Manufacturing Footwear

1975 - 1978
International shoe firm for KwaZulu

PRETORIA — The South African Bata Shoe Company Limited will be setting up a new production line in the KwaZulu homeland.

A joint venture between Bata and the KwaZulu Industrial Development Corporation, the factory will be called the Bata KwaZulu Manufacturing Company and will be based in Durban. It will be managed by Bata's Chief Executive Officer, Mr. G. M. Buthelen. It was announced that operations will start immediately.

The South African company is an integral part of the world Bata shoe organisation, which has its headquarters in Toronto, Canada. The Bata organisation is a multinational concern, which operates in 87 countries in the world.

The Bata shoe factory at Keat's Drift is the first of its kind in the homeland, and will employ some 220 Zulu citizens.

On a visit to the Bata Shoe Company in Pinetown, Chief Buthelen said the undertaking will greatly increase the economic viability of KwaZulu. He expressed the hope that other multinational organisations would follow the example.
SCOTTS PROFITS UP 77 PERCENT

By Vic Hanna Financial Editor

SCOTTS growth record remains unimpaired with the announcement that its unaudited profit before tax for the six months ended 31 August totalled R1 281 000 against last year's interim figure of R842 000.

And shareholders should be happy with the 15c dividend to be paid against last year's interim dividend of 10c.

Turnover rose from R10 202 000 to R12 668 000—an increase of 24 percent.

The profit after tax was R963 000 against last year's R557 000—an increase of 77 percent. Earlier this week Des Scott announced his group was to embark on a six-month price freeze which would end on March 31 next year.

He said the group would be doing this to help the consumer and as an example to its suppliers that it was serious about contributing to the fight against inflation.

"We feel that the increased volume that this step brings about should enable us to continue trading during this period without our profits being affected," he said.

The Government has called for a wage freeze which, if consumer prices went up, could have serious repercussions," he said.

This is our group's way of assisting consumers in their continual battle with rising costs," Des Scott also said.

He said that this would, particularly now that devaluation had assisted exporters on a price basis, enable goods to be landed quickly and cheaply in the US.

"Our manufacturing divisions have an enormous potential in North America but with most of our lines being geared to the fashion market it is essential that these goods arrive as soon as possible in the marketplace.

"We have found that our exports to Australia were highly acceptable—until the duties killed that market—and we would now like to open up the American continent," he said.
Plea to overhaul footwear trade

20K/72 Mercury Correspondent

PRETORIA—South Africa's footwear manufacturing industry is in need of an overhaul— with strong measures being taken to improve manpower utilisation, productivity and profitability.

This is the finding of a study conducted by the National Productivity Institute in association with a number of leading experts in the industry. The study was carried out under the chairmanship of Mr. J. B. McEwan, from the National Productivity Institute.

The report, which has just been released, points out that the industry is currently facing a number of problems, including high wages, low productivity, high inventory levels, and a lack of training for workers. These problems, it is argued, are preventing the industry from being competitive.

One of the key findings of the report is that the industry's productivity is only 50% of what it could be. This is due to a number of factors, including poor management, outdated machinery, and a lack of training for workers.

The report recommends a number of steps to be taken to improve productivity, including the introduction of new machinery, the introduction of new management techniques, and the provision of training for workers.

The report also recommends that the government should provide financial assistance to the industry to help it modernise and improve its productivity.

In conclusion, the report calls for a major overhaul of the industry, with strong measures being taken to improve productivity, utilisation and profitability.
ADDRESS ON BEHALF OF THE HONOURABLE J.C. HEUNIS, MINISTER OF ECONOMIC AFFAIRS, BY MR. T.F. VAN DER WALT, DEPUTY SECRETARY, DEPARTMENT OF COMMERCE, ON THE OCCASION OF THE FIFTH ANNUAL DINNER OF THE SOUTH AFRICAN INSTITUTE OF THE BOOT AND SHOE INDUSTRY, PRETORIA, 5 NOVEMBER 1975

Mr. Chairman, ladies and gentlemen

The Honourable the Minister of Economic Affairs has asked me to convey to you his sincere apologies for not being able to join you to-night, due to unavoidable circumstances. And where I now deputise for him, it gives me much pleasure to make your acquaintance and to be able to address you.

The South African footwear industry has evolved from very modest beginnings. In fact, its earliest history dates back to the days when the making of "velskoene" for the family, was still regarded as a normal home industry. However, by the early 1830's quite a few footwear manufacturing enterprises had already been established in the old Cape Colony. But, as in the case of many other industries, it was the discovery of diamonds and gold in the country that really provided the initial stimulus to the footwear industry by way of an expanding market.

By 1918 the industry was able to manufacture 1,7 million pairs of shoes per annum at a total value of R1,6 million. But even so, progress was slow, though steady, until a second stimulus was added by way of a protective tariff policy introduced during the 1920's. From then onwards, the industry expanded rapidly, so that production reached a total of 10,5 million pairs by 1938.

