fiske is Editor of Effective Farming and of Effektiewe Boedery, Maritzburg.
KWV Investments in new share plan

CHRIS CAIRCROSS

CAPE TOWN — The quoted investment subsidiary of wine co-operative KWV, KWV Investments, is to convert its 7% profit-sharing cumulative preference shares to ordinary shares from May 8, a statement from Paarl says.

The preference shares were created at the time of the founding of the company as an instrument to assist its financing.

This need no longer exists, hence the decision to convert them into ordinary shares.

KWV Investments' asset is an effective 30% in Distillers Corporation and Stellenbosch Farmers' Winery (SFW), both also listed on the JSE.

Another possible reason for the conversion is that the shares of the investment company are often traded at a discount (11% for the week ending April 21), based on the underlying market value of the two shares in its investment portfolio — a factor which has caused some confusion.
NEW SIZE... nine flavours presented in a 250ml bottle, are distributed by Amalgamated Beverage Industries.

New soft drink bottle launched

A NEW size of pre-labelled bottle for the soft drink market has been launched by Consol’s glass packaging division.

Nine flavours — five of which are also available in a six-pack — presented in the 250ml bottle, are being distributed by Amalgamated Beverage Industries in a Transvaal field test covering an area stretching from Hyde Park Corner to Brixton, Glenvista and Kelvin.

Consol Glass industry marketing manager Roy Mouton says: “Early indications already show that the 250ml has reached a 3.5% pack share of total litigation sold by Amalgamated Beverage Industries.”

The new pack is aimed at regaining market share from the fruit juice market since the introduction of the 280/250ml Tetra Brik and CombiBloc and also to fill the gap created by the withdrawal of the 300ml returnable bottle.

It is expected that the 250ml bottle will increase overall soft drink consumption, especially in the youth market. It is also an ideal companion for liquor mixing.

The new bottle is available from cafe outlets, supermarkets and off-consumption liquor outlets.

Once the results of the field trial have been published, it is expected that other major Coca-Cola franchise bottlers will launch the 250ml package to the rest of the country.
THE WINE INDUSTRY

When the bough breaks

The wine industry is dominated by socialist thinking: it's time for reform

Even a very thirsty Bacchus on the Bo-land would be hard-pushed to drink it all up — and pay for it SA's wine lake is overflowing — which is more than can be said for the spirits of those responsible for it.

That was why, despite the announcement of an all-time record grape crop, the recent KWV annual general meeting was a subdued affair. The bittersweet atmosphere was best captured by the farmer who suggested — on the "If you can't beat them, join them" basis — that the industry should consider cooperating with SA Breweries to produce a blended wine/beef drink. He was referring, of course, to the fact that the beer industry flourishes while wine stagnates. Much mirth followed, but there was no mistaking the desperation which underlay the jest.

There are serious problems for the industry on both the supply and demand sides. And it should be noted that while overproduction and under-consumption are related "problems", they are not two sides of the same coin. For at the heart of the supply side lies the KWV — a producer organisation, representing 6,000 grape growers — whose object is "to stabilise the industry as a whole and especially the income of the farmer".

For reasons of history and politics rather than logic, the KWV has statutory powers which give it near complete control over production in the industry. Its main tools of control are the quota system and the minimum price mechanism.

Rather like a trade union, the KWV is rightly concerned with obtaining the best possible returns for its members. Unlike other unions, it has no one to bargain with. But this seemingly advantageous situation disguises a cruel dilemma. On the one hand, the KWV wants to maximise its members' income by setting higher minimum prices. On the other, an implicit bargain must be struck with the consumer in the form of reasonable prices — otherwise sales will suffer.

The declining level of annual per capita wine consumption in the country suggests that the KWV has failed to get the balance right. The irony is that declining markets hurt the producers most of all.

In dealing with this dilemma, the KWV knows it can expect little sympathy. The list of its critics is long, but the criticisms can be divided into two main categories: those which relate to the structure of the industry, or supply, and those which relate to the marketing of wine, and demand for it.

The "structure" arguments are based on the belief that the wine industry does not serve the best interests either of the consumer or of the producer. There are two main points. The first is that it is wrong that the regulation of the industry should rest in the hands of an interested party, the KWV — that is, the producers. Why not wholesalers or retailers? Further, it is wrong that the regulating body — the KWV — is, through its various shareholdings, a participant in all sectors of the market.

The second point is that the quota and minimum price systems should be done away with to allow for a freer operation of markets. The quota system was introduced in 1940 as a move against over-production by people with quotas are allowed to grow grapes for the purpose of making wine. It is a seriously flawed system.

Thus, quota allocations often bear little relation to the viticultural potential of the land. Possession of a quota is in many cases an accident of history based on an initial act of patronage. And, of course, quotas make entry into the industry very difficult.

Reforms instituted in 1985, making it possible to buy quotas from someone else in the same viticultural district, marginally eased this problem. The system, however, remains, and integral to it is producer pricing.

The minimum producer's price for wine is determined by the KWV each year. It establishes a floor price below which wine may not be sold. In their book Conspiracy of Giants, Michael Fridjton and Andy Murray note "The argument against minimum prices is that they protect the inefficient, insulate the grower unnaturally from the forces of the market in terms of supply and demand, and encourage the production of low-cost, high-volume grape spirit, for which there is no market."

Wine farmer Tim Hamilton Russell adds "the consumer is subsidising the inefficient grape grower through the minimum price and that should be stopped forthwith. If there was no minimum price wholesalers could purchase at lower prices which would lead to mass market wines being lower priced and better able to compete with beer. I do feel if there was a

Bottled costs

KWV headquarters ... a long way from the market

Van Niekerk

FINANCIAL MAIL APRIL 28 1989
free market it would result in more people drinking wine.

The market is thus unnaturally distorted through over-production of low-quality wine, which is too expensive, and not enough quality wine. Most farmers at the top end of the market sell everything they grow and are held back only by quota requirements. The backwash of SA's viticultural development is evidenced by the fact that only in recent years has it been possible to obtain quality cultivars like Pinot Noir and Chardonnay from nurseries.

The truth is that the overwhelming majority of the KKW's members are not wine farmers but commodity grape growers. Grapes not used in the production of "good wine" go into the distilling wine pool. What remains over and above actual demand for wine from this pool is what is referred to as the surplus — the so-called "wine lake." Some of this is kept in reserve, but the bulk of it is disposed on world markets by the KKW to off-set very low prices. Then, that's what you get for ethyl alcohol.

The KKW prefers to believe that it faces a problem of demand — one of under-consumption, not of over-production. So it asks this kind of question why, from 1985-1987, did per capita consumption of natural wine retreat from 8.35L a year to 8.06L? How did beer, over the same period, manage to increase consumption from 41.18L to 51.02L? Their conclusion is that there has been a severe marketing failure. And immediate past president of Fedhass Mike Kovensky does indeed believe that the wine industry has done "a very poor marketing job for the beverage industry." The problem is the demand for wine and not the availability of wine.

This reflects the widely-held view that the KKW is badly out of touch with the market. The industry is perceived as being conservative, inward-looking, and it must be said, Afrikaner-dominated. La Concorde, the KKW's head office in Paarl, projects a cool and aloof grandeur — a kind of stylized confirmation of the industry's remoteness from the mass markets it wants to break into. The contrast with the concerted and effective multiracial marketing effort of SAB could not be more glaring.

The commercial need to enlarge the market for wine is one on which the KKW and its critics agree. Kobus van Niekerk, Deputy CE at KKW, points out that excess production is not more than approximately 150m L on average, and it is calculated that based on the population of 34m people in SA on which the 9L per capita figure is based (consumption figures rise if fortified wine is included), that an increase of 6.4L per capita would clear the present excess production. A per capita consumption of 13.4L for wine is well within the reach of the industry. Something is being done to reach this target.

The formation in July last year of the Wine Foundation — a body aimed at promoting the consumption of wine — was a belated recognition of the marketing task that has to be addressed. How good a job it will — or can — do is another matter. Why, for example, was the KKW's own ad agency given the Wine Foundation account? And then half the board of 10 are KKW members — with no black person or consumer represented. Was it really necessary to go to Fisherman's Wharf in San Francisco to make an advertisement? One critic suggested setting up a replica of a wine estate in the Transvaal and using it for educational purposes. Maybe it would have helped.

But the KKW — convinced of its rightness — is a past-mster at deflecting criticism. Ask about the annual surplus and you will be told that they plan for a surplus so as not to be caught short by an upswing in demand. It will also be pointed out that since 1980 there has been no increase in the total area under vine and that the production graph has flattened out.

On the demand side you will be told that price rises for the past 10 years have been below the inflation rate. Any suggestion that the minimum price and quota system should be abolished is met with warnings of instability — and of the socio-economic implications if many farmers go to the wall. Figures are bandied about of the 50 000 people employed in the industry and their 200 000 dependents.

If you ask why consumption is low, or why beer consumption has run away from wine in the last 25 years, you are told that consumption is low the world over when growing areas are more than 100km from major markets. And that beer can be produced closer to its markets and has a narrower, and so more easily marketable, range of products.

There is some substance to these claims. But do they add up to a convincing and principled argument for retaining the status quo? The answer is surely no. The KKW's bottom-line defence relates to stability and its relative socio-economic importance of the industry.

Yet a considerable opening up of the industry is quite compatible with both. The present structure is a socialist one — and thus fundamentally at odds with free enterprise.

Notwithstanding this, reform remains a distant prospect. The wine men's problems have been with the industry for a long time and their immensity to change is testimony to a formidable political lobby. Government could not easily act to reduce the KKW's powers without causing itself considerable political discomfort. But hard choices do not go away by ignoring them and the question of structural reform is a matter that will return year after year until it is sorted out once and for all. And there is only one way to set about that.
Curbs hit Amrel results

By Sven Linsche

The restrictions on consumer expenditure hit SAB Breweries diversified retail group during the financial year to end-March 1989, with attributable earnings rising by a modest five percent to R22.2 million (R21.2 million).

The effect of measures like hire-purchase restrictions, import surcharges and generally higher interest rates were felt down the line.

Turnover increased only nine percent to R759.7 million (R694.3 million), while income before tax rose by two percent to R37.5 million (R36.9 million). Income after tax was seven percent higher at R20.4 million (R18.8 million).

Amrel’s earnings at 24c a share were four percent ahead of last year, and in line with its policy of paying out a three-times covered dividend, the group has declared a maintained final dividend of 52c a share, making 81c (77c) for the year.

In light of the lower furniture sales and the fact that Amrel had to absorb a significant increase in the group interest rate, managing director Stan Berger said he was satisfied with the group’s increase in profits.

He added, however, that the contribution from the furniture division had declined from 63 to 61 percent in the wake of the curbs, particularly the hire-purchase restrictions. The division contributed 59 percent to earnings.

The footwear and apparel division took advantage of the increased demand for semi-durable goods and its contribution to turnover and profitability compensated for the lower volumes in the furniture division.

The division contributed 34 percent to turnover and 31 percent to earnings, while the respective figures for the services division were 5 and 10 percent.

However, following last week’s announcement of further monetary and credit restrictions, Mr Berger expects 1990 to be a difficult year.

“In light of the further dampening action taken by the authorities on consumer spending, it will be very difficult to match earnings in the coming year,” he concluded.
'Consumers behind SAB share price drop'

SA BREWERIES' consumer interests were probably the reason for the latest drop in the SAB share price, analysts said yesterday.

Analysts said the recently announced measures by government to cool the economy were seen by the market as a danger to SAB.

SAB subsidiary OK Bazaars — which relies to an extent on furniture sales — is seen as a company that might suffer as a result of the new government measures.

Investors were choosing Barlow Rand as an industrial share over SAB because Barlow was seen as a more diversified and stable company, said analysts.

Yesterday SAB's share price slipped by 90c, while Barlow's moved up by 25c.
SAB adds yet more froth to its profit brew

By Derek Tommey
South African Breweries — South Africa's economy — has done it again.

For the third year running, it has reported sharply increased turnover, profit and dividends.

And despite expectations of an economic slowdown, SAB plans to spend R1.2 billion on capacity expansion in the current financial year.

This sum comes on top of the R1 billion spent last year.

For the first time in its history, SAB's turnover has exceeded R10 billion, its working profit has exceeded R1 billion and its attributable earnings have exceeded R500 million.

Earnings a share in the year to March rose 28 percent to 181.5c (146.5c) The final dividend has been raised by 28 percent to 64c.

This brings total dividends for the year to 84c, 27 percent more than the 66c paid last year.

Beer drinkers and others in the year to March again strongly supported group products, which, as well as Beer, include a wide range of consumer goods.

CONSUMER

SAB's chief executive, Meyer Kahn, says: "At the end of the road, the consumer seems to have a liking for our brands, for packaging for our advertising, for our taste and for our prices. More than twice as marketing men we can't ask for."

This strong support boosted group sales by 22 percent which, with consumer spending running at R1.2 billion a year, means that just under R1 in every R10 that was spent on consumer goods went to a SAB company last year.

Although the growth in turnover at 22 percent was down slightly on the previous year's 23 percent, trading margins improved significantly from 8.6 percent to 9.6 percent.

This resulted in trading profit jumping 37 percent (year ago 37 percent) to R1.02 billion.

However, increases in interest rates and a higher tax bill took their toll, and SAB finished the year with a 27 percent increase in taxed profit to R631.0 million — against a 30 percent increase last year to R612.4 million.

In line with its normal policy of ensuring it has sufficient funds to replace worn-out plant in today's inflationary climate, it provided R4.2 million (R3.3 million) in extra depreciation.

Mr. Kahn says the beer market remained buoyant, with volume beer sales rising 9.5 percent.

"But we are going into a downturn in consumer expenditure. We expect beer sales to be affected less than other product ranges. However, SAB is so large in the SA environment that we are to some extent a prisoner of the economic cycle."

"This is why we make it clear that while we still believe that our earnings growth will be satisfactory, it will not match what we've had in the past three years."

CAPACITY

He says that SAB has the capacity to meet the current strong beer demand.

"We spent R750 million on additional capacity in 1988-89. Some R300 million went on expanding the brewery at Plettenberg, another R200 million on Rosslyn, and a further R100 million on Newlands in the Cape."

However, despite the expected downturn in the near future, Mr. Kahn feels that medium-term demand could be stronger that SAB had been expecting.

"We plan for additional capacity at least three years ahead of when we need it," he says.

"Depending on the economic cycle and also on beer consumption, we are planning additional substantial increases in capacity to the tune of R1.2 billion this year."

"Cash spending on new projects and replacements is budgeted at about R1 billion, while working capital increases will account for about R300 million," Mr. Kahn said.

The beer division will once again be the major beneficiary of the planned expenditure drive, with work at three breweries together accounting for about R400 million of this sum.
Breweries plans huge new R1.2bn capex spend

BRUCE ANDERSON

THE South African Breweries (SAB) group planned to increase capital expenditure by a huge R1.2bn in the year ahead, SAB CE Meyer Kahn said yesterday.

Speaking after the release of the group’s results for the year to March end, Kahn said the expenditure would be made despite the expected economic slowdown and was in addition to the R1bn capex spend by the group last year.

The cash would be spent within existing financing facilities and without due increase in the group’s gearing ratio, said Kahn.

About 65% of the money would be spent on production facilities in the beverage division, while the balance would be spent on SAB’s other interests.

Although group earnings were likely to be restrained, satisfactory performance was expected.

Referring to government’s restrictive monetary and fiscal measures, Kahn said these would retard the pace of domestic expenditure in the economy and also inhibit consumer demand.

“In general terms the consumer is going to have less to spend this year than he did last year. This means there will be a slowdown in the rate of economic growth,” Kahn said businesses which relied on HP agreements especially would feel the pinch.

He said OK Bazaars, an SAB company which relied on HP agreements to sell furniture, would be among the companies hit by the new measures.

Kahn said he thought analysts had exaggerated the effect the measures would have on SAB’s interests as a whole.

In times of economic downturn beer had proved to be remarkably resilient, as had soft drinks, said Kahn.
SAB profits soar to heady R1-bn

From DEREK TOMMEY
JOHANNESBURG — South African Breweries has done it again. For the third year running it has reported sharply increased turnover, profit and dividends.

For the first time in its history turnover has exceeded R16-billion, working profit has exceeded R1-billion and attributable earnings have exceeded R500-million.

The final dividend has been raised by 28 percent to 64c a share bringing total dividends for the year to 64c — 27 percent more than the 6c paid last year.

Beer drinkers and others in the year to March again strongly supported group products, which, as well as beer, include a wide range of consumer goods.

SAB's chief executive, Meyer Kahn, said: “At the end of the road, the consumer seems to have a liking for our brands, our packaging, for our advertising, for our taste and for our prices. More than this as marketing men we can't ask for.”

This strong support boosted group sales by 22 percent which, with consumer spending running at R112-billion a year, means that just under R1 in every R10 spent on consumer goods last year went to an SAB company.

Although the growth in turnover at 22 percent was down slightly on the previous year’s 23 percent, trading margins improved significantly from 8,8 percent to 9,6 percent.

This resulted in trading profit jumping 37 percent to R1-billion.

However, increases in interest rates and a higher tax bill took their toll, and SAB finished the year with a 27 percent increase in taxed profit to R601-million.

In line with its normal policy of ensuring it has sufficient funds to replace worn-out plant in today's inflationary climate, it provided R42,4-million in extra depreciation.

Mr Kahn said the beer market remained buoyant, with volume beer sales rising 9,5 percent.

“But we are going into a downturn in consumer expenditure. We expect beer sales to be affected less than other product ranges. However, SAB is so large in the South African environment that we are to some extent a prisoner of the economic cycle.”

“This is why we make it clear that while we still believe that our earnings growth will be satisfactory, it will not match what we've had in the past three years.”

He said that SAB has the capacity to meet the current strong beer demand.

“We spent R750-million on additional capacity in 1988-89.”

Some R300-million went on expanding the brewery at Plettenberg, another R250-million on Rosslyn, and a further R100-million on Newlands in the Cape.

However, in spite of the expected downturn in the near future, Mr Kahn feels that medium-term demand could be stronger that SAB had been expecting.

- Conshu Holdings is to list its Wayne Rubber subsidiary via a reverse takeover of the JSE listed Phoenix Rubber in a transaction valued at R56-million.

Conshu has also bought Jordan Shoes from Saffen for R21-million. The takeover of Phoenix and subsequent listing of Wayne will create a company with an annual turnover of R130-million and projected pre-tax profits of around R16-million.

Conshu will hold 82 percent of the new company.
Buoyant beer market puts head on SAB profits

By DICK USHER, Business Staff

BEER drinkers have put a handsome head on South African Breweries' profits for the year.

Dedicated downing of the end product of the hop crop saw the company's turnover froth to more than R10-billion for the first time in its history, with working profits of more than R1-billion and net profits exceeding R500-million.

The beer market remained buoyant all year and volumes rose 9.5 percent.

SAB's chief executive Mr Meyer Kahn said: "At the end of the road, the consumer seems to have a liking for our brands, our packaging, for our advertising, for our taste and for our prices."

"More than this as marketing men we can't ask for."

Group sales, which include a wide range of consumer goods other than beer, rose 22 percent. With consumer spending running at R112-billion a year, this means that just under R1 in every R10 spent went to an SAB company last year.

See page 12 for full report.

SAB turnover tops R10bn

JOHANNESBURG — SA Breweries (SAB) has declared after-tax profits of R651m, an increase of 27%, for the year to March.

Profits attributable to ordinary shareholders were R501,8m (R369m), an increase of 29%.

Earnings per share were up 28% at 187,2c (146,5c).

A final dividend of 64c will be paid, bringing the total for the year to 84c (66c).

Beer earnings were up by 25% to R283m (R239,9m), although beer volume growth was 9%.

Other interests came to R231,1m (R179,1m).

Turnover was R10598,8m (R8 082,5m), and is the first time SAB passed the R1bn-mark.

Trading profit grew by 37% to over R1,000m.

However, there was a sharp increase in interest bearing debt to R1,264m (R783m).

Expenditure on fixed assets exceeded R1bn and included the acquisition of just under 50% of the Da Gama textile group. A further 6% was bought after the end of the financial year. No Da Gama figures were included in the accounts.

The directors stated that the restrictive monetary and fiscal measures now operating in the economy were bound to slow down consumer demand.

Although the rate of growth in earnings will slow down in the current financial year, SAB still anticipates a satisfactory earnings performance — Saps
SAB tops R10bn in turnover

SOUTH African Breweries' (SAB) turnover rose 22% to soar past the R10bn mark for the first time, with a 26% rise in earnings to R17,2c (146,4c) a share for the year to March.

CE Meyer Khan said yesterday all divisions contributed strongly to the impressive results.

A final dividend of 64c — up by 26% from 50c last year — brought the total dividend for the year to 84c (66c).

The 22% rise in group turnover to R10,5bn (R8,6bn) — coming on top of a 23% increase the previous year — continues to demonstrate the effectiveness of the wide-ranging activities of the group in meeting mass market consumer needs, Khan said.

Operating profit leaped by 37% to over R1bn (R746,1m).

However, sharp increases in financing costs and taxation cut the rise in taxed profit, from R512,4m to R651m, to only 27%.

Kahn said SAB's tax rate was now at 48% and directors expected it to stabilise at that level. The increase in finance costs was attributed to soaring interest rates.

SAB's beer division, on a volume growth of 4.5%, increased its contribution to group earnings by 28%, while the other interests of the group registered a 30% increase.

Gearing has deteriorated 'interest-bearing debt now represents 46% (68%) of total shareholders' funds.'

However, Kahn said gearing last year was abnormally low as the financial year ended just after Easter when asset levels were particularly low. He said directors were happy with gearing this year — especially as the group spent over R1bn on fixed assets in the period under review.

Expenditure included the acquisition, in February this year, of just under 50% of the equity in the Da Gama Textile group. A further 6% was acquired subsequent to the year end.
SAB capex budget is R1bn

BUSINESS DAY reported incorrectly yesterday that South African Breweries (SAB) had budgeted R1.2bn for capital expenditure this year. The actual figure is R1bn.

Details of the capital expenditure for this year were also incorrect. Yesterday's report said the main thrust of capital expenditure would take place in the beer division with the completion of extensions at Rossllyn and Newlands and the commissioning of a large part of the Pietersburg brewery.

A full breakdown of how the R1bn will be spent this year will be carried in SAB's annual report in a few weeks.

The errors are regretted.
SA BREWERIES (SAB) has confounded the market sceptics who were already starting to talk about a downturn for the share ahead of a downturn in consumer spending. MD Meyer Kahn is particularly pleased with the group's latest results and with justification. 

Growth in turn-over was 22%, working capital requirements climbed only 9% after a fall last year. "We have placed major emphasis on working capital management and our tight controls have produced spectacular results," says MacFarlane.

This would appear to be in contrast to the climb in borrowings, which increased from R937m to R1,520m in the year. But MacFarlane points out that the figure for 1988 was unusually low and the debt/equity at 0.46 is at about its normal level for this time of year.

Accelerated borrowing also had an impact. SAB has made use of the funds available from overseas banks which are locked in the debt standstill arrangements. "We believe in obtaining the funds before we need them," says MacFarlane.

One reason why funds are required is the large capex programme, which has been previously announced. Spending is expected to reach R1bn this year and the SAB board has decided that a large capital spending programme is needed in the interests of the country as well as to ensure the group's own growth. "With a growth in the volume of beer sold of around 10% a year, we need a new small brewery every year," comments MacFarlane.

Though a recession is unlikely to hit beer sales too hard, at least at first, SAB remains a conglomerate concentrating upon mass market consumer industries. Some of the subsidiaries could, however, be hurt by recession and by HP curbs and high interest rates.

Afoil executive chairman Laure van der Watt says that management will attempt to maintain earnings, while Amrel MD Stan Berger states that it will be very difficult to maintain earnings. Edgars will be less affected, and OK — with its large food base — could also have a reasonably strong buffer at least for the current year.

Kahn says SAB's earnings growth this year will be satisfactory, but will not match that of the past three years. At 2.25c, the share yields 2.3% on dividend.
Zonnebloem's red revolution

ZONNEBLOEM'S red wines are likely to be much in the news in the next few months.

During the past week, Stellenbosch Farmers' Winery (SFW) - proprietors of the brand - have conducted a series of seminars in which they have revealed a substantial change in winemaking policy at Zonnebloem, together with the investment necessary to produce and mature a new quality of wine.

Several factors have played a role in the new direction of Zonnebloem red winemaking.

Relative stability in the red wine market from the mid-Seventies onwards made it possible for the merchant producers to acquire their grapes and wine on a more selective basis. This in turn encouraged a closer working relationship with the farmers who were regular suppliers to the wineries.

The trend - in the early Eighties - towards substantial vineyard renovation in many of SA's premium vineyards also involved SFW and their growers SFW, for example, was prepared to commit expertise and technology to its regular grape suppliers. It encouraged them to plant the right cultivars in the right location and supplied them with often exceptional clonal material.

Invested

The result is that Zonnebloem now has a pool of better quality grapes coming into the winery.

The company has also invested substantially: while SFW may have lagged a bit behind in the very necessary acquisition of new French oak barrels, by the early Eighties it began to make up lost ground.

Since SFW has always maintained a co-operative for brandy, once it recognized the importance of new wood for its quality red wines the necessary expertise was already on hand to buy the right wood for the job.

The promise of "new wood" has been something of an industry marketing hype for some years. There are people who claim that they can easily identify the maturation effect of Nevers oak from Alliers, for example. It is customary to hear Limousin spoken of somewhat dismissively when it comes to red wine maturation, while Troncais has its own elite following.

WINE/SFW'S WINEMAKING POLICY

The reality, however, is that the various oak forests of France produce wood with certain general characteristics specific to each forest. However, these features are not automatically there in every log cut in a particular region.

Wood impact

It is therefore not sufficient for a winemaker to specify Nevers or Alliers oak. He must know what kind of wood impact he wishes to make on the wine. He can then determine the appropriate grain, the size of the barrel, the level of toasting.

The wider the grain, the quicker the effect of toasting, though this will be quite short-lived. A certain amount of toasting of the inside of the barrel enhances the extraction of wood flavour and helps to reduce the astringency of young red wine.

This kind of know-how has been invaluable in bringing Zonnebloem's red wines back into the first division.

A vertical tasting at the winery, spanning five decades of Zonnebloem's Cabernet, showed not only the exceptional wines from the Forties and Fifties, but also how the as-yet unreleased 1986 is back on course. Barrel samples of some of the 1986's suggest that wines of even greater intensity are in the pipeline.

It is almost too easy to attribute these changes to the new plantings, the substantial cellar investment and the use of new wood.

Commitment

At the heart of the matter, however, is a change in philosophy and commitment. The glib and easy wines of the Seventies are now, it would seem, a matter of the past.

Duimpie Bayly, Wouter Pienaar and Jan de Vaal are committed to making red wines that can be drunk into the next century. The remarkable 1945 and 1957 Zonnebloem Cabernets do great credit today to the men who made them.

A good red wine should after all outlive the man who made it.

MICHAEL FRIDJHON
Cider as strong as beer is launched

by VIVIEN HORLER
Weekend Argus Reporter

A CIDER containing the same percentage of alcohol as beer has been launched by the Stellenbosch Farmers’ Winery — but a spokesman denied that SFW was gunning for a share of the lucrative South African beer market.

"There might be a small percentage of beer drinkers who prefer the taste of this cider," said product manager Mr. Johan Slabbert, "but we’re not in the beer business.

"We think there is a gap in the market for a refreshing beverage at 4.5 percent alcohol, something that’s fresh with the right alcohol content and the right price and something you can drink several large glasses of."

Wine producers are barred by law from producing a wine containing only 4.5 percent alcohol — wines are 11 percent alcohol “But the law does allow a cider at that percentage,” he said

The cider, called Hunter’s Gold and made from locally produced apple and pear juice, is sweeter than beer, although does not taste particularly of apple juice It sells for about seven percent more than Amstel, one of the most expensive locally produced beers.

It was launched in the Transvaal and Natal in November, and became available nationwide at the beginning of May.

"It’s been doing very, very well, in fact we’re surprised by the success we’ve had," said Mr Slabbert.
Only 5 l of water to a beer, says SAB

Own Correspondent (82)

DURBAN. — South African Breweries says it takes only five litres of water to make a beer — not 3 300 litres, as claimed by President's Council member Mr J Wilkens on Thursday.

"Heaven alone knows where he came up with that figure," said breweries' production manager Mr Hugo Eiserman yesterday.

"We can only assume he calculated the amount of water used in the cultivation of hops and barley, and raw materials we have no control over." The National Party MP was speaking in the debate on a motion calling for the improvement of water supplies.

The managing director of SAB's beer division, Mr Norman Adami, said the amount of water used by the SAB in the brewing of beer was among the lowest in the world, including the washing and pasteurisation process.
Investors unhappy over share valuations

LESLEY LAMBERT

Senekal, Mouton & Kitshoff, which originally brought Agserv to the market and structured the TDL listing, said the projected earnings a share for the new company was 1,56c for the year ended February 1990. NAV was calculated at 12,5c and net tangible asset value — after striking off the premium paid for subsidiaries was 6,8c.

Grobbelaar said he had not seen the prospectus which preceded the private placings and could not comment on the discrepancy in the valuation of the share price.

While the 21,25c, or 42,46c for two shares, is not necessarily an indication of what the market will pay, because theoretically it will discount future growth potential in the venture capital companies, the enormous difference in the valuation of the share price suggests forecasts by the company and the venture capital brokers were misleading, analysts say.

'The stock is not developed'

TDL shareholders have been invited to approve the company's decision to list at a meeting in Tzaneen on June 8. Agserv, which is currently suspended, will be reinstated if the listing goes ahead on June 26.

In an interview with Business Day this week, MMA brokers Mike Miles and Allan McMillan, said they would advise investors to vote against the decision.

“We feel the company has not developed sufficiently for a listing as far as attaining the expected prices is concerned,” Miles said.

'It is listing on the wrong board at the wrong time. On the venture capital board there is at least a premium attached to the net asset value of shares,” Miles said.

McMillan said the share prices had been forecast during a bull run and forecasts had not been adjusted.

TDL's sole director Raan Van Rensburg could not be contacted at his Paarl office last week.

On Friday, he left a message with a colleague saying he was at a meeting in Cape Town and couldn't comment on Business Day's information until he had seen the details. However, he would discuss the issue this week.

SPB MD Coen Wium was out of the country.

Many venture and development capital companies which need new capital to finance growth have difficulty raising it through traditional channels because of their high risk status. Companies like SPB offer them the opportunity, often at higher than normal costs, to raise capital by way of private share issues.

SPB's strategy is to define various stages of development. As prospects is then issued to finance each phase.

The brokers have told clients that the value attributed to the shares on offer at each stage of development is not a "thumbnal.

It is determined by many factors, they argue, including the rate at which the company has developed, the potential of entrepreneurial ideas and concepts, the quality of infrastructure already set up, contracts already signed, profit expected from future projects, the value of hidden assets and management.

"Unrealistic"

However, according to one independent broker, John Hone — who worked as an agent for MMA — the venture capital brokers' "unrealistic" share prices are based on a "manipulated demand" rather than fundamentals.

Hone said they and other brokers are motivated by self-interest.

Referring to the TDL listing, he said "One expects directors to have shareholders' interests at heart. The TDL directors have asked shareholders to absorb substantial share price depreciation to facilitate a listing".

"There are no prizes for guessing who holds shares at a cost price less than the anticipated listing price."
Smiles fade as Rico brewery is delayed

LESLEY LAMBERT

At the time of Swiftsure, venture capital brokers were young in the business. They believed what companies told them and passed the information on to investors," McMillan said.

Van Rensburg could not be contacted at his Paarl office last week, but left a message saying he would comment on Business Day's information this week.

SPB MD Coen Wurm was out of SA.

Miles and McMillan said they knew very little about Rico's plans to list. "There are obviously questions we need answers to as well," Miles said. "We sell the shares on the basis of the prospectus and from what we can find out from SPB and company directors."

Delayed

But MMA partners Mike Miles and Allan McMillan conceded last week that Rico's development had been delayed. The first test-brew would be out in September and beer would be on the market in November, they said. As for the construction of the premises, they said the sod was turned last month and foundations will be laid.

McMillan said Rico's capital raising plan was disturbed last year by the exposure of the Swiftsure scam. SPB and MMA had marketed the now liquidated Swiftsure's shares and this, they said, had caused a breakup in investors' confidence. "At the time of Swiftsure, venture capital brokers were young in the business. They believed what companies told them and passed the information on to investors," McMillan said.

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TRANSYAAL Distillers has informed investors who bought shares in its beer-brewing subsidiary Rico Breweries that it is considering listing the subsidiary on the JSE's new venture capital market. In a letter to shareholders in February, TDL director Riaan van Rensburg announced that Rico qualified for the JSE's new VCM board and was preparing for a listing to coincide with that of parent TDL.

Shareholders, who had previously been offered the share at 25c and R2c, were invited to buy new shares at 15c and exchange them for TDL shares.

Van Rensburg was quoted in an investment advertising magazine, dated February 1986, as saying of Rico: "We are aiming to have the brewery in production by the end of October but do not intend to be in full production, with beer on the market, until the beginning of December." A brochure issued by the company stated that stage three, of the construction of premises in Midrand, near Pretoria, was graphically the final phase of development—had been reached.

At the time, venture capital brokers Miles, McMillan and Associates, who were marketing TDL's shares, described Rico as the "darling of our investments. Very popular and in great demand. Those of you who acquired these at 25c should smile very broadly. In one month, you have shown growth of 220%."

MMA
Premier turns in sterling performance

By Ann Crudd

Premier's results were well ahead of market expectations with earnings for the 12 months to end-March up an excellent 28 percent to 418c (376c) a share.

The dividend distribution was lifted to 77c (69c) a share.

It was an indication of the weakness of the JSE that news of the sterling performance did not prevent the share price from dropping 10c in yesterday's market to close at R2.70 down from R4.70 a week earlier.

After the release of strong interim figures last November, analysts were looking to a full year earnings improvement of about 23 percent. This was recently revised upwards following the release of SAB's excellent full year figures (in 1988, 35 percent held SAB accounted for 67 percent of attributable earnings, but the Premier figures released yesterday even surpassed the revised expectations).

Reason for the much-better-than-expected performance was the strong contribution recorded by the much leaner food division which is showing the benefits of tighter asset management and the sale of its poultry interests (part of which are now housed in a separate joint venture).

The key features of the 1989 results include a 29 percent hike in turnover to R4.1 billion (R2.2 billion), a 52 percent improvement in trading profit to R2.07 million (R1.2 million), a 25 percent improvement in fixed asset turnover to R171.4 million (R161.3 million). Thus all culminated in a 32 percent surge in attributable earnings to R267.8 million (R209.9 million).

COMES BUSINESS

In something of a departure from tradition, management has this year highlighted the performance of the group's "traditional core business", that is, all of the group's activities apart from SAB namely, Premier Food, 33 percent of CVA/Galfi, 45 percent of Twins and, 76 percent of Graham Industries.

During the review year, SAB chipped in with a massive R1.5 million as the earnings level (equivalent to 65 percent) compared with R0.9 million from core business.

Although in absolute terms SAB continues to dominate, earnings growth in the core business of 22 percent compared very favourably with SAB's growth of 28 percent.

Release of these sort of figures should help to correct what chairman Peter Wrightson describes as misconceptions in the market about the performance of Premier's core business.

Mr Wrightson feels that these misconceptions could account for the fact, which stripping out the SAB element from the share price, indicates that the market was valuing the group's core business at around only R5.60 a share.

This suggests that the core business, which contributed R4.6 a share, is on a price-earnings rating of around 24 times compared with the 18.9 times rating for the whole group and the sector average of 11.5 times.

FOOD DIVISION

The group's food division accounted for around 64 percent of the R4.6 a share.

Management's emphasis on the strength of the core business, and in particular on the food interests, could be designed to prepare the market for a separate listing of the food division. This was first mooted shortly before the market collapsed in October 1987.

Although current market sentiment would not do justice to the improved performance of the food division, it may only be a matter of months before there is a sufficient improvement in sentiment to encourage such a move.

It is certain that group management is looking closely at the issue. A separate listing would help significantly to reduce the high gearing in the food division.

Group gearing of 23 percent chiefly reflects the strong position in SAB and hides a worrying debt/equity situation at the food division which, given its high working capital requirements and increasing interest rates, seems likely to deteriorate.
Premier's turnover now up to R4,15bn

LIZ ROUSE

Turnover of Premier Group's traditional core businesses (excluding SA Breweries) soared to R4,15bn in the year to March from 1986's R3,2bn, resulting in an impressive 42% earnings rise.

Attributable earnings, including Premier's share of profits arising from its investment in SA Breweries, increased by 32.5% to a record R2,675m (R2,018m) — earnings of R26,9c a share (R31c). The final dividend has been raised to 112c (90c), lifting total distribution by 23% to 172c (140c).

Chairman and CEO Peter Wrightson placed the emphasis on the considerable growth in the traditional business of the group at its first Press presentation yesterday as chairman. Whereas SA Breweries accounted for 90% of Premier's earnings in 1985, its contribution had dwindled to 65% in the year to March 1989.

Looking ahead, Wrightson said that forecasting for the future was at best a tricky business, more so in a country plagued by a go-stop-go economy, strong upward pressure on interest rates, disinvestment, sanctions and a politucised labour force.

Nevertheless, given the fact that the group was leaner, more focused and efficient than ever, Wrightson said he was confident that, provided the economy was not depressed further, shareholders could look forward to growth in the year ahead.

Wrightson said that by focusing on food and fish, entertainment and leasure and wholesale and retail distribution, the group was in a better position to progress in an adverse climate.

Premier had already gone a long way to streamline operations by shedding the chicken operations, which were a drain on resources and earnings — making a profit of R5m in the process. The merger of Farm Fare's broiler operations with those of cooperatives Bokomo and Sasca resulted in the creation of a new company in which Premier had a 50% interest.

More focus had been created in 76%-held Gresham Industries, which acquired 80% of South African Pharmaceutical Development Corporation and sold part of its hardware division, namely Greatrex and KTC, and wholesalers J Yudelman.

Twins Propan Holdings acquired — through its subsidiary Twins Pharmaceuticals — a 51% interest in Safimed, whose

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Premier's turnover results were consolidated for the first time.

Premier Food remained the largest contributor to group turnover at R2,4bn or 46% of the more than R17bn total, while its contribution to earnings at R561m was also 61% of total earnings. Twam was a near contributor, contributing 10% or R421m to turnover, while its contribution of earnings amounted to 17% at R158m.

CNA Gallaher, with a 15% or R349,8m contribution to turnover, brought in 15% or

From Page 1

R117m to earnings. Gresham, with a 16% or R641m contribution to sales accounted for 9% or R67m of earnings.

The group's total capital employed rose to nearly R2,8bn (R1,9bn). With net interest-bearing debt at R497m (R119m) the debt/equity ratio remained stable at 2:12.

Premier shares declined 12% to 175c yesterday on small volume. In a nervous market, historic earnings yield is 11.4% and dividend yield 4.7%.
Finance

Coca-Cola

Expansion

Bottling

Planned

Western Europe, the

company has

announced
that it will
tackle the

European

market

with a

major

expansion

plan.

The

company

aims to

increase

its

market

share

in the

region

by

opening

new

factories

and

building

new

bottling

facilities.

Coca-Cola

expects to

invest

over

$1 billion

in the

next

five

years.

The

company

also

plans to

increase

its

product

offerings

in

Europe,

offering

new

flavors

and

innovations

to

attract

more

consumers.

Coca-Cola

is

already

a

leading

player

in

Europe,

with

sales

reaching

over

$10 billion

annually.

The

company

is

looking

to

further

expand

its

reach

in

this

market,

where

it

currently

has

a

market

share

of

over

20%.

Coca-Cola

expects

to

benefit

from

the

growing

demand

for

soft

drinks

in

Europe

and

the

company's

strong

brand

presence.

The

company

is

working

closely

with

local

partners

to

ensure

that

the

new

facilities

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catered

to

the

local

market's

needs.

The

expansion

plan

is

expected

to

create

over

10,000

new

jobs

in

Europe.

Coca-Cola

is

committed

to

sustainability

and

is

planning

to

use

more

renewable

energy

sources

in

its

operations.

The

company

is

looking

to

reduce

its

carbon

footprint

and

is

working

to

make

its

products

more

environmentally

friendly.

The

expansion

plan

is

expected

to

be

completed

by

2025.
AMALGAMATED Beverage Industries (ABI) shareholders will have the chance to trade their stock bought in 1987 when the company is listed on the JSE on June 28.

ABI is 60% owned by SA Breweries, 19% by Cadbury Schweppes and the balance of 11-million shares is in the hands of 7,000 ABI dealers and staff.

The company turned over R150-million last year, accounting for about 40% of the carbonated soft drinks market.
POLICE SEIZE AWB ITEMS IN UK RAID

LONDON — Racist material, some of it relating to the AWB, is being examined by British police after an early morning raid on a London shop run by a fascist right-wing movement. The store, Cutdown, in Soho's Ridinghouse Street, was searched at the weekend by Marylebone Police Station detectives equipped with warrants.

They left with videos, tapes, books, clothing and documents. Possible charges under the Public Order Act are pending against the shop's managers, National Front splinter group Blood and Honour.

Cutdown has, over the past weeks, been selling — mainly to skinhead customers — a popular line of "Hang Nelson Mandela" T-shirts which depict the jailed ANC leader with a noose around his neck.

Others, priced at about R24, have the words "South Africa" and the distinctive swastika-like AWB emblem across the front. Some bear the slogan "AWB — We Do This For You."

Assistants in the shop said the shirts and AWB buttons were being made in Britain and were exported to the US and Europe, where they are sold in specialist shops dealing in Nazi memorabilia.

The AWB in SA has repeatedly denied involvement with Blood and Honour, which is regarded in the UK as a fanatical extremist group.

SFW to appeal against decision on Ben Nevis

DURBAN — Stellenbosch Farmers' Winery (SFW) is to apply for leave to appeal against a Natal Supreme Court order prohibiting it from distributing one of its products, Ben Nevis whisky liqueur.

A company spokesman said that the application for leave to appeal would take "a day or two" to lodge. Once a decision was made, they would decide how to proceed.

Consumers would be able to purchase Ben Nevis until the application had been heard and decided.

An application to interdict the distributors, Stellenbosch Winetrust, Stellenbosch Farmers' Winery Ltd, and Aroma Liquors (a bottleshop), was brought by Scotch whisky-maker Long John International Ltd.

In the Durban Supreme Court on Wednesday, Mr Justice Booyzen ruled that the name Ben Nevis and term "Scotch whisky" could not be used for any spirit not made in Scotland. Ben Nevis was found to be a blend of Scotch and Cape-made whiskies. Mr Justice Booyzen decided that it was neither a Scotch nor a liqueur.

NATAL UNREST DEATHS

Deaths from September 1987 to June 18. 785
Deaths reported by police yesterday...... 9
TOTAL........ 794

10 MINUTE C.WARD 7462
Premier seeks R280-m in major restructure

By Sue Lunsche

The Premier Group is to split its core business and its holding in SA Breweries in a major restructuring programme, which includes a R280 million rights offer.

Premier chairman Peter Wrighton said yesterday the group's 33.8 percent holding in SA Breweries had obscured the performance of the core business and the market had subsequently understated the true value of those interests.

While attention would be focused on the core business, the stake in SA Breweries would henceforth be held in an investment company, which has yet to be named.

Premier shareholders will receive shares on a pro-rata basis in the new company, although Premier itself would have no stake in the group.

The restructured group will raise R280 million through a rights offer, details of which will be announced next month.

Shareholders taking up their rights will once again be offered shares on a pro-rata basis in the new company.

Yesterday's announcement was the final step in the restructuring programme, which Mr Wrighton implemented when he took over the reins from Tony Bloom about a year ago.

The steps included rationalisation of the group's poultry interests and a cut-back in head office staff.

More important was the split of Premier into four focused areas of operation:

- Food (through Premier Food Holdings)
- Pharmaceuticals (through Twans and Gresham)
- Entertainment, information and leisure (through CNA Gallon)
- Consumer wholesaling and retailing (through Gresham and Score)

Mr Wrighton said that the restructurings would enable investors more easily to identify the respective value of the investment in SAB and that of the core businesses.

In addition, the prospects and management of the core businesses could be assessed on its own merit.

He said Premier's earnings from its equity-accounted investment in SAB had tended to obscure the performance of the core businesses whose earnings this year had improved by 42 percent to R92.3 million on a 29 percent rise in turnover to R4.15 billion.

The core businesses had posted substantial increases in earnings since 1984 of 130 percent, 135 percent, 50 percent and 42 percent respectively.

This had progressively reduced the contribution of SAB from 59 percent in 1985 to 65 percent in 1989.

Mr Wrighton said, "I suspect that the market has been somewhat confused by the existing structure and accordingly understates the true value of Premier."

"This view is supported by the fact that if the market value of the SAB investment had been stripped out of the Premier share price shortly before we made the cautionary announcement, then the traditional core businesses would have been valued at 65c per share.

"This represents an earnings multiple of less than five times, well below the average for equivalent stocks in the market."

The rights offer, according to Mr Wrighton, would ensure that Premier was properly geared and that the subsidiaries could finance expansion opportunities when they arose. He said, however, that no major acquisitions were planned at present.
25c pay hike for workers

MORE than 6,000 workers in the wine and spirits industry have won a 25% monthly pay increase and June 16 as a paid holiday, the National Union of Wine, Spirits and Allied Workers said yesterday.

Nuwsaw last week settled for a R762.51 minimum monthly wage. The Wine and Spirit Industry Employers Association also granted a cash meal allowance of R3 after one hour overtime.
Strike hits
SAB plant

ABOUT 900 workers have downed tools at South African Breweries Rosslyn plant, a SAB spokesman said yesterday.

The SAB employees, all members of the Food and Allied Workers' Union (Fawu), demand the dismissal of a fellow worker, according to the company.

The company's spokesman said: "Management, acting within the terms of agreement, has asked the workers to refrain from illegal work stoppages and to follow mutually agreed procedures.

"Workers need to retract their demands and make use of the legal and procedural channels. Management is adamant that proper industrial relations principles should be used to resolve the issue," he said.

Fawu spokesmen could not be reached for comment last night. The SAB spokesman said management had been informed that further strike action would be taken unless management acceded to workers' demands.

He said the stoppage had not affected beer deliveries.

SAB's national negotiating team is apparently scheduled to meet Fawu representatives in Port Elizabeth today (Thursday), to discuss — among other issues — "the ongoing series of wildcat strike action at SAB".
R40m expansion for Cape breweries

The brewing process in the Haupmann brewhouse is computer operated and controlled. The brewhouse produces 730 hectolitres during a single brew.
market grew last year to over 2m cases, continued growth may be restricted SA is the eighth-largest whisky market in the world.

Croashe, in SA to assess UD's marketing strategies, says although proprietary brands are fighting to regain market dominance, secondaries still account for about 50% of local sales, which is well above the ratio in most other parts of the world.

However, a marked increase in the base price of Scotch in the past six months is filtering into the market and will push up the local price of secondaries significantly towards the end of the year. Proprietaries will be less affected because they have reflected cost increases for some time. "We will probably find some people who have been drinking Scotch because it is relatively cheap, will switch to something else," he says. "But we hope a significant percentage will have developed enough of a taste for Scotch to continue drinking it and perhaps upgrade to proprietary brands.

**WHISKY IMPORTS**

**Low-spirited**

Continued devaluation of the rand against sterling is threatening sales of Scotch whisky in SA. Import permits are value-based, so high rand prices could reduce the amount of Scotch imported.

The price of quality Scotch whisky has soared by about 75% in two years. This is due to both the declining value of the rand and increased UK prices.

Better production management in Scotland has seen evaporation of the whisky "loch" and a more market-related pricing policy. Historic excess production resulted in a flooding of the market with "secondary" brands priced in SA at around 40% less than proprietary brands.

With little prospect of the rand/sterling exchange rate improving in the short term, and with inflation pushing prices by 12%-plus a year, the amount of Scotch that may be imported could decline unless government reassesses its current permit system.

Walter Croashe, director for Afriken and the Middle East of United Distillers (UD), which owns most of the world's leading Scotch labels, says that while the SA Scotch
PREMIER/SA BREWERIES

Undoing Bloom's biggest deal

Premier hopes to gain more recognition for its core businesses by hiving off SAB

Premier's capital reduction and distribution to shareholders of its investment in SA Breweries (SAB) is much more than a simple creation of a new company — it is also the undoing of a controversial 1983 deal out of the turmoil of which, said Meyer Kahn at the time, no one came with any honour.

The initial development was the disinvestment by Associated British Foods, which held 52% of Premier, whose then chairman, Tony Bloom, approached JCI and Liberty to buy the interest. They, together with Anglo American, became Premier's major shareholders and injected their holdings in SAB, almost 34% of its equity, into Premier in exchange for 32.2m new shares.

This was done without reference to SAB. There was much consternation when the deal was announced. The entire SAB board threatened to resign and Sol Kerzner and Dick Goss eventually left with the casino interests in a deal suggested by Kahn, who then replaced Goss as SAB MD.

Since then, SAB has been Premier's major earnings contributor. Analysts have tended to see the share mainly as an entry into SAB, overlooking the other interests. The latest restructure is intended to change this.

The first step is a rights issue by Premier. Terms will be announced about July 24, but the intention is to raise R280m. There is a substantial incentive for shareholders to follow their rights, as a subsequent allocation of shares in Newco is pro rata to Premier holdings after the rights issue.

Newco's only asset will be 33.8% (93.6m shares) in SAB, making it SAB's largest single shareholder.

It has been suggested that, if Premier wanted cash and wanted to get rid of the SAB investment, it could sell its shares. There could be several reasons why this was not feasible.

Firstly, to find a buyer might prove difficult, as the shares are worth R2.2bn. Then, via 78% of Premier, JCI, Liberty Life and Anglo control the major holder of SAB. It's unlikely that they would want to re-liquify this and they are in a position to veto the deal. They could afford the SAB shares, but probably see no reason to spend R2.2bn on something they feel is theirs anyway. In the rights issue they will have to put up only R218m, plus, as underwriters, whatever shares are not taken up.

It might also be suggested that Premier could simply distribute SAB shares pro rata to its shareholders. But the shares were originally all contributed by Anglo, JCI and Lib-

Kahn

erty, if they were simply handed out, these three would lose the 22% of the shares which would go to minorities.

Newco (a conventional temporary name) will provide shareholders with a listed company (it is planned to request a listing in the Hotels & Beverages sector), totally un-geared, with assets worth R2.2bn. It expects to pass on all dividends from SAB less minimal administration costs. The major shareholders say they do not intend to inject any other assets into Newco.

Though Newco does not conform with JSE regulations for a pyramid, executive president Tony Norton says the JSE has no objection to a holding company which has only one asset, examples being Western Areas and Zandpan.

This may be, but Western Areas and Zandpan became single-asset companies through takeovers of their former assets, not as original artificial creations. Most major stock exchanges won't list companies whose only asset is paper, unless they rank as investment trusts or (in rather fewer cases) pyramids or holding companies — none of which is a category Newco will fall into.

Even SA's ultimate paper creation, the late-Sixties Barsab, always held more than one investment and immediately embarked on a busy (if ultimately disastrous) programme to acquire real assets.

What Premier hopes to gain from divesting itself of SAB is an unlocking of value. Premier chairman Peter Wrightson says holding companies with widely diversified interests tend to trade at a discount to underlying assets, Premier needs to stand on its own feet and be judged on its own performance.

Analysts agree, one even suggests that Premier's action could be an example to other conglomerates "Investors like to choose their own spread — they do not want to leave this to management.

"We became a warehousing company for SAB shares," says Premier deputy CE Gordon Utian. "This was never the intention of..."
Premier's business has been focussed in four areas: food and fishing, entertainment, information and leisure, pharmaceuticals, and wholesale and retail distribution. Wrighton does not believe that the stock market will continue to see this as a diversity of interest, as he suggests that they are related, but rather to expand present businesses. He believes that with the current stock market rating, which will allow Premier to use paper for acquisitions, will make this possible. And he thinks many opportunities may appear in the next year.

The transfer of reserves to N640 will amount to "whatever the SAB investment stands at in the Premier accounts, including retained earnings," says Utan. A rough calculation suggests that this will amount to around R1.2bn, but Premier will be left with total shareholders' funds of R1.2bn.

Analysts don't expect Premier initially to gain the same rating as competitor Tiger, which is on a p/e of 13.8. It's generally believed that, until the restructuring is completed, Premier will remain on a p/e of about 10, although its price at time of going to press was R47.50 - a p/e of 11.2.

"If the market valued the SAB stake correctly, the core businesses were on a p/e of less than 5 before the restructuring was announced," says Wrighton. If so, was it a Pre-

"..."
Premier’s proposed restructure has added R500-million to the value of the company.

The Premier share price leapt from R41 to R49 after announcement of the capital reduction placing Premier’s 34% of SA Breweries into a separate company to be owned pro rata by Premier shareholders plus a R280-million rights issue. Together with hindsight, the transaction reveals multi-million rand mistakes by corporate power players since Associated British Foods disinvested in 1983.

First, it highlights that JCI, Anglo and Liberty paid far too much for Premier in the 1983 transaction. They paid R25 a share for Cary Western’s shares, then swapped SAB shares for more Premier, valuing SAB at about R8 and Premier at R25. At that price, Premier without SAB was valued at R645-million. There was a rights issue of R100-million in 1985.

In the restructure announced this week, Premier without SAB is shown to have earned R233-million. Let us assume that Premier today, without its SAB stake, and before the rights issue, is worth ten times latest earnings of R233-million (compared to Tiger’s forward PE of about 13).

Then Premier, less its SAB stake, is worth R233-million — only 24% more than the R174-million at which the original deal plus the 1985 rights issue valued the company.

Meanwhile, the industrial index has virtually tripled from 887 to more than 2 500.

So Liberty, JCI and Anglo booked in valuing Premier too highly — and SAB too conservatively.

They valued SAB shares for the purposes of the 1983 transaction and for the subsequent Southern Sun/Sun International split, at R8 odd.

Now the SAB shares are worth R24,55. Liberty, Anglo and JCI’s loss was Premier’s gain. The latter made a capital gain of R1,5-billion on its SAB shares, which are now worth R23-billion.

Minority shareholders in Premier at the time were advised by the Premier board against accepting the R25 a share. Those who listened must regret it.

The numbers now published reveal that the traditional interests of Premier performed appallingly from 1985-1988.

In 1985, taxed profit of the non-SAB interests were a meagre R7,9-million on sales of R23,9-million and total assets of R13,4-billion. That gave earnings a share of 1c and put the R25 purchase price on a terrifying PE of 176.

SAB’s great performance masked a multitude of sins in Premier and its subsidiaries, which were over-gearing and producing minuscule returns.

I remember asking Tony Bloom how the non-SAB interests performed and he was always evasive, saying you could not strip out the SAB contribution to earnings, because of the interest cost in the holding company.

He said it was pointless to try to arrive at the underlying numbers for Premier because when a shareholder bought Premier, he got the SAB shares as well.

But had Premier shareholders seen the sorry picture in food, perhaps they might have made more for their money in the tightly regulated milling and baking industries.

The numbers published for the first time this week may explain Mr Bloom’s reticence. They raise the question whether he was not a better corporate politician than businessman.

There was a glaring inconsistency in the 1983 deal. JCI, Liberty and Anglo were prepared to afford SAB the same deal at which they shared in the original deal plus the 1985 rights issue valued the company. It seems clear that this week’s transaction should have been done years ago.

This transaction also brings to mind how SAB booked in effectively sopping Sun International for Holiday Inn. That, and the indifferent track record of OK Bazaars in recent years, are blemishes on great performances in beer, Edgars, soft drinks and furniture.

There are two consolidations for Premier shareholders. One is the capital gain in SAB. The other is that Peter Wrighton, Gordon Uman and team appear to be pursuing shareholders into a merger. They have rationalised the group impressively and the rights issue will reduce gearing at last.

The re-rating of Premier has come not a moment too soon for Liberty, whose investment performance has been unimpaired by the poor track record of Premier.

Old Mutual looked a loser back in 1983. It still miffed at having been overtaken as the single biggest holder of SAB shares and thus being excluded from the power play.

But Mutual’s consolation is that with great chunks of Safem and Kersa in its portfolio, rather than piles of Premier, its investment performance actually benefited by the transactions of 1983.
Liquor union makes inroads in Boland

The National Union of Wine, Spirits and Allied Workers (Nuwaw) is waging a vigorous campaign to organise Boland workers.

The union, which has about 4,000 members in the Western Cape, is concentrating on signing up workers at co-operatives in the area.

This year it has organised workers at 45 wine co-operatives and has targeted more, said a Nuwaw spokesperson.

Nactu

Nuwaw, an affiliate of the National Council of Trade Unions, is this week meeting with the management of seven co-operatives to sign recognition agreements.

Earlier this month, the union concluded recognition agreements with four co-operatives — Bree River, De Wel, Franschoek and Koelenhof.

Nuwaw hoped to conclude a collective wage agreement with the co-operatives this year, said the Nuwaw spokesperson.

He said a national agreement concluded with KKW this week would encourage workers to join the union.

In terms of the agreement, the minimum wage is hiked by R26 to R144.90; workers get three weeks' bonus pay instead of 6 percent of their annual income; the night shift allowance is 12.5 percent, and all workers get a R5 meal allowance.

The company also agreed to give all workers May 1 and January 2 as paid holidays.

More than 1,000 delegates attended the Western Cape Nuwaw annual general meeting last Sunday.

The meeting agreed to implement joint action with Cosatu and independent unions against the Labour Relations Amendment Act and to encourage unity with other organisations based on the "principles of the African masses, not individuals."

Nuwaw is to open an education unit for shop-steward training next month.
TDH tries to make amends

TRANSVAAL Distillers Holdings (TDH) made a better debut on the JSE than I expected — but worse than its major shareholders hoped for.

Reversed into the Ag-Serv cash shell, TDH traded between 12c and 15c. All shareholders were originally offered the same terms of two Ag-Serv shares for every Transvaal Distillers bought before the listing.

Two weeks ago I wrote that members of the public stood to lose a high percentage of their investment in TDL when they bought shares at inflated prices. Some paid as much as 175c for shares now trading at 15c.

Sorry

Major shareholder Ruan Van Rensburg told me he was sorry for those investors, and he would “make it up to them somehow.”

After shareholders called for a review of the two-for-one deal, the Van Rensburg family is to reduce its majority in Transvaal Distillers by 476,600 shares, and to renounce some of its entitlement to shares in the listed company.

Everyone who bought unlisted shares at 175c will be allocated four TDH shares. Those who bought at 12c will get three TDH. All other Transvaal Distillers holders will be allocated 2,455 TDH shares, rounded to the nearest 100, instead of the previous two for one.

Mr Van Rensburg says the effect of these steps is to reduce the highest price paid for a TDH share to 43.75c — “more related to the net worth of TDH.” After consideration, he believes that a reallocation will help to satisfy shareholders.

Nevertheless, the shares at 15c are trading at a large discount to the average buying price, and on a hefty 10 times forecast earnings.
Investors get extra shares allocation

INVESTORS in recently listed Transvaal Distillers Limited (TDL) are to benefit from an extra allocation of shares.

TDL chairman Rian van Rensburg announced this week there would be a reallocation of shares.

This follows a decision by Van Rensburg's family interests in TDL to reduce their majority shareholding in TDL by 4.77-million shares.

Before TDL was listed, investors were offered shares in what was then Transvaal Distillers (TD) in a number of private placements. These were at prices higher than the valuation reached by stockbrokers, who structured the listing of TDL through a reverse takeover of Agricultural Services (Agserv).

Benefits

Shareholders who bought TD shares at 175c and 130c each before TDL's listing now stand to benefit the most from the reallocation of shares.

In terms of a decision at a general meeting, they were to receive two Agserv (now TDL) shares for each TD share.

Shareholders called for a review of the decision that all TD shareholders would be offered two Agserv shares for each TD share to achieve a price per share more related to the net worth of TDL.

"We believe, after careful consideration, that a re-allocation will help satisfy these shareholders," Van Rensburg said.

Now all buyers of shares at 175c each will be allocated four TDL shares (or each TD share), while buyers at 130c will be allocated three TDL for each TD share.

All other TD shareholders will be allocated 2,435 TDL shares, rounded to the nearest 100, instead of the previously decided two shares.

Van Rensburg said the effect of these steps is to reduce the highest price paid for a TD share to 42.75c, and to increase minority shareholdings in TDL.

Yesterday TDL closed at 15c on Friday, up 2c from 13c on Wednesday.
Liquor giants unhappy at govt move

Staff Reporter

CONSUMERS have welcomed a government order compelling producing wholesaler liquor merchants to sell off their retail liquor interests at the rate of 10% plus one outlet annually, to encourage more competition.

But several liquor industry giants are unhappy with the move.

Companies in the Cape to be affected include Gilbeys, which controls the 32 Rebel outlets, and Union Wine, controllers of the 30-store Picardi chain.

The assistant director of the Consumer Council, Mr Wander Hoon, said yesterday that the council welcomed any trends towards more competition.

An executive of the Distillers Corporation speculated that the government's decision was based on "the sound principle of keeping wholesale and retail divided".

Gilbeys' financial director, Ms Liz Shnugh, said the company was "terribly disappointed — Gilbeys will certainly be taking the matter further."

The financial director of Union Wine, Mr Chris Smit, said his company would also be carefully examining the new regulations.
Change to SA liquor regulations welcomed

By Sue Olswang

The Government decision to oblige liquor producers and wholesalers with a direct interest in retail to dispose of their retail outlets is a move designed to help promote competition in South Africa’s retail liquor industry, according to Liquor Board chairman Mr. Tommy Vorster.

"It helps to protect the smaller operator," said Mr. Vorster yesterday.

He said that in the past, producer/wholesalers took control of bottle stores in an attempt to cut out the middle man (the wholesaler).

This meant they could put liquor products on sale for much lower prices. Small retailers were not able to compete effectively.

Mr. Vorster’s comments followed a Government decision to compel all "vertically integrated" liquor producers and wholesalers to dispose annually of 10 percent plus one of their retail outlets until no retail liquor interests were held.

EXCLUSIONS

Vertical integration means the wholesaler has a direct interest in retail. According to a statement released by the Ministry of Economic Affairs and Technology in Pretoria, in “deserving cases” provision will be made for the exclusion of small liquor producers and wholesalers from this obligation.

Producers and wholesalers concerned must start disposing of their retail liquor stores, in terms of the suggested formula, from September 1 this year.

Producers and wholesalers have effectively been given a period of 10 years to dispose of all their retail liquor outlets.

The Government has also decided that a person or group can now hold an interest in 99 liquor stores and not 12 as before.

Mr. Vorster of the Liquor Board said this change meant smaller retail liquor groups would now be allowed to grow.

“This further encourages competition in the industry,” he said.
used, the service and research activities based on London and on the continent strengthened and new opportunities sought. Research in identifying growth industries led to the conclusion that biotechnology offers particularly attractive prospects Last December an important interest was acquired in a Belgian-based European pharmaceutical group, renamed The Medenix Group, which is rapidly expanding in diagnostics, in ethical and over-the-counter pharmaceutical products and agrotechnology.

A combination of previous investments, firm production prices, a buoyant domestic economy and a weak rand has resulted in a ballooning cash balance Year-end deposits and cash totalled R2.1bn with conservative borrowings and shareholders' funds of R11.4bn Domestic inflation and the huge costs of the new ventures likely in the Nineties suggest this large funding capability will not fade indefinitely.

Meanwhile, with continued but slower growth forecast for the diamond, platinum and industrial interests, Anglo's growth will be more sedate this year Assuming the payout is increased by about 10% to 300c, the share offers a prospective dividend yield of 3.3% and discounts net worth by 27% Given the spread of investments and the growing influence of partners, the share is worth holding.

Andrew McNally

SA BREWINES

Beer underpin

MD Meyer Kahn is right to warn that government's latest austerity measures will affect the SAB group's sales and revenues this year, but it is a warning which should be seen in perspective Credit curbs are likely to cut into sales of furniture and consumer durables, but SAB's consolidated earnings remain underpinned by its beer and non-durables interests That alone should ensure a return on revalued equity does not fall drastically below the group's own 20% target.

The strength of that underpin became plain in the last financial year, when beer sales volumes rose by 9.5% in a liquor market characterised by a 2% decline in natural wine sales, a 1% increase for spirits and the first (fractional) increase in sorghum beer sales in many years Total malt beer sales of 18.5m hl remain way below sorghum beer's more than 20m hl with the scope for long-term growth is apparent.

SAB says it is not certain whether it would want to buy sorghum beer interests privatised by government - but that such disinterest should be taken with a pinch of salt If the State's traditional beer interests are sold SAB will be in the front rank of prospective buyers.

Malt beer's volume sales growth rate was lower than the previous year's 13%, but SAB continues to benefit from the shift in black drinking preferences away from traditional or sorghum beers towards malt beers The past year's small increase in sorghum beer sales could well reflect an enforced return to a cheaper drink by black South Africans, whose household budgets are being squeezed. But that was still accompanied by the rise in malt beer sales, leading to the view that even if the economic squeeze pushes black drinkers back to traditional brews, malt beer sales should continue to rise.

SAB itself is counting on that. Last year, the beer division spent R60m expanding capacity at the Rosslyn, Prospecton and Newlands breweries and on the new brewery at Petersburg. This year, more capacity is to be installed at a cost of about R560m - hardly the sort of planning which envisages any major sustained slowdown in volume growth. Group capital spending is budgeted at R900m against last year's actual spending of just over R1bn. Brewery expansion is being accompanied by expanded malting and hop-growing activities which will not substitute fully for imports but which should help protect the beer division from the rand's effect on import costs.

Kahn warns that the heavy capital spending on breweries will affect this year's return on assets - the entire capacity will not be utilised immediately, while additional depreciation and finance charges will boost the rand cost of each pint brewed. If that does eventuate, shareholders should not be tempted to sell their shares SAB, along with most of the other large blue chip groups, is unlikely to be displaced from its dominant market position. Slower earnings growth is forecast throughout the rest of the group as credit curbs and strained household budgets crimp consumer spending Amrel and Afool bluntly warn earnings will fall or, at best, be maintained and Southern Sun cautions that higher interest charges will outweigh an expected improvement in occupancy rates and that the losses of the local hotel operations will not be reduced significantly this year OK Bazars and Edgars both expect higher earnings despite slower consumer spending.

The expectation of lower earnings growth is unlikely to dampen SAB's appetite for acquisitions. Lion Match is already bedded into the group and forecasting higher earnings and the same goes for Do Gama Textile, largely acquired in the last financial year. The aim will be a continued rounding of the consumer-oriented enterprises.

Gearing should decline to an extent as the

SA BREWINES

Turnover Taxed Profit

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SA Breweries' Kahn ... austerity measures will hit sales.
Electronic trading nearer

One of the biggest obstacles to the introduction of electronic trading networks in SA is fast receding. SA Post & Telecommunications (SAPT) appears to have acknowledged that its prohibition of third-party traffic on networks is impractical and unreasonable. The regulations which outlaw companies from receiving and re-routing electronic information on behalf of customers are to be relaxed.

Telecoms director Alan Knott-Craig says SAPT now realises it can't dominate every market in the data communications industry and is keen to encourage third parties to set up value-added networks (VANs). He is confident the SAPT regulations which now prohibit third-party traffic will be changed before the end of the year.

SAPT would have regarded such sentiment as heresy only a few months ago. Knott-Craig admits the issue of third-party traffic — and the possible loss revenue from its data communications services — has been one of SAPT's holy cows for many years.

In the US and many European countries the provision and administration of VANs, which receive and deliver information for financial institutions, freight companies and retailers, among others, is one of the fastest growing sectors in the computing services industry. Far from siphoning traffic from national data communications networks, VANs are increasing demand for these services.

To ensure it benefits from any growth in data communications traffic, SAPT is likely to insist that all VANs are based on its Saponet-P network. SAPT runs three major data communications services — the Saponet-P packet switching network (the most popular service), the circuit-switching telex and teletex network and the Diginet high-speed, point-to-point digital transmission network. Companies wishing to carry third-party traffic on VANs using their own data communications facilities, based on satellites or leased lines, are unlikely to be well received by SAPT.

Under its current regulations SAPT only allows a handful of "common interest groups" with a fixed number of members to carry third-party traffic. This restricts companies from marketing VAN services. A notable exception to this ruling is Mailbank's Infonet service. In 1987, Infonet, the local agent for the international Infonet communications group, was granted a licence by SAPT which enables it to transfer, locally and internationally, messages and data files which have been stored in its central mainframe.

SAPT's decision to encourage the use of VANs is likely to pave the way for the introduction of full electronic data interchange (EDI) services. EDI enables data which adheres to standard formats to be transferred between organisations using dissimilar computers. Most of the VANs in Europe and the US are EDI-based services.

Customers send specially formatted data, such as messages, invoices, orders and receipts, to the computer at the hub of the VAN which stores the information and, when requested, sends it to the appropriate subscriber on the network. The ability to store and forward information gives the VAN a considerable edge over traditional point-to-point networks.

One of the key elements of any EDI service is a message handling system which can bridge different types of public networks. This enables data to be transferred not only between dissimilar computers but also to travel across dissimilar networks.

MAKING CONCRETE MOVES TO DIVERSIFY

The surge in demand for open (as opposed to proprietary) computer solutions based on the Unix operating system has drawn many people into what is now a heavily traded market. Few have come to it, however, from a less likely quarter than Cementon, which is a division of engineering group Cementon.

Why should such a company launch into what is becoming a cut-throat business? "The group is always on the lookout for new areas of growth," says Cementon manager Lorenzo Borrelli. "The idea of developing a computer division has been in the pipeline for over a year and we are intending to grow it gradually in a mature way."

Cementon has targeted the engineering, mining and construction sectors. Cementon, as a diversified engineering group, incorporates an electronics division and is associated with Trafalgar House Industries (THI) in the UK. "It was on the basis of this experience that we decided to start a computer division," says Borrelli. "Also, over the years, we have built up our own expertise in Unix within the group and if needed, will be able to draw on UK knowhow."

Products include the C-horse range of Unix computers and Wims maintenance software package which will be sourced from THI's ABS Computers (claimed to be the second largest supplier of Unix equipment in the UK). Borrelli says Wims has a definite place in SA. "We saw a gap, that there is very little use of maintenance packages in SA."

Wims' flexibility will, he says, enable users to tailor the package. Users include British Aerospace, BP Chemicals, Lyons Tetley, Unilever and London Transport. "Wims is suitable for any organisation that has building, plant or general asset maintenance requirements," says Borrelli.

The hardware aspect sprung from the group's perception that the Unix market is doubling itself every year in SA. "So we saw an opportunity there," he says. "There is now an existing base of ABS users and we will be offering a conversion to our Unix machines."

While the opportunity may be there for the seeing, it is at the top of a very steep hill.
Screw-tops knock price of wines

CAPE TOWN — Boland Co-operative Wine Cellars has introduced a new packaging concept to reduce costs.

The returnable 500ml screw-top bottle and cardboard container enables the co-operative to cut the costs of some wines by about 30%.

Two new white wines will be marketed by the co-op and sold at its two outlets in Paarl from 87c a bottle.
Possible takeover rockets shares 33%

EXPECTATIONS of a takeover of Cadbury Schweppes have seen the shares soar 38% in the past week to a high of R17.80.

Takeover talk in London of Cadswep parent Cadbury Schweppes Plc has driven the share up 14% on Throgmorton Street. General Cinema of the US is known to be a keen contender.

Such an acquisition is expected to result in the sale of Cadbury Schweppes Plc's 54% holdings of Cadswep in SA, where Anglo Vaal Industries (AVI), which has been on a strong acquisition path, is an interested buyer.

It is reliably understood that the UK group and AVI have an agreement that they will have first option to purchase the SA interest, should they come up for sale in an event of a takeover. The UK parent would not sell otherwise, as Cadswep is a large and profitable subsidiary.

AVI spokesman Ray Moore said yesterday that they would be keen to purchase Cadswep if the opportunity arose.

AVI has a 10% stake in Cadswep, a holding acquired for about R23m two years ago and worth about R60m today. AVI policy is not to hold portfolio investments, but to have a controlling stake.

Cadswep would fit in well with AVI's

KAY TURVEY

food division National Brands, formerly known as Avvak.

It appears AVI is also interested in Utco's snack food subsidiary Williams Food, should it come up for sale following the record £133m bid for Utco parent, British American Tobacco (BAT) in London.

Further, it is understood Cadswep is to buy a local, unlisted confectionary manufacturer. The balance sheet for the year to end December 1989 shows the group has

Takeover

plenty of cash with which to go shopping.

MID Peter Bester was unavailable for comment yesterday. However, chairman Alan Clark said: “Although there is nothing specific at the moment, this could change overnight. We are always on the lookout for acquisitions.”

Another bullish factor for Cadswep has been the strong performance of Amalgamated Beverages Industries (ABI), since its listing last month.

Cadswep holds 19% of ABI, which analysts estimate has added R8.50 to the value of Cadswep shares.

There is no doubt the market is currently rating Cadswep highly. On a PE of 24.4 times, the shares are trading at more than double the 16.2 food sector average.

Our London correspondent reports Cadbury Schweppes Plc's share price is up 14% at 415p, but is only following other bid favourites like United Biscuits and Rank Hovis McDougall.

There is no specific talk, but Cadswep has been on everybody's lists since Nestle beat Suchard to acquire Rowntree.
LIQUOR RESTRUCTURING (182)

A cocktail response

Government’s decision to end vertical integration (VI) in the liquor industry — which allowed wholesalers and producers to own their own retail outlets — has been given a mixed reception by the liquor trade.

The restructuring of the industry will form part of the new Liquor Act of 1989, which has been promulgated but not yet enforced. The main elements include

☐ The number of retail outlets that may be owned by an individual or group has been trebled from 12 to 36, and
☐ Starting from September, producers and wholesalers who own retail outlets have 10 years to get rid of them, at a rate of 10% plus one every year.

The concession to increase the number of retail outlets independent retailers may own will be welcomed — but not by those who have already whittled their operations down in accordance with government’s initial requirements.

Producers and wholesalers like VI — it generates extra cash flow and ensures a satisfactory take-off of their housebrands. It also gives them the muscle in retail matters.

Conversely, the major objection of retailers is that VI allows producers and wholesalers to push their own brands by offering them at reduced prices through their own outlets. Another is that they refuse to supply nearby competitors unless they take other products as well.

Independent retailers welcome the increase of the maximum number of owned outlets from 12 to 36. Their jubilation is not without cause — SA’s 1 600-odd liquor stores turned over R5bn last year.

Solly Kramer, director of Richard Dimitri, says “Government’s decision is the right one, providing the sale of outlets by the large groups is equitable. But, to be fair, no new licences should be granted while they are being sold off.”

The reaction of wholesalers and producers to the decision ranges from wholehearted acceptance to outright rejection.

Distillers Corp (formerly the Ou de Meester Group), which has more retail outlets than any other company, accepts it wholeheartedly. “We believe in the free market. Ending VI is healthier in the long run,” says a spokesman.

Rebel Discount Liquor Stores MD Trevor Peerman is “very disappointed” and cannot see why Rebel should give up a profitable part of its business. Rebel, a W&A Gilbeys SA subsidiary, lobbied for some time against the ending of VI, which exists all over the world. “In SA it has developed the liquor trade into a dynamic, modern business. Its elimination won’t serve the interest of the public.”

And, while Cape Wine & Spirit Institute director Riaan Kruger gives a flat “no comment,” (the institute has members on both sides of the fence), Douglas Green (DG) of Pearl MD Wellesley Bruton says “it is disappointing.

“Government allows producers and wholesalers 10 years to get rid of their retail outlets, which isn’t fair. It enables the big players to derive full benefit from the maximum number of outlets until the last day of the 10-year period.”

What irks him is that DG has been selling off its unprofitable stores and now has only 17 retail outlets left. But 10 years down the line, Distillers, which owns more than 200 outlets, will still have more than DG has now, “and these outlets will still be making worthwhile contributions.”

Fedhassu president David Wigley believes “it’s a step in the right direction. An industry is always healthier when there’s an arm’s length between its constituent levels.” But he thinks retailers should be allowed to own more than 36 outlets — to give them the clout to negotiate on equal terms with producers and wholesalers.

Predictably, Pick ’n Pay chairman Raymond Ackerman doesn’t like “this type of deregulation. Let the producers and wholesalers have their retail outlets and let the market decide what it wants. The most successful will survive,” he says.
Cadbury Schweppes
(South Africa) Limited

Interim report for the period ended 17 June 1989

- Profit after tax up 28%
- Earnings per share up 21%

<table>
<thead>
<tr>
<th>Consolidated income statement</th>
<th>24 weeks to 17 June 1989 (unaudited) R'000</th>
<th>24 weeks to 18 June 1988 (unaudited) R'000</th>
<th>52 weeks to 31 December 1988 (audited) R'000</th>
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<tr>
<td>Turnover</td>
<td>118 784</td>
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<td>Operating profit</td>
<td>13 364</td>
<td>10 964</td>
<td>32 017</td>
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<td>Financing costs</td>
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<td>1 755</td>
<td>3 211</td>
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<td>Profit before taxation</td>
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<td>9 209</td>
<td>28 806</td>
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<td>Taxation</td>
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<td>3 782</td>
<td>11 567</td>
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<tr>
<td>Earnings from associated company</td>
<td>7 123</td>
<td>5 427</td>
<td>17 239</td>
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<tr>
<td>Profit after taxation attributable to shareholders</td>
<td>2 878</td>
<td>2 398</td>
<td>5 605</td>
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</table>

Comments

Both turnover and operating profit increased by 22% compared with the corresponding period last year. Following the final conversion of 13.5% debentures and as a result of tight control of working capital, financing costs dropped sharply, leading to an increase in profit, and the increase in turnover. Earnings per share growth was lower at 21% because of the debenture conversion.

Cadbury performed strongly with new products and increased advertising support to stimulate consumer demand. Our investment in the Springer business announced in April has exceeded our expectations and we have included its profit contribution for the first time. Schweppes operating profit was marginally lower than in the first half of 1988 due to intense competition and poor weather at the beginning of the year. The poor weather also affected non-carbonated soft drink sales, the overall market declined and although Brunnot gained market share it was only able to record modest growth in profits.

Amalgamated Beverage Industries Limited ("ABI") increased its profit after taxation by 20% a very good result considering the adverse weather conditions. ABI was invested in The Johannesburg Stock Exchange on 28 June and its strong share price performance indicates the value of our investment.

With the conversion of debentures interest-bearing debt, net of cash and short-term investments increased by only R2,000 over the previous year.

We recently announced the acquisition of the owner of certain Rainscape conditions, of an 82.5% share of the Royal Penrith group. This broadens our range of confectionery products and opens exciting opportunities to strengthen our franchise with young consumers. Although the acquisition will not have a significant impact on our earnings this year it will have considerable long-term benefits.

We are seeing signs of a slowdown in the economy and we expect trading conditions to become increasingly difficult in the second half of the year. This may impact on our rate of growth, although we are well-positioned across the full range of confectionery and soft drink markets to benefit from changes in consumer buying patterns.