A third stimulus to the growth of the footwear industry was provided by the outbreak of the Second World War. During those years the local industry was challenged to show its mettle by not/...
not only filling the gap left by imports of footwear which had practically stopped, but also by having to supply footwear to the defence forces. The South African army boot became so well-known that the annual production of more than 2 million pairs was not only worn by our own armed forces, but also by those of our Allies.

After the cessation of hostilities, imports of footwear were, however, resumed, and, together with the fall in the demand for military footwear, the industry experienced a downturn in business activity to such an extent that it took no less than the next five years up to 1951 to regain the production level of 17 million pairs per annum reached during the war years. After that, the industry has shown continued progress.

To-day, the industry has found roots in practically every big city in the Republic. However, Cape Town, Port Elizabeth, Durban/Pinetown, Pietermaritzburg and Johannesburg still remain the most important centres with notable characteristics in each centre.

It is, therefore, not surprising that the latest official statistics show that, by 1973, there were 120 shoe factories in the Republic with capital investments totalling approximately R76 million and employment being provided for 23,500 workers. In that year, the footwear industry also produced approximately 33 million pairs of conventional boots and shoes, and when other types of footwear, such as slippers, etc., are taken into account, the total production was approximately 45 million pairs.

These figures may serve to illustrate the significant expansion of the footwear industry as a whole. In addition, it must be remembered that, apart from the quantitative growth of the industry, it has also expanded qualitatively in the sense that the quality/...
quality of its products has been improved and that new shapes and styles have been developed to meet the ever-changing demands of fashion. This trend has required great advancement on the technological level and, as far as I am aware, our factories have kept good pace with this aspect.

Notwithstanding the phenomenal growth and technological progress attained by our footwear industry, there are, to my mind, a number of very important aspects which merit closer attention.

Die eerste aspek waarop ek die aandag wil vestig, is ons land se buitelandse handel in skoëisel. Aan die een kant het ons skoëiselyknywerheid gedurende 1973 'n 32 persent aandeel in ons plaaslike mark besit. Aan die ander kant is die land steeds 'n netto invoerder van skoëisel, soos blyk uit die feit dat invoere van skoëisel gedurende 1974 R18,3 miljoen beloop het, vergeleke met uitvoere van slegs R1,1 miljoen. Laasgenoemde syfer is boonop betreklik laag as in gedagte gehou word dat die jongste Ekonomiese Ontwikkelingsprogram die potensiële uitvoer van Suid-Afrikaans vervaardigde skoëisel op R7 miljoen teen 1977 stel. In die Program word in hierdie verband ook daarop gewys dat vanweë probleme soos besoedeling, asook hoë arbeids- en grondstofkoste in nywerheidslande, die plaaslike skoëiselyknywerheid meer aandag aan uitvoermoontlikhede moet gee. Hierdie saak verdien dus die ernstige aandag van die nywerheid, veral as daarop gelet word dat daar ruime en aantreklike uitvoeraansporings beskikbaar is, terwyl my inligting is dat die kwaliteit, asook die relatiewe pryse van die plaaslik-vervaardigde produk goed met die oorsese produk vergelyk.

Hierby kom ook nog 'n belangrike voordeel wat die plaaslike bedryf geniet, naamlik, sy sterk rugwaartse skakeling met die

plaaaslike/...
plaaslike produsente van sy grondstowwe. So, byvoorbeeld, het
die bedryf se verbruik van grondstowwe uit plaaslike bronne ge-
durende 1973 R50 miljoen beloop, teenoor grondstofinvoere ten
bedrae van slegs R8 miljoen.

My gevolgtrekkings is dus dat, terwyl die plaaslike bedryf ons
grootliks selfvoorsienend ten opsigte van skoeisel gemaak het,
daar onteenseglik gunstige geleenthede bestaan om nuwe uitvoer-
markte vir ons plaaslik-vervaardigde skoeisel te verower. Ter-
selfdertyd sal groter uitvoere die nywerheid se produksiereekse
help verleng en sodoende tot laer eenheidskoste bydra – iets wat
veral ook in die huidige tye van hoë inflasie vir die land uiers
noodsaaklik is.

Die ander belangrike aspek waarna ek graag wil verwys, is die feit
dat die skoeiselbedryf ook 'n mededinger om die land se skaars
produksiefaktore is. Daarom moet bestuur in die bedryf ook sorg
dra dat elke produksiefaktor wat aangewend word, naamlik, arbeid,
kapitaal, grondstowwe en masjinerie, so doeltreffend moontlik
benut word.

Die strewe na die verhoging van produktiwiteit in die bedryf is
immers in die eerste plek 'n funksie van bestuur en moet as so-
danig altyd 'n integrale komponent van alle bestuursbesluite uit-
maak. Die ervaring het geleer dat die werkers bereidwillig is
om meer produktief te wees, maar dat die nodige leiding en
motivering in hierdie opsig noodwendig van die kant van bestuur
moet uitgaan.

U Instituut is ongetwyfeld ten volle op die hoogte van die insig-
gewende resultate wat na aanleiding van die onderzoek van die
Nasionale Produktiwiteitssentrum na die produktiwiteit in u
bedryf/...
bedryf gedurende 1974 gepubliseer is.