In view of the improved results the directors have declared an interim dividend of 80 cents per share an increase of 21% compared with 1988.

On behalf of the Board
A J L Clark Chairman P M Better Managing Director 26 July 1989

Declaration of Ordinary Dividend No. 39

Notice is hereby given that an interim dividend of 80 cents per share has been declared payable to all shareholders registered in the books of the company at the close of business on 15 September 1989. The share transfer register and register of members of the company will be closed from 16 September to 24 September 1989, both days inclusive, and dividend warrants will be posted on or about 8 October 1989. In accordance with the South African Income Tax Act (as amended) non-resident shareholders' tax will be deducted by the company from dividends payable to shareholders whose addresses are outside the Republic of South Africa.

By order of the Board
P J Fleming Director 26 July 1989

Transfer Office
Unieb Registries Limited
6th Floor, 94 President Street
Johannesburg 2001

Registrar of Companies

Quality • Innovation • Growth
Cadsweps improves interim profits by 21 pct to 28,8c

Finance Staff
Cadbury-Schweppes has been one of the top movers on the JSE over the last month.

Much of this reflects speculation about a take-over bid for the group's parent company in London, but it also mirrors Cadsweps inherent strength, which was confirmed by the good interim results released today.

Taxed profits for the 24 weeks to June 17 improved by 28 percent to over R10 million on a 22 percent rise in turnover to R158,8 million.

The growth at the earnings per share level of 21 percent to 28,8c was slightly lower as a result of the conversion of the 13,5 percent debentures. The interim dividend was raised by 21 percent to 8c.

The directors state that a range of new products continued to stimulate consumer demand.

Detailing the performance of the various divisions, the directors commented that the investment in the Springer business contributed towards profits for the first time, while ABI also increased its taxed profits.

"Schweppes operating profit was marginally lower than in the first half last year due to intense competition and the poor weather."

The directors expect trading conditions to be more difficult in the second half, as the economy slows down, "but we are well positioned across the full range of the confectionery and soft drink markets — recently complemented by the acquisition of Chapellat-Humphries — to benefit from the changes in buying patterns."

Severin rewards shareholders
Castro planned to bomb Oshakati

Staff Reporter

PRESIDENT Fidel Castro planned to bomb Oshakati at one stage during the Angolan war, according to information from Havana.

In an address to the Cuban Council of State on the war, Dr Castro revealed that the bombing raid had been planned so that his forces could emerge from the war with their honour intact.

If the South Africans hit his troop deployments, he said on June 7 last year in a cable to Major-General Arnaldo Ochoa Sanchez, chief of the Cuban military mission in Angola: “Do not wait for orders to carry out the attack.”

But the South Africans did not attack — and so neither did the Cubans.

— Fidel Castro’s story — Page 6

Brewery to open in Table Bay

Municipal Reporter

An independent brewery based in Knysna was granted a liquor licence last Wednesday to brew and sell beer in the Waterfront development section of Table Bay Harbour.

But the brewers are keeping quiet about it. Mr Lex Mitchell, owner of Mitchells Brewery, declined to comment yesterday and passed the query on to his manager, who in turn passed it on to the Victoria and Albert Waterfront Company.

No confirmation could be obtained from there yesterday, but another reliable source said the liquor licence was passed last Wednesday.

The operation is expected to be on stream by September or October this year.
SA Brews keeps pace with nation’s thirst

Car-buyers shift into low gear

By Don Robertson

RISING prices and more expensive petrol are likely to change car-buying patterns in the next few years.

Bulk car sales, such as those to the Government, are also likely to change.

In 1981, the price of a car represented 6% of an average white South African’s annual salary — today it is 9%. As a result, the life of a car is likely to increase and owners will probably keep them for longer.

In spite of these trends, car sales should grow steadily to the end of the century after a marginal decline this year.

Demand

Stephan Louther, managing director of Nissan Marketing, says the life of the average car will probably increase from about nine years at present to about 11 owners, who in the past kept a car for two or three years, will probably extend the time to four or five years.

The effect of this will be to increase demand for spare parts as motorists will take more care of cars from the time of buying and a trend to buy down.

Nevertheless, Mr Louther says SA has one of the highest ratios of luxury cars in the world in spite of price. But the price gap between big and small models will increase as Phase 6 of the local content programme becomes more effective.

By Ian Smith

SA Breweries is keeping pace with the great South African thirst — but only just.

The group, which has done much for investors since it was listed in 1997, spends about R600-million a year on increasing production capacity.

In the past 10 years its beer sales have trebled to about 3.5-billion litres annually.

But the group does not build up too much spare capacity. Beer division managing director Graham Mackay says: “At the current cost of new plant which might stand idle we would see an immediate reflection on the cost of the product.”

SA Brews is proud that although the consumer price index has risen by 14% in the past 10 years, it has been able to keep the average beer price increase to 8.5% a year.

The opening this week of a 170-million-litre-a-year brewery at Pietersburg — which produces 600 quart bottles of Lom and Castle every minute — does not change the scenario. It will require plant for a little while, but there is no huge surplus.

The R250-million project is the biggest in SA’s R1-billion expansion programme, which includes expansion at the Rosslyn plant, near Pretoria, at Prospecton in Durban, Newlands in Cape Town and Hinsdale in Alberton.

The Pietersburg brewery could be SA’s last greenfield development for a long time.

Planning is currently centred on the group’s non-breweries in South Africa and the operations in Botswana and Transkei.

Mr Mackay says: “We believe we have covered the country to the optimum. We plan to expand in our operations, but market demand will decide when it happens.”

SA Brew is “comfortable” with its production capacity, but planning is going ahead for the next 10 years. Plans are in place for the next five years.

A brewery takes three years or more to plan and build, but extensions to operations can be handled in half that time, says Mr Mackay.

Threats

Market predictions for consumer products are notoriously difficult, but Mr Mackay says SA’s forecasts of 7.5% to 8% a year growth have proved remarkably accurate.

He does not subscribe to the view that drinkers of “substance-based”, or sorghum beer, naturally move up to clear beer with a Castle or Lom label.

“We must continue the marketing campaign which has always been an important feature of beer sales if we are to continue to see our sales grow.”

That is good news for advertising agencies, television and the press.

So is the fact that SA’s per capita consumption of beer is only 50 litres a year compared with 140 in Germany, the Low Countries and Australia. But, believes he or not, Ause consumption is falling.

SA has no fears about external threats. It is among the world leaders in screening and top selling Castle is No 7 on the global list. It is also SA’s biggest-selling consumer product.

SA’s product grip on the market is almost total. Three competitors and expensive imports make up a fraction of 1% of total sales.

Former chairman Frans Cronje said at the opening of the Pietersburg brewery: “We have gone into the beer screen against strong opposition — local as well as external — and we have succeeded in gaining the upper hand and again we have emerged as victors every time we have gone into a match.”
New brewery soon to start production

Staff Reporter

The new brewery in the Waterfront development will produce its first beer “within a few weeks”, a development official said yesterday.

Mitchell's Waterfront Brewery, almost ready to open, would sell to the public and to pubs, restaurants and hotels, said Mr Carl Momberg.

The brewery had been in the planning since last year.

Its parent company, Knysna's Mitchell's Brewery, had been manufacturing successfully since 1983, said Mr Momberg, and had found its product popular enough to expand operations.

He said an independent local brewery had been seen as an important attraction.

A brewing licence had been granted this year and the equipment designed and manufactured locally.

At first, only Forester's Draught and Bosun's Bitter would be brewed, but a stout and other specialist beers would follow.

Mitchell's was not expecting any resistance from South African Breweries (SAB) and had received only encouragement from that company.
350 workers fired after buy-out

ABOUT 350 employees at the Sparletta Bottling Company, Johannesburg, have lost their jobs following a management buy-out.

Workers say they were not given prior warning of the buy-out. The first employees heard of the action was a week ago when they received notices telling them of the closure of the plant at the end of July and stating they would get their final payment on July 25. They were also told not to report for duty next week.

In a statement the Food and Bever- age Workers' Union said workers "rejected these unilateral decisions and have declared a dispute with management". Amalgamated Beverage Industries has taken over the company and offered workers a retrenchment package, notified workers of intended transfers and conditions of possible re-employment. Hennie de Villiers of ABI said the company had no knowledge of any such dispute.
New Liquor Act Spelled Out
Making waves

Wine merchants and wholesalers are thinking of combining forces to push the KKW towards adopting free market policies. While they won't confirm any formal discussions, there is more than mere coincidence in the similarity of trade objections to the status quo.

Trade spokesmen say they accept the KKW is a co-operative founded to protect the interests of wine farmers, but accuse it of tunnel vision. It is also blamed for the constantly rising prices and recurring shortages of good wine.

More specifically, they claim it's accountable for creating the situation where farmers can overproduce poorer-quality wine — and still get paid good prices for it.

But, while accusations fly, KKW remains subtly unaffected. Not only is it protected by a powerful parliamentary lobby, it has the sole right to establish farmers' wine quotas and minimum prices. KKW determines the surplus, exports it and pays farmers only when it knows what was realised overseas.

Another frequent trade complaint is that wine prices are set at artificially high levels by the KKW board, which consists of wine farmers.

Jacques Kempen, MD of the Cape-based retail liquor chain, Drop Inn, says KKW should peg the price of low-quality wine at its present level for the next 10 years. This will force farmers to plant better vines — or to switch to other crops. As a consequence, more better-quality wines will be available, making them more affordable. In time, the wine lake should shrink too.

Kempen criticises KKW chairman Pietman Hugo for even suggesting that natural wines be exported in bulk to reduce the so-called wine lake. He suggests that the surplus should, as in Europe, be sold at realistic prices out of barrels to consumers who bring their own bottles and jugs.

"The present system doesn't look after consumers," says Pick 'n Pay chairman Raymond Ackerman, whose group has 36 wine outlets. "And it sacrifices farmers because so much of their produce is sold abroad for less than they could probably get in SA. We should sell as much wine as possible in SA."

Distillers Corporation MD Michel le Roux says farmers do not produce enough good wines to satisfy demand — and the KKW system encourages them in their false belief that the market must accept whatever they produce. "The market should not react to what farmers produce, but farmers must react to what the market demands," says Le Roux.

"If their product is in demand, the price will go up. If not, it will go down. Distillers has to pay several rand a litre to get good Cabernet Sauvignon and Chardonnay. Some will prosper and some may go bankrupt or switch to other crops. Those are the hard realities of the free market system."

Checkers Deputy MD Serge Martinengo says a body should be formed to represent consumers at the KKW level. And "prices must be reduced, not to create a nation of alcoholics, but to get more people to drink wine."

The KKW insists it's doing a magnificent job for its 6 000 farmer members. And so it does — within limits. In other countries, farmers have found their own ways of getting rid of their surplus wine.

KKW chief communication executive Theo Pegel also insists it does not export surplus wine at a loss. But he refuses to divulge prices — so it is difficult to gauge whether prices obtained abroad are above or below the $28c/l absolute minimum price for wine in SA. Pegel points out that "farmers finance the risk of producing more than local demand."

That's quite a financial exercise. The KKW had 175Ml "available for export" last year. And this year's estimated surplus is 200 Ml or 21.8% of the total crop. A magnificent job? Or poor local marketing and pricing?
THE wine industry is moving into the 1990s fighting back against the problems which have beset it in the past few years.

Its strategy unfolded at a three-day event arranged by KWV this week where officials of the organisation explained the industry's structure and problems to media representatives.

The event itself was one element of the plan, to increase media understanding of an industry which often suffers from a lack of information.

Inherent to the strategy is reducing the surplus of production over domestic consumption, which in the 1988 season was 37.4 percent of the distilling wine pool.

Although this surplus, apart from buffer stocks, is all marketed, prices for the distilled products derived from wine are well below the floor price which affects income of all sectors in the industry.

As Mr Kobus van Niekerk, deputy chief executive of KWV said it was not possible to bring the people to wine, therefore wine had to be taken to the people.

To this end the Wine Foundation, an organisation representing producers and distributors established in 1988, has embarked on a major promotion campaign to expand the market for wine and find new customers.

Here there had been a swing away from sorghum beer to malt beer in the past two decades, said Mr Theo Pegel, chief personnel and communications executive.

The move, which had seen sorghum beer's market share drop from 49 percent to 33 percent while malt beer had grown from nine percent to 25 percent, was a natural one.

And as lifestyles changed, the foundation felt that people would add wine to their patterns of liquor consumption.

But research had shown a very low awareness of wine.

(See page 3)
200m dummies a year

BEER dummies will be produced at the rate of 420 a minute when Consol's computerised furnace gets into full swing at Clayville, Offantsfontein.

That makes 200m a year.

Consol expects large savings because the new bottle will weigh 15% less than the old model. In addition, this could lead to a rise in dummy sales. At the wholesale level, dummies are about 5c a case cheaper than cans.

Consol reported an increase in earnings of 28% to 103,3c a share in the year to June. Turnover added only 10% in that time, and the profit growth was attributed to a fine performance from manufacturing.

Consol is not pinning all its hopes on growth in beer and soft-drink sales, although these are expected to grow well. It recently bought Goodyear Tyre & Rubber for R175m.

Production has been hit at the Utshange plant where 1,200 members of one union are striking for disinvestment compensation of $7000 for every year's service.

The plant is operating at 60% capacity, 100 of the 1,200 having returned to work, plus 130 temporary workers and the 300 workers not belonging to the striking union.

The shares are $1.95, 15c off the June high, but more than double the low of September 1983 before the share split.
Wine industry ponders a strategy for survival

By Dick Usher
CAPE TOWN — The wine industry is moving into the 1990s fighting back against the problems which have beset it in the past few years.

The story unfolded at a three-day event arranged by KWW last week when officials of the organisation explained the industry's structure and problems to media representatives.

The event itself was one element of the plan to increase media understanding of an industry, which feels it is too often subjected to uninformed criticism.

Inherent in the strategy is reducing the surplus of production over domestic consumption, which in the 1988 season was 37.4 percent of the distilling wine pool.

Although this surplus, apart from buffer stocks, is all marketed, prices for the distilled products derived from wine are well below the wine floor price which affects income of all sectors in the industry.

Looking back to the past, which has seen annual wine consumption fall from 8.75 litres per capita in 1970 to 7.67 litres in 1988, Dr Groen de la Bat, KWW's chief executive, admitted "All of us could have done more in past years to promote wine."

But he pointed out that it was a long-term strategy to change people's drinking habits. In the medium to long term he was confident that this could be done.

The main problem, as outlined by several KWW executives at the event, was that throughout the world wine was traditionally drunk in the areas in which it was produced.

Thus, South African wine consumption was concentrated in the Cape where the average per capita use was about 16 litres a year, compared with about four litres a year in the northern provinces.

"In Australia, where national consumption was about 20 litres a year, 88 percent of production was consumed in the six main population areas, which were also the main wine growing regions," Dr Groen de la Bat said.

Kobus van Niekerk, deputy chief executive of KWW, said it was not possible to bring the people to wine, therefore wine had to be taken to the people.

To this end, the Wine Foundation, an organisation representing producers and distributors and established in 1988, had embarked on a major promotion campaign to expand the market for wine and find new customers.

There had been a swing away from sorghum beer to malt beer in the past two decades, said Theo Pegel, chief personnel and communications executive.

The move, which had seen sorghum beer's market share drop from 40 percent to 33 percent, while malt beer's share had grown from nine percent to 39 percent, was a natural one.

And as lifestyles changed, the foundation felt that people would add wine to their patterns of liquor consumption.

But research had shown a very low awareness of wine in the market and a marketing campaign to overcome this had been devised.

Mr Pegel said that with 60 percent of the foundation's budget going into above-the-line advertising projects, follow-up surveys had shown a 40 percent awareness level in the target groups which, he said, was very successful.

There had also been positive perceptual movement in the 35 to 49 age group.

The 40 percent of budget that went into traditional activities had, among other results, produced 926 minutes of wine exposure on television in the first half of 1989 compared with 692 minutes in 1988.

Export, the other area of possible expansion, posed severe difficulties for South African wine.

In traditional wine-drinking areas it was in competition with those areas' own products, while several markets have been closed by sanctions.

Because of sensitivity about South African products, the wine industry did not have high-profile marketing campaigns.

But in 1985, exports had increased by 20 percent in rand terms and KWW was confident that growth could be maintained.

Underpinning prospects for the future were changes to both main pieces of liquor legislation — the Liquor Products Act and the Liquor Act.

Mr de la Bat said these had been streamlined and simplified so that more matters were covered by regulation, rather than by legislation.

This meant that where consensus on any matter was achieved by the industry, regulations could be altered by the Minister, but did not necessitate changed legislation being passed by Parliament.

KWW executives said that while this followed the national trend towards deregulation and privatisation, it also reinforced the industry's self-regulation under which it had operated since 1918.
Suncrush shareholders celebrate spritely results

SHAREHOLDERS in softdrink manufacturer and marketer Suncrush should be happy with the group’s continuing bubbly results for the year to end-June.

The bottler and distributor of Coca-Cola, Fanta, Sprite, Krest, Schweppes and Sparletta has continued to perform above expectations by posting a 22% rise in earnings to 82c (60c) a share.

And directors have declared a final dividend of 175c (145c), boosting the dividend for the year by 22% to 259c and leaving cover at 3.3 times.

The results place the tightly held and buoyant share currently at a high of R110 — on a dividend yield of 2.3% and a p/e of 13.3 times, versus sector averages of

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<th>BRENT MELVILLE</th>
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<td>3.5% and 14.7 respectively</td>
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The performance should be no surprise to shareholders. The group has shown historically impressive growth over the past five years with earnings a share increasing by an average annual compounded rate of 21.2% and dividends by 20.4%.

Investments

Operating profit increased to R43.7m (R36.3m) in line with the increase in turnover of 21% to R277.1m (R228.6m) — leaving margins virtually unchanged at 15.7%.

Income from investments showed the largest growth leap by 86% to R4.7m (R2.6m). Total investments by the group are valued at R36.2m (R29.8m), with its market value at R81m.

However, finance costs also jumped — increasing by 81% and topping off R3.6m (R2.2m). The heavy charges resulted in a pre-tax profit increase of 23% to R45.1m (R39.7m) and an equal rise in after-tax income to R23.1m (R18.8m).

On the balance sheet, gearing decreased to 17% (24%) and the current ratio increased slightly to 1.11 (1.1). The group’s capex for the period was R10.8m.

Suncrush’s main shareholder, Daly’s, increased attributable profit by 21% to R10.8m (R8.8m), translating into earnings of 95.7c (76c) a share.

A final dividend of 14.5c was declared bringing the total dividend for the year to 21c — covered 4.6 times.
Union Wine's interest charges soar

Operating profit showed an admirable 40.5% rise to R10.6m from R7.5m, indicating improved margins.

However, interest paid soared by 65.5% to R7.6m from R4.6m.

The company is still on a minimal tax rate.

Chairman Jan Pickard says in the preliminary report that the results are viewed as positive as the group has continued to expand its market share in a static wine and spirits market.

He says Union Wine is currently laying the foundation for real growth in sales and profits through product development, expansion of facilities and investment in human resources.

A positive factor in the leap in Union Wine's operating profit, but cash flow is likely to be restrained to some extent until borrowings for its large capex on expanding the Wellington production facility are reduced to a level where it will not hurt the bottom line.

New products, such as cream-based aperitif wines, should help sales volumes in a static market.

The shares are currently trading at 93c well off the low of 75c in June this year.

The share reached a high of 110c in February.
Dear money hits Union Wine

By Derek Tomney

Now that interest rates appeared to have peaked, it seems that investors should now start looking for shares of companies which should benefit from the expected drop in the cost of money in the next year or so.

One company which appears to be in this category could be Union Wine.

It made good progress in the year ended June, increasing its income before interest by 40.5 percent to R16.6 million from a turnover increase of 13 percent.

As the directors point out, Union Wine has grown in a static wine and spirits market. However, a 66.3 percent jump in interest payments to R7.6 million resulted in profit before tax showing a negligible increase of 1 percent to R3 939 000.

Tax was a minimal R2000 (R1000) and the conversion of preference dividends into ordinary shares resulted in earnings for ordinary shareholders rising 14.9 percent to R2.5 million. But the increase in the issued share capital resulted in earnings a share remaining unchanged at 13.3c.

An unchanged dividend of 5c has been declared.

The directors say they are laying the foundations for real growth in sales and profits.
SAB WAGE TALKS

Edging closer

If there is a lesson to be learnt from the current wage negotiations between SA Breweries and the Food & Allied Workers Union (Fauw) it is that, unless the unions are prepared to go for broke, there seems little point in making extremely high pay demands.

After almost three months of haggling the union has dropped its demand for R10/hour to R6.50/hour.

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The possibility of an agreement being reached has improved after last week's concessions on both sides. On Friday SAB made a final offer of R5.45/hour. This is up 75.3c (16%) from the current R4.70.

SAB says the union's initial overall demand amounted to 300% including ancillary benefits.

Thus far the talks have been characterised by much across-the-table fist-thumping on the part of the union — and threats to seek fresh mandates from union members — while SAB has adopted a position of refusing to be "milked" simply because it is a progressive employer.

The company has also accused the union of wanting to extend the negotiations into the peak summer season when demand for beer is high, playing on fears of a "dry" summer.

SAB human resources director Rob Childs says SAB's minimum wage, taking in the current final offer, is R1 063 a month. Public affairs manager Gary May says SAB is among the top three payers in the food industry. "It is against this backdrop that we reached a breakdown. If we were notiously low payers, the situation would be different."

The union denies it has been stalling and blames the company's intransigence for the deadlock.

National organiser Rajen Naicker says Fauw based its demands on SAB's current profitability and the needs of its members. He says an agreement reached with SAB is significant because it tends to set a trend for food sector wages.

Union members are also threatened by diminishing annual increases. They also feel a need to assert themselves or to be "trampled."

The union has until Monday to accept SAB's final offer or lose out on an offer to backdate it to July 3.

During the second of two conciliation board hearings last Friday, the union also dropped its demand for 12 weeks' bonus leave to six weeks, and cut by half its demand of four weeks' maternity leave.

Both parties are to return to mediation started three weeks ago.
First brewery in dockland rolling out the barrels

By GERTRUDE COOPER

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

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

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

Licence

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

Mitchell’s will brew under licence and to quality standards the traditional beers that have popularised Lex Mitchell’s Kayena Brewery.

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

Partners in the venture are Don Bell, ex-brand development manager for Gilbey’s, Ian McClennaghan, the previous owner of the Bungalow Hotel in Butterworth, Tranekei, Michael Whittams, professional consulting brewery engineer, consulting engineer Athol Mitchell, and Eric Elley, Outshoorn farmer and racehorse breeder.

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

Specialist wines

In contrast to the highly efficient kitchen equipped with the most modern cooking and cooling facilities, food will be traditional and, because of its situation, fish will feature prominently. While neighbouring Mitchell’s brews will be available, together with other beers, the tavern management are also making it a source of unusual and specialist wines.

Major partners in the venture are Allan Bell, retired chairman of Gilbey’s, Ian McClennaghan and Mike Scholtz, previous owner of Opener’s in Rondebosch.

Plans for a 15-minute shuttle bus service from the City to the docks site are under discussion.
New brewery opens door into the past

By JOCELYN MAKER
Weekend Argus Reporter

A step into the past was made when the doors of a traditional brewery and tavern were opened in the heart of Cape Town's historical old harbour area.

The venues, which are situated in a beautifully restored stone building dating back to 1877, are part of a R175-million project which was recently announced by Victoria and Alfred Waterfront Development to revitalise Cape Town.

Mitchell's Waterfront Brewery and the Ferryman's Tavern, which opened last night, have combined history with the traditional art of brewing.

The character-filled Tavern is set in the turn-of-the-century style which blends perfectly with the rough Cape bluestone and heavy timber features.

Homeliness

It has the ambience and homeliness of an old English tavern although the fare offered is decidedly different and more interesting than usual.

Welsh rarebit, bobotie, snoorvis and "drunken beef" are just a few from a wide choice on the menu.

The brewery under licence brews to the most exacting quality standards which made Lex Mitchell's beer of the Kayusa Brewery so popular.

Initially Bosm's Bitter and Forester's Draught is being brewed but Raven's Stout and others will follow.

Tours will be run daily showing how Mitchell's beer is brewed. Tasting the freshly brewed beer is also part of the attraction.

The brewery will also supply beer to a limited number of licensed pubs, restaurants and hotels within the greater Cape Town area.

The distribution will gradually be extended as the capacity is increased.

Selected wines from major producers and exclusive estates are also available.
Distillers ready to generate good earnings growth
Wrangle over whether SA whisky is ‘Scotch’

CAPE TOWN — Whisky blended and bottled in SA is at the centre of a legal wrangle in the Supreme Court between major liquor firms after allegations that the blend was being passed off as genuine Scotch whisky.

Evidence was that Macleans Gold Label was a blended 10-year-old whisky, with 95% of the contents being South African grain spirit.

Whisky producers William Grant & Sons and Jutterum & Brooks are suing Cape Wine and Distillers, the Oude Meester Group, Castle Wine and Brandy Company, E K Green and Company, Distillers’ Corporation and William H Maclean and Sons and want to stop the manufacture of the whisky under the name Macleans or any other which might give buyers the impression that the blend is Scotch whisky.

More than 20 bottles of various brands of whisky were in the court room and six stood on the Bench, presided over by Mr Justice H L Berman.

Prof Nina Overton, a communications lecturer at the Rand Afrikaans University, said Macleans would give people the impression that it came from Scotland because of its label.

Overton said certain graphic elements on the bottle, a red and green coat of arms which looked British, and the name MacLeans, which had a Scottish connotation, were the most effective visually.

Blended

The text which followed was less effective and was longer than 11 words.

She said research had shown that a paragraph longer than 11 words would not be read fully by many people.

“It is my feeling that a substantial amount of consumers would not read the text,” Overton said. The text stated that the whisky was produced in Scotland, that it was a Scottish malt whisky and SA whisky and that it was blended and bottled in SA.

She said the label did not state that the whole contents originated from Scotland, but the entire visual effect of it “implied that it was Scottish”.

Cross-examined by Advocate C Puckrin (SC), for the defendants, she said many people associated whisky with Scotland and that people could think that a brown liquid in a bottle with simply “whisky” on the label was from Scotland.

She also agreed that there were Italian foods and French perfume made in SA, “but if it’s misleading then it’s wrong.”

“One must look at the whole reputation of the product and whether it was always associated with a certain country.”

Overton also said that although whisky came from other countries, like Canada and Japan, the MacLeans label would confirm the buyer’s idea that it came from Scotland.

She said that if she saw a Swiss scene on a dairy product, she would not assume that the product was imported “because we have enough cows here.”

The hearing continues on Tuesday.
Cosatu praises 'watershed judgment'

Overtime: Choice lies with workers

JOHANNESBURG — Cosatu has lauded as a "watershed judgment" a decision by the Appellate Division of the Supreme Court to uphold the right of workers not to work overtime.

In its decision handed down yesterday morning, the Appellate Division in Bloemfontein ruled in favour of the Cosatu-affiliated Food and Allied Workers' Union (Fawu) and found that South African Breweries (SAB) could not force workers to work overtime if they were not contractually bound to do so.

A year ago, SAB took the union to the Supreme Court here, but lost the case. The company then appealed to the Appellate Division. "Under the common law, no employee can be directly or indirectly compelled to perform work he is not contractually obliged to do, no matter whether in refusing to do such work he acts individually or collectively with others, and irrespective of the reason or purpose for such refusal," said the judgment.

The court said this right not to work overtime was an important weapon workers possessed in the bargaining process.

Cosatu said the watershed judgment "vindicates our position on the overtime ban."

"The decision to call a national overtime ban taken at the second Workers' Summit was taken against the backdrop where the majority of workers are disenfranchised and many members victimised through the new LRA (Labour Relations Act)."

Cosatu said it wished to warn employers who threatened legal action to heed yesterday's judgment.

Earlier, SAB said the ruling highlighted a loophole in labour legislation.

"We believe that any collective refusal to work, including voluntary overtime, to induce an employer to meet a union demand, should be preceded by negotiations and conciliation," said Mr. Adrian Botha, a company spokesman.

"We hope the labour law will be amended in the interests of labour peace. We also hope that until it is amended, trade unions will agree to negotiate and conciliate before invoking overtime bans." — Sapa
CAPE TOWN — The producers of Macleans Gold Label Whisky have conceded to an interdict against their advertising of the product in a way which suggests that it is pure Scotch whisky, legal counsel told the Cape Supreme Court yesterday.

However, the question of unfair trading by "passing off" the blended spirit as Scotch whisky, and of damages is still to be decided by the court.

In argument before judgment, Mr C Puckrin, SC, for Cape Wine and Distillers and the other defendants, said it was improper of the complainants, William Grant and Sons and Jutemn and Brooks, to "drag up" the question of advertising to "colour their argument" after they had agreed to the interdict.

The issue was whether the label was misleading or not and whether this had resulted in damages.

‘11 YEARS HAD ELAPSED’

The case was "truly remarkable", both on facts and argument, because some 11 years had elapsed before the applicants had taken legal action and this was "more than passing strange".

The Scotch Whisky Association, which is backing the complainants, wished "to exercise a monopoly on Scots-sounding names when used in relation to brown-coloured grain spirit," Mr Puckrin said.

He contended that three lay witnesses who testified to having been misled by the Macleans label had, in fact, been confused by the word whisky on the bottle as the word had become synonymous with Scotland.

"The confused, like the poor, will always be among us," Mr Puckrin told the court. He said it was not enough for the applicants to allege they had suffered damages and they had not proved this, although they had had 11 years to do so.

Mr SA Inlier, SC, for the applicants, yesterday argued that everything about Macleans, from the name, colours on the label, crest, advertising and point-of-sale marketing emphasised the Scottish content to the exclusion of the South African component.

The hearing continues.
Bevcon’s listing strips interest from Premier

The listing of Beverage and Consumer Industry Holdings (Bevcon), the details of which were announced yesterday, will strip a 33.3% indirect interest in SAB from Premier’s core.

The listing is part of the reorganisation of Premier’s operations involving the disposal of Premier’s interest in Gemh (the sole asset of which is its holding in SAB) to Bevcon and a concurrent R280m rights offer.

In terms of the Bevcon listing, 71 million shares are to be issued directly to the ordinary shareholders in Premier pursuant to a capital reduction in Premier.

**Discounted**

As the Gemh holding in SAB consisted of 90.6 million shares, each Bevcon share effectively represents 1.32 SAB shares.

Bevcon will be listed in the Beverages, Hotels and Leisure sector of the JSE on Monday.

**BRENT MELVILLE**

The rights offer involves the issue of 11 new ordinary shares for every 100 held to shareholders for a discounted R40 each.

This compares with yesterday’s close of R42.05 a share.

And the offer, expected to raise a pre-expense total of R281.1m through the issue of slightly over 7 million shares, has been 99.6% subscribed.

Premier Chairman and CEO Peter Wrighton says the proposals were made in order to facilitate the development of its core businesses and reduce the existing level of borrowings.

Had the deconsolidation been reflected in Premier’s results for the year to March, retained earnings of associated companies would have been cut from R104.6m to R80.6m.

The move would also have dramatically affected gearing which would have sat at a ratio of 0.71 as opposed to the SAB-included 0.151 reflected at year end.

After the R280m raised through the rights issue, Premier will show a gearing ratio of 0.21.

**Dividends**

Wrighton says that since Bevcon is to carry on the business of an investment holding company, it is intended that the total income received from its investment in SAB will be distributed to shareholders.

On pro forma Bevcon received R78.5m (R61.7m) in dividends for the financial year to end March, with its equity-accounted share of attributable earnings in SAB totalling R94.6m (R78.5m) — off SAB’s bottom line performance for the year of R100m.
Court must decide on whiskey claims

Staff Reporter

Producers of genuine whisky backed by the Scotch Whisky Association (SWA) are alleging in the Cape Supreme Court that the manufacturers of Maclean's Gold Label — a blend of Scotch, malt whisky and South African grain spirit — were passing it off as genuine Scotch.

In legal argument before judgment in the civil case, Mr S A Cillier SC told the court the producers of Maclean's had made a false claim for their product, which prejudiced its opposition.

Whisky producers William Grant and Sons and Justerini and Brook (J & B), backed by the SWA, are suing Cape Wine and Distillers, the Oudeneester Group, Castle Wine and Brandy Company, Distillers Corporation and William H Maclan and Sons.

They are asking for an order to stop the manufacture of Maclean's under that name and to stop advertising and distribution of the product. There is also a claim for damages

STILL TO BE DECIDED

The producers of Maclean's had conceded to an interdict against their advertising in a way which suggested that it was pure Scotch. Mr Justice H L Berman Cape Supreme Court heard.

However, the questions of unfair trading by “passing off” of the blended spirit as Scotch whisky and of damages are still to be decided by the court.

Earlier there was evidence the whisky was named after the then marketing director of Oude Meester, Mr Pieter Maclean, and after his son William Henry.

Mr Cillier said everything from the name, the colours on the label and the point-of-sale marketing emphasised the Scottish content to the exclusion of the South African component.

An expert witness, Dr Nina Overton, said the small lettering on the Maclean's label was difficult to read.

In legal argument before judgment Mr C Pockn SC, for the other defendants, said it was improper of the complainants to “drag up” the question of advertising after agreeing to the interdict. The issue was whether the label was misleading.

The case was “truly remarkable, both on facts and argument, because some 11 years had elapsed before the applicants had taken legal action”, he said.

The hearing continues.
BUSINESS

With the right mix sorghum beer may brew up a profit

By ELAINE COSSER

THE sorghum beer industry is set to be privatised in a manner beneficial to black interests. But given the dearth of capital and skills among black people it is not clear yet whether this traditional and lucrative industry can — belatedly — come home to roost in the black community.

In February this year Chris Heunis, then minister of constitutional development and planning, pledged that the industry would be privatised with a view to stimulating black business.

Sorhghum beer industry, which accounts for more than a third of South Africa's alcohol beverage sector, has been controlled by the state in varying degrees since 1908. Privatisation has been under consideration since 1984.

National African Chamber of Commerce president Dr Sam Motsuenyane has long called for control of the industry to be diverted to black business because it is a traditional industry. Negotiations between the state and potential operators, including Naace, have taken place.

The government has meanwhile given control of the sorghum beer industry to the Industrial Development Corporation. An IDC-controlled company known as the National Sorghum Beer Company has been launched and is intended eventually to provide the vehicle for privatisation.

Industry sources say it is likely the industry will remain under the IDC until some suitably skilled black people are trained to take over.

According to Dr CF Scheepers, chief executive director of constitutional development and planning, "existing management and entrepreneurial skills will be retained and even further strengthened".

In the absence of ready-made black business power to take over the industry, privatisation is being keenly watched by likeminded competitors.

South African Breweries took a stake in the sorghum beer market in 1983, arguing with the manufacture of sorghum beer in Ciskei and subsequently establishing interests in Botswana, Swaziland, Zimbabwe, Gaborone and Venda.

SAB is ready to take over the privatised industry. But if black business is to be the first beneficiary it may not be able to step in. The privatisation of sorghum beer is unlike that of any other industry currently before government, because the industry's roots are in the financing of apartheid.

And the once profitable industry is on a delicate financial footing. Sales of the traditional beer provided a major source of finance for township development in the past. Legal brewing was confined to municipal beer halls, where the township administrations reaped the profits.

Municipal monopolies peaked nationwide during the 1960s. Annual profit reached almost R3 million in Johannesburg in 1968 and went to pay for the running of townships. Sorghum beer profits yielded 60 percent of the West Rand Administration Board's revenue.

Essentially, profits from sorghum beer relieved white ratepayers of the "burden" of financing black development.

But consumption of sorghum beer declined once the prohibition on the sale to and consumption of "white" liquor by blacks was withdrawn in 1962 and the industry made losses for many years.

The government attributed this to the earlier fragmented control of the industry and to "unrest".

Under the new IDC management the industry is no longer making a loss. Output of the 23 government-owned plants has risen although the plants are running below capacity.

According to Scheepers, before the IDC assumed control plants were running on average at 40 percent of capacity this has improved to between 50 and 60 percent.

Whatever form privatisation takes, the government is anxious that the growing profitability of the business is not lost.

Scheepers notes that the industry is a fiercely competitive one despite the current monopoly, because sorghum beer must compete with other liquors as well as with sorghum producers in the self-governing states and TBVC areas.
Suncrush expects small profit

DURBAN — Suncrush expects a modest increase in profit for the year starting July 1, chairman Robin Hamilton says in the annual report.

A major investment will be R21m for a new bottling plant at Ladysmith.

Since installing a similar R15m plant at Richards Bay in 1983, the effects of duties, taxes, inflation and the rand's decline have seen the price rise to about R17m.

Hamilton noted that the "simple and workable answer to the problem of the debasing effect of inflation on traditional accounting information" had to be a clear understanding of, and constant attention to, cash flow.

He did not believe that the JSE should make some form of inflation accounting mandatory, but some form of accounting for rising costs would be useful and it would be gladly provided to shareholders.

Hamilton said the high gearing of Kiliburana Botling meant no dividends could be expected in the short term and "the selling price of the holding in this company will be determined as a multiple of earnings at the appropriate time".

Income from investments in SA Beverage Canners and Amalgamated Beverage Canners is expected to rise from R600 000 to R650 000 and to yield about 12c per share.

The chairman expects that the 1.5l returnable plastic bottle will probably be test-marketed early next year.

Workers have been helped to obtain housing (42% compared with last year's total of 547), despite bureaucratic delays in land provision and "in some cases downright dishonesty".

Suncrush turnover increased by 17.5% in the second half of the financial year, to June 30, as a result of unfavourable weather in January and February and the imposition of sharply higher excise tax in March.

Full year growth was 21% with after-tax profit at R22.5m (R19.6m), earnings a share were 82c (69c), which included a growth in investment income from 58c to 98c.
Chemical plant takes first step

COMPANIES

**BRITISH FLAT-WORKS LTD.**

The flat-works process, aimed at producing a flat sheet of glass, has been developed by British Flat-Works Ltd. The process is designed to be environmentally friendly and energy-efficient. The company has invested significantly in research and development to optimize the production of flat glass sheets. The first phase of the project is expected to be completed by the end of 2022.
For what was originally Oude Meester Group, now read Distillers Corp When Cape Wine & Distillers (CWD) was formed in a pooling of interests by Oude Meester, the KWV and SA Breweries' SFW, it was generally held that it would constitute at least an oligopoly if not a monopoly.

Distillers MD Michel le Roux says this was not the case. But the perception persisted and was the cause of the group being split up in November 1988 and reverting to independent entities, one of which is Distillers, the original Oude Meester.

At the time of the split, principal shareholders were Rembrandt Group (30%), KWV (30%) and SAB (30%). The public held 10%. Le Roux believes this is still more or less the position, though Rembrandt and KWV have put their stakes into RembrandtKTV Investments (also a listed company).

Management control lies with Rembrandt by agreement of the principal shareholders. Le Roux, whose first job was with Oude Meester 17 years ago (he has been with the company ever since), reflects that "in management terms, nothing has changed.

When we integrated with CWD no rationalisation took place. Now that we are back on our own, nothing has changed. We always have and still do compete on an arm's length basis with the rest of the industry."

Distillers contributed 64% of CWD's taxed earnings profits in 1987. It has been a quietly remarkable performer.

In 1985-1989 turnover grew by an average of only 11.5% (actual figures are not disclosed), but operating income, EPS and attributable earnings (before "additional depreciation") grew by a compound 26%.

Comparing 1989 with 1988, the only years for which detailed figures are available, pre-interest profit rose 30% and taxed profit and EPS 28%.

Apart from a R10.8m year-end overdraft which, says Le Roux, was a temporary expedient that will be liquidated this year, there is no debt of consequence. This partly explains the unusually high shareholders' interest, which, Le Roux points out, would be even higher on current cost accounting.

He maintains that, in an industry which has to mature stock over years, results are unfairly penalised both by the Receiver's share of profits and by generally accepted accounting practice. This is the reason for additional depreciation.

Le Roux sees no reason why the growth...
Toco purchases extend strategic holdings

TOCO Holdings has increased its strategic holdings in Vitrex and Premier Chemical Industries through buying Pride Consultants' and Columbia Consultants' remaining indirect holdings in the two businesses.

Toco has acquired from each of the vendors their 20% holdings in the loan accounts to East Rand Chemical Holdings for nearly R3.3m, to be settled by the issue of 1.84-million Toco shares at 89c.

This brings Toco's holding in East Rand to 80%. East Rand has a 40% interest in Alzac Holdings, which owns 100% of Vitrex and 60% of Premier.

Vitrex makes vitreous enamelled steel composite panels, while Premier is the dominant manufacturer in southern Africa of synthetic body fillers for the automotive refuelling market.

Toco's holding in Vitrex goes up to 40% from 24% and that in Premier increases to 24% from 14.4%.

Vitrex and Premier are expected to contribute meaningfully to Toco's earnings growth in the current year and in future years.
JOHANNESBURG. — About 1 500 striking transport workers have been fired in the past week, while at least another 18 000 workers remain on strike in a range of industries across the country.

On Monday, Cargo Carriers fired 1 000 workers on a national strike who ignored a return-to-work deadline. The strike followed the dismissal of 280 colleagues.

Last week 500 workers at Interstate Bus Services in Bloemfontein were fired after striking over "unfair" disciplinary measures and alleged corruption in the firm's pension fund.

The Transport and General Workers' Union said the companies had agreed to meet union officials over the dismissals.

Describing this as a "breakthrough", the TGWU said Cargo had earlier insisted on talking at Industrial Council level only. — Sapa
5 000 SAB workers strike after dispute

By Drew Forrest

A national strike involving more than 5 000 employees of South African Breweries erupted yesterday following a protracted wage dispute between the Food and Allied Workers' Union and SAB.

More than half the beer division's workforce downed tools at seven of the group's 11 breweries and 15 of its distribution centres.

SAB's human resources director, Mr Rob Childs, said as a result of stockpiling and the implementation of contingency plans the company would be able to meet demands for beer.

He added, however, that distribution in some areas, particularly the black townships, was likely to be problematic.

Mr Childs said management had offered a "fair" minimum wage increase of 16 percent, as against the Fawu demand for a 38 percent minimum wage rise and a total package amounting to 150 percent.

Mr Childs also confirmed that because of sit-ins by workers, the company had applied for interdicts ordering strikers to vacate strike-bound breweries. All the sites had been peacefully cleared, he said.
A national beer drought is looming following a strike by between 3 000 and 4 000 South African Breweries workers. The strike is one of several involving more than 20 000 workers in different sectors throughout the country.

The SAB workers were due to down tools on Thursday after attempts at mediation failed to resolve a dispute between the company and the Food and Allied Workers Union (Fawu). The dispute was declared on the second day of annual wage negotiations when the company presented a set of demands which Fawu claims would seriously impede the union's ability to take industrial action.

The workers have called on the community and unions to support them.

Another 3 000 Fawu members are on strike at the milling, feed and oil divisions of Premier throughout the country.

The workers downed tools last Thursday after wage talks deadlocked the previous day.

They are demanding an across-the-board increase of R2.50 a week.

The company has offered R2.80 to milling workers, R2.84 to Epco workers and R2.75 to Epol workers.

The workers are also demanding that the agreement cover Tanda Milling, a Premier subsidiary in the Transkei.

Meanwhile in Atlantis, sources said that an industry-wide workstoppage is due to take place today.

The stoppage is in support of more than 400 motor workers who have been on strike at the ADE factory for about three weeks.

The strikers are demanding an increase of 90 cents or 24 percent.

Management is holding out for 15 percent or 36 cents.

A spokesperson for the National Union of Metalworkers of South Africa (Numsa) said management had given the strikers until Friday this week to return to work or face dismissal.

Community leaders last week delivered a letter of protest to the company and several demonstrations have taken place outside the factory.

The Numsa spokesperson said local schools and sports organizations sponsored by ADE have threatened to return the company's money.

He denied company claims that most strikers have returned to work.

A company spokesperson said management had warned workers that they would not have their increases backdated to July if they returned to work.

About 180 workers are also on strike at the National Panasonic factory in Parow Industrial.

More than 10 000 members of the Chemical Workers' Industrial Union and the National Union of Mineworkers in the Transvaal are also on strike.
Strike by 5,500 at breweries

By DICK USHER
Labour Reporter

A NATIONAL wage strike, so far involving about 5,500 employees, has begun at South African Breweries.

Plants in the Transvaal, Durban and Bloemfontein went out yesterday, and the Cape Town operation joined the strike today.

The company is in dispute with the Food and Allied Workers' Union over wage demands.

According to a SAB spokesman, the union "demands totalled more than 150 percent in compensation" including a 38 percent increase on the minimum wage.

Against this the company offered a 16 percent across-the-board increase.

MINIMUM WAGES

The spokesman said this would bring minimum wages at SAB to R1,063 a month.

Union spokesmen in Cape Town were not available late yesterday, but it is understood that SAB operations in Cape Town — the brewery at Newlands and the Pinelands depot — joined the strike today.

The spokesman said operations affected in Transvaal were breweries and depots at Isando, Alrode, Rosslyn and Pietersburg.

About 5,500 out of 12,500 employees were on strike.

He said contingency plans were in place and the company was confident it would meet the demand for beer.
SAB strike turns into court battle

Pretoria Correspondent

The strike by more than 5000 South African Breweries workers — which erupted on Wednesday following a protracted wage dispute — turned into a legal battle in the Pretoria Supreme Court when SAB approached the court to obtain an interdict.

This follows a series of countrywide strikes by Food and Allied Workers Union (Fawu) members which affected breweries in Isando, Alirode, Roslyn, Pietersburg, Durban, Cape Town and Bloemfountein.

Mr Justice Kriegler granted an interim interdict late on Wednesday, evicting striking SAB workers from SAB premises.

The workers were also interdicted from attending any SAB premises, save for the execution of their duties.

They were further ordered not to intimidate or assault any SAB employee who returned to work.

In an affidavit Mr Andries Hendrik Jooste, SAB's industrial manager for the northern Transvaal and the Free State (beer division), said the brewery had a contingency plan which incorporated the use of casual workers, but if the strikers were allowed to intimidate these people it could foil the contingency plan.

Mr Jooste said the strike resulted from a deadlock in wage negotiations which started in May this year.

Mr Justice Kriegler ordered Fawu and the striking workers to show cause on November 7 why a final interdict should not be made against them.
Beer shortage as strike bites

By CHARL de VILLIERS
Labour Reporter

BEER supplies in the Peninsula could run dry by next week as a strike by SA Breweries workers spreads.

Most larger outlets exemptions late yesterday seemed confident that SAB could outlast the weekend, but the outlook for next week seemed dry.

The strike follows the legal strike by 800 SAB workers who refused to work yesterday in their demand for a R1,60 wage hike.

Seven plants and 15 distribution centres - including the Newlands brewery and Pinelands depot - were still strike-bound yesterday, three of which were hit by members of the Food and Allied Workers Union (Fawu).

'Customers mad'

Bottle store managers reported a widespread shortage of beer, empties - in some cases of supplies and concern that a beer drought might grip their industry.

'Kicking sellers' fears of the looming beer drought, Garden bottle store manager Mr. Farrell Brown said: 'Beer - whether it be pints, quarts or cans - is very low and I had to arrange a special drop.'

'Next week? Where I've received no complaints yet, but stocks will never last.'

While some city hotels and bottle store managers had stocked up beer supplies for hearing 'rumours' of a strike and 'rip-off' from agents, others were caught unawares.

Customers are mad, city centre bottle store manager Mr. Brenda Abrahams lamented last night.

Like a number of other outlets in the city, the northern areas and southern suburbs, Mr. Abrahams's store had not received its scheduled drop of beer supplies on Thursday, leading to a shortfall of 8,000 litres.

'Loss situation'

The manager of a large retail liquor chain in Bellville said that, barring hotels and clubs, no SAB brand pints (40cl bottles) were available to city outlets. Those who had received word of the breweries' strike immediately arranged special unscheduled drops by the beer giant, and others were making use of SAB's offer to fetch supplies themselves.

A Fawu official said strikers remained as in their demands for a R1,60 wage increase on the R4,75 minimum hourly wage, but added 'We will consider any approach from management for further negotiations, the strike is a lose-lose situation for both parties.'

In Cape Town drivers and their assistants were yesterday locked out of the company's Pinelands depot.
SA BREWERIES management stressed yesterday beer supplies would not dry up as a result of the national wage strike at seven of its 11 breweries.

SAB public affairs manager Adrian Botha described reports that beer was running out as "panic reaction". Beer outlets in Cape Town last week reported shortages.

Between 5,000 and 6,000 workers downed tools on Wednesday to back demands for a 30% increase in the minimum wage.

The SAB reported several incidents in a statement to Sapa on Friday, including the alleged stabbing of a casual labourer by a unionist in Kimberley.

SAB and Southern Associated Malsters also won a Supreme Court order to evict about 1,500 workers from SAB’s Rosslyn, Alirose and Isando plants after alleged intimidation.
Beer strike hits pubs

By PETER DENNEHY

PUBS and hotels had begun to "experience problems" in maintaining their supplies of pint bottles (380ml) of all brands of beer because of the breweries strike, SA Breweries spokesman Mr Adrian Botha said yesterday.

Mr Botha would not say where these shortages had taken place. He said they were due to distribution rather than production problems.

Fedhasia's Western Cape regional director Mr James Vyner said he had not yet heard of any such shortages in Cape Town.

Meanwhile, the union claimed that the wage strike kept growing as it entered its second week.

A Food and Allied Workers' Union (Fawu) spokesman said that 22 plants at which the workers were unionised by Fawu were all out on strike.

On Friday the Chamdor beverages plant near Soweto, organised by another union, Food and Beverages, had joined the strike. And on Monday another plant at Butterworth had joined in too, the union said.

SA Breweries expressed concern yesterday about "an escalation in reported incidents of violence relating to a strike at seven of the company's breweries".

A SAB spokesman said in a statement issued yesterday that "a second stabbing has been reported from our Prospecton brewery in Natal".

Mr Sam Tatubela, chairman of the Western Cape Taverners' Association, declined to say how or whether his organisation was being affected while it was engaged in talks with "the workers, SAB, and community leaders".

Droup Ian also declined to comment. But Mr Pat Veary, who owns several Solly Kramer outlets, said all his bottle stores had "come back on line" after receiving slightly late deliveries of all brands and packs.
Dry festive season looms for beer-lovers

Breweries strike may drag on for months

STAFF REPORTERS

SOUTH African Breweries has warned liquor outlets that the current strike by beer workers could last into the festive season.

Dealers told the Saturday Star yesterday SAB representatives had met with them in its second week at seven breweries countrywide - less than the six necessary to hit the group and might continue until mid-December.

Retailers also said they had received a circular from SAB announcing a shortage of pint bottles. There would only be supplied to licensed on-premises outlets, and would be temporarily rationed.

There were signs that action in black communities for support of the strikers was getting off the ground, with reports that a strike in East London had been hit by a beer boycott.

Boycott lists have been distributed in many black townships.

It is understood that SAB is to place advertisements in major newspapers on Monday appealing for wage relief to workers.

Glimmer of hope

Yesterday saw the first glimmer of hope for beer drinkers when SAB management sent a letter to the Food and Allied Workers Union (Fawa) proposing a 5 per cent increase.

This followed a placard protest by hundreds of dancing singing strikers at SAB's offices in Sandton at which a letter was handed to management calling for wage talks to be re-opened.

SAB's public affairs manager, Mr Adriaan Botha, said yesterday he was hopeful the dispute would be settled with a mediator's help. The strike was expected to continue until mid-December.

Asked whether management was willing to give ground on pay, Mr Botha said SAB's final offer of a 5 per cent increase and a minimum wage was "more than fair".

SAB was optimistic of being able to produce enough beer for the duration of the strike, he added, although distribution problems had led to shortages of certain brands and packs.

Powers could not be reached for comment, but at a press conference this week its national organiser, Mr Rajan Naicker, said the union's 30 per cent minimum wage demand was not unreasonable.

He added that anti-union SAB proposals on working conditions were also a factor in the dispute.

Workers at yesterday's brewer's head office protested against the new proposals.

Big issue for house hunters

Today's Property Guide, including the Property Association's Eastcliff and the Home Buyer's Guide supplements, is a bumper issue of 100 pages.

This is one of the biggest issues of the Saturday Star's popular Property Guide.

Day of high drama in Roof of Africa Rally

Motorcyclists and their bikes had to be airlifted from inaccessible parts of Lesotho yesterday during the second day of the Star-Lesotho Roof of Africa Rally that saw about half the competitors eliminated by sunset and one missing in rugged terrain.

On a day of high drama, competitors were bitten by bad, three cars crashed and rolled and bikers had to carry their machines down the Baboom Pass.

Heavy thunderstorms and electrical storms added another dimension of danger to the race and reduced media communication from Lesotho to almost nil.

Riders wanted to be airlifted to safety as temperatures dropped dramatically.

DAWN BARKHUSSEN

and STEVE KEALY

In the late afternoon, German endurance champion Jurgen Naere was slightly injured when he tried to avoid hitting a Basotho child who had stood up and ran away.

Last night a helicopter was rescuing the Tsho Botse area for the missing rider.

"It was rough, there were boulders the size of armchairs and it was damn frightening," said Craig Draper who tipped his 220 kg imported American Norton on a harpen bend.

This is the first year that the "Comrades Marathon" of motor racing has been routed across the Lesotho highlands instead of the highlands.

But nothing could have been further from the truth, according to navigator Jacques Purchase, who was first across the line yesterday with driver Ervick Pym, after a gruelling 400 km.

Navigator John Angus hung over the side of the space-frame special for 125 km of rocky mountain terrain as driver Klaus Degner slowed the vehicle house on three wheels.

The two, who had been ahead of the field survived somersaulting down a 10 m embankment and lay out of sight.

ACTION GALLERY

There was lots of drama for Roof of Africa competitors

Photograph: Jacobus de Villiers
THOUSANDS of food workers are on strike throughout the country over wage demands

They include about 300 Sokomo workers who downed tools early this week after more than 5,000 South African Breweries workers went on strike last Thursday.

A SAWu spokesperson said workers were on strike at Sokomo in Epping and Atlantis.

The strikers were demanding an across-the-board increase of R3.50 a week but the company was offering R3.00, he said.

The union had applied for a conciliation board hearing for a wage dispute at Sokomo in Malmesbury where it was in deadlock.

Beer supplies

Meanwhile, seven SAB plants and 15 distribution depots, including SAB's Newlands breweries and Pinelands depot in Cape Town, are affected by the national strike at the company which threatens to curtail beer supplies.

All the strikers at the Pinelands depot were locked out from the company premises late last Thursday afternoon.

The workers wanted a 38% increase on the current minimum wage of R4.70 an hour, said the SAWu spokesperson.

Negotiations had broken down at an early stage after the company tabled demands which SAWu said would hamper its ability to take industrial action.

The spokesperson said there were several plant-level demands.

These included a dispute over SAB deducting six hours pay after workers took part in a two-hour demonstration against the LRA last month and the right to picket — a key demand in the anti-LRA campaign.

An SAB spokesperson said the company was sticking to its offer which it regarded as "more than fair".

He said SAB was concerned at incidents of intimidation particularly at Prospecton plant in Natal where two workers were stabbed.

The SAB asked customers to be patient but was optimistic that it would be able to meet demands.

About 100 Bellville South workers, who downed tools last week to demand recognition of their union, are also still on strike.

The workers, members of the National Union of Metalworkers of South Africa, also want Shellco Shelling to give them an across the board increase.

And in Parow Industria where the marathon National Panasonic strike entered its eighth week, about 6,000 people marched through the area last Thursday in support of the 186 strikers.

An Electrical and Allied Workers' Trade Union spokesperson said the union intended to challenge a dispute declared by the company over the strikers seeking support from the South African Council of Sport.

Frivolity

The union regarded the dispute as "frivolous" and intended declaring a dispute with the company because it had "negotiated in bad faith", said the spokesperson.

He said workers had received a letter of support from the Japanese consulate and the International Metalworkers' Federation.

About 5,000 Premier milling feed and oil workers who have been on strike for more than two weeks will return to work on Friday following an agreement reached with the company.

In terms of the agreement the worker will get an across the board increase of R2.75 a week with another 50 cents from January 1990.

In Atlanta, about 400 Detroit Diesel Engines (ADE) workers returned to work this week after a three-week strike.

A spokesperson for the National Union of Metalworkers of South Africa said the company had not met the strikers' demands.

Tramways employees at the Arrowgate depot ended after City Tramways met with officials from the Transport and General Workers' Union (TGWU) this week.

A TGWU spokesperson said all the workers were back at their jobs and the union was holding further talks with management.

An appeal hearing over the dismissal of a Tramways employee which triggered the stoppage is due to take place this week.

In the Transvaal, about 8,000 Sasol miners returned to work this week after a strike which lasted more than a fortnight.

A spokesperson for the Chemical Workers Industrial Union (CWIU) said the parastatal firm had agreed to pay workers a R4.00 food allowance, which will be implemented in two stages.

About 250 CWIU members at SA Ceramics downed tools this week to demand a union-initiated provident fund.

Provident fund

A CWIU spokesperson said the workers did not want an in-house provident fund.

Strikers at De Beer diamond mines this week suspended their four-day strike pending the outcome of mediation.

A National Union of Mineworkers (NUM) spokesperson said the workers decided to take the unusual step after negotiations approached the union last Friday with a proposal for further negotiations.

The union is demanding wage increases of between 18% and 37% percent while De Beer has offered increases of between 16% and 17% percent.

The NUM spokesperson said the strike would be resumed if the dispute was not settled.
THOUSANDS of food workers are on strike throughout the country over wage demands.

They include about 300 Bokomo workers who downed tools early this week more than 5 000 South African Breweries workers who went on strike last Thursday.

A Fawu spokesperson said workers were on strike at Bokomo in Epping and Atlantis.

The strikers were demanding an across the board increase of R35 a week but the company was offering R30, he said.

The union had applied for a conciliation board sitting for a wage dispute at Bokomo in Malmesbury where it was in dock.

**Beer Supplies**

Meanwhile, seven SAB plants and 15 distribution depots, including SAB’s Newlands breweries and Pinelands depot in Cape Town, are affected by the national strike at the companies which threatens to curtail beer supplies.

All the strikers at the Pinelands depot were locked out from the company premises late last Thursday afternoon.

The workers wanted a 38 percent increase on the current minimum wage of R4.70 an hour, said the Fawu spokesperson.

Negotiations had broken down at an early stage after the company tabled demands which Fawu said would hamper its ability to take industrial action.

The spokesperson said there were several plant-level demands.

These included a dispute over SAB deducting six hours pay after workers took part in a two-hour demonstration against the LRA last month and the right to pocket — a key demand in the anti-LRA campaign.

An SAB spokesperson said the company was sticking to its offer which it regarded as “more than fair.” He said SAB was concerned at incidents of intimidation particularly at Prospecton plant in Natal where two workers were stabbed.

The SAB asked customers to be patient but was optimistic that it would be able to meet demands.

About 100 Bellville South workers, who downed tools last week to demand recognition of their union, are also still on strike.

The workers, members of the National Union of Metalworkers of South Africa, also want Shelsco Shilding to give them across the board increase.

And in Parow Industria where the marathon National Panasonic strike entered its eighth week, about 6 000 people marched through the area last Thursday in support of the 186 strikers.

**Frivolity**

The union regarded the dispute as “frivolous” and intended declaring a dispute with the company because it had “negotiated in bad faith,” said the spokesperson.

He said workers had received a letter of support from the Japanese consulate and the International Metalworkers’ Federation.

About 5 000 Premier milling feed and oil workers who have been on strike for more than two weeks will return to work on Friday following an agreement reached with the company on Wednesday.

In terms of the agreement the workers get an across the board increase of R27.50 a week with another 50 cents from January 1990.

In Atlantis, about 400 Atlantic Diesel Engines (ADE) workers returned to work this week after a three-week strike.

A spokesperson for the National Union of Metalworkers of South Africa said the company had not met the strikers’ demands.

Tramways employees at the Arrowgate depot ended after City Tramways met with officials from the Transport and General Workers’ Union (TGWU) this week.

A TGWU spokesperson said all the workers were back at their jobs and the union was holding further talks with management.

An appeal hearing over the dismissal of a Tramways employee which triggered the stoppage is due to take place this week.

In the Transvaal, about 8 000 Sasol miners returned to work this week after a strike which lasted more than a fortnight.

A spokesperson for the Chemical Workers Industrial Union (CWIU) said the parastatal firm had agreed to pay workers a R40 food allowance, which will be implemented in two stages.

About 250 CWIU members at SA Cyanamid downed tools this week, to demand a union-initiated provident fund.

**Provident fund**

A CWIU spokesperson said the workers did not want an in-house provident fund.

Strikers at De Beers diamond mines this week suspended their four-day strike pending the outcome of mediation.

A National Union of Mineworkers (NUM) spokesperson said the workers decided to take the unusual step after management approached the union last Friday with a proposal for further negotiations.

The union is demanding wage increases of between 18 and 37 percent while De Beers has offered increases of between 16 and 17 percent.

The Num spokesperson said the strike would be resumed if the dispute was not settled.
SAB strike hits black retailers

The Argus Correspondent

JOHANNESBURG – Small liquor retailers, mostly black, who depend on beer for over 90 percent of their trade, could face financial trouble as the strike by 6,000 South African Breweries workers continues.

SAB had up to now been able to meet its production demand, but there were distribution problems, public affairs manager Adrian Botha said yesterday.

In most areas SAB is now offering a 50c a case discount to licensed liquor retailers who collect their own beer.

But small retailers fear a huge increase in costs of staff and transport.

Mr Zanusi Kunene, national vice-president of Ukhamba Liquor Association, which represents black liquor traders, said small retailers were not geared to collect their stock from SAB depots.

What was worse, said Mr Kunene, was that beer accounted for more than 90 percent of the liquor business in black townships.
1 000 Van Leer workers strike

In a new twist to the spiral of pay strikes across industry, about 1,000 workers at nine plants of the metal and plastics firm Van Leer have downed tools. More than 30,000 workers have downed tools over pay in recent weeks.

A Van Leer spokesman said the strike, now in its second week, followed pay talks with the National Union of Metalworkers. Workers were demanding a 90c an hour increase, as against the 70c offered by the company, he said.

The Food and Allied Workers Union officials said the union had called for a peaceful strike at South African Breweries. SAB reported that buses carrying casual workers had been attacked. — Labour Reporter.
Roadshow cancelled over strike

By KENOSI MODISANE

The strike by 5000 SAB employees has led to the cancellation of the Lion Lager Roadshow, which was planned for next Sunday at the Okwethu Pleasure Resort.

A spokesman for the organisers said the festival was cancelled to show sympathy with striking workers.

"It would serve no purpose to continue with the show while the majority which always supports such events is involved in a crucial matter that affects their livelihood," he said.

The festival was to feature big acts like Brenda Fassie, Chico, Lazarus Kgagudi, Splash and many more.

However, fans of the show will get a consolation in another festival which is set to take place at the same day at Schokeng. The Schokeng show will feature all the same acts except for Chico and Splash.

Lazarus Kgagudi, whose latest album If You Don't Know Me Now has already achieved a platinum status, is set to perform at the show. The album features disco tracks like Makwane and Khuphuxana.

Other artists billed for the show are Princess Mokoena, T Touch and Cokes and Cola.
Incorrect information on Gillette sale

IN A report yesterday headlined "Gillette sells off SA assets" Business Day stated that Oral-B had been included in the sale of Gillette USA's SA assets. Business Day was reporting on erroneous information provided by a spokesman for Gillette USA. Oral-B is, in fact, not part of the deal. Business Day also inferred that the entire Gillette factory involved in the manufacture of the Minora twin-blade would be shut down. In fact the factory will be sold to Twins Pharmaceuticals, though Gillette SA will discontinue the manufacture of the blade, which will now be imported. Without the inclusion of Oral-B, the move represents the sale of just over 50% of Gillette USA's assets in SA, and not 100% as stated. The errors are regretted.
Cellar battles

By CAMBE BATEMAN

2/14/69
SAB strike violence rises

Labour Reporter

Violence continues to rise in the South African Breweries (SAB) strike. The company said yesterday that new incidents have been reported on the Reef. They include the stabbing of a bittershop employee, an assault on a casual worker, and firebomb attacks on homes of monthly-paid.

They come after the death of an SAB driver in Durban.

SAB public affairs manager Mr. Adrian Botha said he welcomed a union statement condemning violence.
Beer demand swamps new Cape brewery

BEER drinkers cannot turn to the new Waterfront Brewery to quench their thirst if the SA Breweries' three-week-old strike results in a nationwide beer drought.

This news comes from Mr Don Ball, a partner in the independent beer-making venture in Cape Town harbour.

Mr Ball said Mitchell's beer had proved so popular, they were struggling to meet present demand.

"We can't cope with what we are selling at the moment and are supplementing our stock from Kaysa," he said yesterday.

"We haven't benefited by the strike at all. We will be increasing our capacity from the end of this month just to supply the people we committed ourselves to before the opening.

"It is comforting to know we enjoy public awareness," he added.

CONSULTING STRIKERS

* By yesterday, there was still no sign of an end to the strike.

A spokesman for the Food and Allied Workers Union (Fawu) said last night no decision had been reached on the reopening of wage negotiations but Fawu's national organiser, Mr Rajun Naiker, was consulting strikers to obtain a mandate to do so.

SAB public affairs manager Mr Adrian Botha said "absolutely nothing" was happening regarding negotiations.

"We would like to resolve the matter. Now we are just waiting for the union."

He said SAB had responded in writing to a list of demands handed to them by strikers during a protest last week.

* SAB is using armed escorts for their delivery trucks following the gunning down of a driver in Durban this week.

An SAB spokesman said "Because of the increasing incidence of violent attacks, and particularly in the light of the recent killing of one of our drivers, we have been obliged to take every precaution possible to ensure the safety of our employees." — Staff Reporter.

The Argus Correspondent
Beer strike goes on but output ‘is high’

Own Correspondent

JOHANNESBURG — There was still no end in sight to the strike by 6,000 SA Breweries workers yesterday but management said production was soaring and that sales were almost higher than last year.

The brewers' public affairs manager, Mr Adrian Botha, said that although the strike was dragging on, the company had embarked on contingency plans that were helping it cope well under the circumstances.

"It is absolutely clear production is at least equal to the same period last year. I reiterate we are confident we will not have a dry festive season," said Mr Botha.

The company's use of casual labourers was working well and in some cases SAB customers were fetching supplies from the breweries.

He said the company had also deliberately curtailed runs on certain packages like pints in order to meet market demand more exactly.

SAB's reasoning is that pints are not essential in bottle stores as they are in bars and the company is producing only enough pints to meet demand and the rest of the beer is bottled in quarts, dumpies and cans.

However, Mr Botha admitted that the company was experiencing shortages of particular packs and brands, but said the problem was short-term.

The Cape Times Labour Reporter writes that black tavern and shebeen owners will meet representatives of the striking SAB workers in Johannes-
burg today to work out plans for sympathy action with the strikers.

Confirming this yesterday, Food and Allied Workers' Union assistant general secretary Mr Mike Madlala said SAB faced losing up to 70% of its customers if black beer drinkers shunned SAB products.

Mr Botha said this week that the company would await further developments before commenting on moves by black liquor distributors.

In Cape Town members of the Western Cape Taverners Association have potentially forfeited nearly R3 million monthly turnover by refusing to sell SAB beer.
TOWNSHIP SHEBEENS
RUN DRY

By CHIARA CARTER

DESPITE soaring summer temperatures, township beerlovers have little chance of slaking their thirst this weekend.

They face a beer drought as a result of a ban on South African Breweries products declared earlier this week by black taverners in support of more than 5 000 SAB workers on strike countryside over wage demands.

Face losses of millions

Hundreds of the SAB strikers marched from shebeen to shebeen in Cape Town this week to ensure that the beer ban declared by the National Taverners' Association was being enforced.

Cape Town's only black liquor distributor, Sivukile Liquor Wholesalers, subsequently said it will not supply SAB products for the duration of the strike.

The township taverners, who are SAB's biggest customers, face losses which could run into millions of rands

* See page 4
TDL to open new distillery in Grabouw

TRANSWAAL Distillers Holdings, (TDL) which is now selling rum made under licence from a company in the West Indies, will open a distillery in Grabouw and a new wine bottling cellar in Stellenbosch.

It will make a rights offer to raise R2,2m to finance this and other expansion.

These are among facts disclosed by chairman Riaan van Rensburg in an announcement that the company — listed on the JSE in June through a reverse takeover of the locally based AgServ cash shell — achieved attributable income of R522 000 in the six months to August.

Turnover rose by 45% to R5,1m (R3,5m) and income by 33% from R385 000. Van Rensburg said these increases were in line with management forecasts.

Pointing out that the second half of the year contributes about 60% of turnover in the liquor industry, he said “The group will continue to follow a strategy of concentrating on niche markets for further growth and expansion. This has proved to be one of TDL’s greatest strengths.”

Van Rensburg said an agreement had been reached under which Union Wine would distribute some of the products from TDL’s Tsaneen distilleries.

“It has also been decided to start a new distillery at Grabouw in the Cape, and a new wine bottling cellar at Prestige Cellars is planned.”

A brewery was being built at Gateway, Verwoerdburg, for Rico Breweries in which TDL had a controlling interest. The first brew, for a localised market, was expected early next year.

A spokesman for TDL said “The Grabouw distillery will be located in an existing complex the company has bought. It will make use of the fruits of the Cape, I do not know if rum will be made there too.”

He said some of the R2,2m from the rights offer would be spent on the distillery and wine cellar.
A delegation of strikers meet with a tavern owner in Langa after a group of workers had marched from Salt River.

**Beer strike drama**

THE wave of strikes involving about 1,700 workers, which has hit the Western Cape continued this week with more poses to down tools.

This week hundreds of workers from the South African Breweries plant in Pinelands and Newlands marched from Community House at Salt River to the township to demand that taverns take support action for the strike which involves about 5,000 members of the Food and Allied Workers Union (Fawa) throughout the country.

The marchers followed a statement by the National Taverners' Association expressing support for the strikers.

The only black liquor distributor, Syvaktie Liquor Wholesalers, has decided to stop supplying SAB products.

Meanwhile, several retailers this week reported shortages in beer supplies but an SAB spokesperson said the company was confident it could meet demand.

SAB is using "scab labour" to continue production and several violent clashes have occurred between strikers and "scabs" since the strike began.

About 400 workers were locked out from the Newlands breweries on Monday. Workers at the Pinelands depot were locked out when the strike began a fortnight ago.

Another 90 Fawa members were locked out from the Boland Westfex brewery in Atlantis at the beginning of this week.

**Lock out**

A Fawa spokesperson said the company had threatened to lock out a further 150 strikers at the company's Epping plant.

The workers were demanding an across-the-board increase of R35 a week.

The company is holding out for a R50 increase.

Negotiations are continuing at breweries which form part of the Tiger group of companies.

Fawa members at the breweries are poised for strike action if their demands are not met, according to sources.

About 700 construction workers are on strike at Concor sites in the Boland and Cape Peninsula.

**Down tools**

A Construction and Allied Workers' Union (Cawu) spokesperson said about 250 workers downed tools last Thursday at the company's site in Calden to demand the reinstatement of 148 retrenched workers.

The workers were also opposed to the company's decision to downsize the plant to the site from Cape Town, the union spokesperson said.

The workers wanted to be paid on a fortnightly, not monthly basis.

Workers at Concor sites in Grabouw, Worcester, Mossel Bay and Bedford also downed tools.

A meeting between the company and Cawu is due to take place later this week.

**Daily bonus**

A two-day strike by about 200 Cawu members at Martin & Hunt construction company ended last Friday when the company agreed to provide protective clothing to employees working on a site.

A Cawu spokesperson said the company had also agreed to provide the workers with an R32.50 daily bonus.

Members of the National Union of Metalworkers of South Africa (Numsa) are on strike in support of wage demands at Van Loon in Epping.

The strike is part of a national strike at the company.

And in Port Elizabeth, the marathon National Parasona strike entered its fifth week with the 186 strikers rejecting a revised offer from management because the offer did not apply to contract workers.

**Dispute over fund**

MORE than 1,000 chemical workers are poised to down tools around the country to demand that their employers agree to pay a national provident fund to the company's strike fund.

Their union, the Chemical Workers' Industrial Union (CWIU) a CFWU spokesperson said about 250 workers have been on strike at SA Cyanamide over the fund for more than two weeks.

Workers at 18 other plants were planning action over the fund, he said.
No end in sight to SAB strike

The strike by 6 000 workers at South African Breweries' shows all the signs of developing into a protracted war of attrition.

Now in its third week at seven breweries countrywide, the strike followed months of negotiations, including two conciliation board hearings and mediation.

Since workers downed tools, there have been no national-level talks between SAB and the Food and Allied Workers' Union (Fawu).

Management says it has proposed fresh mediation, but the union insisted this week it knew nothing of the offer. Fawu's Mr Mike Madlala said: "I understand SAB has no intention of shifting its position. If that is true, mediation will be useless."

Mounting violence

SAB has complained of mounting violence against staff, casual workers manning strike-hit plants and the liquor trade. Fawu denies its members are involved.

In the latest move, the union is seeking the support of black taverners' associations. Leaflets urging consumer action have been widely distributed, and a beer boycott is already underway in East London.

The most visible gulf is over wages. SAB has offered a 16 percent rise in minimum pay against Fawu's demand for 33 percent and, management says, a total package amounting to 150 percent.

SAB's human resources director, Mr Rob Childs, argues that the proposed basic monthly minimum of R1 063 is among the highest offered by a major employer in the country.

For Fawu, the beer division's profits -- R268 million in the last financial year, up 28 percent on the year before -- are a key consideration.

Its national organiser, Mr Rajan Naucke, adds that the union's pay demand is negotiable and that "anti-union" SAB proposals on working conditions also lie at the core of the dispute.

These included Saturday working and contractual overtime, he told a press conference last week.

On one issue management and the union agree their relationship throughout this year has been highly problematic. Fawu's Mr Madlala traces the breakdown to moves for a continuous shift system at SAB's Rosslyn brewery.

"Management was not interested in the social inconvenience of weekend work for workers," he said.

SAB attitudes had hardened noticeably since last year's controversial amendments to the Labour Relations Act, he added.

For Mr Childs, the central problem has been Fawu's persistent floating of agreements. This year had seen unrecorded strikes in Port Elizabeth, Airdrie and Rosslyn, he said, while the union appeared to have set its heart on a rent national strike from the start of negotiations.

To remedy the situation, management had proposed a new arrangement -- a "relationship-building programme" -- earlier this year.

Firebombing

A danger inherent in a protracted dispute is that strike-related violence will intensify. This week SAB reported that the homes of monthly-paid staff had been firebombed and that casual workers had been attacked.

In what appears to be the first fatality linked to the dispute, an SAB driver was shot dead in Durban on Monday.

Mr Childs believes the violence springs from the "contrived" character of the strike and consequent need for coercion. He adds: "It's one thing for Fawu to denounce violence, but practically, we see little effort to restrain it."

Fawu says SAB has not supplied the name of any member involved in violence. "Some of these things happened before we investigated," he said. Mr Madlala.

He added that SAB's evocation of strikers from breweries had simply made it harder to exercise discipline.
Armed guards 
for beer delivery trucks

SOUTH African Breweries have resorted to armed escorts for their beer delivery trucks following the gunning down of a driver in Durban this week.

An SAB spokesman has confirmed that armed guards would "ride shotgun" on all SAB beer trucks following increasing violence blamed on the current strike.

"It's not because we want to resort to Wild West tactics but that we have an obligation to our employees," he said.

"Because of the increasing incidence of violent attacks, and particularly in the light of the recent killing of one of our drivers, we have been obliged to take every precaution possible to ensure the safety of our employees."

The driver, Mr Ivan Rungiah (29), was gunned down at the Joyner Road traffic lights near the SAB Prospecton plant on Tuesday evening as he was returning to the brewery. A car drew up next to him and four shots were fired through the window, one hitting him in the head and two in the chest. He died instantly. A fellow employee, Mr Shivjee Moodley, who accompanied him, was uninjured.

Driver

Mr Rungiah was employed as a temporary driver after 6000 SAB workers went on strike for higher wages and better working conditions two weeks ago.

The strike has been marked by increasing violence, including the killing of Mr Rungiah, the stabbing of another employee and the stoning of buses carrying temporary workers. SAB has linked the killing of Mr Rungiah to the strike. Police have launched a manhunt for the gunman, but so far no arrests have been made.

Meanwhile Durban is suffering from a shortage of "pints" but otherwise beer is freely available as SAB contingency plans managed to cope with the demand.

Mthakathi

Mrs Minola Mthakathi (68) of 6536 Mooloong Section, Kaitshong, will be buried at the Schoeman Cemetery in the township tomorrow at 2pm.

Mrs Mthakathi died last week after a long illness. The funeral service will start at her home starting at 10am.
Black bar owners agree not to sell SAB beer

BLACK bar owners countrywide agreed yesterday to stop selling South African Breweries beer on Monday in support of the wage strike by about 6,500 SAB workers.

The beer giant faces massive losses if black beer drinkers, who comprise more than 70% of SAB's patronage, refuse to drink the company's brands.

The ban on drinking SAB products followed a meeting between the Food and Allied Workers' Union (Fawu), the Transvaal-based National Taverners' Association (NTA) and the South African Taverners' Association (SATA), which operates mainly in the Cape.

A Fawu spokesman said the National Soccer League, which gets sponsorship from SAB, had also given the strikers its support.

"No beer will be on sale from Monday at any township bar in the country," an NTA spokesman said in a statement.

The announcement followed a meeting on Thursday between Fawu, SATA, NTA and Ukamba, a national black bottlestore owners' association.

"The organisations committed themselves to a non-violent means of pressurising SAB and also reiterated their commitment to a negotiated settlement of the dispute," he said.

Meanwhile, sources said last night that SAB's beer production had definitely been affected by the strike, with a shortage of pints for the hotel trade and a general shortage of "fast-moving lines" such as Lion Lager and Castle. They said SAB was also having problems with inexperienced scab labour, who were slower than the usual workers, and was suffering from escalating costs because of breakages — Sapa and Own Correspondent.
Black business throws weight behind strikers

Besieged SAB faces nation-wide boycott

DREW FORREST

LABOUR conflict at South African Breweries has escalated with an announcement that a national beer boycott is to be launched next week. At a press conference yesterday, representing thousands of black trade unionists, Mr. Boshoff said they had agreed to a strike by all SAB's unions. He said they had been concerned about the spread of violence in the mining industry and the increasing violence of white farm attacks.

The SAB public affairs manager, Mr. Adrian Boshoff, said there was no other option left, and called on workers to refuse to work. He also called on the government to support workers in their struggle for a better life.

This week, SAB announced that it had boosted its production to keep up with demand, and that it had ordered additional security guards to work in the factories. It also said it would continue to negotiate with the unions, but that it was the government's responsibility to provide law and order.