Ek gaan u nie vermoë om die groot aantal wenke en voorstelle wat in die verslag vervat is nie, maar dit is absoluut noodsaaktig dat u daar 'n deeglike studie van moet maak en in u eie bedryf moet probeer toepas. My gevoel is dat u Instituut juist op hierdie terrein 'n aktiewe rol kan speel deur alle moontlike weë en middele aan te wend om die resultate en aanbevelings van die verslag aan sy lede tuis te bring en die vooruitgang op hierdie gebied van tyd tot tyd in oënskou te neem. Op hierdie wyse sal u Instituut nie alleen tot die voordeel van die individuele firmas in sy groep optree nie, maar ook in belang van die land as geheel.

Another aspect of a more practical nature which may warrant closer attention is the need for more research and development in respect of the fittings of shoes. Everyone of us is well aware of the lot of effort that usually goes into the act of buying a new pair of shoes with a comfortable fit. However, in the productivity survey to which I have already referred, it is stated that, at the time of the survey, "only 10 per cent of the sample companies visited performed fitting tests and carried out research in this regard".

Apart from the harm done to the feet of growing children and indiscriminate grown-ups, the failure to find the right fitting in a particular shop has turned away many potential buyers. A survey undertaken by leading overseas consumer councils has shown that 50 per cent of those interviewed preferred the shop giving them the best value for their money or the shop stocking a wide range of sizes; 50 per cent indicated that a good range of widths was their main consideration for choosing a specific shop; while 33 per cent actually claimed that an expert fitting service was the/...
the most important factor influencing their choice of a shoe store.

It appears essential, therefore, that footwear manufacturers should take account of the obvious demand which exists for a satisfactory standard of footwear fittings. In this connection it may be advisable for manufacturers to solicit the assistance of dealers in footwear with a view to improving the fitting service to the mutual benefit of manufacturers, distributors and buyers of footwear.

The future prospects for the footwear industry are promising. This becomes clear if one bears in mind that South Africa has at its disposal an abundant supply of raw materials, such as hides and skins, as well as its own well-established tanning industry. A further advantage is the ample supply of labour, especially for a labour-intensive industry such as the footwear industry. In addition, the footwear industry had in recent years been characterised by a rationalisation of its activities through amalgamation, which created the possibility of longer production runs at lower unit costs. These advantages, together with the competitive edge provided for exports by the recent devaluation, represent a sound basis for the future development of the footwear industry.

The footwear industry can, therefore, look forward to an ever increasing demand for its products in the local market, especially in view of the growing incomes of the lower paid groups of the community. Apart from that, large amounts of foreign reserves are still being expended on the importation of footwear. With the added protection provided by the recent adjustments in import tariffs on footwear, there should be ample scope for further/...
further import replacement. This will not only save foreign reserves, but will also serve to enlarge the local footwear industry's share in the South African market.

I sincerely hope that I have succeeded in pointing out the many advantages which are enjoyed by the local footwear industry at present, as well as the good opportunities which exist for future expansion and development, provided management is prepared to meet the challenges involved.
Two steps forward

Rationalised ranges and improved quality should help improve shoe manufacturers’ profits

It’s been a wearing year or more for the footwear industry. Rising costs have lifted its own prices steeply. Consumers, anxiously inspecting their wallets, have hung onto their uppers that much longer.

During the first 11 months of last year, local production was, at 40m pairs, down 2.6m on 1974. The two biggest manufacturers’ results suffered accordingly. For the year to March 31, 1975, SA Breweries subsidiary Shoe Corporation saw taxed profits slump home at R183 000 (R1,1m) Breweries’ interim reported a further worsening during the following six months.

Edworks’ profits, too, got badly scuffed. Those from its manufacturing division sagged to a pre-tax R1m in the year ending June 30, 1975 (R1,7m). Workers have also been hurt by layoffs, says Footwear Manufacturers’ Federation director Geoff Everingham. He doesn’t know, however, by how many. Inflation, he reckons, is not the only problem. Imports continue to worry the industry.

In 1974 they totalled 9.5m pairs with an f.o.b. value of R17.1m, and consisted of 3.5m pairs of tennis shoes, 2m pairs of shoes with rubber or plastic outsoles, and 1.5m pairs with leather outsoles.

Imported tennis shoes, on the other hand, don’t worry the industry — it’s hard pushed to meet demand. It also accepts higher quality leather-soled shoes with equanimity because their variety helps sustain consumer interest.

It’s cheaper shoes with plastic or rubber soles that worry because it anticipates a flood from the Far East, as has already happened elsewhere. Government is currently considering an application by the Federation for substantially higher duties (up to 55 less 70% of the f.o.b. value).

One importer, Neville Ginsberg, reckons his anger at the application is shared by many. Many of the shoes covered by the application, he says, aren’t made in SA — eg women’s evening shoes with satin or Thai silk uppers.

Government could, of course, rebuff the duty on such shoes. “But, meantime, you have to pay it, so higher duties would eat into your working capital,” observes another importer, Manne Sarkin.