Hit list

The company also says that it has received an anonymous telephone call threatening to burn the SAB factory, but has no details of this threat. It also advises workers to be on the lookout for armed men, who may be attempting to disrupt the strike.

Prospects of an early settlement are not good, with the government's hardline stance and the unions' determination to fight for a better life. The strike could last for several weeks, with the possilbe of violence increasing.
No more beer, say taverns

LEADING beer manufacturer South African Breweries faces massive losses in sales in coming months.

Striking workers announced this week they had lobbied for support from black traders and community organisations, who agreed to shun SAB's products countrywide.

"No beer will be on sale from Monday at all township bars around the country," a spokesman for the National Taverners Association said in a statement.

The Food and Allied Workers' Union, locked in a wage dispute with the SAB, told a press conference full-scale community action would begin on Monday.

The union did not issue an official boycott call as this would contravene emergency regulations.

The announcement followed a meeting on Thursday between the Food and Allied Workers Union, the South African Taverners' Association, the National Taverners' Association, Ukhamba and other community organisations.

The union also said the National Soccer League, which gets sponsorship from SAB, had given the strikers its support.

Management this week claimed production was soaring and sales were higher than last year.

An SAB driver was shot dead earlier this week in Durban - Sapa
Nationwide boycott to hit SAB

Own Correspondent

JOHANNESBURG — A nationwide consumer boycott faces South African Breweries from today because of the beer giant's failure to meet a 38% wage-increase demand by its 6,000 striking workforce.

Negotiations have virtually stalled, with the company saying it is not prepared to revise its wage offer of 18%.

SAB spokesman Mr. Adrian Botha declined to comment, saying the company would wait to see if there was a boycott and how extensive it was.

More than 65,000 liquor traders represented by the National Taverners' Association and the South African Taverners' Association, which account for about 80% of SAB's custom, announced at a press conference on Friday that they would withdraw their buying power in support of the strikers.

The National Stokvels Association of South Africa, representing more than 7,000 beer-consuming groups in the country's black townships, also pledged to withdraw its consumer power. The stokvels are fast-growing small financial cooperatives whose members consume thousands of litres of beer in weekend parties.

Also present at the press conference were representatives of Ukhamba, an organisation of black liquor store owners representing more than 600 members countrywide.

The announcement came as management claimed production was soaring and sales were higher than last year.

Although hundreds of Ukhamba members in Natal and the Eastern Cape have pledged their support for SAB strikers, leaderships in other provinces are still to hold meetings to seek mandates from members.

Organisations represented at the conference were the Food and Allied Workers' Union, which represents the 6,000 strikers, the National Soccer League, the Congress of South Trade Unions and the Soweto Youth Congress.

Fawu assistant general secretary Mr. Mike Mdlalana said the union viewed SAB as rigid and stubborn, and boastful of super-profits which resulted from the "exploited labour and buying power of our people."

He announced that in most parts of the country, the traders had already withdrawn their buying power from SAB.

The work stoppage has been marred by reports of alleged violence in which a driver was shot dead in Durban last week.
Labour Reporter

PROSPECTS for a quick settlement of the legal wage strike by 6 500 SA Brewers (SAB) workers are still dim as the strike enters its 21st day today. SAB public relations manager Mr Adrian Botha confirmed yesterday that SAB would not backdate workers' wages to the original implementation date, July 3, once final settlement had been reached with the Food and Allied Workers' Union (Fawu). This was an added obstacle to creating the conditions for negotiation. Fawu national organiser Mr Ragn Naicker said commenting on SAB's drive to advertise its final wage proposal of 16% — bringing the minimum monthly wage to R1 063 — Mr Naicker said that if the company's "record" profits were taken into account, it was able to afford the union's demand for a 38% wage rise.

In the financial year ending May 1989, SAB recorded turnover exceeding R10 billion, working profit exceeding R1bn and attributable earnings exceeding R500 million. Meanwhile, SAB has disputed press reports that 30 000 black liquor outlets had imposed a ban on selling SAB brands in solidarity with the strikers.

There were only 1 400 licensed township outlets which accounted for about 30% of the beer giant's sales, Mr Botha said. Most of Soweto's beer was produced at the Chamdor brewery in Johannesburg, which was not affected by the strike since it was organised by the Food and Beverage Workers' Union, he said.

It was still too early to gauge the effects of a national beer boycott implemented last week by taverners and shebeeniers, but a boycott in East London had had "some effect", he said.

Disputing the company's assessment of the boycott's impact, Mr Naicker said blacks comprised at least 80% of SAB's clientele.

Mr Botha said beer production remained steady, but added that there were limited distribution problems with certain brands and packs.
Labour Reporter

A CHILD was critically injured when the home of an SA Breweries (SAB) worker was firebombed, the company said.

This latest act of violence in the three-week-old strike took place in Pietersburg on Thursday.

SAB public affairs manager Mr Adrian Botha also said a casual worker was attacked in East London.

The Food and Allied Workers' Union (Fawu) national organiser, Mr Ragin Naicker, said yesterday that SAB had failed to substantiate its claims of violence by strikers.

However, he said Fawu had called on strikers not to resort to violence.

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MANUFACTURING - BEVERAGES

1989

NOV — DEC.
Bottlestore association declines to call beer boycott

By ANDREA WEISS
Staff Reporter

THE Ukhamba Liquor Association, representing 1,500 black bottlestore owners, has agreed to give verbal support to South African Breweries strikers, but declines to call for a beer boycott.

This is the latest development in response to a call for a national boycott of SAB products in support of Food and Allied Workers' Union (Fawu) strikers at SAB plants throughout the country.

"NO CHANGE"

Fawu and SAB have reported no change in the strike, which has seen the National Taverners' Association and the Southern African Taverners' Association suspend sales of SAB products.

Fawu workers are demanding a 30 percent increase on the minimum wage and SAB has made a final offer of an across-the-board 16 percent increase, bringing the minimum monthly wage to R1063.

Fawu assistant general secretary Mr Mike Madlala said yesterday there had been no correspondence between Fawu and SAB and the strike was continuing.

Ukhamba president Mr V. E. M. Thabala said today that while Ukhamba aligned itself with the 6,000 strikers struggle for better pay and working conditions for its Fawu workers, it should be noted that Ukhamba had an obligation in its communities.

VIOLENCE

Ukhamba also had to meet contractual obligations to its 12,000 employees, most of whom were labourers paid far lower wages than brewery workers.

A source said Ukhamba had also expressed concern about the escalating violence and felt that the Fawu strike would settle the dispute with SAB around the negotiating table.

It also felt that a beer boycott would be self-defeating as shebeen operators would simply turn to white-owned stores for their supplies.

The suggested beer boycott has also been rejected by some Soweto shebeens and nightclubs, which fear it could result in black-on-black violence and that the market would simply shift to white outlets.

QUESTION

SAB has also questioned the effectiveness of a national consumer boycott of its products.

In a Press statement an SAB spokesman said "At this stage there is no clear indication as to how effective the boycott is.

It will take some time for us to gauge.

"It is possible that many black liquor traders could lose their businesses, as beer accounts for a large proportion of their income."

** Charges have been laid against two strikers who allegedly attacked a casual worker, while the child of an SAB superintendent is in a critical condition following an attack on his Petersburg home.**
Beer row goes to court

By invoices, breweries are taking a three-week strike as a reference to DRIP (Demands Related to Industrial Pricing). In another strike, workers have been preparing for a boycott of Town Brewery.

Negotiations between the brewery and the Workers' Union have broken down after negotiations earlier this week. A brewery spokesman said, "Negotiations have reached an impasse and the matter will be referred to court."
Breweries threaten court action

South African Breweries has written to the Food and Allied Workers' Union (Fawu) indicating that it may resort to court action over violence linked to the current beer boycott.

Fawu's Mr Mike Madlala said the letter was "yet another attempt to implicate the union in whatever violence is taking place".

In a statement, SAB said it had told the union it reserved its rights to possible action regarding intimidation and violence in support of the boycott.

The company said there was no clear evidence of a boycott launched as the SAB strike moved into its fourth week — or signs of division among black taverners on the issue.

This, it said, was borne out by the Ukhamba Liquor Association's statement yesterday that it had obligations to its 12,000 employees and "to provide the community with the goods and services it requires".

Fawu's Mr Madlala confirmed that the union had written to SAB urging it to resume negotiations "with a flexible mandate".

SAB has proposed mediation, but has indicated that it is not prepared to move from its pre-strike pay offer.
Beer strike: Worker attacked

By ANDREA WEISS, Staff Reporter

A CASUAL worker at the Newlands SA Breweries plant was attacked on his way to work today and a Food and Allied Workers’ Union member has allegedly been arrested.

Mr Peter van Zyl, 25, of Rugby, was attacked as he walked through the Newlands station subway at 5.55am, just before a picket, organised by union members, began.

Mr Van Zyl, who has been working at the plant for a week as a boilermaker, said, “As I came out of the station a couple of men attacked me from behind. As I was trying to get away others attacked me from the front. I ran up the road towards the gates and then they stopped.”

Mr Van Zyl was bloodied around the face and on the knuckles.

LEGAL STRIKE

Today is the 22nd day of a national legal strike at SAB plants by 6,000 Fawu members.

Negotiations between the union and the SAB are deadlocked, with the breweries offering a 16 percent increase across the board and the union demanding a 35 percent increase on the minimum wage.

After 6am about 100 brewery workers gathered in Longford Road and jogged up to the gates and chanting towards Main Road, where a large group of police were watching.

The workers then moved down Main Road towards Boundary Road, brushing past a group of policemen who tried to stop them.

When they arrived at the main gates of the SAB plant they streamed past the security guard on to SAB property and stopped outside a second set of gates.

At this stage police asked journalists to leave the premises and they moved in with a dog. However, the police, too, left and waited outside as the SAB management were arriving for work.

According to shop steward Mr McWellington Mitya, the workers were refusing to leave the premises because one had allegedly been arrested for attacking a casual worker.

Mr Mitya said earlier that the intention of the pickets had always been to show the public peacefully that the union had a problem with the SAB. He said the workers had not seen the attack.

Police spokesman Major Jan Calitz confirmed that a man was arrested and released after being told to appear in the Wynberg court tomorrow on an assault charge.

No money: ‘We’re the beggars…’

By ANDREA WEISS, Staff Reporter

SA BREWERIES strikers in the Western Cape are beginning to feel the pinch.

Without a strike fund and without pay, the 300 workers have to rely on friends and supporters to see their families through the lean period.

As the Food and Allied Workers’ Union is a “food union”, strikers are collecting food from members in other sectors of the industry to help them.

Members of sympathetic organisations and of the Congress of South African Trade Unions are being asked to give money.

All money and food is distributed according to need to workers who meet daily at Community House in Salt River to plan activities in support of their strike.

“We are the beggars right now,” shop steward Mr McWellington Mitya said when asked how he and others were making ends meet.

“We have problems financially but we are prepared to sacrifice for our struggle as long as management is not prepared to listen to our demands.”
Digging in

The strike by at least 5 500 SA Breweries (SAB) workers at nine plants and 13 depots has moved into its fifth week. At least one black liquor trading association says it has been hit "very hard" by calls for a national beer boycott.

The boycott was called in support of the demand by Costan’s Food & Allied Workers Union (Fawu) for a minimum wage of R6.50 an hour (38% more than the present R4.50). SAB’s offer is R5.45 (16%) and beer division MD Graham Mackay says emphatically that the offer won’t be raised simply to help the union “save face.”

The boycott seems to have affected trade mainly in Soweto — where a backlash among the black liquor traders seems imminent. As the National Taverners Association (NTA) prepared to meet on Tuesday, sources said that it was likely to be told Fawu that they are being unreasonable.

The NTA, which claims a membership of 80% of SAB clients, together with the SA Taverners’ Association (Sata) and the National Stokveis Association, came out in support of the boycott last week — but business has been affected. Only one major black trader group, the Ukambala Liquor Association, declined to join the boycott.

Meanwhile, SAB Public Affairs manager Adrian Botha repeats SAB’s position that production has not only been unaffected by the strike, but, along with sales, is actually up on last year. He says the East London boycott (which had had some effect) “appears to be cracking.” Despite a “strict” boycott in Soweto, he stresses that it has had “no noticeable effect” on overall sales.

An examination of this apparent contradiction comes from Ukambala vice-president Zanuvi Kanu. He says that while his members’ sales are suffering, this does not apply to SAB “I believe black consumers are still drinking beer, but either at home or in town.” Clearly, they are buying it at white outlets, or drinking in towns.

Kanu claims harassment of black traders has been prevalent. “We have had a mixture of types walk into our stores and demand to know why we are selling beer. Without giving traders an opportunity to explain, unemployed looters and hooligans have smashed or taken beer Fawu members (and high school pupils, believing the boycott is ‘for the struggle’) have also been enforcing the action.”

Fawu refused to comment this week on the effectiveness of the boycott, but last week assistant general secretary Mike Madlala claimed SAB lost two days of production at Isando. He says that on one day casual labourers (a major part of SAB’s contingency plan) ran away from the factory, and on another day “two groups of red and black, one group in a bus which was late for work and the other outside the plant gates — mistook each other to be Fawu strikers and got so scared that both ran away.”

Madlala says another day of production was lost when casual employees demanded to be paid SAB’s current wage offer.

Reacting to claims that the boycott is a ploy to break SAB’s monopoly by creating space for a black-led independent brewery, Madlala says the opposite is true “Black liquor traders have agreed in talks with us that we all depend on SAB’s produce.”

Nor was it conceivable that Fawu would get involved in setting up an independent brewery. “We have no capital or links with those who do have.”

Commenting on the high rate of anti-SAB violence, Madlala says “Any strike is a life or death affair with workers, who depend solely on selling their labour.”

With SAB claiming that its contingency plans have been working so well that it can hold out indefinitely, Fawu members are reported to be taking this strain. Fawu concedes it costs R15 a day to fund a striker (R30 000 a month, based on Fawu’s figure of 6 000 strikers) — money which he says is not provided by outsiders.

These factors will weigh heavily on Fawu’s national committee, which meets this week to discuss the strike and hear a shop stewards’ report-back. They will also have to consider the fact that the Pan Africanist (as opposed to Charterist) Food & Beverage Workers’ Union has not come out in sympathy.

This means that breweries such as Chamororow Soweto are operating above normal capacity. SAB has also calculated that by January 1 the lowest-paid striker would have lost R4 060.

Fawu has in effect said it is prepared to lower its demand, if SAB is prepared to resume negotiations. Mackay said this week that he was prepared to discuss shift work and overtime, “but we regard our wage offer as final.”

It looks as though Fawu has decided to dig in for a while. But a way out of what Madlala calls the “war” may well be found on the offer to talk about conditions.

CHANGE

Shedding the past

Beyond the centre stage of political talks-about-talks, society is undergoing change so profound that the future will be multicultural whichever government comes to power. Indeed, preparing for ‘the new SA’ seemed to be the central message at the annual convention of the Institute of Personnel Management, attended by more than 1 000 delegates at Sun City.

The clearest illustration of this silent revolution, being forged on the ground by millions of ordinary people, was set out by John Kane-Berman, director of the SA Institute of Race Relations.

Firstly, urbanisation is reaching the stage where the urban population is overtaking the rural population in size for the first time, he said. Durban, for example, was now one of the fastest growing cities in the world, increasing by about 8% a year (see "City of the Future".) At this rate, by the year 2000, the city will have as many people as London has today. While the current ratio of urban blacks to whites is roughly balanced, by 2000 blacks will outnumber whites in cities by three to one.

Secondly, a silent revolution is taking place in education. Between 1955 and the year 2000 the increase in the number of African students in our country has been 10%.

This is changing the racial composition in higher education, Kane-Berman adds. In 1965, 40% of students were black, in 1986 the figure was 40. This is already having important consequences for the country’s manpower profile, mainly in terms of the number of matric candidates; within a decade, 70% will be black.

Following from this, “the changing composition of our intellectual capital is the third component of this silent revolution.”

The fourth is the change in patterns of consumer spending. For example, blacks are responsible for 80% of all liquor consumption. In downtown Johannesburg, R7 out of every R10 is spent by blacks (compared to R5 in 1979.) In 1974, whites accounted for 75% of all vehicle registrations, by 1994 that proportion will have dropped to about half. The car hire company Avis recently opened its 101st office in SA and its first in a black area, Soweto.

Related to consumer spending is the pattern of income distribution — Kane-Berman’s fifth component of the silent revolution. In 1960, whites accounted for 65% of all disposable income but by the year 2000, the white share will be down to 43%. Blacks’ 22% share of disposable income in 1970 is expected to rise to 57% at the turn of the century.

Housing is the sixth component. In 1992, 13% of building plans passed by local authorities were for black housing; last year the figure was 57%. One building society recently said that a quarter of its home lending was now to blacks. Kane-Berman notes that growth of the building industry now depends largely on home building for blacks.

Then there are the black taxis Kane-Berman quotes Clem Sunter’s calculations that the investment in this sector is equivalent to that of two major gold mines. Employment generated by the迅猛出租车 is much as is provided by 10 gold mines. It
Court orders strikers to stop violence

By RONNIE MORRIS
Supreme Court Reporter

SOUTH AFRICAN Breweries (Olsson's Cape Brewery) yesterday won an urgent interim interdict in the Supreme Court preventing striking workers — all members of the Food and Allied Workers' Union (Fawu) — from intimidating, assaulting, harassing or interfering with temporary or casual workers.

Mr Justice V. Foxcroft issued an order indicting and restraining Fawu, Mr Miles Hartford and 307 striking workers from in any way interfering with or obstructing the normal operation of the Breweries.

The respondents will have to show on November 21, the return date of the interim interdict, why a final order should not be made.

In an affidavit before the court, Mr Mark Blackenberg, human resources manager, Western Cape, said the workers went on strike on October 12 after a wage dispute.

On October 11, Mr Sam Monts, general manager, addressed representatives of the workers and said the striking workers would be allowed to remain on the premises on condition they stay in the canteen area and not interfere with operations.

Threatened

The worker representatives gave a written undertaking to that effect, but on October 18 the workers left the canteen area and confronted, assaulted and threatened the substitute workforce, who were leaving the premises.

Several incidents of harassment and violence had subsequently been reported.

A meeting was held on October 23, Mr Hartford and shop stewards were told of the acts of intimidation and violence and requested to address the striking workers and instruct them to refrain from further acts of violence, assault or intimidation.

The union was also asked to dissociate itself from acts of intimidation and violence. However, this request was refused, as was that for a written undertaking.

Because of this the striking workers were asked to vacate the premises on October 23, but a number of strikers gathered at the Newlands premises daily, Mr Blackenberg said.

The strike was characterised by intimidation, violence and a boycott of SAB products, he said.

In one instance a driver was shot dead in Natal, and in another a monthly paid worker in Pietersburg had his house firebombed.

Since the start of the strike, SAB's supervisors and other monthly paid employees at Newlands who are not on strike had received threatening telephone calls.

As a result, these employees were concerned for the safety of their families and they feared for their lives and those of their families.

The monthly paid workers received an anonymous threatening letter on October 30, he said.

Mr Pieter van Zyl, a substitute worker, Mr Pieter van Zyl, was assaulted by strikers from the ranks of FAWU while on his way from Newlands Station to the SAB premises.

His face was lacerated and his nose possibly broken. Later in the presence of the police he identified his attacker.

As a result of the strike, SAB's production had been severely reduced.

The union and the strikers' intimidation further hampered and interfered with the current limited production process at Newlands, Mr Blackenberg said.

Mr RP Hoffman instructed by Mr I. Sigsworth appeared for SAB.
Bottle store owners in talks on SAB strike

THEO RAWANA

UKHAMBA Liquor Association, umbrella body of the 1,500 black southern African bottle store owners, will meet the Food and Allied Workers Union (Fawu)—whose 6,000 members at SAB are on strike—tomorrow to decide whether or not to support the strikers.

The association issued a statement earlier this week saying although it aligned itself with Fawu's struggle for better pay and working conditions for its workers, Ukhamba had obligations in its community in respect of meeting its contractual obligations to its own employees and providing its community with the goods and services it required.

Ukhamba's Transvaal executive held a meeting with about 300 East Rand liquor traders in Katlehong, Germiston yesterday, and a decision on whether to support the strikers by withdrawing purchasing power was shelved pending the outcome of tomorrow's meeting in Johannesburg.

Affidavit

Our Cape Town correspondent reports that SAB (Unison's Cape Brewery) yesterday won an urgent interdict in the Supreme Court preventing striking workers—all Fawu members—from intimidating, assaulting, harassing or interfering with temporary or casual workers.

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In an affidavit before the court, Mark Blackenberg, SAB human resources manager, Western Cape, said the workers went on strike on October 12 after a wage dispute.

The strike was characterised by intimidation, violence and a boycott of SAB products, Blackenberg said. A driver was shot dead in Natal and in another incident a worker in Pietersburg had his house firebombed.

Yesterday morning, a substitute worker, Pieter van Zyl, was assaulted by strikers while on his way from Newlands Station to the SAB premises, said Blackenberg.

His face was lacerated and his nose possibly broken. Later, in the presence of the police, he had identified his attacker, said Blackenberg.
SAB workers suffer as strike enters 23rd day

Own Correspondent

CAPE TOWN — The 500 striking SA Breweries workers in the Western Cape are beginning to feel the pinch as the national legal strike enters its 23rd day today.

With no strike fund and no pay, workers have to rely on friends and supporters to see their families through the lean period.

Because the Food and Allied Workers' Union is a "food union", strikers are collecting food from fellow members in other sectors of the industry to help them.

Members of sympathetic organisations and other Cosatu unions are also being asked to donate money.

All money and food is distributed to workers according to need at Community House in Salt River where the strikers gather daily to meet each other and plan activities in support of their strike.

FINANCIAL PROBLEMS

"We are the beggars right now," explained shop steward Mr McWellington Mtiya, when asked about how he and others were making ends meet.

However, the union members appeared firm in their resolve to see the strike through.

Said one striker: "The hungrier I get, the more energy I have. I grew up with hardship. I am used to it."

He explained that there were seven members of his family living in Guguletu who relied on two breadwinners. With him earning no money, the family was struggling.

Mr Mtiya summed up the feelings of the strikers: "We have problems financially but we are prepared to sacrifice for our struggle as long as management is not prepared to listen to our demands."

Liquor traders appeal
Union says no to SAB offer

South African Breweries' conditional offer of mediation to settle the three-week wage strike at the company was unacceptable, the Food and Allied Workers' Union said today.

SAB announced yesterday it would propose mediation.

Fawu's Mr Ernest Buthelezi said: "They say they will only discuss the wording of the existing agreement."

- SAB has obtained a Supreme Court order restraining Fawu from intimidating temporary workers at its Newlands plant.

— Labour Reporter.
SAB wants mediation with Fawu, but not about wages

SAB yesterday proposed mediation with the Food and Allied Workers' Union (Fawu) aimed at resolving the three-and-a-half week strike — but on the understanding that an improved wage offer was not on the agenda.

The move was in response to a Fawu letter earlier this week proposing talks provided the company was prepared to bring a new mandate on its 16% offer.

Fawu national organiser Rayn Naicker said the union's national office bearers and SAB shop stewards committee would be meeting in Cape Town today to consider the company's communication.

He believed, however, wages were the main point in dispute. Resolution, without movement on this issue from the company, was most unlikely.

Naicker repeated Fawu's 30% demand had been, and remained, negotiable. "We are prepared to move substantially on this and other issues. We have just not had a forum in which to do so," he said.

An SAB spokesman said the board had met on Wednesday and decided it was not prepared to increase the wage offer, which was considered fair and reasonable.

Naicker rejected as weak SAB claims that it was among the highest payers in industry. "Minimum wages at ABI, Cadbury's and UCT are all higher than at SAB," he said.

The SAB spokesman reiterated the company's 'total rejection of intimidation and violence, and to that end we are collecting evidence and will be acting against all perpetrators'.

**Violence**

Naicker said the company appeared more concerned with putting the union in a bad light than in attempting to resolve the problem of violence.

"In view of what is happening around the country — and in particular the assault on a worker in Cape Town (on Wednesday) — what must we do to substantiate our claims?" SAB responded.

Naicker said in the one case when plant management had called him in to address the issue — at Prospecton, Durban — he had taken a number of steps in consultation with, and on suggestion of, management.

This included a public address to workers calling on them to desist from violent acts if they had indeed been involved in any, issuing a written memo to members in Durban and elsewhere, and issuing a press statement. This was done without evidence of Fawu involvement.

Naicker said he was prepared to meet with SAB at a national level to discuss the issue. He believed, though, that a more positive attitude by SAB to negotiation would do a great deal to create a more relaxed situation.

Labour observers said it appeared SAB's contingency production plans were sufficiently good to hold out for three to four months if necessary.

SAB's Adrian Botha agreed this was quite feasible. He said there were no thoughts at this stage of issuing an ultimatum to employees to return to work or be dismissed, nor to institute an official lock-out.
A somewhat bitter festive season as beer strike brews

BY EDDIE KOCH

THE Food and Allied Workers’ Union (Fawu) yesterday said its nation-wide strike at SA Breweries — by far the most bitter labour dispute this year — would continue beyond Christmas unless the company accepted a union call for renewed wage talks.

“We have sent a letter to management saying that we are open to renewed talks on the wages. We have a mandate to be flexible from our members,” said Fawu assistant general secretary Mike Madlala.

SAB’s board of directors yesterday announced it was keen to call in a mediator to resolve the dispute but would not increase its wage offer. Company representative Adrian Botha said management was prepared to talk about improving employment conditions other than wages.

The carefully worded statements, which come against a background of escalating violence around the strike, indicate both parties may be seeking a way out of the deadlock.

Although Fawu has received pledges of solidarity from SAB’s biggest customers, the National Taverners’ Association (NTA) and the Ukwamba Liquor Association, the prospects of a successful consumer boycott seem doubtful.

A beer boycott in the townships is not likely to be received with widespread enthusiasm. Already Ukwamba, which represents 1,500 black bottle store owners, has announced it would not call a boycott as this would be “self-defeating”. A number of shebeen owners in Soweto are opposing the boycott which they feel could lead to spiralling violence between supporters and opponents of the boycott.

SAB claims that it is currently producing more beer than at this time last year and appears to have stockpiled supplies in order to sit out an extended strike. However, there are signs that the strike is disrupting supplies of certain brands and this could push the company into renewed talks.

Some 6,000 striking workers at seven breweries and hundreds of depots around the country are demanding a wage hike of R1,50 and hour (38 percent). The company is offering an increase of 75 cents (16 percent) which it says will take the minimum wage to R1,063 a month.

Last week SAB said it was using armed guards to ride shotgun on its delivery trucks after a driver was shot dead in Durban. SAB now reports a child of a staff member is in a critical condition after a fire-bomb attack in Pietersburg.

There have been a series of other violent incidents and at least seven union members are under arrest and face assault charges.
Mandela Free in January?
SAB mediation offer: Workers meet today

Labour Reporter

Representatives of 6,500 striking SA Breweries (SAB) beer workers will meet in the city today to consider a company offer that the turbulent three-week dispute be referred to mediation.

Confirming the meeting yesterday, Food and Allied Workers' Union (Fawu) national organiser Mr Rajin Naicker said it would be attended by the union's national office-bearers and SAB shop stewards' committee.

But the strike-bound beer giant would not move from its final offer of a 16% wage increase, SAB spokesman Mr Adrian Botha said yesterday.

And as management proceeded with civil actions against alleged strike-related violence, the union "unequivocally" renounced the use of violence.

Fawu had called on the beer giant to "review its mandate" regarding the final 16% offer, but SAB had refused to consider this, Mr Botha said.

Meanwhile, 150 Ohlsson's Brewery workers were arrested in Butterworth in Transkei on Wednesday following "severe intimidation", SAB said.

About 300 striking workers at the company's Newlands brewery are set to stage their second picket in three days this morning.

On Wednesday the company was awarded an interim interdict, in consent with union lawyers, restraining Newlands workers from assaulting or intimidating other employees.

A striker was arrested, but immediately released and warned to appear in court, after a casual worker was allegedly beaten up by strikers outside the brewery on Wednesday.

Outlining its position on strike violence, Fawu noted with concern "aggravating factors" such as casual workers openly carrying weapons, the continued police presence and the company's ban on picketing on its premises.

Fawu said it believed that striking workers had the right to picket peacefully under the then existing strike code, but management had refused to negotiate the issue.

Commenting yesterday Mr Botha said "It is not our problem if they (strikers) are picked up by police."

He dismissed "as 'absolute nonsense'" claims that some casual workers were armed, adding that the police would not be present if there was no violence.

Lawyers acting for Fawu said yesterday that SAB had not "won" an interdict on November 1, as was reported in the Cape Times yesterday.

The interim order was granted by consent, with Fawu and the other respondents being given the right to oppose the order and anticipate its return date.
The test of taste

Are 80% of SA's beer drinkers committed enough to the black political struggle to abstain from their cherished habit?

The answer could determine who will win the bitter — and violent — wage dispute between SA Breweries (SAB) and Coratu's Food and Allied Workers Union (Fawu).

About 6,000 Fawu members are on a legal strike at seven breweries, two malting plants and 13 depots nationally. The action entered its fourth week on Wednesday.

The union has appealed to the townships to refuse to drink beer until the company pays its workers a minimum of R6.50 an hour (up 38% on the current R4.50). SAB has offered R5.45 (16%). At least 80% of SA's beer drinkers are said to be black.

Last week, after being canvassed by the union, key township liquor traders and organisations came out in support of a black consumer boycott of beer. Major SAB clients, the National Taverners Association (NTA) and the SA Taverners Association (Satau), said that, from Monday, they would withdraw their buying power from SAB while the strike lasts. The National Stokvels Association of SA also joined the action.

Taken together, the groups control large numbers of licensed and unlicensed shebeens (township pubs and drinking clubs) which supply township consumers. However, it is debatable whether the NTA controls 65,000 traders and 80% of SAB's customers — as it claims it does. Some sources say there are 14,000 licensed black traders, of which the NTA controls 15% and 30% of SAB's sales.

Nonetheless, the test of the boycott strength will be known only on Monday, according to Fawu assistant general secretary Mike Madlala. He says the union hopes to slash township consumption by at least half (or 40% of beer consumption nationally).

SAB, however, continues to state that union agitation has left it unperturbed. Public affairs manager Adrian Botha says "We have seen no visible effect on our sales. Production is increasing and previous shortages of brands and packs are almost resolved in some areas."

Not monolithic

He adds that it looks as if the township taverners are "less than totally unified." However, Botha does admit that sales have been lost in East London where a boycott has been in place for over a week.

Botha's comments are reinforced by the response of the UKhamba Liquor Association, which, on Monday, declined to support the boycott, saying it had "contractual obligations" to its 12,000 employees and was also bound to provide the community with the required goods and services. UKhamba, however, undertook to "interact" with various communities and to ensure "maximum support for all workers," particularly those employed by SAB and UKhamba.

Reported outbreaks from rate shebeeners indicate that protests against the boycott could become violent. However, the number of violent incidents favouring the strikers has been excessive, with one non-striker shot dead at the wheel of an SAB truck in Durban.

In another incident, a worker was stabbed, allegedly by a Fawu shop steward, in Kimberley.

SAB says the child of a non-striker has been critically injured in a fire-bomb attack on his home in Pietersburg. Fawu denies involvement but concedes that "dependants and sympathisers" may be involved.

Unfortunately for SAB, the townships have a history of violently enforcing liquor boycotts. Mob attacks on government-owned beerhalls were so effective that most have been burned to the ground or privatised. The State has almost totally withdrawn from this market.

During the 1984-1986 unrest, gangs of youths forced liquor drinkers to swallow buckets of water and washing powder solutions — termed the "Omo treatment."

Efforts to resume negotiations are under way with the parties both stating they are willing. As summer approaches, the pressure on both sides must be enormous. It is of course open to SAB to pay the strikers what they want — and raise the price of beer to fund the raise.
**BEER INDUSTRY**

**Frothy tussle**

On the face of it, the strike at SA Breweries and the painful beer boycott that has come in its wake creates an ideal opportunity for rival SW Breweries to grab a bigger share of the SA beer market (see Currents).

Not so. SW Breweries has problems of its own. The company, it turns out, is recovering from its own strike and related consumer boycott.

The action against the Windhoek brewer was called by Swapo two months ago after a Namibia Food and Allied Union member was fired. During the 45-day stoppage, drinkers in the two main Namibian beer markets, Katutura, north of Windhoek, and Ovambo, in the far north, were intimidated into not buying the brewery's products.

That was the cue for SAB to make a big push for the 45m/year Namibian market. Castle, Lion and Amstel, known among black beer drinkers as "beerbeers," quickly replaced the local brew.

So, not only has SW Breweries missed a heaven-sent opportunity to dent SAB's share of the SA market, its actually losing ground to its chief rival at home.

SW Breweries marketing director Ernst Ender believes that SAB may now have as much as 15% of the Namibian market compared with little more than 10% a few months ago.

“Our strike was heavily politicised,” says SW Breweries' MD Bernd Masche. “It started because we dismissed one man in terms of our disciplinary code. The union, which is Swapo aligned, objected and eventually we dismissed 192 workers. Of those, 30 have returned and production and deliveries are now back to normal.”

The boycott is also over except for small pockets in the north where there is still resistance to the company's products. SAB sales in SW Breweries' backyard are not letting up. An official at Stellensbosch Farmers' Winery in Windhoek, which distributes SAB products, says: "Our sales have shot up and it doesn't appear as if they are tailing off."

Unhappily, there's little SW Breweries can do to retaliate. Ender says it's not feasible to "exploit the situation in SA from our plant in Windhoek in the same way SAB did in Namibia. SAB's products were well known because it provided all the beer for the SADF before hostilities in Angola ended. We thought that was unfair."

Ender adds. “When we had our problems, SAB came on strongly and delivered beer to the black market, offering incentives—which we won't do in SA. We supply on demand and penetrate the premium beer market in direct competition with Amstel.”

SW Breweries is at least reaping some benefit from SAB's troubles. Ender says the National Taverners' Association, which supports the SAB boycott, asked it to supply its members.

“It's a way of launching our Windhoek Lager and Special into a new segment of the market. They started buying only two days ago, so I can't say if that development is having a significant effect on our penetration. I do know it will be good for the quality beer market.”

SW Breweries estimates it has 1% of the 2bn/year SA market, SAB puts the share much lower, at 0.02%.

Beer importers appear to be having even more difficulty in taking advantage of SAB's problems. Inge Nubel, joint MD of N M K Shulz, probably the biggest importer of beer, says it's tough to sell beer from overseas because of the 60% surcharge. "But we bought more when we knew SAB was running into trouble."

However, "orders from our clients haven't increased, which indi-
STANDING FIRM: A striker holds her poster up, high in the face of police warnings that the picket was an "illegal gathering."

Strikers picket Newlands brewery

By ANDREA WEBB
Staff Reporter

STRIKERS held a peaceful picket outside Ohlsson's Brewery in Newlands for more than an hour this morning.

The picket came two days after SA Breweries were awarded an interim interdict restraining workers from "assembling or intimidating" casual employees.

The strikers lined up outside the front and back entrances of the brewery and displayed posters to dissuade casual workers from taking their jobs.

Vehicles leaving the SAB grounds ferrying casual workers to other transport points were greeted only with raised posters.

Elsewhere, casual workers were spotted climbing over a fence to avoid the picketers.

Shortly after 7am police arrived at the main entrance in Boundary Road and warned the strikers to disperse. They responded by calling the other group of men from the back entrance to join them.

Together, the group numbered about 60.

Nobody was arrested and the strikers returned to Community House in Salt River shortly after 9am.

Food and Allied Workers' Union representatives meet in Cape Town this evening to discuss the latest move by the SAB in the strike of 6000 workers nationwide.

The brewery have proposed a mediator and a date of mediation to end the strike. However, they have refused to budge on their 15 percent wage offer. The offer will be one of the chief points of discussion.

Police ordered an Argus reporter and photographer to leave the scene at the brewery early today. Asked for an explanation, a police spokesman later said the picket was an "illegal gathering", the strikers had been warned to disperse and the police had been about to take action against them in terms of emergency regulations.

INSIDE:
Violence must stop, say beer strikers

BY ANDREAS WEISS
Weekend Argus Report

THE Food and Allied Workers Union, representing 6 000 striking South African Breweries workers, has unequivocally renounced the use of violence.

In a Press statement issued by its lawyers Fawu said it renounced violence but noted with concern aggravating factors including:

- Dangerous weapons openly carried by casual workers,
- The continued presence of the police, and
- The refusal of SAB to allow picketing on its premises.

The union said it believed that striking workers had the right to picket peacefully. Because they were not allowed to picket on SAB premises, in accordance with a code drawn up at the start of the strike, strikers were forced to picket outside, where they had daily been confronted by police.

The release said “Fawu believes in the principles of freedom of association and the right of strikers to organise support for their struggle in a disciplined and peaceful manner.

Own choice

“In line with this principle Fawu believes strikers have the right to freely associate outside the company’s premises and to explain by peaceful means the reasons for the strike to casual and permanent SAB workers.

“The individuals concerned are free to make their own choices.”

SAB spokesman Mr Adrian Botha said on the question of a strike code “We have tried to get strike rules at all plants. We have only been successful at a few and even at the few, strike rules are ignored.”

He denied that casuals were carrying dangerous weapons. Police were only called in if there was violence, he said.

Our Durban correspondent reports that Fawu national organiser Mr Raj Naccher said the time had come for both parties “to take a more responsible attitude” towards violence.

Mr Naccher also said SAB claims that the union was not prepared to re-assess its demands were not true “Our position is open to negotiation and our demands are not a final offer.”
Beer boycott blues

SAB strike could force us to close shop — taverners

STAN HLOPHE

TOWNSHIP nightclub and shebeen owners have expressed deep concern over a call by Food and Allied Workers Union (Fawu) to boycott SAB products in support of its striking members, as they fear it could force them to close shop.

Although taverners’ associations countrywide and community organisations have agreed in principle to support the four-week wage strike, a number of businessmen admitted this week they were feeling the pinch.

After a meeting last week with Fawu a range of black business organisations — including the 9000-strong National Taverners Association (NTA), South African Taverners’ Association and the National Stokvel Association of South Africa — agreed to “withdraw their buying power” from SAB.

Since then, the black liquor traders’ association, Ukhamba, has expressed solidarity with the strikers but declined to endorse the boycott. “The association has contractual obligations to its 12000 employees nationally, and to provide the community with the goods and services it requires,” it said.

Ukhamba and Fawu were locked in a meeting in Johannesburg last night.

Mr Peggy Senne, president of the NTA, said the boycott was hurting shebeen owners, but they were prepared to make the necessary sacrifice.

NTA vice-chairman Mr Ray Mollison added that the Soweto Taverners’ Association would hold an urgent meeting at Uncle Tom’s Hall on the dispute. Among the topics for discussion were intimidation and damage suffered by shebeen owners since the strike began.

Mr Mollison said “The sooner the strike is settled, the better for everybody concerned. Nobody is a winner in this game.”

Nightclub owner, shebeen king, taxi owner and sports promoter Mr Godfrey “Godfather” Moloi expressed fears that the boycott would result in black-on-black violence.

Mr Moloi, owner of the R500 000 Blue Fountain International complex, said the black liquor trade was a huge industry. There was concern that thousands of people could lose their jobs as a result of the boycott.

“What happens to the people who depend on selling beer to educate their children? They will suffer because of people who can’t or won’t reach agreement with their employers.”

Boycotting SAB was not the answer, because the beer giant would target its products at alternative markets.

“Since you can’t keep the drinking man thirsty, the guzzlers will follow wherever there is a well,” he said.

“We in the business sector are doing our part in the struggle by trying to uplift the lot of our fellow blacks. You don’t take the whole community to war. You take the soldiers to war while others keep the home fires burning.”

Meanwhile, SAB has reported further incidents of strike-related violence this week, including the fire-bombing of a house in Pietersburg which left a child in a critical condition.

The company won a Supreme Court order restraining Fawu from intimidating or harassing temporary workers at its Newlands brewery in the Western Cape.

Fawu complained of persistent SAB attempts to link the union to the violence, despite the fact that it had done its utmost to ensure the strike was peaceful.

Settlement remained a distant prospect this week, after Fawu rejected an SAB proposal of mediation. The company stressed that it would not reverse its wage offer.

Fawu’s Mr Ernest Buthelezi said the union had no objection in principle to mediation, but expected the company to enter the process with an open mind.
No pints as strike hits beer supplies

By ROBYN CHALMERS

PINTS are out for beer lovers this week but drinkers in search of cans or dumpers should have no problems if they go to the best liquor outlets.
The SA Breweries beer strike is now well into its fourth week with little hope of an immediate settlement.

Contingency plans have enabled SAB to supply liquor stores with stocks, although there have been widespread distribution problems.
The only major affect the beer strike has had on bottle stores has been the unavailability of pints.

Rebel managing director Trevor Pearman said deliveries had been severely disrupted.

Boycott

The chain has been buying stock from South West Breweries in order to boost depleted stocks.

Magnum manager Chris van der Merwe said he had been unable to buy any pints at all. Otherwise, Magnum had sufficient stocks, but Mr van der Merwe said smaller liquor outlets had been badly hit.

They have had to either collect supplies direct from SAB or get them from the larger stores.

A mediation proposal by SAB was this week rejected by the Food and Allied Workers' Union.
SAB rules out face-saver for union

SAB was not going to improve its wage offer to the 5 500 striking Food and Allied Workers' Union (Fawu) members simply to allow the union to save face, SAB beer division MD Graham Mackay said at the weekend.

Mackay said he believed the company had negotiated to exhaustion at negotiations, conciliation board and mediation proceedings. By yesterday no word had yet been received from Fawu on decisions made at its weekend meeting on the strike.

SAB's Adrian Botha confirmed that seven monthly paid employees at the Rosslyn Brewery had been dismissed.

He said the seven, laboratory technicians, were not part of the bargaining unit affected by the wage dispute and therefore there was no legitimate reason for their absence from work.

He said the industrial court had recently ruled in favour of the company on a similar dismissal which had occurred during a strike in Port Elizabeth earlier this year.

Mackay said the company was prepared to discuss with Fawu other issues in its proposal, such as shift work and overtime.

"But we regard our final wage offer as final. If they are looking for a face-saver, we will not co-operate," he said in response to union statements that it was prepared to substantially reduce its 56% wage demand.

Mackay said SAB's contingency production plans, which had been well-laid long ago, had proved "extraordinarily successful". The company was building up stock for its summer peak season, partly due to raising production at one brewery by a round-the-clock operation.

*Picture: Page 3*
SA BREWERIES (SAB) was not going to improve its wage offer to the 6,500 striking Food and Allied Workers' Union (Fawu) members simply to allow the union to save face, SAB beer division MD Mr Graham Mackay said at the weekend.

He said he believed the company had negotiated to exhaustion at negotiations, conciliation board and mediation proceedings.

The company was prepared to discuss other issues in its proposal with Fawu, such as shiftwork and overtime.

"But we regard our final wage offer as final. If they are looking for a face-saver, we will not co-operate," he said in response to union statements that Fawu was prepared to substantially reduce its 38% wage demand.

Meanwhile, Fawu said it would first report back to its national executive committee on Friday before finally deciding on a management offer that the dispute be referred to mediation.

Mr Mackay said SAB's contingency production plans, which had been well laid long ago, had proved "extraordinarily successful". The company was building up stock for its summer peak season — Own Correspondent and Labour Reporter.
SOUTH AFRICAN
Breweries’ four-week-old strike by 6 000 employees could become South Africa’s longest ever. Food and Allied Workers’ Union assistant general secretary Mr Mike Madlala said in Johannesburg yesterday.

And, another union spokesman said, the longer the strike continued, the less Fawu could guarantee control over strikers. He said the union’s accountability for strike-related violence “lessened as the strike drags on.”

By last night there was no sign of either party resuming talks, with Fawu stating that it was not prepared to meet SAB management for mediation, while the company remained inflexible on its final wage offer.

At a weekend meeting of union office-bearers and SAB shop stewards in Cape Town, the union decided to reject the company’s conditional attitude towards mediation as a way of resolving the wage dispute.

SAB human resources manager Mr Rob Childs last night restated that the company would not negotiate back-paying strikers, nor its final wage offer.

In a further incident of alleged strike violence, a supervisor at SAB’s Germiston plant was stabbed and his Tembisa home attacked at the weekend, the SAB said yesterday.

Nine Fawu members have been dismissed during the strike, they confirmed.—Sapa, Own Correspondent, Labour Reporter.
Cosatu call for backing of SAB strikers

COSATU yesterday called upon all beer consumers, shebeeners, taverners and their associations to support the South African Breweries (SAB) workers who are on strike over wages by withdrawing their buying power from the brewery.

In its monthly Wits Regional Executive Committee meeting held at the weekend, Cosatu resolved to call for the boycott of all SAB products.

With the strike entering its fourth week, SAB is still reluctant to come to the negotiating table and address the demands of the workers. Cosatu said:

"This attitude is not new, it has been seen in the past and we also believe that SAB had a hand in the drafting of the new LRA (Labour Relations Amendment Act) which is responsible for the industrial conflict in the country," a union spokesman said.

"We call on all our people to conduct this campaign in a peaceful and disciplined manner and give the reactionary forces no loopholes. The boycott will not end unless the demands of the workers are met," the spokesman said.

Cosatu condemned the dismissals of about 300 workers in Windhoek, Namibia by SAB."We stand in solidarity with these workers and we will force the SAB to reinstate them unconditionally."
Labour Reporter:  

Black taverners are to meet the Food and Allied Workers Union (Fawu) in Stoweford today after refusing to open their premises in defiance of the liquor control ban. Fawu officials rejected two proposed modified liquor regulations. A shebeen owner in the Soweto township of Klipspruit has ceded to pressure and promised to open under the regulations. The labour union was opposing the liquor ban since the launch of the national beer boycott. The boycott, which was started in 1987, has been supported by workers across the country. Taverners Association of Northern Transvaal representative Mr Caleb Zula said thugs had intimidated taverners since the boycott began. 
Beer workers fired as strike starts 4th week

Staff Reporter

NINE workers have been dismissed at the SA Breweries Rosslyn plant in Johannesburg as the strike of 6 000 Food and Allied Workers' Union (Fawu) members drags on into its fourth week.

The dismissed workers were all monthly paid employees and "not party to the bargaining" according to SAB spokesman Mr Adrian Botha.

In the meantime Fawu has rejected an offer by SAB for mediation while the company remains inflexible on its final wage offer of 16 percent across the board.

Fawu is demanding a 38 percent increase on the basic minimum wage.

SAB has not responded to Fawu's rejection because it is waiting to hear from the union, Mr Botha said today.

The Cosatu Witwatersrand branch said in a statement: "With the strike entering its fourth week, SAB is still reluctant to come before the negotiating table and address the demands of workers. This attitude is not new. We also believe that SAB had a hand in the drafting of the new Labour Relations Act which is responsible for the industrial conflict in the country."

The Argus Correspondent in Johannesburg reports that the strike by railway workers escalated today and South African Transport Services now estimates that 9 000 workers - about a third of the total black workforce - are now refusing to work in the Southern Transvaal.

Sats labour director Mr Jan Bredenkamp said the strike had spread to Johannesburg's Kazerne depot and the Eastern Transvaal coalfields. The East Rand is also affected.

Indications are that Durban is also hard hit, although Mr Bredenkamp had no figures. Sats says 700 workers were on strike in the area yesterday.

Yesterday the SA Railway and Harbour Workers' Union estimated 10 000 were on strike nationally.
in many years, one of the drier periods that we've experienced in the past couple of months, and we're expected to have a lot more water going into the system, which will help to keep the reservoir levels up.

Just like we've experienced over the years, we have to be prepared for the worst. This year, we've had to reduce our water intake, and we're currently at 65% of our normal intake. We're doing everything we can to make sure we have enough water for the future.

By Kenoss追问

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Davy beer boycott

SOUTHERN TUESDAY NOVEMBER 7, 1999

OWNERS OF THE CALLS
 Violence prompts tavern owners to end beer boycott

SOWETO shebeen-owners told the Food and Allied Workers Union (Fawu) at a meeting yesterday that they were ending — with immediate effect — the beer boycott many had supported for the past week.

And the 200 Soweto Taverners Association (STA) members who attended the meeting at Soweto’s Uncle Tom’s Hall appealed to the union to take schoolchildren, who had been using strong-arm tactics, out of the controversy.

About 100 shebeen operators had their stocks damaged and were assaulted and robbed by youths enforcing the boycott of SAB products, STA secretary Ray Molison said last night.

Last week the STA agreed to support a call by black organisations for a national “withdrawal of buying power from SAB” to support the union’s 6 000 members who are on strike at SAB.

Yesterday’s meeting was called to discuss the accompanying violence which Molison said had worsened over the past weekend as youths went from shebeen to shebeen destroying stocks and assaulting people.

By the time Fawu assistant general secretary Mike Madlala arrived at the meeting, it had already been decided that operators would open up again, while the STA executive would report to Fawu and try to work out alternative ways of supporting the strikers.

**THEO RAWANA**

Exorbitant

Arguments put forward were that taverners had given Fawu support for a week whereas SAB workers at Chamdor had never stopped working; bottlestore owners’ association Ukhamba had declared it was opening its shops; Fawu was doing nothing to stop youths from harassing shebeen keepers, and coloured liquor operators in neighbouring Eldorado Park and Nancefield were serviving Soweto.

Speakers also claimed that cafe owners in the city were stocking up more than they had ever done before, and were charging exorbitant prices.

Madlala said there had been problems with other organisations as well, and a meeting would be called to work out alternative strategies. Shebeen owners then called on him to defuse the situation by releasing a statement permitting them to open while this was being done.

He said, however, he could not make a unilateral decision as the resolution to boycott been taken in conjunction with other organisations.

The STA executive agreed that a meeting would be held with Fawu and other organisations at the same hall tomorrow.

SAB said in a statement yesterday that Fawu’s threat to prolong the strike until next year would cost the lowest-paid employee a minimum of R4 060 in lost wages by January 1.

"Excluding benefits our grade one employees have already lost R460 in back-pay which they forfended when the strike started on October 10. In addition, by January 1 they will have lost 57 working days. Obviously, our higher-grade employees stand to lose far more."
Shebeen beer boycott ended

JOHANNESBURG. — Soweto shebeen owners told the Food and Allied Workers' Union (Fawu) yesterday they were stopping the beer boycott many had supported for the past week.

And the 350 Soweto Taverners' Association (STA) members who attended the meeting at Soweto's Uncle Tom's Hall, appealed to the union to stop schoolchildren, who had been using strong-arm tactics, from participating in the controversy.

About 100 shebeen operators had their stocks damaged and had been assaulted and robbed by youths enforcing the boycott of South African Breweries (SAB) products, STA secretary Mr Ray Mollison said last night.

Last week the STA agreed to support a call by black organisations for a national "withdrawal of buying power from SAB" to support the union's 6,000 members who are on strike.

Yesterday's meeting was called to discuss the accompanying violence, which Mr Mollison said had worsened over the past weekend.

By the time Fawu assistant general secretary Mr Mike Madlala arrived at the meeting, it had already been decided that the operators would open up again.
SAB warns strikers

THE editor of the South African Press Association, Mr Edwin Liimton, made a statement before a magistrate yesterday in terms of Section 205 of the Criminal Procedure Act.

Liimton, who had been subpoenaed to make a statement about the receipt and transmission of a Press release from Cosatu in July this year, told the magistrate, Mr J F Zeede, he was making the statement most reluctantly.

After making the statement under oath, prosecutor Mr A van Wyk told the court that Liimton had satisfied Section 205 of the Criminal Procedure Act and no further information was required from him.

Cosatu

Liimton told the magistrate he had been subpoenaed three times in the last three weeks to make a statement about the receipt and transmission of a Cosatu Press release.

Back in July, Mr Sankara密切, Cosatu's general secretary, handed the newspaper to the magistrate, saying it contained 'information which would tend to incite violence and which was prejudicial to public order or the administration of justice'.

Liimton was joined at the court by his lawyer, Mr Charles Pienaar, who argued that the media freedom guarantees had been breached.

Once again Mr Liimton has been given the chance to make a statement which, according to his lawyer, is fraught with problems.

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Durban bathing puzzle

SUNBATHERS face an apartheid puzzle in South Africa's premier beach resort this summer after Durban City Council decided to retain beach segregation.

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News in brief

Mr Mogomola recently joined Saba as marketing chairman.
THE beer boycott on the Reef and in Pretoria is threatening to collapse under pressure from township liquor retailers and nightclub owners but is still in force in the Western Cape.

Members of the National Taverners' Association (NTA) decided in Johannesburg yesterday to tell the Food and Allied Workers' Union (Fawu) that they were planning to start selling beer in Soweto today.

However, in the Western Cape, most shebeen owners belong to an organisation affiliated to a rival body, the South African Taverners' Association (Sata), who have not backed down on their decision to suspend beer sales.

**Guguletu**

The biggest liquor wholesaler in Cape Town townships, Siyakule Liquor Wholesalers in Guguletu, confirmed today that they were not selling SA Breweries products nor were any other members of the WC Taverners' Association affiliated to Sata.

In Johannesburg, vice-chairman of the NTA, Mr Ray Mollison, said a meeting about the boycott was held yesterday by the NTA and Fawu.

It was decided that liquor retailers could no longer afford to back the boycott in support of Fawu.

"The NTA had to take practical measures, although reluctantly," said Mr Mollison.

Another meeting will be held tonight.

NTA's chairman, Mr Lucky Michaels, said NTA members had more to lose than the SAB workers and other organisations.

He said that in the week since the boycott started several members had been assaulted and had their property and stocks damaged by gangs of youths. He said only black shebeen owners were affected, while liquor traders of other colours benefited from the boycott.

SA Breweries said violence was continuing. The latest victim was a supervisor at the Wadeville depot who had been admitted to the Garden City Clinic with a brain haemorrhage.

SAB yesterday obtained a final interdict against Fawu.

The Pretoria Supreme Court granted SAB an interim interdict on October 11, evicting the striking Fawu members from SAB premises and restraining them from interfering in any way with normal operation.

The interim order issued by Mr Justice Kriegler calling Fawu to show cause why a final interdict should not have been made against them, was yesterday confirmed by Mr Justice Van Dyk after Fawu failed to furnish a cause — Staff Reporter and The Argus Correspondent
Breweries strike claims 3 more lives

The SAB strike has claimed three more lives with the deaths of two strikers and a student supporter, in two separate incidents, the Food and Allied Workers Union (Fawu) said yesterday.

Fawu said all three were killed while participating in peaceful demonstrations aimed at garnering support for the boycott of SAB products.

Two strikers were among a group demonstrating in Zola, Soweto, when they were accosted by a "gangster presumably hired by a bootlegger in the area".

And a student who joined Fawu members demonstrating outside a shebeen in Kelletong was killed when the shebeen owner opened fire. Two were injured.

Fawu national organiser Rajin Nalcker said the union was collecting statements from witnesses and, after consultations with union attorneys, would probably pass the information on to the police.

Police spokesmen said they had no information on the alleged killings. The first fatality of the strike was a Durban SAB driver, killed while making a delivery.

Fawu said, "Workers have a belief SAB is involved in the hiring of these tsotsis," and called on the company to confirm its opposition to intimidation and violence.

SAB spokesman Adrian Botha said the company treated "with contempt" any suggestion that it had supported violence. SAB's views had been made clear from the beginning, he said.

Nalcker said Fawu's NEC would meet this weekend to discuss the strike.

Comment: Page 8
‘Gangsters’

kill strikers

THE death toll in the beer strike rose to three this week when gunmen fired on workers picketing shebeens in Soweto and Kalkong, killing a striking SA Breweries worker and a pupil.

The Food and Allied Workers’ Union (Fawu) said all three were killed while taking part in peaceful demonstrations aimed at getting support for the beer boycott.

One striker died when a group demonstrating in Zola, Soweto, were accosted by a “gangsters presumably hired by a bootlegger in the area”, the union claimed.

A pupil who joined Fawu members demonstrating outside a shebeen in Kalkong was killed when the shebeen owner opened fire. Two others were injured.

Both incidents happened on Monday when workers staged demonstrations outside township shebeens selling SAB beers in defiance of a consumer boycott, Fawu said yesterday.

The union, which represents about 6 500 striking SAB workers, charged that the assailants were “gangsters” and “known thugs”.

Fearing further attacks on its members, the union has provisionally suspended all pickets against taverners and shebeeners, the spokesman said.

The Cosatu Wits region condemned the deaths and blamed SAB as it was “reluctant” to negotiate with the union and end the strike.

An SAB driver was also shot dead near the company’s Prospecton brewery in Durban on October 23.

The company, meanwhile, has urged Fawu to call off the “self-appointed vigilante gangs who are terrorising shebeeners”.

According to an SAB spokesman, striking workers lost about R10 million in pay.

Fawu representatives and the Ukhamba Taverners’ Association and National Taverners’ Association met in Johannesburg last night to discuss ways of extending the boycott, the Fawu spokesman said.

The union’s Anglo American shop stewards’ committee and SAB worker representatives will discuss possible sympathy action for the brewer’s strike at a meeting to be held in Johannesburg on Saturday, the Fawu spokesman said — Labour Reporter and Sapa

 rumours of an Angolan military coup
Beer boycott unshakeable despite losses

By CHRIS BATEMAN

TOWNSHIP liquor dealers in the Peninsula have lost an estimated R16 million in beer sales and several could face bankruptcy within a month — but their boycott of SAB products will continue.

This was said yesterday by Mr Sam Tuntuibe, chairman of the SA Taverners' Association, Sata.

Mr Tuntuibe, the "father" of liquor trading in the Peninsula's townships, said Sata's support of the striking Fawu workers at the Newlands SAB factory was a pragmatic long-term decision.

A Cape Times tour of shebeens and taverns yesterday yielded several stories of rowing bands of youths raiding shebeens for any sign of SAB products and smashing full beer bottles.

Mr Tuntuibe said Sata's position was painful but unavoidable.

"I cannot risk the lives and properties of my people If we sold we'd rouse a sleeping giant which would crush us.

"We do not want the Hippos and Casspirs that the government's beer outlets had for protection in past years — we all saw those outlets burnt down despite the state's power," he said.

Tuesday's decision by the National Taverners' Association to begin selling beer in Soweto again was "tantamount to suicide" and he predicted widespread violence in the Reef township.

Mr Tuntuibe said his own liquor wholesale outlet in Guguletu, Sivakile Liquors, had an average monthly turnover of R2.2 million — 80% from beer. He estimated the total Peninsula township liquor monthly turnover to be at least R20m. 80% of this from beer.

"I have sleepless nights over how this is hurting the black business image and what it will do to potential investors. The blacknials will be afraid — but they don't understand our situation," he said.

His views were independently supported by taverners in Langa and Guguletu.

Guguletu's Mr Thabe Matuka said he was losing about R4000 a week and had "put off" 18 casual labourers.

One Langa backyard shebeen said "things" had smashed every bottle of beer in his home last week. "We go with the flow, you can't swim against it," he said.

The boycott has embraced even Windhoek Lager, which consumers perceive as being SAB-linked, while sales of apple cider made by Gibbeys and SPW have soared in the beerless vacuum.

Sata will hold a "How to Survive" meeting at Sivakile Liquors at 2pm today.
SAB tops up earnings 29%

Own Correspondent

JOHANNESBURG — SA Breweries (SAB) has proved itself a master financial brewer with turnover just shy of R8bn for the six months to end August.

With turnover at R5.8bn — a 23% improvement over the comparable period last year — trading profit hopped 38% to R500m (R363m), reflecting the general operating efficiency of the beverage, retail and hotel group.

Earnings improved 29% to 66.1c (51.1c) a share, covering the 25c interim dividend 2.6 times.

MD Meyer Kahn expects the group to shrug off labour problems which have hit the group’s beer division. The strike would neither have an adverse effect on the availability of beer or the group’s year-end results, he said.

Referring to the wage dispute by over 6 000 SAB employees — now entering its fifth week — Kahn said that he hoped commonsense would prevail and employees would accept the “very fair and reasonable” wage offered by the company.

He admitted, however, that he expected the present rate of growth to slow by year-end, not constructed by labour action but by the constraints of the country’s BoP and the resultant inhibition of consumer demand.

Kahn pointed out that private consumption expenditure had grown by approximately 17% in monetary value in the six months under review, translating into about 2% in real terms compared with the 4% recorded in the previous 12 months.

Performance was moderated somewhat by an increased finance charge of R122m (R73m), stemming from higher rates and the increase in long and medium-term debt to R1.3bn (R1.1bn) and short-term to R323m (R77m) used to fund investment activity of R346m.

In order to fund further investment, short-dated preference shares worth R180m were also issued — helping push total outside preference shares to over R1bn (R670m).

While cash remained at a healthy R183m, the level of gearing climbed to 51% (45%), edging nearer to management’s self-defined ceiling of 60%.

Khan, however, was confident that the ongoing capex could be funded comfortably by the existing financing facilities without increasing gearing. Incurred and contracted capex for the period was R598m — with another R1bn authorised but not contracted.

Of the total, Khan said the group will utilise just under R1bn by year-end, and the rest would be carried over into the following financial year.

He estimated that about 5% would be spent on the beer division, which held its improvement to bottom-line contribution of 29% to R112m.
Two SA Breweries’ workers who were demonstrating against the sale of beer in Zola township in Soweto were killed by a gangster who had been hired by “bootleggers” in the area, the Food and Allied Workers’ Union claimed yesterday.

The violence follows the imposition of a beer boycott at shebeens in townships in support of SAB workers who are striking for improved wages.

Fawu called on SAB to dissociate itself from the incident.

The SAB, however, has in turn called on Fawu to call off the self-appointed vigilantes who are terrorising shebeens.

Fawu said in a statement that the two workers had been approached by a pangwielding gangster while demonstrating against the buying and selling of SAB products.

After a brief scuffle, in which the strikers tried to defend themselves with beer bottles from a nearby stack, the strikers fled, but the alleged gangster apparently fired two shots, hitting them, and then stabbed them.

Incidents of violence were also reported in Katlehong on the East Rand where shots were fired at workers demonstrating outside shebeens, Fawu said.

The eight-day pay strike at GEC Machines in Benoni was nowhere near resolution, National Union of Metalworkers’ organiser Mr Alfred Woodington said in a statement yesterday.

The union had softened its demand for centralised bargaining but management had refused to budge on the issue, he said.
2 SAB workers killed in clash

TWO SA Breweries' workers who were demonstrating against the sale of beer in Zola township were killed by a gangster who had been hired by bootleggers in the area, the Food and Allied Workers' Union claimed yesterday.

The violence follows the imposition of a beer boycott at shebeens in black townships in support of SAB workers who are striking for improved wages.

Fawu called on SAB to disassociate itself from this criminal action.

The SAB, however, has in turn called on Fawu to call off the self-appointed vigilantes who are terrorising shebeens.

Fawu said in a statement the two workers had been approached by a panga-carrying gangster while demonstrating against the buying and selling of SAB products.

The workers had found a stack of beer bottles with which they attempted to fight off an attack from the man. They then fled but the alleged gangster apparently fired two shots striking the workers, who were then stabbed.

Incidents of violence were also reported in Katlehong on the East Rand where shots were fired at workers demonstrating outside shebeens, Fawu said.

Meanwhile, SAB yesterday said its strike-affected plants were receiving many calls from workers who wanted to return to work. - Sapa
Some strikers want to return to work – SAB

South African Breweries was receiving many calls from disgruntled strikers who said they wanted to return to work, a SAB spokesman said yesterday.

"We are hopeful that the calls are an indication that the true value of our wage offer is being recognised," the spokesman said, adding that strikers had already lost R10 million in pay.

However, the assistant general secretary of the Food and Allied Workers Union (Fawu), Mr Mike Madlala, rejected the statement as "propaganda" and "a tactic to sow division among workers." He said "We assess our strength on a daily basis and the strike is as firm as ever," he said.

Mr Madlala said strikers had been shot dead in Zola, Soweto, on Monday while demonstrating against the selling of beer in the township.

The union had also heard that a student had been killed and two others injured when a shebeen owner fired on demonstrators in Katlehong this week.

The demonstrations were decided on at a regional meeting of the Congress of SA Trade Unions at the weekend.
Strike costs millions — but who is losing?

By ANDREA WEISS
Staff Reporter

MILLIONS of rands are being lost in the bitter wage dispute between the Food and Allied Workers’ Union and South African Breweries — but each claims the other is the bigger loser.

Fawu believes SAB must be losing millions as the strike moves into its second month. The SAB in turn has sent strikers letters pointing out how much they stand to lose financially if the strike drags on into the new year.

It says that in spite of a national boycott of its products, sales are up on last year. It also says the boycott is crumbling.

For the strikers, personal sacrifices have been great. Because there is no strike fund, they have to rely on friends and fellow-unionists.

However, in spite of hardships, strikers appear to be firm in their resolve to see the strike through even while there is no end in sight.

According to an SAB Press statement, strikers have lost R10 million in wages.

If the strike continues until January 1 the lowest-paid employee will lose a minimum of R4 060 n wages and R480 in back pay "forfeited when the strike started on October 10," the company says.

Five percent

Fawu says its members knew the strike would bring them hardship but they believed SAB would lose more.

Besides, the union argues, the dispute is legitimate and the increases for it is asking will amount to only five percent of the company’s profits.

The consumer boycott was still strong in the Eastern Cape and Western Cape, he said.

The SAB denies vehemently that it is incurring losses.

SAPA reports from Johannesburg that the Congress of South African Trade Unions’ Witwatersrand region has condemned the killing of three SAB workers who were demonstrating against the buying and selling of SAB products in township shebeens.

Who’s bitter? Not these home brewers

By PAT CANDIDO
Argus Bureau

PORT ELIZABETH — There are a healthy bunch of beer drinkers who are still laughing all the way to the refrigerator — brewery strike or not.

They are the home-brew men, who are sitting pretty, completely unconcerned about strikes and the like.

Most are retired men who had already decided prices of beer were too heavy to be handled on pensions. So, instead of paying as much as R2,20 a pint they started making the good stuff themselves.

A good pint made from top ingredients costs them 34c.

Starter kits can be bought — at a city paint store, would you believe? — for between R1.90 and R20.99, and will make 25 pints.

The apparatus costs a little more — R26 for a special container with tap and R26 for a special bottle top machine.

A spokesman for a shop selling the kits said home brewing was catching on fast among retired men. Younger chaps still enjoyed a pint in a pub.

Homemade beer takes about a month to mature. A veteran brewer is Mr Brian Ashby, 74, of Humewood.

"I must have made thousands of litres of pilsner and lager since I started many years ago."

He admits his brew is somewhat potent and likely to kick drinkers sky high, but he can also make a less potent variety and has already bottled 60 pints for the festive season.
SAB strike erupts
in violence in Natal

DURBAN — The SAB strike erupted in violence again yesterday with reports of at least one employee killed, two others injured and four beer delivery vehicles gutted by fire outside the depot at Prospecton in Amanzimtoti.

SAB spokesman Mr-Adrian Botha said a casual worker was attacked, beaten and stabbed to death at Reunion railway station while on his way to work early yesterday morning. Crowds, armed with fire bombs and stones, went on the rampage, causing damage to vehicles estimated at more than R70 000.

- Taverners withdraw strike support — Page 3
Fixing the ailing price system

Wine producers, disturbed by stagnating sales, are pressing for major changes in the way wine prices are set. Changes under discussion by growers and wholesalers could mean lower prices for consumers in the long run.

KVV, the co-operative that represents producers, may announce a new price system as early as next month, with changes taking effect within a year. KVV is not considering anything as radical as abolishing the price system, and letting the market decide prices and production, but for the notoriously conservative KVV even to consider its 70-year-old method underlines the problem.

The debate is largely two-sided. On one side are those who want KVV to scrap the setting of a minimum price for each grade of wine and, instead, set one minimum price. The other side wants to reduce the three grades to two.

KVV’s pricing system was designed to guarantee “a consistently stable income to the wine farmer,” according to the KVV compendium. But the system is failing. Some producers are surreptitiously undercutting minimum prices and, in the end, producers who abide by the rules are seeing profits drain away.

Stellenbosch Farmers’ Winery (SFW), which is the industry’s largest wholesaler and holds 40% of the country’s market for wine for consumption, acknowledges that it’s been hurt (Business September 15).

Small wholesalers and co-ops that market directly to retailers are “in some cases even undercutting the minimum producer price for good wine that exists for their own protection,” said SFW executive chairman Dave Marlow at the winery’s recent annual meeting. Undercutting is, however, very difficult to prove.

Marlow also pointed to the “ongoing pressure by primary producers to acquire more wholesale liquor licences.” He warned that this would enable them to compete even more strongly on an unfair basis with companies such as SFW that are restricted by minimum producer prices, grape quotas and other regulatory measures.

KVV acknowledges the dissatisfaction with its pricing system. Ce Ritsema de la Bat notes in his current newsletter to producers that “ever more voices are being heard from producers that the (middle-price grade) should be scrapped.”

KVV sets prices and, in one case, a floor price for three broad grades of wine. This year the price of good wine was set at R7.69/ l, the price of standard wine was set at R5.98/ l, and a floor price for distilling wine was set at R2.78/ l. This makes the price of good wine 175% greater than that of distilling wine. In 1980 it was 91% greater.

De la Bat notes “in the proportion that the distilling wine price moves away from the good wine price, so the temptation for the producer to undermine the minimum good wine price becomes increasingly strong and the maintenance of a minimum price for good wine becomes more complicated”.

He cautions, however, that a single floor price for all wine could cause overproduction, losses and other destabilising effects if it is not accompanied by a system that ensures adequate prices for top quality wines.

This is a retreat from the KVV’s usual line that any price system reform would be destabilising.

Both Marlow and de la Bat acknowledge that urgent discussions on the price system are under way between KVV and the major wholesalers. But reform is not a simple matter because it will have a different impact on the various growing areas.

Different regions, different impact

Yields in the Stellenbosch area are around 10-15 t /ha while, in areas such as Worcester, they can be as high as 30 t, and even higher in the Olifants River area. Low-yield areas, which usually produce higher quality wine, would probably fare worse under a single-price system because they would be unlikely to achieve premiums sufficient to compensate for their lower volume.

Pressure to reform the price system would not have emerged if the wine market were healthy. The market’s high end is showing 9% annual growth but the segment accounts for only about 30m l of a total market of 260m/ year. The medium- and standard- price wine market is not growing.

Industry re-examination

Putting wine sales back on the growth track is the industry’s major challenge. One effort in this direction is the Wine Foundation’s campaign to promote wine generally. There is a lack, however, of clarity about why people do not buy more wine. Is it because it’s too expensive or because it has the wrong image?

SFW thinks it’s a question of image. Marlow notes “If we can give a good quality product, if we can give it image, people will want it. It is not a commodity business, it is about building brands.”

Marlow believes inferior products at the lower end of the market are debasing wine’s image. This, of course, is a good argument for the quality-wine producers to make because addressing this problem would require restricting the producers of cheap wine. They forget that if it were not for this cheap wine overall sales would be even lower.
The call from the shebeens: Settle the beer strike

By PHIL MOLEFE

The sooner the Food and Allied Workers Union and South African Breweries solve their dispute the better. That's the clear message coming from Soweto shebeens.

Shebeen patrons this week expressed a wish to return to the good old days as their drinking wells run dry as a result of the month old strike of 6,000 SAB workers and the call for a beer boycott.

A snap survey in Soweto showed a remarkable decline in beer sales. Patrons have turned to spirits and wine.

Some people are keeping away from shebeens out of fear following Fawu's boycott call. Soweto shebeens were deserted on Wednesday evening, a sight that behoed the usual mid-week drinking sessions that continue late into the night.

"I am scared of selling beer, although I do not know what this boycott is all about," said Tabitha Leboalo, a well-known shebeen queen.

As we settled down for whisky and soda, Tabitha said she would be closing shortly "because people are taking advantage of the situation".

Shebeens are scared after reports that groups of youths went on the rampage attacking shebeen queens and smashing beer bottles. In Orlando West a bootlegger and shebeen were attacked and beer worth more than R4,000 was smashed.

Lucy Mahlangu, who runs a shebeen known as Ha-Mmathabo, watched in horror last Friday as more than 200 youths smashed 100 cases of beer in her yard and in the street.

"I tried to plead with the youths that I had heed-ed the call and I would not sell the beer until I have been told to do so, but they would not listen," said Mahlangu.

"They broke down the garage door and smashed cases of beer. Others removed a freezer containing beer from my bedroom and threw it into the street," she said.

She sustained a cut on her right ankle and had bruises on her left arm when the rampaging...
Taverners call on SAB to resume talks with union

By Sun Illophe

As the beer boycott in support of the South African Breweries strike continues, the National Taverners' Association and Ukhamba Traders have decided to call on SAB to resume negotiations with the Food and Allied Workers' Union (Fawu).

Seven organisations attended a meeting in Johannesburg on Wednesday night to discuss ways of defusing violence associated with the boycott and strike.

They were the Fawu, the UDF, Cosatu, Soweto Youth Congress, Soweto Civic Association, NTA Ukhamba and National African Stokvel Association of South Africa.

Fawu's assistant secretary-general, Mr Mike Madlala, said shebeen owners and bottle store owners would be allowed to buy stock, not to sell it.

The boycott would be monitored and assessed on a weekly basis, Mr Madlala said.

He added that he believed the organisations which had attended the meeting would eliminate any form of violence in future.

Estimated damage of R31 500 was reported when a crowd attacked vehicles on three different occasions outside the SA Breweries plant at Prospecton near Durban yesterday.

A police spokesman said the first incident occurred at about 8 am in Joyner Road, when about 30 people stoned an SAB truck, causing damage of about R1 500.

About 10 minutes later when the crowd had swelled to about 40, a mechanical horse was set alight — with damage estimated at R20 000.

Then at about 10 am a truck belonging to Broadway Cartage, which had been hired by Khawam bottle store, was struck by petrol bombs.

The damage was estimated at R10 000.
TWO of the country's largest black taverners' associations have withdrawn their backing for 6,500 striking SA Breweries (SAB) workers, aggravating conflict between community organisations and shebeeners.

The Ukhamba Liquor Association and National Taverners' Association announced this decision at a meeting with the Food and Allied Workers' Union (Fawu) and representatives of community organisations in Johannesburg on Wednesday, a Fawu spokesman said.

Ukhamba represents about 1,500 black bottle store owners in the Southern Transvaal and Eastern Cape.

The union, which earlier mustered taverners' and shebeeners' support for a ban on selling SAB brands, had been forced to mediate between the liquor distributors and community groups pressing for a beer boycott, the spokesman said.

Meanwhile, a crisis "how to survive" meeting to be held in Guguletu by the SA Taverners' Association (Sata) was yesterday called off.

And as the strike moved into its second month yesterday, SAB subsidiary Amalgamated Beverage Industries (ABI) granted 4,700 Fawu members an 18% wage increase, the union spokesman said.

SAB, however, has refused to reconsider its final 16% wage offer to Fawu.
SAB STRIKE

Digging in

The strike by at least 5,500 SA Breweries (SAB) workers at nine plants and 13 depots has moved into its fifth week. At least one black liquor trading association says it has been hit "very hard" by calls for a national beer boycott.

The boycott was called in support of the demand by Cosatu's Food & Allied Workers Union (Fawu) for a minimum wage of R6.50 an hour (38% more than the present R4.50). SAB's offer is R5.45 (16%) and beer division MD Graham Mackay says emphatically that the offer won't be raised simply to help the union "save face."

The boycott seems to have affected trade mainly in Soweto — where a backlash among the black liquor traders seems imminent. As the National Taverners Association (NTA) prepared to meet on Tuesday, sources said the likely decision would be "to tell Fawu that they are being unreasonable."

The NTA, which claims a membership of 80% of SAB clients, together with the SA Taverners' Association (Sata) and the National Stokvels Association, came out in support of the boycott last week but business has been affected. Only one major black trader group, the Ukhamba Liquor Association, declined to join the boycott.

Meanwhile, SAB Public Affairs manager Adrian Botha repeats SAB's position that production has not only been unaffected by the strike, but, along with sales, is actually up on last year. He says the East London boycott (which had had some effect) "appears to be cracking."

Despite a "strict" boycott in Soweto, he stresses that it has had "no noticeable effect" on overall sales.

An explanation of this apparent contradiction comes from Ukhamba vice-president Zanoni Kunene. He says that while his members' sales are suffering, this does not apply to SAB. "I believe black consumers are still drinking beer, but either at home or in town."

Clearly, they are buying it at white outlets, or drinking in town.

Kunene claims harassment of black traders has been prevalent. "We have had a mixture of types walk into our stores and demand to know why we are selling beer. Without giving traders an opportunity to explain, unemployed looters and hooligans have smashed or taken beer. Fawu members (and high school pupils, believing the boycott is 'for the struggle') have also been enforcing the action."

Fawu refused to comment this week on the effectiveness of the boycott, but last week assistant general secretary Mike Madlala claimed SAB lost two days of production at Isando. He says that on one day casual labourers (a major part of SAB's contingency plan) ran away from the plant after "two groups of scabs — one group in a bus which was late for work and the other outside the plant gates — mistook each other to be Fawu strikers and got so scared that both ran away."

Madlala says another day of production was lost when casual employees demanded to be paid SAB's current wage offer.

Reacting to claims that the boycott is a ploy to break SAB's monopoly by creating space for a black-led independent brewery, Madlala says the opposite is true. "Black liquor traders have agreed in talks with us that we all depend on SAB's produce."

Nor was it conceivable that Fawu would get involved in setting up an independent brewery. "We have no capital or links with those who do have."Commenting on the high rate of anti-SAB violence, Madlala says "Any strike is a life or death affair with workers, who depend solely on selling their labour."

With SAB claiming that its contingency plans have been working so well that it can hold out indefinitely, Fawu members are reported to be taking strong Fawu concedes it costs R15 a day to fund a striker (R630 000 per week, based on Fawu's figure of 6,000 strikers) — money which he says is not provided by outsiders.

These factors will weigh heavily on Fawu's national committee, which meets this week to discuss the strike and hear a shop stewards' report-back. They will also have to consider the fact that the Pan Africanist (as opposed to Charterist) Food & Beverage Workers' Union has not come out in sympathy. This means that breweries such as Chamdar near Soweto are operating above normal capacity. SAB has also calculated that by January 1 the lowest-paid striker would have lost R4 060.

Fawu has in effect said it is prepared to lower its demands, if SAB is prepared to resume negotiations. Mackay said this week that he was prepared to discuss shift work and overtime, "but we regard our wage offer as final."

It looks as though Fawu has decided to dig in for a while. But a way out of what Madlala calls "the war" may well be founded on the offer to talk about conditions.
Two more die in violence linked to stoppage

TWO more people have died in violence linked to the four-week South African Breweries strike — one in a grenade attack — while SAB has reported "definite indications" that the strike is crumbling.

The Food and Allied Workers Union (Fawu) denied the claim, adding that it was looking at ways of intensifying strike action.

An SAB spokesman said yesterday the sister of one of its monthly-paid employees was killed when a hand grenade was thrown at her home in Tembisa on the East Rand.