Meanwhile, how is the industry going to overcome the problem of rising costs?

Edworks chairman and MD Barney Dodo refuses to say. “He never gives press interviews,” says his secretary. Given the paucity of information in his latest annual report, his attitude must be as reassuring for shareholders as fallen arches.

Shoe Corporation MD Neil Harvey is tackling the problem on two fronts. He’s reversed the policy of centralising manufacturing and sales control, introduced by his predecessor. He’s also reduced the number of basic ranges to increase production runs — an achievement sought earlier, but with little success.

“In most businesses,” says Harvey, “your success depends greatly on how you make the trade-off between what the market wants and what you can produce profitably.” The decision to centralise Shoe Corporation’s sales force meant, he says, that salesmen were too far from the factories to which they were feeding orders for them to be able to participate in trade-off decisions, or to be able to feed through customers’ needs quickly. “They aimed merely at maximising sales,” he observes, “without a thought for how much profit they would produce.”

Factory chiefs were also no longer able to make vital decisions about which items to produce. These, instead, were made in Johannesburg. The result was decentralisation, low productivity and, says Harvey, high staff turnover. Yet bad trade-off decisions were being made in Johannesburg because those responsible for them faced too complex a situation.

Harvey’s decentralisation policy has been accompanied by a decision to have each of the group’s production units focus on specific market segments. “Their success so far has been almost directly proportional to the degree they’ve done this,” he says.

Though there is still room for improvement, especially at the Birch factory in Cape Town and at the Arcadian division at Mobeni, Harvey reports that these and other rationalisations throughout the

Shoe Corp’s Harvey . . . focusing on market segments

Financial Mail February 13 1976
Footwear workers' pay to be doubled

Labour Reporter
The South African footwear industry, which employs about 22,000 workers, has decided to pay a minimum wage of R125 a month from July 1.

The move will mean a 50 percent increase for the industry's lowest paid workers — from a prescribed minimum of R19 a week to R23.60.

Many individual employers are paying similar or even higher minimum wages, such as AE & CI which pays a minimum of R180 a month.

But the footwear industry may be the first industry of its size to prescribe a minimum rate of R155, the poverty guideline set by the Department of Statistics under the anti-inflation manifesto.

DECISION
The decision was taken in Port Elizabeth last week as the compilers of South Africa's two national minimum living or subsistence levels made a strong plea for such a minimum rate.

They pointed out that their guidelines, ranging from about R110 to R120 a month, allowed only for the barest essentials for a family of six. In practice more was required to allow for a decent life, they said.

"Only apprentices and learners may be paid less than R125 a month under the new agreement in the footwear industry," said Mr Steve Scheepers, secretary of the Transvaal Leather Workers' Union and leading negotiator for the new minimum.
Shoe men tie up R6m deal

Business Times Correspondent

A PORT Elizabeth footwear manufacturer, Bagshaw Gibaud, has negotiated export orders from the United States which could be worth R6-million during the next two years.

Mr John Collier, managing director, said his company would supply America with Hang Ten casual shoes and boots from the South African company.

"These are aimed primarily at the trend-setting youth market", Mr Collier said.

"Included in the range are genuine leather calf-length boots, hand-sewn casuals and a selection of slip-on and lace-up footwear."

Earlier this year Bagshaw Gibaud was awarded the franchise to manufacture Hang Ten footwear in South Africa. The quality of the product was such that the American footwear licensees, Georgia Boot of Flowery Branch, Tennessee, a subsidiary of the big conglomerate, US Industries, asked Mr Collier if his company would be prepared to make and supply shoes for the American domestic market.

After discussions in Franklin, Tennessee, Georgia Boot have guaranteed the maximum royalty for a two-year period to secure penetration in the American market.

It was agreed that the retail marketing and distribution of the range would be handled by the Georgia Boot company.

Hang Ten, a relative newcomer in the field, started on the California beaches with surfing swimwear. Today the name and the logo of two small bare feet, is known around the world.

The South African franchise for Hang Ten clothing is held by Valla Sportswear, another Port Elizabeth company.
Strah Reports

The Germiston Regional Court adjourned yesterday to hear charges against two members of the National and Allied Workers' Union because they were in prison.

Mr. Gavin Michael Anderson, 24, and Mr. Sipho Kubeko, 23, face charges under the Riotous Assembly Act, the Bantu Labour Relations Regulations Act, the Industrial Conciliation Act and the Police Act. These charges arise from a strike at the Homestead Electric Factory in Randfontein, Germiston, in March.

Mr. G. Bueti (for Mr. Anderson and Mr. Kubeko) and the accused were not present at the charges they faced. The charge sheet was jumbled, he said, and he could not defend them if...
Unions to fight bid to scrap colour bar

By CLIVE E'DON
Labour Correspondent

EMPLOYERS in the mass steel and engineering industries have proposed scrapping the industrial colour bar and most job reservation. If successful, this would create new job and training opportunities for 270,000 African workers.

However, the registered trade unions in the industries, predominantly White, but including Coloured and Asian unions, are expected to fight any bid to seize their control of all facets of skilled labour.

"The confrontation which is certain to develop will be heightened by the demands from Government industries, such as Iscor, for State backing of the Seifa proposals. The proposals have been tabled by the 33 employer organisations that constitute Seifa (Steel and Engineering Industries Federation of South Africa) with the 10 White and Coloured trade unions in the industries.

The unions, representing some 80,000 White and Coloured workers in an industry employing 270,000 Africans, say they will fight "tooth and nail" to protect their members and, clearly, their control on skilled labour.

The key to lifting the industrial colour bar is the "closed shop" clause of the industrial agreements between the employers and the 10 unions.

Seifa says the clause should be deleted, terming it "discriminatory" in that it "confers privilege on certain trade unions party to the agreements only."

Only unions representing Whites, Coloureds and Asians are party to the agreements. Seifa also proposes scrapping all job reservation prescriptions below the Rate A scale — the artisan rate, which takes in some 50,000 White, Coloured and Asian artisans. About 25,000 to 30,000 workers of these races fall below the Rate A, and job reservation currently protects these expressly for them down to a Rate D.

So far, 5,000 Africans have moved into skilled jobs and the top semi-skilled jobs in the job reservation areas of Rate C and Rate D under special exemptions. With job reservation removed, thousands more would have job and training opportunities open to them.

The current wage agreements in the industries expire on June 30. The two controversial demands from Seifa come into the open at the first round of negotiations with the unions on Tuesday.

During the past 18 months, there have been a number of calls from different quarters for the scrapping of job reservation. They have included Mr. J. P. Coetzee, managing director of Iscor, the huge Government steel industry, which employs 24,000 Whites and 25,100 Blacks; Mr. J. C. K. Erasmus, chairman of the Cape Midlands Bantu Administration Board; Dr. S. P. du Toit Viljoen, chairman of the Bantu Investment Corporation; as well as Mr. Barney Bouwer and Mr. Ben Nicholson, respective general secretaries of the SA Boilermakers', Iron and Steel Workers, Shipbuilders and Welders' Society and the SA Electrical Workers Association.

Both Mr. Bouwer and Mr. Nicholson, however, say that if job reservation is scrapped, skilled workers, irrespective of race, must be paid the going rate.

This week the Minister of Labour, Mr. S. P. Botha, said he would grant exemptions from job reservation measures for Blacks where warranted, but job reservation would continue to be applied as it was required by law.
ABBREVIATIONS

A
Acc.
Add. Mss
AYB
C.A.
C-B
CO
DSAB
FK
GLCC
GS
JL
LA
L.S.E.
L.S.F.
MP
N.G.K.A.
N.L.W.
O.F.S.A.
P

Kick where it hurts for shoe workers

PINETOWN — Beta shoe company reopened today after an extended Christmas closure of five weeks.

For most of the firm's 1,400 employees they were given two weeks leave with no pay.

Beta's manager, Mr D A Bell, said the firm had been closed since the factory opened in 1965.

He said although the industry was in a slump there was no question of retrenchment at this stage.

'Mr Bell said Beta was considering opening retail stores selling direct to the public.

O.F.S.

Jagger Library, University of Cape Town

Leyds Archief

London School of Economics

Library of the Society of Friends, London

Wilber Papers (South Africa). Photostat volumes in the Transvaal Archives

Archives of the N.G.K. (Dutch Reformed Church), Cape Town

National Library of Wales, Aberystwith

Orange Free State Archives, Bloemfontein

Archives of the President, Orange Free State
Built to last

The footwear industry may have a few stones in its shoe, but it's still jogging along nicely.

Shoemakers are trending warts these days. The trouble is that we're all paddling around in fewer styles, hanging on to our uppers that much longer and when we do buy we're tending to buy down-market.

As a result the footwear industry has done little more than shuffle along for the past three years. For example, during the first 10 months of last year local production was 25% over 29m pairs, a bare 2m pairs up on the previous year though dominating on the face of it to those production levels represent no more than a return to pre-'74 output.

During the first eight months of last year imports hovered around 7m pairs worth about R16.5m calculated at 10s per pair. By the time the shoemakers have done their year-end sums, local production will probably have plummeted out something like 1.5m pairs with another 9m-10m pairs brought in from overseas.

For the most part imports don't worry the industry. They're at the cheapest end of the market anyway. While the odd little at the premium end and serve to sustain consumer interest. Besides shoemakers aming at the upper end reckon that because raw material and labour costs overseas will price up, added premium products off the shelves.

Even so the Footwear Manufacturers Federation (FMF) is preparing a revised case for higher import duties for presentation to the Board of Trade and Industries in about six months time. At present duties range from 3% to 50% based on fob prices. Trouble is, explains Federation vice chairman that if you sell at too high a price deril local priced tenor shoes on the other hand finds itself at a price.

The industry has added that 30% of damn all is damn all. He adds, but the Federation is nevertheless expected to press for a sliding scale which would bring proportionate higher penalties on the lower priced items.