And in Durban, a temporary SAB worker, Mr E.A. Gurnoh, was stabbed to death at the Beeson's Valley store while on his way to work.

The Saturday Star's Durban correspondent reports that another casual worker was admitted to hospital after being shot in the back when crowds went on a rampage outside SAB's Prospecton plant.

Police said R300,000 damage was caused when the crowds stoned vehicles on three occasions.

Elaborating on its claim that the beer strike was crumbling, SAB said yesterday that workers at one of its plants had accepted its 16 percent wage offer and asked to return to work on Monday.

It declined to name the plant "to prevent victimisation of its employees."

SAB also said that discussions were under way with workers at other plants, and that a pamphlet distributed by workers at its Kromlyna brewery was a further indication of shop-floor dissatisfaction.

The pamphlet accuses Fawu of being weak and underminded, and its officials of "siding with employers and workers' styes."

A Fawu spokesman said the union would respond fully at a press conference today.

However, he insisted that the strike was still strong and that Fawu was investigating ways of intensifying it.

Reacting to the pamphlet, the spokesman said that Kromlyna brewery was a union stronghold "This thing can't be authentic," he said "where would workers get printing facilities?"

SAB's public affairs manager, Mr Adrian Botha, confirmed yesterday that Fawu had formally rejected the company's offer of mediation.

The process would serve no purpose, the union said, because of SAB's "inflexible position" on the wage issue.

SAB said that in the light of the apparent deadlock within the union, it had written to Fawu proposing a meeting next Wednesday to discuss the overall situation.

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**Return to work**

TOGETHERNESS: National Party MP Dr Johann Viljoen, shakes hands with Swapo leader Mr David Stevens. Looking on is Mr British Liberal-Democratic Party's Mr David Steenks.

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**Kotze names environment watchdogs**

**OWN CORRESPONDENT**

ENVIRONMENTAL Affairs Minister Mr Gert Kotze has named the members of the new environment council, which will act as an advisory body to the Government.

The chairman is Professor Reolof Botha, formerly of the department of architecture at the University of Pretoria.

Mr Eric Hall, a consultant engineer and the former city engineer of Johannesburg, is the vice-chairman.

Other members include Professor Richard Fuglee, Professor H. Kamen, Mr J. de Wet, Mr J. de Wet, Mr G. F. Fagan, Mr A. A. A. Heydorn, and Professor Roy Siegfried.

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**Lawyers wait for go-ahead on mock hangings campaign**

**PAT DĘVEREAX**

PERMISSION to stage mock public hangings in city centres throughout the country, to bring home to the public the "barbarism" of the death penalty, is still being awaited from the authorities, says the National Association of Democratic Lawyers (Nadel).

Nadel has organised a week-long anti-death penalty awareness campaign.

Three more people were hanged in Pretoria on Thursday this week, bringing the total number of executions in South Africa this year to 34.

Nadel says the awareness campaign coincides with the 25th anniversary of the first political execution.

Tomorrow at midday, recently released Afrikaner National Congress leader, Mr Ahmed Masaika, who was given a suspended death sentence in 1964, will stage the first public execution.

Africa questions how many people have been hanged in South Africa for crimes they did not commit, because they had no proper legal representation.

The society urges the State President Dr F. W. de Klerk and the Minister of Justice, Mr Kobus Coetsee, to institute an immediate moratorium on all executions, set up a judicial inquiry into the use of the death penalty, and investigate methods of punishment, "which seek to cure rather than destroy."

A Nadel employee said the organisation's offices had been inundated with requests for petition forms calling for the abolition of the death penalty.

Forms are also available from local council offices.
Seven people now dead in SAB strike

By SELLO SERIPE

SEVEN people have now died since the SA Breweries strike began four weeks ago, with two more killings reported in Natal.

But the figure released yesterday by Food and Allied Workers’ Union (Fawu) national organiser Rajin Naicker at a press conference in Johannesburg was five – two union members in Soweto, one sympathiser in Katlehong on the East Rand and two scab workers in Natal.

During the earlier days of the strike an SAB truck driver was shot dead in Natal while in Tembisa on the East Rand the sister of an SAB employee died in grenade attack on her home.

Fawu also announced yesterday that the union was willing to renegotiate its R1,80 an hour wage demand. SAB has agreed to meet the union on Wednesday.

Naicker said the SAB was trying to criminalise the union by making false press statements, and accusing the union of intimidating taverners and shebeeners.

The Fawu national executive committee resolved to intensify and strengthen the strike.

In the light of this, Fawu would do the following:

- Initiate a meeting of all workers in the SAB group to formulate ways in which they could support the workers in the beer division;
- Initiate meetings with all the components of the Mass Democratic Movement to obtain their support for the striking workers; and
- Strengthen the structures of the union to ensure more effective co-ordination at a national, regional, and branch level.

SAB management was not available for comment yesterday.
THE sixth week of the violent and stalemated strike by 6 000 Food and Allied Workers' Union (Fawu) members at SAB could prove to be a dramatic turning point if the plans and hopes of either side are fulfilled.

As the death toll in the strike reached six at the end of last week, SAB claimed the strike was crumbling, while Fawu announced plans, worked out at an executive meeting, to intensify its fight.

The two parties have agreed to meet on Wednesday to discuss the "overall situation," although there is no sign the company is prepared to negotiate its 16% wage offer.

SAB claimed at the weekend that workers at one of the seven strike-hit breweries had indicated their desire to return to work today.

The company did not name the brewery "to prevent victimisation of its employees."

"This is a definite indication that the strike is crumbling," a spokesman said.

However, Fawu described this claim as false, saying it planned to seek broader support for the strike.

**Negotiable**

This would include seeking (unspecified) assistance from workers at other SAB subsidiaries and from the mass democratic movement for those in the beer division.

The union reiterated that its 38% wage demand, although reasonable in the light of SAB profit levels, remained negotiable.

SAB said on Friday that two more deaths had been reported.

The sister of a salaried employee had died during a grenade attack on her home in Tembisa, and a casual worker was attacked and killed near a Durban station.

It added that three strikers had been arrested in Durban with petrol bombs in their possession, and that there had been many reports of intimidation of shebeeners.

Sapa reports that after four days of union meetings in Johannesburg last week, Fawu national organiser Raga Naiker said the organisation had "consistently stated its desire to negotiate an end to the dispute."

"We believe that SAB's refusal to negotiate has created conditions for the deep conflict which exists.

"Yet in the interests of reopening talks, we are saying our demand is negotiable."
SAB, Fawu to meet on beer strike

Own Correspondent

JOHANNESBURG — Beer strikers and brewery owners will meet this week for talks amid claims by SAB that the strike is crumbling.

The union organising the strike, Fawu, and SA Breweries will meet on Wednesday to discuss the "overall situation".

Fawu disputed the SAB claim that the strike was crumbling, saying it had worked out plans at an executive meeting to intensify the strike.

The strike, involving 6,000 SAB workers, has been on for six weeks and the death toll reached six at the end of last week. There is also no sign that SAB is prepared to negotiate its 15% wage offer.

SAB claimed at the weekend that workers at one of the seven strike-hit breweries had indicated their desire to return to work today. The company did not name the brewery, "to prevent victimisation of employees." "This is a definite indication that the strike is crumbling," a spokesman said.

However, Fawu described this claim as false and said it planned to seek broadened support for the strike. This would include seeking assistance from workers at other SAB subsidiaries and from the Mass Democratic Movement. The union reiterated that its 38% wage demand, although reasonable in the light of SAB profit levels, remained negotiable.

SAB announced on Friday that two more deaths had been reported. The sister of a salaried employee had died during a grenade attack on her home in Tembisa, and a casual worker was attacked and killed near a Durban station.

It said three strikers in Durban had been arrested with petrol bombs in their possession and there were many reports of intimidation of shebeeniers.
Bid to resolve beer strike

Staff Reporter

THE Food and Allied Workers' Union (Fawu) and SA Breweries meet tomorrow for the first time since mid-September in an attempt to resolve the strike which started on October 11.

According to SAB spokesman Mr Adrian Botha, Fawu has agreed to attend the meeting for “discussions.”

However, negotiations are not expected to resume.

PERCENTAGES

In another move SAB have said that 75 percent of employees at an unnamed plant have signed their acceptance of a 16 percent across-the-board wage increase offered by the company.

Mr Botha said that SAB had negotiated “till exhaustion” the position on wages and the time for trading percentages had long passed.

“It would be highly irresponsible of Fawu now to negotiate minor percentage increases,” he said.

Tomorrow's meeting will be the first time SAB and Fawu have met since mediation broke down in mid-September, triggering the strike on October 11.

DEATH TOLL

Their last official wage negotiation meeting was on August 23.

The death toll in the bitter strike involving 6,000 Fawu workers reached six by the end of last week. Fawu members and casual workers have been among the casualties.

Fawu's demand is for a 38 percent wage increase but the union has indicated a willingness to negotiate this demand.
Some strikers back at work?

JOHANNESBURG — The majority of SAB strikers at a small Free State brewery are expected to return to work today, SAB personnel director Mr Rob Childs said yesterday.

If they do, this would represent the first crack in the five-week-old strike by 6,000 workers.

Mr Childs said 75% of the 120-strong workforce at the Welkom brewery had signed their acceptance of the company's 16% wage offer.

He said employees at another three breweries — two large and one small — and three transport depots had shown an interest in ending their strike.

Food and Allied Workers' Union spokesmen could not be reached for comment.

The parties are scheduled to meet tomorrow for talks aimed at resolving the dispute.
Fawu to meet with SAB bosses

Fawu spokesman Mr Mike Madlala the said meeting was requested by SAB to discuss "relationships between its union and management".

He said it was unclear whether talks would centre around the strike and wage negotiations, but that the union's negotiators and office bearers would be present at the talks.

"If management wants to negotiate we will excuse ourselves and leave everything to our negotiators," he said.

Madlala reiterated the union's stand to continue the strike until SAB management "showed some flexibility to negotiate" on the R1.80 an hour demand.

A spokesman for the SAB, Mr Adrian Botha, said workers' demands were unreasonable.

Botha said workers had already lost R10 million since the strike began.

Above all, he said, the company was concerned about the degree of violence against "innocent employees" of the company.

He also claimed that the distribution of a pamphlet at the Rosslyn plant was "an indication of worker dissatisfaction".

Fawu however dismissed these claims and said the pamphlets were "the job of management".

Link

Asked to comment on the recent attacks on scabs and several employees of the SAB, Madlala said "our members should not be linked to any violence because they only want to negotiate with the company".

Fawu also disputed a claim by the company that the majority of workers at one plant had accepted the 16 percent wage offer and were willing to return to work.

Meanwhile, the Soweto Taverners Association will hold a meeting at Uncle Tom's Hall from 1pm today to discuss Fawu strike.
SAB, union to talk about strike

Labour Reporter

South African Breweries and the Food and Allied Workers Union are to meet today for the first time since the beer strike started five weeks ago.

However, prospects for progress at the meeting, to be held in Johannesburg, do not look promising.

SAB’s Mr Adrian Botha said yesterday that the company’s 16 percent wage offer was not up for negotiation. The position on backpay — management insists the pay deal will take effect from the date of acceptance — was also unchanged.

DEADLOCK

Today’s encounter would not be a negotiating meeting but would look at “alternative ways of resolving the dispute.”

However, Fawu’s Mr Mike Madlala said a management refusal to negotiate on the union’s key demands “will very soon land us in deadlock.”

Mr Madlala also rejected claims of divisions among the strikers.

According to SAB, 127 strikers returned to work yesterday at its Welkom brewery after accepting the 16 percent offer.

Workers at three other breweries and a depot had indicated a willingness to end their strike.
Wine giant throws down gauntlet to Cape farmer

CAPE TOWN — KKW has challenged wine farmer Tim Hamilton-Russell to confirm allegations about the wine industry attributed to him in a British newspaper or apologize for allegedly damaging the industry.

KKW’s challenge comes after the Daily Telegraph quoted Hamilton-Russell as saying labour conditions in the industry were "morally indefensible" and that the Rural Foundation, established in 1962 to improve conditions, was cosmetic.

The row renewed more general debates about the plight of SA’s farm labourers, who do not have the same statutory protection as industrial workers.

When the Daily Telegraph article, Toiling in the Vineyards of Apartheid, came to KKW officials’ attention late last week, they boycotted a function at which Hamilton-Russell was awarded a prize for one of his wines.

They challenged the accuracy of his statements, arguing that only reliable large-scale scientific surveys on farm labour conditions were those done by the Rural Foundation. It was suggested a motive was to improve his own wine export business at the expense of the rest of the industry.

LESLEY LAMBERT

When Hamilton-Russell said he had been misinterpreted on some issues, they challenged him to make a public statement.

The Rural Foundation tries to convince its members of the moral necessity and financial prudence of improving labourers' conditions.

Financed by 60 private companies, the Health Department and member farmers, the foundation has conducted surveys among members which have shown encouraging growth in the amount of capital invested in education, housing, community developments and pension schemes.

Guidelines

It is also establishing employment guidelines for a code of conduct.

It represents 20% of western Cape farmers, but only 10% of wine farmers and grape growers, according to its chief executive officer, Ockie Bosman.

Hamilton-Russell and three others have issued a declaration urging unilateral implementation of a programme of rights for black and coloured workers.
Bid to ease beer embargo

TOWNSHIP taverners, who face financial ruin after a failed bid by the Food and Allied Workers' Union (Fawu) and the South African Breweries (SAB) to resolve their dispute on Wednesday, hope the union will give them the go-ahead to sell an alternative brand of beer.

Fawu said the breakdown in talks meant that the beer boycott in support of 6,500 strikers would be "intensified".

Western Cape Taverners' Association secretary Matsho Dyani said the taverners intended pushing for Fawu to clear Windhoek Lager for sale.

Alternative

He said taverners had investigated the links between the South West African Breweries and SAB and would present their findings at a meeting with Fawu next Tuesday.

Unless an alternative were provided, many taverners would have to close their doors, Dyani said.

"Taverners will go hungry over the festive season because beer accounts for between 80 and 90 percent of sales," he said.

Taverners had no option but to stand behind the strikers, he added.

"We live in the community. History has shown us that we cannot risk becoming targets of community anger, as in 1976 and 1985."

Fawu national organiser Rajun Naecker said the union shared the taverners' disappointment at the breakdown in talks.

Naecker said the union had hoped Wednesday's meeting, which took place at the request of SAB, would be a means of negotiating an end to the five-week strike. As a "sign of goodwill" the union had dropped its wage demand by 30 cents from R1.80 an hour to R1.50—still negotiable, he said.

SAB, however, refused to budge on its offer of 75 cents.
Beer strike to intensify after deadlock — union boss

By ANDREA WEISS
Staff Reporter

AN official of the Food and Allied Workers' Union has declared that the nationwide strike at the South African Breweries will intensify following a deadlock at a meeting between the two warring parties.

They met in Johannesburg yesterday — for the first time since mid-September — in an attempt to find ways of ending in the five-week strike. However, the talks ended after four hours.

In a Press statement SAB condemned Fawu for being "obdurate" and "unimaginative" and said no progress was made because Fawu "offered too little, too late."

Dropped

According to SAB, Fawu dropped six percent on its 38 percent increase demand but was not prepared to discuss other demands which included benefits such as additional compassionate leave and increases in shift allowances.

In the statement SAB said it was "dismayed at Fawu's reticence to include violence as an issue."

"In the face of such obduracy any attempt at successful collective bargaining is futile."

The company announced that employees had returned to work at the Welkom depot and claimed there were "many more" workers wishing to return to work.

"Cheap"

Fawu general secretary Mr Raju Naiker said SAB was using a "cheap tactic of trying to sow confusion and division amongst the workers."

There was no dissension within Fawu ranks, he said.

Responding to reports of violence and intimidation by Fawu members, he said this was "an attempt by SAB to make Fawu responsible."

He added: "Until we are certain Fawu membership has been involved, we're not prepared to enter into negotiations with SAB over violence."

He said that in some cases Fawu members had been provoked and that the union could not call on its members to desist from violence when attacked.

"The union was not accepting lower wage offers from other employers, as alleged by SAB, and, in fact, some smaller companies had settled for even higher increases this year, said Mr Naiker."
SAB, union stalemate after talks

By Drew Forrest, Labor Reporter

A four-hour meeting between South African Breweries and the Food and Allied Workers Union, the first since the six-week beer strike began, ended in stalemate yesterday.

At a press conference later, Fawu accused SAB of seeking to smash the union, while SAB condemned Fawu as "obdurate and unimaginative".

Both sides confirmed that no progress had been made towards settlement. Fawu warned that it is to meet sympathetic organisations this week in a bid to intensify the strike.

In a statement SAB said the union offered "too little, too late", reducing its demand for a 38 percent pay rise to 32 percent and refusing to discuss other demands totalling 150 percent.

On Tuesday SAB stressed it would not revise its 16 percent pay offer.

Fawu's Mr Rajin Naicker said the union had dropped its demand and proposed that the meeting become a bargaining forum in a sincere bid to spur negotiations.

Claims that workers had indicated a willingness to return to work were a ploy to sow division, he said.
JOHANNESBURG — Talks between SA Breweries and the Food and Allied Workers' Union (Fawu) reached deadlock yesterday, with the breweries accusing the union of being "obdurate and unimaginative" and the union saying SAB had no intention of trying to resolve their dispute.

"Fawu offered too little, too late, coming down from a 39% increase to 32%, and was not prepared to discuss its additional demands which totalled 190%," SAB said in a statement.

However, Fawu spokesman Mr Ravin Naiker said that the key to negotiating the dispute — an offer of R1.50 — had been put into SAB's hands.

SAB responded by having a caucus which "did not last 15 seconds", then just-reiterated their position.

Mr Naiker said SAB would not address demands on working conditions and "seemed to block all moves" by Fawu towards negotiation. — Sapa
KEMPSTON PARK — Police helped by members of the SADF yesterday raided the SA Breweries village at Tembisa, where most of the company's striking workers live.

A police spokesman said the raid was to follow up allegations of attacks on shebeen owners by SAB workers, apparently because the owners were selling beer in defiance of the national boycott.

Cosatu said in a statement the security forces invaded the village about 5.30am, breaking doors and windows, assaulting workers and searching homes.

"In the process watches, money and other belongings of workers disappeared," Cosatu said, adding that the raid had apparently been initiated by SAB management.

Police said a number of weapons, including knobkerries, iron pipes and axes and union literature were confiscated.

They rejected Cosatu’s allegations that workers' possessions were stolen or that they were assaulted during the raid.

Prepared to negotiate

"On occasions entry was refused and in terms of the Criminal Procedures Act the necessary force was used to enter," the spokesman said.

Our Johannesburg correspondent reports that the Food and Allied Workers Union (Fawu) said yesterday it was still prepared to negotiate with SAB, despite the failure of the first round of talks this week aimed at ending the five-week-old dispute.

Fawu national organiser Mr Rajn Naicker said the union was now trying to explore alternative ways to resolving the dispute.

SAB management was unavailable for comment.

Wednesday's talks between the two parties ended in deadlock, in spite of Fawu tabling a new minimum wage increase demand which was six percent down on their initial 30% demand.

Mr Naicker said management claims that striking employees had returned to work at certain depots were "lies".

"As far as we are concerned no one has gone back to work," he said.
**No surrender yet**

SA Breweries and Food & Allied Workers’ Union representatives were to meet on Wednesday to discuss the six-week strike and two-week partial beer boycott. About 5,500 union members have been striking for an increase to R6.50 an hour to put 38% on the current minimum of R4.50.

SAB has dug in at a minimum R5.45 an hour.

The company has maintained its image as a non-repressive employer.

It has resorted to a handful of court orders to evict striking workers and prevent violence against casual employees and non-strikers. It says it has figures to prove that it has kept up production, distribution and sales. The union claims these figures have been slashed by half.

SAB said Wednesday’s talks would discuss “alternative ways” of resolving the dispute.

The union ended negotiations eight weeks ago, protesting at SAB’s refusal to grant its wage demand, and proceeded to lobby for a township boycott of beer (80% of beer sales are to blacks). While township political organizations and sympathisers were willing to support the boycott, it took a great deal of arm-twisting to persuade black liquor traders. One refused.

Now all sides claim the liquor merchants for themselves. SAB says it has not heard more than a statement by the black liquor organisations two weeks ago in which they said they had changed their minds and were not prepared to support the boycott.

The union says they are fed up and agreed at a meeting last week to resume support for the boycott.

It may not matter much because at least one major black liquor trader has said township residents are buying in the cities or have stocked up.

SAB public affairs manager Adrian Botha says Wednesday’s meeting was called to re-assess the union’s “continued rejection of SAB’s mediation offer. The time for trading percentages has long passed. We believe that it is highly inappropriate at this stage to negotiate minor percentages when the strikers and the community have suffered enormous financial losses, through lost wages, lost business and violence.”

Botha says “There comes a time in collective bargaining when it is constructive, and indeed necessary, for final positions to be taken.” The company points out the union was not only demanding a 38% wage increase, but demanded additional annual leave, an increase in leave bonus and annual bonus, an increase in long service allowances, additional compassionate and paternity leave, an increase in shift allowances and a 100% subsidised medical aid scheme for all employees.

“The total package is an increase of more than 150%, the equivalent of an additional R5.25 an hour. It is in the light of this ludicrous demand that SAB was obliged to make its final offer.”

“We believe the meeting is also particularly significant because one plant has already accepted SAB’s offer and has returned to work. Others are on the brink of following suit,” Botha adds.

SAB personnel director Rob Chilsaid earlier 120 union members at a small Welkom brewery were to accept SAB’s offer and return to work.

The union calls these comments untrue and cheap propaganda. Assistant general secretary Mike Madlala says the national FAW and Cosatu executives, township political organizations and the black liquor traders are firmly out in support of the strike and boycott.

He says the national executive decided to attend Wednesday’s meeting with SAB but, he claims, this is because the executive wants to “see for themselves SAB’s approach” and not because it wants to oversee the union’s SAB shop stewards.
Still fizzing

With capacity utilisation high in its large beer division, SA Breweries' profit performance remained excellent in its six months to end-September. Despite gloomy predictions about private consumption expenditure (pce) in SAB's annual report, beer volumes grew by 13% compared to the year ago 10% Group financial director Selwyn MacFarlane notes that weather and labour disruptions constrained growth in the 1988 first half.

About 85% of beer output is consumed by blacks, who tend to be relatively unaffected by interest rate increases. The ethnic spread is more even in the retail divisions, where MacFarlane says the economic slowdown is being felt acutely. After real pce growth of 4% in SAB's last financial year and 2% in the latest interim, MacFarlane expects no real growth in pce in the quarter to December, and negative growth in the first quarter of 1990.

Beer last year provided about 63% of SAB's interim attributable earnings but the contribution fell to 54% in the full year and group MD Meyer Khan expects a similar pattern this year. Beverages (including soft drinks) and non-SA interests, which are "non-volatile" consumer products, contributed 75% in the full year.

Last year, only 27% of total attributable earnings came in the first half, so the second-half performance is vital. Tax also plays a role allowances on SAB's massive capital programme, which is balanced with deferred tax provisions (largely on the partial method), are not brought to account until year-end. Last year, the tax rate was 47% in the first half (45% in the review half) and 37% in the full year. MacFarlane is budgeting for a 40% rate this year.

MacFarlane says the R1bn capex programme for the 1990 year is going ahead, but is about 10% behind the planned rate of spending. Gearing rose from 0.46 at March 31 to 0.51 at September 30.

SAB budgets for long-term growth in beer sales volumes of about 10% a year. The actual figure varies between 5-25%, which can result in temporary supply surpluses or shortages.

The contribution by non-beer interests was assessed in the latest half-year by the acquisition of 49.8% of Da Gama. MacFarlane is bullish about the medium-term prospects for the textiles producer, which is ungeared and has a low tax rate.

Furniture and food sales, reflected in results from 68.7%-held Amrel and 69.9%-held OK Bazaars, have already been hit hard. Clothing and footwear sales, reflected in results from 63.5%-held Edgars, are expected to react later. 68.4%-held Southern Sun was hit by financing costs on refurbishment and expansions, but should grow well in the second half.

MacFarlane repeats SAB's assertion that the beer workers' strike hasn't affected profit so far. He says that beer stocks are routinely built up from June for the year-end and denotes there was much additional stocking ahead of the strike. He says beer volume growth in October was much higher than the 13% of the first half and has again been strong in November. If the strike continues into December, SAB would be able to meet demand — though not if the weather is exceptionally hot. Kahn says beer production could be maintained throughout summer if necessary.

Ironically, SAB's 38% increase in interim pre-interest profit is exactly the percentage wage increase demanded by the striking workers. Analysts, encouraged by the latest performance, are predicting 20-25% EPS growth for the full year. The share did not react to news of the strike, but its fall of about 25% in the October crack, 2 800c to 2 100c, was probably deepened by negative sentiment about consumer spending. It has recovered to 2 375c, where analysts believe it offers good long-term value.

Touie Payne
Beer strike is crumbling - SAB

GIANT beer producer South African Breweries yesterday claimed workers at two more plants had accepted the company's wage offer in what it said was a further indication that the six-week strike was crumbling.

Mr Bob Childs, SAB human resources director, also said in a statement a shopsteward at the Maritzburg depot had been charged with attempted murder after he allegedly fired a shot at casual workers on Tuesday.

"We are convinced that the majority of SAB workers have grown weary of the strike and wish to return to work," Childs said.

SA Press Association

SAB says workers at Welkom, Kimberley, Bloemfontein and Port Shepstone have accepted the offer.

Spokesmen of the Food and Allied Workers Union could not be reached for comment yesterday as the organisation's assistant general secretary, Mr Mike Madlala, and union official Mr Ragin Nicker were in Natal. Their comment will be published as soon as they are available.

Childs said the beer boycott in East London "which was the only area where it was having any impact, has broken and sales are soaring."

Saying violence was continuing, he appealed for a non-violent and democratic resolution to the strike.

He added that four strikers arrested a few weeks ago on charges of violence and intimidation at Alrode would appear in court today.

At least six people have died during the strike - one of two major labour disputes this year.

Strikers and SA Transport Services met on Tuesday in a search for a resolution to the three-week stoppage.
SAB boycott goes on in spite of sellers’ wishes

By ANDREA WEISS
Staff Reporter

CAPE taverners and shebeeners will still not sell South African Breweries products in spite of their growing dissatisfaction with the beer boycott.

This decision comes amid increasing dissatisfaction with a boycott of SAB products because of the national legal strike by 8000 workers at SAB plants.

Mr Makhi Dyami, secretary of the Western Cape Taverners Association, confirmed last night that the Food and Allied Workers Union (Fawu) met liquor dealers late yesterday.

Resume sales

Taverners asked that they be allowed to resume selling SAB products to rescue their flagging businesses from excessive losses.

But the outcome of the meeting was that no SAB products would be sold by taverners who are members of the Western Cape Taverners Association or Cape Town Taverners Association.

Alternative sales of Windhoek beers and Mitchell’s beer were approved.

It is understood that township liquor sellers are extremely unhappy about the beer boycott, which is severely affecting business.

“Tired of strike”

“People are now tired of the strike,” said one source.

The beer boycott is reported to be still in force in certain areas of the Transvaal although shebeeners in parts of Soweto have resumed SAB sales.

The order interdicting striking SAB workers from intimidating, assaulting, harassing or interfering with temporary workers, has been extended in the Cape Supreme Court.

The interim order, which was granted on November 1 with the consent of Fawu, followed attacks by strikers on casual and temporary workers employed by SAB.

Mr Justice A J Burger extended the order, which also prohibits strikers interfering with normal company operations to December 14.
SAB claims partial break in beer strike

The Argus Correspondent

JOHANNESBURG — Strikers at a South African Breweries' Bloemfontein brewery and Kimberley depot have accepted management's 15 percent pay offer and more are soon expected to follow suit, according to SAB.

Food and Allied Workers Union national organiser Mr Rajan Naicker said he knew nothing of these developments. Even if the claims were true, the mass of SAB workers remained determined to pursue the strike, he said.

SAB's public affairs director, Mr Adrian Botha, said the Kimberley workers were already back at work, while workers in Bloemfontein were likely to return tomorrow.

Depot employees in Welkom had returned recently and SAB's south/central region was now returning to normality, Mr Botha said. Talks were under way with workers at a number of other plants, which he declined to name.

ATTEMPTED MURDER

SAB also said that the beer boycott in East London — "the only area where it was having an impact" — had broken.

According to Mr Naicker, the boycott as a whole was being reviewed so it could be intensified in a non-violent way.

Commenting that violence linked to the seven-week strike continued, SAB said a union shop steward in Natal, Mr P Zondi, had been charged with attempted murder after a shot was fired at temporary workers on Tuesday.

Four people arrested on charges of violence and intimidation at Alrode would appear in court in Germiston today.

In Cape Town the situation remains unchanged with workers still on strike.

Meanwhile Sapa reports South African Transport Services has received a counter proposal for resolving the strike from the South African Railways and Harbours Workers' Union and a meeting would soon be set up to continue negotiations.

The deputy director of media relations for Sats, Mr Allan Lubbe, said Sats was studying the proposal made by SARHWU and a meeting would be arranged.
DURBAN — Bottle store owners in Umlazi near Durban yesterday decided to close their businesses indefinitely until the South African Breweries strike is resolved.

The Umlazi Liquor Traders' Association, part of the black bottle store owners' union Ukhamba, announced this at a meeting of the National Taverners' Association to discuss the effect of the two-month-old strike.

The Taverners' Association, which represents more than 500 shebeens in the areas surrounding Durban, has not sold beer since last month in solidarity with the SAB workers.

- Sapa reports from Johannesburg that SAB claimed yesterday that workers at two more plants had accepted the company's wage offer.

Mr Bob Childs, SAB human resources director, also said that a shop steward at the Maritzburg depot had been charged with attempted murder after allegedly firing a shot at casual workers on Tuesday.

SAB says workers at Welkom, Kimberley, Bloemfontein and Port Shepstone have accepted the offer.
**OVERTIME BAN SPARKS STRIKES**

By CHIARA CARTER

A BAN on overtime sparked industrial unrest at several companies in the Western Cape this week.

At the Jungle Oats factory in N sabotage near Muizenberg, an overtime ban was one of the reasons given for a lockout affecting about 100 workers.

A Fawu spokesperson said the workers were given notices stating they faced a lockout if they did not agree to the company's wage offer and undertake not to take part in go-slow protests and a ban on overtime.

The company declared a dispute with the union after a breakdown in wage negotiations, which began in August.

Jungle Oats managing director Michael Padar said the company decided to approach the workers directly to explain what he described as a 'more reasonable wage offer.'

Those who did not accept the offer would not be allowed onto the premises.

Padar said the company's union representatives had failed to participate constructively in negotiations.

He said the letter given to workers also referred to workers participating in go-slow protests and an overtime ban.

About 35 workers at the South Africa Dros T Co-operative (SADT) in Epping divided into two groups on Tuesday before the workers were dismissed following a clash with union members over working hours.

SADT worker applicant Anandor said the workers had refused to accept new working arrangements introduced by management earlier that month after the workers began an overtime ban.

**Transport problems**

April said that workers were unhappy about, beginning work four hours late because of transport problems.

A company personnel manager said the company had extended the terms of the national agreement with Fawu in the Epping plant to the other seven company employers.

He said workers had subsequently demanded a lunch hour which meant their working hours had to be adjusted.

They had then refused to work overtime, necessitating a further change in working hours.

The workers had refused to begin work on time and had received final disciplinary warnings.

Six workers were dismissed last week and the rest of the Fawu members had drawn up a letter.

**Rerun Job**

The workers were represented on Wednesday and resumed their duties today (Thursday).

The Chemical Workers Industrial Union (CWIU) met with management of Duvale Products this week after a row over working hours at the company's factory in Beavon.

The CWIU claims that workers had been locked out at Duvale in dispute over a new system allowing for work overtime.

Duvale Industrial Relations manager Glen Samson denied that the workers were locked out.

Munir said the company had introduced a new system which allowed for overtime.

A CWIU spokesperson said the new system meant transport problems for workers.

The union is meeting with the company this week.

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**Landmark deal for mothers**

THK University of the Western Cape (UWC) will kick off the new year with a landmark maternity agreement.

In terms of the agreement reached between the personnel department and the University's Women's Commission, women employed at UWC for more than a year will be entitled to a maximum of six months paid maternity leave.

They also have the right to return to the same position at the end of that period.

Maternity benefits will be worked out on a sliding scale.

An employee taking the full six months will be entitled to 77 percent of salary for four months and 50 percent for the other two.

Male staff members will get seven days of paternity leave.

Previously, women were entitled to four months unpaid maternity leave and were paid a month's salary after delivery.

Another change is that all members of staff are entitled to have their partners.

The new maternity benefits were insti tuted after the university's Women's Studies group protested at the discrimination against women on campus.

**Union slams 'fake' T-shirts**

The Fire Officers and Telecommunications Workers Association has condemned a T-shirt produced by the Union of the Western Cape.

Union officials were asked to cease adding to the items, with the organisations' logo being sold to Cape Town.

Fawu spokesperson Sanele Mabuza said the union had nothing to do with the T-shirt which bore the logo of the Revenue Union on the front.

He said Fawu opposed the sale of the T-shirt as a "political opportunism."
Strikers ready to walk to the bitter end

THE Mass Democratic Movement (MDM) warned last night that its members will begin a set of protest marches next week unless steps are taken to end bitter labour disputes on the railways and in the beer industry.

Thousands of railway workers remain on strike across the country despite 18 hours of intense talks between management and the railmen's union this week aimed at ending the violent dispute.

SA Transport Services (Sats) yesterday afternoon rejected a document drafted by the South African Railway and Harbour Workers' Union (Sarwhu) saying it had problems with the union's proposals.

South African Breweries (SAB) says about a thousand strikers at depots in Kimberley, Bloemfontein, Welkom and have accepted management's offer of a 16-percent wage increase and have returned to work.

Some 6000 members of the Food and Allied Workers' Union (Fawu) began a nation wide wage strike seven weeks ago.

"The leadership of the MDM is concerned about the brutal violence and intimidation being used against striking workers, and the counter-violence which has been the result of these tactics," said a press release from the anti-apartheid coalition.

"The MDM is discussing a programme of action to put pressure on management and the state to resolve the strikes at the negotiating table."

The movement announced plans for a series of marches and protests that will begin on Wednesday next week on the Witwatersrand unless the strikes are settled.

Once an agreement to settle the current dispute has been signed, the union suggests that a date can be set for negotiations on worker grievances that relate to disciplinary procedures on the railways, plans to privatise Sats and the dismissal of about 400 strikers in East London last year.

Victor van Vuuren, senior manager for labour relations, said Sats was not in a position to negotiate substantive issues with Sarwhu until the union was registered and a recognition agreement had been drawn up.

SAB representative Adrian Botha said about 1000 beer workers had resumed work and the beer boycott in East London, the only area where consumer action has affected sales, had been broken.

Rasrail National Organiser for Fawu, said he was not aware of this.

Asked to comment on reports that SAB planned to use ambulance drivers and firemen as part of its plans to ensure the delivery of beer supplies, Botha said "I have no knowledge of that."

See PAGES 6, 7 and 8
Aroma's poor showing a 'deliberate aberration'

AROMA Liquor Holdings' mediocre results for the six months to August are "a short-term and deliberate aberration", according to MD Mike Kovensky.

His group, with its Aroma Liquors, Aroma Protea Inn and Aroma Management Services divisions, has posted an 11% dip in earnings to R4.4c (8.7c) a share following a drop in operating income to R579 000 (R605 000).

Kovensky says factors contributing to the poor performance include an interest burden which more than trebled to R79 000 on loans used to finance increased stocks and expansions to the Brackenfell hotel.

This led in part to taxed income declining to R364 000 (R432 000) despite a marked 46% leap in undisclosed turnover.

Disclosure is sorely lacking on this point, but a crude estimate puts operating margins for this period at a low 1.2% (1.8%), assuming indexed turnover figures have not been inflation-adjusted.

Kovensky says Aroma also experienced trading problems with one of its 10 retail outlets. Turnover and margins there have since improved but the group is still trying to establish what happened.

Major benefits are expected to accrue from increased stockholdings, while new developments and renovations at the hotel are expected to improve trading returns considerably during the 1991 financial year.

Kovensky says he was originally looking to fall-year earnings of around 7.1c (8.7c) a share, but setbacks on the hotel renovations have led him to modify this prediction to between 6.2c and 6.5c.

A promising factor is an in-house computerised tote facility — a joint experiment with the Totaliser Agency Board to be called "Pub Tab."

This hotel-based concept, due to come into operation on December 13, will be linked by landline to all track meetings countrywide.

On expansion, Kovensky says plans have been frustrated by uncertainties relating to existing liquor legislation. These concern current restrictions limiting the number of liquor outlets to 12 and a final decision from government on whether it will raise this ceiling to 56 per group.
Injuries as police strikers clash in Newlands streets

Staff Reporter

FIVE people were arrested and several workers and policemen injured in strike-related violence in Newlands yesterday.

About 100 workers arrived at Claremont station about 10:30am to march along Main Road and establish a strike picket outside the gates of Oliscoons Breweries in Newlands. The workers included striking South African Breweries and Railways employees as well as members from the South African Railways and Harbour Workers' Union.

Captain Hendrik Opperman said information was received of a large group "armed with wooden batons and stones, gathering at the station".

"When the police warned them to disperse they attacked, injuring several policemen. Police dispersed the crowd and arrested three men and a woman."

The injured policemen were identified as a Major Dodd, who was allegedly struck on his chest with a brick and hit with a wooden baton, a Constable Lavery, hit in the face with a brick, Warrant-Officer P.J de Klerk, struck on the neck with a baton, and W.O. Barnard, struck in the face with a brick. They were treated at hospital for their injuries and released.

The workers regrouped in Main Street and continued their march to the breweries.

According to a union spokesman "it was a peaceful march, but the police were waiting for us and when we were about 200 metres from the gates we were warned to disperse". "Seconds later police fired teargas canisters and baton-charged, severely beating up and arresting one man."

A bystander said he saw two policemen holding a man while a third beat him over the head with a teargas launcher "The man looked badly injured and was taken away by the police."

Captain Opperman said anyone who had complaints should "come forward" and give a statement to police.

Those arrested are expected to appear in the Wynberg Magistrate's Court soon.
Tearing the social fabric

Only in an ideal world do the antagonists in a labour dispute quietly consult their constituents, consolidate their position and settle down at the bargaining table to make all ends meet. Instead, violence often erupts.

At Johannesburg Station this week a group of strikers attacked a superintendent — seconded from elsewhere — and vented their rage at his presence by setting him alight. In Durban police fired at a huge crowd of transport strikers, said to be chanting: "Kill them! Kill them!" — wounding at least 15. In the Breweries strike, at least nine people have died (see Current Affairs).

The anger felt by unionists in a strike is directed at perceived scabs and officials like the police who are meant to keep the peace.

This is hardly new. In SA, however, the spur to desperate action is the actual hardship suffered by strikers. At the beginning of this decade, in a protracted consumer boycott, the deaths of strikers from hunger became a grim statistic.

Furthermore, as the unions are aware, after a period in which employers were more than normally compliant in meeting wage and condition-of-work demands, there has been a certain hardening of attitude.

The miners' strike two years ago was a turning point. There was serious violence then, too, at a time when foreign corporations were departing en masse, leaving both employers and workers in a contracting, recessionary environment.

The convergence of recession and a new employer tough-mindedness is far from being the whole of the story; there is now, too, the fresh blade of economic restructuring of which privatisation is the cutting edge.

The Sats strikers, among other things, don't want privatisation. It will, as they fear, compel a reduction in the work force, and an immediate political implication of that would be a narrower grasp of job security and privilege — among those who enjoy them — than many union leaders might wish.