Against such a backdrop one might have concluded that the industry's profits are looking a little sardine. That's hardly the case. For the year to March 31, 1977 SA Boosters subsidiary Shoe Corporation saw after tax profits recover to R4.5m (R1.3m). Moreover, and in spite of the closure of its Ardath division at Motion, there's an optimistic mood at the company. MD Sid Harvey, who has done a first class job in tightening costs, reckons that he'll be even stronger by the next year-end.

I works MD Barnes Dodo, with interests in thinning, manufacturing and retailing, is looking to a good year. On the planning side I works expects to produce R4m worth of finished leather last year.

Manufacturing at some plants (Pretoria, for example) is going particularly well, while others (such as Cheque) are trying to get going. His retailing interests, though, continue to hold their own.

In short, worries of over-supply in the trade, looming recession, the uncertainties over increased import duties and even the spectre of lay-offs among the industry's 21,000 labour force hardly dull the glow.

The relative hard times of the past three years may even prove to have been a blessing in disguise. In the first place there's little doubt that the industry has streamlined itself - not through external pressure but as a result of simple economics.

From the supply houses through to the machine suppliers to the footwear manufacturers and the retailers, there's a tendency to concentrate on what one knows best. I works Spitz Footwear Holdens (SFH) for example, are plugging away at the top end of the market and leaning, anyway, away from shoes to the specialist.

Likewise SFH is making more of less instead of producing up to 500 styles for any one season (there are broadly two, winter and summer). MD Anthony Spitz prefers to concentrate on pushing a maximum of 300.
Manufacturing - Beverages
Includes manufacture of liquor.

Manufacturing - Chemicals & products

Manufacturing - Clothing

Manufacturing - Electricity
See also Energy

Manufacturing - Food
See also Agriculture

Manufacturing - Footwear

Manufacturing - Furniture

Manufacturing - Iron, Steel, Engineering

One manufacturer, with tongue only partly in check, tells the FMF that retailers love to view the impending season's styles and murmurs, "I don't like 90% of your range." That's not to say the manufacturer is a bum designer, it's simply that the retailer likes to pick and choose, now though, he's beginning to find himself shouted down.

Harvey puts it neatly "If a factory sets out to satisfy every retailer and every consumer, he won't be around for very long." Harvey has taken one factory and pruned its nine sub-ranges down to six. In short, there's increasing emphasis on how a manufacturer makes the trade-off between what the market wants (or thinks it wants) and what can be produced profitably. Get that right, and you're in business. Get it wrong, and you're broke.

On the credit side, too, many a manufacturer is getting into exports, boots an' all. Take Bagshaw & Gibaud in Port Elizabeth. It has signed a contract worth $7m for the supply of Hang Ten all-leather casuals to the US over the next two years. As marketing director Roy Mac-Donald explains: "Initially, we'll be making, at 25 000 pairs in eight styles, much longer production runs in SA. Runs of 3 000 pairs in any one up-market style simply aren't on."

Spitz also has an eye on the Swiss, German and UK markets and is looking to export 30 000 pairs, worth R500 000 at ex-factory prices, in the coming year. Collectively, perhaps, small beer - but still a significant improvement on relatively recent exports of R500 000 or so for the entire industry.

Meantime, on the domestic front, talk of a formal get-together of manufacturers and retailers gathers pace. Hitherto, such liaison has either been over a beer or, more recently, through the Implementation Committee which sat to swallow some of the hiccups expected with the introduction of metrcication.

What they've done is to pick the eyes out of the existing Mondopoint system (an apparently not-so-simple method of measuring the world's feet) and adapt the result to fit in with the Metrcication Board.

Point is, though, that Spitz, his fellow retailers, and the FMF would rue the passing of such formal co-operation. True, the idea is hardly breath-taking but the climate for forming, say, a Footwear Advisory Council can hardly be better.

One of the benefits of such a Council would be that retailers and manufacturers could get together before a new season and sort out what the public wants. In this way manufacturers needn't fool around with hundreds of styles only to be told "we don't like 90% of your stuff."

There could also be progress in ironing out the present "lumpy" selling seasons. Right now, the relatively long summer season (June February) and the much shorter winter season (March June), tend to throw production schedules out of kilter.

Meantime, it's a question of waiting for the corner-store shelves to empty and for manufacturing inventories to clear. Since, according to Spitz, the January sales were something of a record, the industry must be hell way there.

The industry may have its problems, but few are looking too down at heel.

Marriages
See Population - Registration

Maternity benefits
See Population - Vital Statistics

Media
See Social Security - Unemployment Insurance

Medical aid
See Press

Medical personnel
See Public Sector - Telecommunications

Medium of instruction
See Social Security - General

Mental health
See Social Security - Medicare

17/ ........
GROUP AREAS - Cape

File here specific material on transport services, amenities, local government in such areas etc., but put housing and associated matters under HOUSING AND HOSTELS

GROUP AREAS - Natal

GROUP AREAS - O.F.S.

GROUP AREAS - Transvaal

Growth, economic See ECONOMY - General

See also HOMELANDS - General

H:

Hairdressing See SERVICES SECTOR - Other

Harbours See PUBLIC SECTOR - Transport

THE FOOTWEAR INDUSTRY

In the article on the out-migrant problem for the shoe industry in our issue of 1 February 1977 Mr. Barney Dodo's comment on Edworks' prospects may be open to some misunderstanding. He would like to make it clear that whereas the prospects of the business are showing improvement in performance there are conditions have not been helpful. Accordingly no inference should be drawn as to the profit prospects of Edworks at this stage. It's early days yet.

HEALTH & DISEASE - Mental Health

HEALTH & DISEASE - Miscellaneous diseases

HEALTH & DISEASE - Nutritional diseases

HEALTH & DISEASE - Tuberculosis

HEALTH & DISEASE - Venereal diseases

HEALTH & DISEASE - Doctors

HEALTH & DISEASE - Dentists

HEALTH & DISEASE - Nurses

HEALTH & DISEASE - Pharmacists

HEALTH & DISEASE - Other medics

HEALTH & DISEASE - Hospitals & clinics

HOLLAND - General

HOLLAND - Labour
Backward step for shoe firm in capital

Mercury Reporter

PIETERMARITZBURG — Sixty-five workers on one production line at Dick Whittington Shoes here have been laid off until Friday — and worse could follow, Mr. G. H. Crouch, managing director of the footwear manufacturing firm, said yesterday.

Mr. Crouch made this gloomy prediction less than a week after re-employing a third of the 75 employees retrenched in early February.

He said in order to balance the company's "thin order position" it had been decided to temporarily shut down one production line at one of its two Pietermaritzburg factories.

"About 65 workers — 30 percent of the company's total labour force — were told to go home yesterday and to report for duty on Friday."

Indications are that further "drastic" steps may have to be taken to counter the drop in orders.

"The economic position has not yet hit rock bottom and we are expecting worse to come. We are very unhappy about it," said Mr. Crouch.

The 65 employees affected are on the stitch-down line at the company's Lincoln Road factory. The other factory at Pietermaritzburg has not been affected.

About 30 workers at the International Harvester assembly plant in Pietermaritzburg will be working for two weeks a month following a decrease in demand for the company's eight-ton trucks.
COBLING UP JOBS

Shoemakers left without jobs when their Mobeni factory closed have decided to "go it alone" with their own cooperative.

About 475 lost their jobs when Shoe Corporation, a South African Breweries subsidiary, closed its factory near Durban at the beginning of the year.

The company found jobs for some but many were left unemployed, including Mr. D. R. Singh and Mr. V. Rengen.

These two helped form a committee of 10 which met at the weekend and decided to create a cooperative of leatherworkers with unemployed workers buying R1 shares.

Mr. Rengen said yesterday: "We've decided to do something to help ourselves by forming a cooperative society, opening our own factory and becoming self-employed."

"Any leatherworker without a job is welcome to join the coop, and employed leatherworkers can support us by becoming sleeping partners."

The coop will be legally formed on Saturday at a meeting to elect directors.

"We have been promised some fairly cheap machinery by the factory which closed and we have premises in mind."
Scotts buys shoe plant

Financial Editor

SCOTTS Stores Ltd. has taken over Adorable Footwear (Pty.) Ltd., the Finetown manufacturing company, with effect from March 1, 1977. The purchase price was R252 000.

This was announced by Mr. W.J.D. Scott, chairman of Scotts Shoes, at the company’s annual meeting in Durban yesterday. Mr. Scott said that the Adorable Footwear factory would fit in well with Scotts’ three footwear factories in Pinetown.

“It will make a positive contribution to group earnings in the current financial year.”

Referring to the retail operations of his group, Mr. Scott said that during the first four months of the current year sales were 11 per cent ahead compared with the same period last year.

Sales ahead

“If our retail acquisitions of Lansal (Pty.) Ltd., trading as Babyland, taken over last year, and the Fifth Wheel Chain, acquired in March, are included, sales are running at 18 percent ahead of last year.”

On the other hand, the group had been forced to lower margins during recent months to maintain sales growth in the “most competitive”, consumer market that had developed since March.

Group stocks had been reduced since February, and this rundown would continue between now and February, 1978.

In spite of the adverse trading conditions the group had opened seven new stores during the current financial year.

“ar. Scott has used the proceeds of the sale of two footwear

stores in the Cape, McPherson (Pty.) Ltd. and have opened a footwear discount division, Shoemarket (Pty.) Ltd., which is selling on a franchise basis in the Checkers group multimarket at Southills, near Johannesburg.”

Negotiations were also going ahead to open a further seven specialty stores and a shoe market at Midrand, outside Newcastle.

“In addition, we will be opening two new stores in the Uniswinkel chain by October this year, one in Rosettenville next month and the other in Nelspruit in October. Our footwear manufacturing division is maintaining its profits, our wholesale division is experiencing fierce competition but overall, I expect our group pre-tax profits to be maintained in the first half of the year compared with last year.”
DURBAN — A shock shoe price increase is expected in a few months — while egg prices are expected to drop in mid-Sept.

The Natal Poultry Association attended a meeting in Pretoria yesterday to discuss prices with the EPR Board.