For a while, unions were where black political leaders not only emerged, but had a legal avenue of expression. With President F W de Klerk's reforms — specifically, with the release of the ANC old-timers — this base of support for broad political ambitions has been eroded and the unions are required by history to revert to being negotiating bodies.

There is no conspiracy in any of this — it is just the way events have gone, including those events which might be described as being welcomed in advance by politicised unionists, the effects of the economic pain of sanctions.

The wave of labour violence needs to be stemmed by the police and by union leaders. A laissez-faire attitude — exemplified by the transport union leader who told the FM that "we are prepared to fight no matter what the consequences and even if it means the strike lasts three months or more" — will invite a strong police response; and we all know where that leads.

Workers who are hungry will soon enough resort to desperate measures if the strike is that long. Why encourage them? Because they are expendable?

The real loser in this strike is likely to be the negotiation process itself — and that tears at the social fabric.
Dry festive season for Umlazi drinkers

By SBU MNGADI

DRINKERS in Umlazi, Durban, face a dry festive season following this week's closure of 17 bottle stores in the face of pressure to heed the nationwide beer boycott.

The fate of other liquor outlets in the greater Durban townships and informal settlements will be decided today at two separate meetings in Umlazi and Clermont, according to Ukhamba president Vuka Tshabalala.

The meetings take place at 10am and 1.30pm respectively.

Ukhamba, a national association for African liquor traders, and the SA Taverners' Association (Sata) will also hold a regional meeting in Durban next week to formulate a common strategy concerning the Food and Allied Workers' Union's beer boycott campaign.

Tshabalala said sporadic incidents of violence had forced the bottle store owners to close their businesses. Even traders who had stopped selling SA Breweries products were not exempted from attacks.

However, he said Ukhamba continued selling beer and would give only moral support to the striking SAB workers.

At a meeting of Umlazi liquor dealers on Tuesday night, Sylvester Ntuli, the Natal president of the SA Taverners' Association, told the meeting his organisation had committed itself to stop stocking beer until the SAB-Fawu dispute had been settled.

Ntuli and the organisation's liaison officer, Menzi Ntsala, said shebeens who disregarded Sata's stand were frustrating the commitment of their organisation.
SAB death sparks 'child labour' probe

Staff Reporter

The death of a 14-year-old casual worker at the Newlands plant of South African Breweries (SAB) is to be probed by both the company and the Food and Allied Workers' Union (Fawu).

Fawu have accused SAB of using "child labour" to break the national strike by breweries workers.

Shaun Applegreen of Rocklands, Mitchells Plain, died on Saturday when he was overcome by carbon dioxide fumes inside a brewing tank. He was employed by the breweries as a casual worker for the past three weeks — contrary to labour legislation forbidding child labour.

According to SAB spokesman Mr Adrian Botha, "employing children is contrary to SAB rules. A full-scale investigation will be launched today."

Shaun and another casual worker were working on top of the tank when a tool fell in. When he climbed into the tank to retrieve it, he was overcome by the gas.

The other casual worker climbed down to assist Shaun, but was also overcome by the fumes. Shaun was already dead when rescue personnel entered the tank.

The Fawu spokesman said it was obvious that safety regulations had not been followed at the plant.
Death at SAB: 28/6/79

Family's fears of foul play

Staff Reporter

SHAUN APPLEGREEN, the 14-year-old Mitchells Plain boy who died in a huge tank at Ohlsons Breweries in Newlands in the early hours of Saturday morning had a broken neck, according to his family.

His father, Mr Edmund Applegreen of Rocklands, Mitchells Plain, at a meeting he had yesterday with the SAB general manager in Cape Town, Mr Sam Montsi, voiced his fears that something untoward might have happened to his son.

Mr Adrian Botha, a spokesman for SAB in Johannesburg, said yesterday that Mr Montsi had explained that Shaun had tried to retrieve a nozzle that he had dropped to the bottom of a tank that was full of carbon dioxide.

Instead of opening the door at the bottom of the tank, which would have let the gas out, he used the hose with which he had been cleaning the deep tank as a rope to climb down into it.

On the way down, he was overcome by carbon dioxide fumes.

Miss Denise Applegreen, Shaun's 25-year-old sister, said "something else" might have happened to her brother, as she had heard that his neck had been broken, there had been a "boot mark" on his clothing and his shirt had been torn.
AMALGAMATED Beverage Canners (ABC) has acquired about 6.25ha of industrial land on Springs for the establishment of a R110m soft-drink canning plant.

ABC, a subsidiary of Wavendale Limited, authorised personnel of the Coca-Cola Company and other soft-drink companies currently employ 390 people at its various plants.

The figure should increase by 30 by 1993 when the Springs facility is operational, a statement released by the Springs Town Council said.

Development of the new facility is anticipated in three phases, involving the investment in Springs of about R110m. About R60m per phase is 'scheduled' for each year.

ABC MD Sandy Allen said "We have canning plants at Wadeville, Pinetown and Epping, but we are proud to announce that the new Springs plant will in due course become the flagship of ABC's operations in SA."
JOHANNESBURG —
Concerned at the continuing township conflict arising out of the SAB strike and boycott, the Food and Allied Workers' Union (Fawu) yesterday announced two new initiatives aimed at resolving the seven-week-old strike.

Fawu president Mr Chris Dlamini said yesterday he was trying to set up a meeting this week between leaders of the Mass Democratic Movement (MDM) and SAB management in the hope such a meeting would facilitate further negotiations based on open minds and an absence of rigidity on both sides.

He said he hoped SAB, said to be a liberal and socially responsible company, was equally concerned about the situation.

"I know both Fawu and SAB are worried about damage to their reputations should they give in to the other side. But resolving the violent situation overrides this," Mr Dlamini said.

Fawu national organiser Mr Rajin Ncube said the national SAB Shop Stewards' Council is to meet tomorrow to review the strike and he was confident the meeting would come up with a proposal which would create room for a settlement.
Day of solidarity

TODAY has been declared a day of solidarity with striking workers from South African Breweries, SA Transport Services, Haggie Rand and SA Cynamid by the Southern Transvaal affiliates of the United Democratic Front.

"We join in declaring November 29 as a day of solidarity with the striking workers," a statement from the UDF said on Tuesday.

"We give our unqualified support to their demonstrations outside the factories and mines and call on the masses of our country and the international community to make donations to the strike committees," the UDF said. - Sapa.

[Signature]

29/11/89
Beer strike: Taverners 'hold thumbs' 

An end to the marathon seven week beer strike might be on the cards.

This week the Food and Allied Workers' Union (Fawu) met with management from the South African Breweries for two days of secret talks aimed at reaching a settlement in the strike which has meant a beer drought in many townships.

Sources said the meeting was arranged through lawyers representing the two parties but both sides denied the talks were taking place.

The details of the negotiations were presented to the SAB shop stewards' council on Wednesday and the union was due to meet with SAB again later this week.

With the festive season approaching, there is considerable pressure on both sides to resolve the strike by about 6000 workers.

Malchi Dyani, secretary of the Western Province Taverners' Association, said taverners were "holding thumbs" that the strike would end soon because the decision not to sell SAB products meant "financial disaster" for most shebeens.

Dyani said he had already been forced to lay off 22 employees.

Members of the Mass Democratic Movement this week offered to meet the company to discuss the strike.

SAB spokesperson Adrian Botha said the company had not yet been formally approached by the MDM.
15 hurt as strikers clash cops

Johannesburg — A policeman was stabbed three times and at least 15 people were injured when police clashed with workers yesterday.

Several hundred workers gathered for a solitary march with S.A.U.N.S. and S.A. Breweries workers when the clash broke out. Police claimed they teargassed to disperse. Workers claimed police baton-charged them and fired rubber bullets and teargas at them. They gathered for the march in Wanderers Street.

Doctors said three of the injured treated had extensive birdshot injuries. The policeman was not seriously injured.
Tentative steps to end of strikes

By EDDIE KOCH

TWO major strikes, one in the beer industry and the other on the railways, reached a delicate stage this week as management and trade unions engaged in intense collective bargaining.

The South African Railways and Harbours Workers' Union (Sarwhu) was locked in talks with the railways' management yesterday afternoon in a bid to end the strike.

And Chris Dlamini, president of the Food and Allied Workers' Union (Fawu), said low-key talks between the South African Breweries, union lawyers and the union this week had reached a "critical stage".

Both parties tried to find a solution to the violent disputes amid a growing controversy over allegations that the police employ brutal methods to crush the strikes.

Neil Coleman, representative for the Congress of South African Trade Unions (Cosatu), reports that more than 70 workers were admitted to hospital after the riot squad took action at a bakery.

The official police unrest report said a patrol, called to investigate a disturbance at the Boerstra bakery, was attacked by hundreds of workers armed with iron pipes and sticks.

The riot squad was called in and workers responded by throwing fire hoses and throwing bread crates at them, the official version said.

Five policemen were injured.

Union members dispute the police version and say the attack was unprovoked. The fact that 70 workers were seriously hurt and only five policemen slightly injured proves that undue force was used, they say.

On Wednesday police used shotgun fire to break up a march in central Johannesburg by members of Fawu and Sarwhu to protest against the levels of violence in the strike wave. A policeman was stabbed and at least 15 protesters injured.

"Cosatu will be meeting with Fawu and Sarwhu to discuss the response by police to the strikes," said Coleman. "The security forces seem to be scaling down their presence at political meetings and stepping up action in labour disputes. The question now is whether this is with the consent of management or whether it is police venting their frustrations."

SAB representative Adrian Botha confirmed that "talks with Fawu are alive" but could not provide details about their progress or the prospects for a settlement to the seven-week beer strike by 6 000 workers.

Allan Lubbe, deputy director of labour relations for the South African Transport Services, said management would table proposals regarding the dismissal of some 5 000 strikers and the possible recognition of Sarwhu in Natal in the hope that movement on these issues could end the strike by up to 40 000 railmen, now in its fourth week.

In a press statement yesterday, Sats deputy director of public relations, said that after a one-and-a-half hour meeting yesterday Sats and Sarwhu resolved that "striking employees whose services have not been terminated, will return to work at noon next Tuesday."

It was also agreed that the question of the fairness of the dismissal of strikers, their re-employment and possible severance compensation would be referred to arbitration.

"The prerequisites for recognition would be registration, sufficient representativeness and the conclusion of a mutually agreed recognition agreement," added Lubbe.
Thirst to settle

The townships boycott of SA Breweries' products has degenerated into chaos and will probably be called off soon.

Chris Dlamini, Food & Allied Workers' Union president and Cosatu vice-president, says that not only has the boycott, in support of 5 500 SAB strikers (all union members) disintegrated but the stoppage "has given rise to a degeneration of the whole social situation."

Dlamini adds that a meeting between leaders of the Mass Democratic Movement and SAB is expected this week. The reason for bringing the MDM is to open minds and reduce rigidity, he explains as SAB sources suggest the MDM has become involved because of concern over the anarchy resulting from what it calls the union's clumsy boycott efforts.

The company is not hostile to meeting the MDM. Company sources suggest dealing with it is far more productive than dealing with the union which, one source says, is so paranoid that it sees a "management plot under every bed." SAB's good links with the MDM were confirmed by confidential talks between a company spokesman and the ANC in Lusaka a few months ago.

The union's national SAB shop stewards' council was due to meet on Wednesday. Thus far in the eight-week-old wage strike no union official has spoken out of turn so it is presumed Dlamini's comments indicate the union wants to call it a day.

Wage moves

Since negotiations opened on July 22 SAB has, however, altered its wage offer only once — from 14% to 16% — on the minimum wage of R4.50 an hour. It is unlikely to do so again. The company says its contingency plans — mainly the hiring of casual labour — have worked well with no production or sales losses. It concedes certain brand packages were slightly disrupted. The rationale is that if it's not being hurt there is no reason to capitulate.

The union has come down from a package demand of a 300% increase to 145%. Its 33% wage demand, which would take the minimum to R6.03 an hour, fell from 38% in last week's talks. It is likely to drop further when talks resume.

SAB's willingness to rework the overall agreement might be a way out — for the union — but it won't contemplate granting hidden increases in the overall demands.

The strike has been violent and divisive. The death of 14-year-old casual worker Shaun Applegreen, who died in a brewing tank at the Ohlson's plant in Cape Town, has not reflected well on the company. This is despite company assurances that it has not employed child labour, that Applegreen lied about his age in his application form, and that, when asked for proof, said his ID book was still being processed. The union says it has reservations about safety regulations being followed at the plant.

Ten other people have died in the dispute including the killing of a strike-breaker driving an SAB delivery vehicle in Natal. At least three deaths occurred when armed shebeen owners clashed with boycott enforcers. The union concedes the level of conflict is too high but there must also be pressure be on the company to see peace before Christmas.

Little progress has been made in the strike by 17 000 SA Transport Services workers over pay and union recognition.

Talks last week ended with employers saying developments were positive. Negotiations between them and the SA Railway & Harbour Workers' Union were due to resume on Thursday.
MIKE MADLALA & GRAHAM MACKAY

Across a table

After almost eight weeks of unprecedented violence, court applications and a beer boycott, it seems the SA Breweries strike could be nearing its end. Reports suggest that workers at various plants are accepting the company’s offer and are returning to work.

Mike Madlala, assistant general secretary of Cosatu’s Food & Allied Workers Union (Fawu), insists there is no prospect of resolving the crisis while negotiations remain deadlocked. The union is demanding a minimum wage increase of 38%, while SA Breweries refuses to budge from its offer of 16%.

Neither side will take responsibility for the crisis. Says Madlala: “We believe both parties are open to negotiations and can’t be accused of causing the deadlock. We don’t regard our demand of 38% as final — we understand negotiations as being give and take.” He believes there’s still a test of strength going on.

Madlala is no newcomer to the labour negotiating process. He has served the union full time in his present position since 1986. He has also learnt the art of patience. After a conviction for sabotage during the 1976 unrest, he entered Robben Island at the age of 18, serving a five-year sentence. During this time he passed matric.

Finding work after leaving prison was not easy. “Employers soon regretted employing me when they realised I was still under police surveillance. But soon the police realised it was easier to keep track of my movements if I was permanently employed.” He worked as a dispatch clerk for a pharmaceutical company for six months, before joining Royal Beech-Nut (then Royal Planters).

During his three-year stint with Royal Beech-Nut, he became a shop steward and chaired the shop-steward committee. He also became involved with the Sweet, Food & Allied Workers’ Union at a regional and national level. When the union merged with others to become Fawu in 1986, he was elected assistant general secretary.

Though the strike and the boycott (which Madlala insists was not called for by the union) have resulted in several deaths and much violence, Madlala stresses that Fawu tried to ensure that the strike would remain peaceful.

Madlala stays in Tembisa and is married to Susan, a general office assistant, they have a six-year-old son, Lwazi.

The union’s judgment was questionable when it picked on SA Breweries, says Graham Mackay, MD of the beer division that produces nearly 100% of the country’s beer.

“Number one, we are a liberal, enlightened company that does a lot for our workers and the community.” He says “Number two, they picked the wrong issue. Our workers are universally acknowledged to be highly paid. And number three, they underestimated our resolve and they weren’t listening to what we were saying.”

Mackay (40) was promoted to head the beer division three years ago, after working his way through nine years of management. His pale blue eyes blaze when asked if the company plans to raise its offer of a 16% wage increase. “No, under no circumstances. We are not going to move on wages.”

Mackay says that when the two sides began bargaining five months ago, the union put a package on the table that would have seen members’ wages and benefits go up 300%. They knocked it down to 150%, including a 38% wage increase and hikes in paid leave and bonuses. But Mackay says demands are still way off line. He believes that the union wanted a strike and a consumer boycott in an attempt to bring the company to its knees.

“A beer strike is always attention-grabbing. However, I don’t think we’ve yet lost significant sums of money because of the strike. But there is a huge cost in effort.” And in lives, several people have been killed and injured over the past two months. Mackay says the company will seek out the instigators and, if they are employees, subject them to disciplinary hearings.

He dismisses the idea that the company relishes the chance to teach the union a lesson by breaking the strike: “Who relishes the sadness and hurt that goes with this? We can’t teach the union a lesson without hurting our own employees.” He thinks it’s unlikely the strike will last past mid-December.

Mackay was born in Swaziland and educated at St Andrew’s in Grahamstown. He then went to Wits on an Anglovaal scholarship, and graduated with a degree in electrical engineering. He also earned a B.Com through Unisa. He and his wife, Bridget, have three sons: Gavin (15), Bruce (11) and Alastair (5).

SELWIN HURWITZ

Hungry hotelier

Karo’s Hotels offers couples who use its facilities a free honeymoon suite and chauffeur-driven Rolls-Royce for brides on their wedding day. The idea has been a winner. Karo’s chairman and joint MD Selwin Hurwitz (46) might be a hands-on manager but he stops short of donning a chauffeur’s cap and taking the wheel of the company’s 1961 Silver Cloud on his free Saturday mornings. Suffice to say the promotion was his idea.

It’s that kind of innovation that has seen Karo’s grow from a tiny, family-owned hotel company into a listed chain with 130 three and four-star hotels and assets worth more than £100m.

More surprising is that the company has found a profitable niche in an overdated market. In the six months to end-September (in April the company was reversed into the New Bernica cash shell so figures are adjusted) Karo’s showed a 36% improvement in
9-week beer strike over

By JACQUELYN SWARTZ
Weekend Argus Reporter

THE NINE-week South African Breweries strike, which caused a huge boycott of beer sales, has ended.

The dispute between SAB and the Food and Allied Workers Union was resolved in Johannesburg last night where a settlement was reached.

The nationwide strike, which began because of a pay dispute, was marked with outbreaks of violence with many deaths and arrests being made.

The first outbreak occurred on the sixth day of the strike on Newlands station near the Olhson's Cape Brewery, where a casual labourer who had been working at the brewery for a week was stoned and knocked unconscious. This was the start of several incidents of violence at the brewery, resulting in an interdict being sought in the Supreme Court by SAB.

The interdict order was granted, banning all striking workers from intimidating, assaulting, harassing or interfering with temporary or casual workers.

In another incident, the child of a Maritzburg worker was injured when his house was firebombed because of his continued work at the breweries.

Violence was also reported in Durban with several deaths and injuries being reported.

One casual worker was stabbed and beaten to death on his way to work.

Delivery vehicles were also gutted by fire outside the Amanzimtoti depot.

Crowds of strikers also went on the rampage in Durban, causing damage to vehicles estimated at R70 000.

Outbreaks of violence were also reported in Johannesburg.
SA BREWERIES managing director Meyer Kahn claims that his group has a beer monopoly — "it is a temporary side supplier". South Africa has never had less than 95% of SA's beer market since 1966.

Although beer is the single largest contributor to SA's profits, the group's interests in other consumer products accounts for more than 10% of the nation's total spending in these sectors.

GOLDEN

The group showed an 85% dividend increase in 1985, and looks likely to repeat that performance this year. But the question is how it got there.

The increase was largely due to a one-off dividend increase of 50% paid to shareholders in 1985, and a 10% dividend increase paid in 1986.

The group's earnings for the year ended June 30, 1985, increased by 47% to R674.2 million, compared with R456.8 million in the previous year.

EFFICIENCY

In 1985 SA had completed the Newlands plant which had been largely financed by government grants. The plant was designed to produce 100,000 barrels of beer per year.

The group's tax rate is 40%, at which it is expected to stabilize.

SAB's foreign operations already contribute 10% to the group's earnings.

ALBATROSS

Meyer Kahn dismissed the prospect of rationalization which produced "absolute excesses". Acknowledging the lack of skill in certain areas, SAB sought the leading management consultant from SA to advise on reorganization.

SA's management consultants are expected to advise on the group's management structure, and to help the group to streamline its operations.

The group has already appointed a new managing director for the Newlands plant, which is expected to be completed by the end of the year.

SWEEPER

The group has a new agreement with the National Union of Food, Hotel and Allied Workers Union (NUFHA) which was signed in March.

The agreement covers a 10% increase in wages for union members, and a 10% increase in the group's profit-sharing scheme.

Mr Kahn said the new agreement would be a boost to the group's profit margins.
Elbows up as beer strike ends

It was going to be elbows up for the Charles Glass Society in what was threatening to be a dry festive season.

The good news came on Friday that the long dry nine-week beer strike ended when the Food and Allied Workers' Union (Fawu) and SA Breweries settled.

A joint Fawu-SAB statement yesterday said efforts by both parties in tough negotiations resulted in settlement. The strike was immediately called off. 3/12/89
Guguletu back to drinking beer

Almost everyone he contacted then went to go and fetch supplies, Mr. Chiloane said, but there was only a limited amount available “and they all ran out.” More supplies will be fetched today.

“We were all involved in this thing, we were jeopardising our business. Instead of the strike affecting S A Breweries, it was mostly affecting us, the taverners and shebeeners.”

News that the strike was over had spread fast and he had not heard of any incidents of tavern patrons being attacked anywhere in the township.

“Most of my customers are back,” he said. He had sold wine during the strike, but it was not nearly as popular as beer.

The strikers had indicated that they would not object to the sale of Windhoek beer, “but we still did not sell it. We were not happy,” he said.

Meanwhile, customers in his tavern were delighted that they could drink beer again in peace.

A Food and Allied Workers’ Union member at the Johannesburg office said he did not have the details of the settlement, but he expected that they would be made known this week.
No wage gains for strikers

Johannesburg. — The 6,000 beer workers who agreed on Friday to end their strike, return to work over the next seven days without having won any gains on basic wages.

In a joint statement, Fawu and SA Breweries said the settlement reached on Friday night had come into effect immediately. The strike affected 22 of SAB’s 34 operations nationwide and was accompanied by a boycott of beer sales.

The workers have also agreed to waive their legal right to embark on overtime bans without first complying with dispute procedures.

Two concessions were made by SAB on its pre-strike offer in the agreement reached with the Food and Allied Workers’ Union (Fawu).

Employees with less than five years service are to receive an extra 1c an hour as part of their long-service allowance, and the company has undertaken that those who choose not to work on March 21, Sharpeville Day, would be treated on the basis of no work, no pay, no discipline.

Fawu’s concession on overtime bans is particularly significant in that it was in a matter between Fawu and SAB that the Appeal Court earlier this year decided a company had no legal remedy against a collective overtime ban unless the parties had a separate contract on the issue.

An SAB spokesman said about 50 strikers are liable to face disciplinary inquiries related to alleged incidents, such as intimidation, which had occurred during the strike.

It was agreed any dispute arising from the hearings may, by agreement, be referred to arbitration.

A major feature of the settlement was agreement on a “joint industrial relations initiative” designed to establish “a sound foundation for a healthy future relationship”.

The initiative is to be facilitated by four members of the independent Mediation Service of South Africa’s panel of mediators and arbitrators.

The process, according to the agreement, is to address a post-strike review, future approaches to negotiation, a revised recognition agreement, the Labour Relations Act, employee welfare and SAB’s shift system.

The joint SAB/Fawu statement said a priority of the initiative would be an investigation into the causes of “the very high level of violence which accompanied the strike with a view to preventing recurrence.” — Own Correspondent and Sapa
Breweries get best deal in beer-strike pact

The Argus Correspondent

JOHANNESBURG. — The nine-week strike at South African Breweries, among the most bitter labour disputes this year, has been settled on terms highly favourable to SAB.

This emerges from the settlement agreement signed last week after an intensive mediation process which provides for strikers at 22 of SAB’s operations to return to work between Wednesday and next Monday.

Workers are to receive SAB’s pre-strike offer of a 16 percent pay increase. The Food and Allied Workers’ Union’s most recent demand was for 32 percent.

Backdated

The union also lost its demand for the rise to be back-dated to July 1. The agreement is effective from November 27. The only substantive management concession appears to be a one-cent-an-hour increase in the long-service allowance for some of the workforce.

The deal also provides for a “joint industrial relations initiative”, involving facilitators from the Independent Mediation Service, to improve relations between the parties. A priority would examine the high level of strike-linked violence, with a view to preventing its recurrence, said a joint union-management statement. Also to be examined are the current recognition agreement, the Labour Relations Act and worker welfare in housing and health.

Fawu has agreed not to ban overtime without following agreed procedures.

Disputes arising out of disciplinary action against strikers will be subject to voluntary arbitration. About 30 workers are apparently affected.

Fawu lost its demand for the immediate signing of a provident fund agreement. This will be concluded only when the industrial relations initiative has made adequate progress.

SAB’s bargaining strength sprang from carefully laid contingency plans which maintained production at satisfactory levels throughout the strike.

Sources indicate that there was a further crumbling in strike solidarity last week, with strikers returning to work in Pinelands, Cape Town.
Sighs of relief as beer strike ends

SHEBEENS and taverns swamped liquor supplies over the weekend as they battled to replenish after a nine week strike over pay increases, which has left several people dead.

The strike, which resulted in township liquor supplies boycotting South African Breweries (SAB), has caused huge rifts in both black and white communities.

The dispute between SAB and the Food Allied Workers Union (FAWU), was resolved in Johannesburg on Friday night.

According to a joint statement issued by the two organisations, the agreement came into effect immediately and applied to 22 of SAB's 30 operations nationwide.

No details of the agreement were released and some strikers said they were not even aware of the announcement.

An SAB employee from Guguletu in Cape Town, who spoke on condition of anonymity, said he was very happy that the whole ordeal was over.

He said he had been worried about how he would spend his festive season without his normal pay.

But this was no deal to us that we did not even think of Xmas. I had told my children that they would have to go without meetings this festive season, he said.

A tour of Cape townships taverns, the hardest hit in the SAB products boycott, revealed that most taverns rushed to bottle stores as early as 6am on Saturday to buy beer and patrons were visibly relieved.

Guguletu tavern patron, Mr. Langlele Gxoa, who had switched to wine when the strike started said: "We are happy it's now all over. We didn't even know what it was all about in the first place. I even drank wine for the first time in my life.

The president of the Cape Town Taverners Association, a National Taverners Association affiliate, Mr. Sydney Chidoane said taverners had been hardest hit by the strike and many of his members were on the brink of going under.

Chidoane said taverners had been hardest hit by the strike and many of his members were on the brink of going under. He said they had written on Wednesday to Western Cape UDF president requesting an urgent meeting.

Violence

"Although the strike is now over and we are happy, we are still going to meet them because we feel very strongly about the way the whole thing has been handled," he said. "Violent behaviour" by youths enforcing the boycott had put about five of his members out of business for the entire period of the strike.

They had been found with some cases of beer and all their products had been destroyed, he said.

SAB and FAWU said the agreement they had reached provided for the appointment of a joint industrial relations initiative and programme involving third party facilitators to improve relationships between them.

On the list of promises was an investigation into the causes of the high level of violence.
Wage offer ended beer strike

Labour Reporter

A "REASONABLE" wage offer, escalating strike violence and a faltering beer boycott had edged the Food and Allied Workers Union (Fawu) into final settlement with SA Brewers, company public affairs manager Mr Adrian Botha said yesterday.

About 6 000 beer workers who engaged in a nine-week legal strike will return to work over the next week without having won any gains on basic wages.

Fawu assistant-general secretary Mr Mike Madlala yesterday described the settlement as "fair", but said SAB had to ensure fair labour practices were also practised at plant and shopfloor level.

Mr Botha said the union had not anticipated the high level of violence fomented by the strike, which was "extremely" disruptive for the company, strikers, township shebeens and the black community.

A "good" 10% wage offer — bringing the minimum monthly earnings to R1 063 — and violence had already induced some workers to break the strike in the week preceding final settlement on Friday night, he said.

The company's monopolistic position in the industry combined with well-laid contingency plans are regarded by commentators as adding to its ability to weather the strike.

In this regard the union leadership had "underestimated" SAB, which Mr Botha described as a company with a good reputation for its wages, social responsibility programmes and political stance.

The company still had to form the mechanisms to retrench casual labourers employed during the strike as permanent employees started returning to work, he said.

The settlement was reached at 10.30pm on Friday after SAB, Fawu and a representative of the Mass Democratic Movement, acting as an external facilitator, met in Johannesburg.

Denying that "outside factors pushed the union into settlement", Mr Madlala said Fawu had never exhausted its mandate on wages and was still willing to negotiate the issue.
Back in line

Employees will have noted the Mass Democratic Movement (MDM)'s role in ending the strike at SA Breweries, along with the sometimes violent township beer boycott.

The union's emphatic denial that it settled because of MDM pressure do not hold up. According to an MDM spokesman, the broader thrust of the movement—specifically, its major political Conference for a Democratic Future, set down for this weekend—had to take precedence over the strike-cum-boycott.

It seems that the MDM's drive for unity was not to be jeopardised by the indulgent behaviour of a few thousand members of a labour aristocracy, in what was a straight wage battle with no "political" profile. After all, the minimum wage at SAB is R1 063 a month, which does not seem all bad when compared, say, to the starting salary (R1 387) for a male teacher with four years of training.

However, the 5 500 strikers of the Food & Allied Workers' Union maintained throughout that their demand (for a 32% increase on the minimum R4,50 an hour) had to be seen against SAB's beer monopoly, its healthy profits and "the needs of workers".

In the end, the struggle simply petered out. The last days of the nine-week stoppage saw union shop stewards being assisted, first by the union's national executive and, in the end, by MDM leaders, in looking for a way out of a strike which had effectively collapsed.

Cosatu, in the shape of vice-president Chris Dlamini, who is also Fawu's president, withdrew its support for the strike. It said that the chaos caused by the boycott could not be allowed to continue disrupting the townships. This sounded like a reference to the damage being caused by thuggish boycott enforcers, who, incidentally, got as good as they gave from township liquor traders.

The strike claimed eight lives.

Following Dlamini's announcement that the MDM was to intervene, the parties quickly settled when the union accepted the company's 16% increase offer.

Fawu assistant general secretary Mike
Mdlala, who might have been thinking he was merely prosecuting Cosatu’s living wage campaign, is philosophical about the turn of events. "Sometimes there has to be contradictory pulling back movements to enable you to make the train go forward. It’s a necessary contradiction.”

He says the settlement is fair — "neither party won or lost." But he is slightly less generous towards the MDM, which, he says, adopted a "very passive stance," only getting active to persuade the parties to settle.

An SAB source says: "What did they get in the end? Nothing but a few fish-and-chip items." On the other hand, no union members were dismissed during the strike.

Among the union’s concessions: a remarkable undertaking to waive its legal right to enforce overtime bans, as well as the accompanying right to institute dispute procedures. This is a major defeat for Fawu: the Appeal Court recently ruled that overtime work is entirely voluntary.

SAB will place 50 strikers under investigation for disciplinary breaches relating mainly to violence — for instance, the stabbing of a non-striker by a shop steward in Kimberley. It was also agreed to establish a forum to discuss ways of improving industrial relations.

SAB public affairs manager Adrian Botha says the strike was disruptive, yet SAB "surprised itself" by its ability to cope. It relied mainly on casual labour.

"If there is a lesson to be learnt," says Botha, "it is that when the company says 'this is the final offer' they mean it. They aren't playing games. We made a reasonable offer."

In realising itself towards the black market (comprising 80% of its beer sales), SAB has been liberalised. It has managed to withstand almost everything a militant black union had to throw at it, without calling in the police. It has also emerged with a measure of township approval.
Beer strike ends -
and union wins no extra concessions

THE labour dispute between SAB and Food and Allied Workers Union, which began more than seven weeks ago, ended after the parties reached agreement last Friday. According to a brief statement issued jointly by the company and the union, the strike stopped with immediate effect.

Although the statement provided no details, it appears the workers did not win any concessions from the company around their wage demands.

In addition, the workers have been forced to waive their rights not to work overtime unless they chose to do so. The overtime issue has been a long-standing point of contention at SAB, which has a monopoly over beer production and needs to keep its breweries running for 24 hours a day to meet demand.

However, the end of the strike came as a relief to taverners and bottle store owners in the black townships.

The dispute was accompanied by a boycott of beer in the townships and thousands of people who made a living from selling the liquid in informal taverns or shebeens were unable to work because of the strike.

At least a dozen people died in the dispute. Mnti had been brought in to replace the strikers. Three of those killed were the victims of shebeen owners who opposed the boycott.

SAB and Fawu said the end to the conflict would allow both parties the opportunity to call in mediators whose job it will be to devise a method of improving relations between the company and union members.
PRESS WATCH
What the Afrikaans papers are saying

Grave concern at strike violence

The violence and intimidation which mark strikes lately, is a matter of grave concern, says Beeld in an editorial.

During the strike at South African Breweries, people were killed and a petrol bomb was thrown at the house of a non-striker.

And since members of the South African Railway and Harbours Union have stayed away from work, somebody has been set alight while damage worth millions has been done to trains.

South Africa’s labour legislation is among the most modern in the world. It is widely accepted as an example of the progress made with reform.

The legislation has demanded huge adaptations and sacrifices from employers.

Employer and trade union bosses must learn to accept — and trust — each other.

Nowhere in the world can terror be justified as a means to solve labour disputes.

How can you destroy the property of your employer and expect at the same time that he will have money left to pay you increased wages?

“We have no sympathy with the striking Sats workers. Decent people despise their methods and we hope the police apprehend those who are guilty so that the courts can punish them thoroughly.”
changes; he is responding to the situation on
the ground created by our people. Thus he
opens the breaches after our people have
already done so, and he is going to urban the
ANC, but we've done so already.

The conference further sends a very clear
message to De Klerk rejecting his idea of a
great indaba, as well as a black elect to
choose leaders.

"He can't escape our demand for a con-
stituent assembly based on one person, one
vote." We'll see

Season of ill will

In the end, the Sats strike will probably see
the SA Railway and Harbour Workers' 
Union negotiating simply to regain the jobs
of about 12 000 fired members

If so, it will mean that a second major
strike by a Cosatu-affiliated union will have

proved almost futile.

It has achieved little more than economic
hardship, chaos, pain and the loss of life.

The eight-week Breweries strike ended re-
cently after the Mass Democratic Movement 
intervened, withdrawing its support for
5 500 striking Food & Allied Workers' 
Union members, and effectively ending a
somewhat pointless strike and beer boycott
that fizzled out.

The strikers got no more money than the
company offered and even conceded to waive
an Appeal Court ruling that overtime work
was voluntary. At least eight people died

Will the Sats strike echo this? Sats cer-
tainly won't be granting a wage increase — it
already did so after negotiations in June with
12 unions representing 130 000 out of
177 000 employees. (The union on strike
says it represents 45 000 employees but Sats'
figures show only 22 500 are involved.)

A union spokesman says the violence sur-
rounding the six-week strike has claimed the
lives of four unionists while 12 have been
seriously injured and more than 100 suffered
minor injuries.

The spokesman says that "every day"
union leaders call on members not to com-
promise strikers' discipline and the chances
of negotiation. He accuses the police of sup-
porting vigilantes who have attacked strikers
and travellers

Sats, like SAB, believes its increases are
generous. Spokesman Alan Lubbe says they
averaged 10% with "the general worker"
getting up to 27%.

The union, meanwhile, has begun a climb-
down on wage demands. Spokesman Elliot
Sogoni says it has decided to make its de-
mand for R1 500 a month (up from a R600
minimum) flexible — which means that it
will take less.

The MDM is also poised to intervene
again though, at its Conference for a Dem-
ocratic Future at the weekend, it resolved to
support any union opposing privatization for
fear of lay offs

Recognition of the union, originally an
issue, is now also apparently history. It has
applied to register — 14 months after Sats
got the union to sign an agreement that it
would do so, and proposed to recognise the
union on a regional level on condition it had
more than 40% representation.

"For some reason they don't want to fol-
low the standard path and register like most
of the Cosatu unions have done," Lubbe
says. He suggests the union wants "a short-
cut to recognition.

Sogoni says the union still wants Sats to
grant maternity leave for the "lady com-
rades," to negotiate a grievance and re-
trenchment procedure; and provide better
safety measures.

All this at a cost of seven deaths, hundreds
of injuries, R20m in lost pay, R20m-worth of
torched railway coaches, the derailing of two
goods trains and the indirect costs of at least
three bomb blasts, one of which killed a
passer-by.

Sogoni says the union is prepared to return
to work immediately but Sats must agree to
reinstate strikers and not use its disciplinary
procedure against them. Lubbe says Sats has
already proposed arbitration — with the
mutually agreed arbitrator's decision as final
—but that those who used intimidation and
harassment are still to be subjected to inves-
tigation.

Sats, meanwhile, says it has felt the effects
of the strike but that all main lines and
services are operating adequately. It adds
this should be maintained over the Christ-
mas holiday period.
police after he fell ill. He was taken to hospital where surgeons removed 52 heroin pellets.

**Brewery workers fired**

**UMTATA** — Three hundred Ohlsson's Brewery Transkei workers were yesterday dismissed at the Butterworth brewery "because of persistent, illegal and unprocedural industrial action".
Champagne is putting some fizz into the wine sector

SPARKLING wine is one sector of the declining wine market which is showing growth, with sales rising by 16% to 6.6 million litres this year.

Hotelet and Caterer magazine reports that the growth in the sector closely reflects European trends.

Despite the strong growth of the méthode champenoise sparkling wines, the market leader remains the Grand Moutteux range, which accounts for more than a quarter of the R60 million market.

The best selling seller is Cazano Spumante, with annual sales of more than 1.6 million litres, or 31.6% of the market.

Second place belongs to Grand Moutteux Vin Doux and third to JOC le Roux's Le Domaine.

The best selling pink sparkling wine is Fifth Avenue Cold Duck.

SFW's Mike Bohmke, brand manager of Grand Moutteux, attributes the success of sparkling wine in general to people being more quality oriented.

SFW's Schalk Burger says growth in the sparkling wine sector has come mainly from products priced between R4 and R6.

The more expensive méthode champenoise products have also shown growth. The R6-R8 category has remained relatively stable in volume, and those brands are fighting for market share.

Methodé champenoise products are made in the same way as true French champagne. This technique was pioneered in SA by Franz Muller of Simonsig, who produced Kaapse Vonkel.

Annie Breytenbach, marketing director of The Bergkelder's JOC le Roux range says the aim is to produce larger quantities of méthode champenoise sparkling wines so that the price will be more acceptable to the average consumer.
Management said to be buying out Pepsi Africa

By Trevor Walker

CAPE TOWN — Pepsi Cola Africa, which controls the Pepsi bottling plant in Epping, Cape Town, is reported to be finalising a management buy-out.

The new management is reported to stop retailing Pepsi products.

Market speculation has linked Sol Kerzner with the company. A newspaper report yesterday claimed he had held discussions with Pepsi International about the possibility of establishing a national bottling operation in South Africa.

Beeld said Mr Kerzner could be teaming up with Dick Goss and Ian Heron, who resigned as chairman and MD of Kersal earlier this week, to take over Pepsi Cola Africa.

The MD of Pepsi Cola Africa, Juan Oteiza, has left the company and Henry Roux, a regional sales manager, and an unnamed financial adviser are said to be negotiating with the major shareholders for control.

Major shareholders include a consortium of local and overseas investors headed by Personal Trust and the Sovietan Investment Trust (Sito).

When Mr Oteiza joined a year ago, about R1 million was raised to gear up the plant and boost declining sales.

The operation ran into trouble in the middle of the year when about R2 million of expected investment money from abroad failed to materialise.

The plant at Epping is the sole Pepsi bottling plant in SA and has been trying to make inroads into a market dominated by Peninsula Beverages, which bottles Coca Cola products.

A spokesperson for Personal Trust said nothing had been said yet and that he was unable to comment on reports that a management buy-out was under way.

Chairman Damien Baigrie was not immediately contactable and another director — stockbroker Anthony Bollie — was on holiday at Plettenberg Bay.

The new management is believed to have said it intends to stop retailing Pepsi products and to concentrate on wholesaling and exports.