Meanwhile, South Africans can expect to pay up to 30 per cent more for shoes in a few months' time.

A spokesman for the shoe industry in Natal said various cost factors would affect prices drastically ranging from 12 to 30 per cent increases.

A major contributory factor in cost increases is the changeover to the metricated shoe measurements which will cost the industry millions.

Other factors likely to cause increases are higher import duties on leather and machinery, wage increases and the increased cost in raw materials — DDC
Germany to adopt ISO shoe sizing system

By Alan Peat

The controversial metric shoe sizing system Mondopoint, conversion to which could cost the shoe industry over a million rand according to some manufacturers, is also to be adopted in Germany, says Dens Hasenjager of the Bureau of Standards.

On his return from a recent meeting of the International Standards Organisation Implementation Committee, Hasenjager also said that the Swiss shoe company Bally had told him the adoption of Mondopoint would save that company the equivalent of R9 445 annually.

While the argument over the expected cost to hard-pressed shoemakers continues, over 3 800 retailers throughout the country have received a conversion table dealing with the new system.

South Africa is the first country in the world to implement the scheme.

Controversy

Thus has also been a point of controversy, as some manufacturers argue that a country with such a small export volume should not be the leader in new systems. Fears have been expressed that, while other countries adopt a Mondopoint system, it may not necessarily be the same as the South African variety.

If this were the case, they say, South Africa would be forced to go through the same costly conversion procedures again to conform with the most universally accepted system.

Bureau of Standards officials have continually rejected this possibility, and have pointed to evidence they have gathered at a number of ISO meetings pointing to a large scale acceptance of the sizing over the next few years.

The next meeting of the implementation committee will take place on October 13 in Johannesburg, to coincide with the South African "Shoes 77" exhibition.
Mr Ross James (second from left) at the International Leather Week Exhibition in Paris where he signed an export deal for his company Barker Footwear Ltd, of Cape Town. With him are (from left) Mr D Rybaka and Mr M Prakolek, both of Charles Vila, the import company, and Paris-based South African management consultant, Mr Peter Fleming.

Exporting shoes to France

CAPE TOWN'S Bar of Footwear Ltd has received a trial order of 600 000 francs (more than R100 000) for France for men's footwear.

A special range of shoes, designed after a retail market survey organized by Paris-based South African management consultant, Mr Peter Fleming, was exhibited at the International Leather Week exhibition in Paris in conjunction with Charles Vila, the importing company which has placed the order.

Mr Ross James, Barker's managing director, who attended the show, was enthusiastic about the company's future export potential. "It is only since the local market started to reflect a downturn that we turned our attention to foreign markets, and I am delighted that our shoes have met with such an immediate favourable reception."

Mr James said the shoes would retail in France for about R50 a pair. The importing company of Charles Vila specializes in men's footwear and has a distribution network throughout France.

From France Mr James went to Dusseldorf for a similar exhibition.
SHOES

Slip-on, slip-off

Gamesmanship for the shoe industry at present lies in rising sales of casual and sports shoes.

Figures from Market Research Africa show that over a three year period, sales of men's casual footwear have risen from 25.1% in 1975 to 28.4% this year. Sportswear sales have doubled from 5.4% in 1975 to 10.1% this year. Together at 38.5% the two sections have taken over from formal shoe sales which have dropped from 37.6% in 1975 to 29.6%.

"It's a natural trend," says Geoff Everingham, director of the Footwear Manufacturers' Federation (FMF), and follows the clothes fashion of denims and casual wear.

But by and large the shoe industry is beset with problems. One which FMF hopes to rectify is the flood of imports (10m pairs worth R20m and winning some 20% out of the total R250m retail market).

"The three major sections," says Everingham, "are the high-style shoes, cheap tennis shoes (imported nearly duty free) and the casual, sporty footwear which we make locally, but is imported from Taiwan, South Korea and Hong Kong, at low rates of duty."

FMF is making a detailed study of the subject and clearly intends to press for higher duties."Duties are elaborate," says Everingham, "but range from nothing to 30%.

Not all the shoe industry, however, is in favour of higher duties - at least on certain categories of shoes. "Take the high-fashion range," says one shoe manufacturer. "Local demand for this needs to build up considerably before it's worth tooling up to make here and it's only a small part of the market."

The market is depressed anyway. "Production," says Shoe Corp's MD Neil Harvey, "is down 7.6% in the April-July period over last year."

Manufacturers are increasingly looking at export potential. "We started working on exports about a year ago," says Harvey. "We've done some small trial exports to Africa and the UK. Best business so far has been a trial order of R100,000 worth of men's shoes from Shoe Corp subsidiary, Cape-based Barker Footwear, to France."

Another hurdle for the shoe industry at present is tooling up for the introduction of the Mondopoint measuring system which is to be introduced in July next year. "Changing lasts and machinery is expensive," says one observer, "and there's a whole educational programme to be undertaken. At present it's pretty unpopular."

In 1978, shoe manufacturers will have to gear themselves up for commercial TV "SA," reckons one. "is not particularly brand conscious at present. TV is going to change that."

1978
WHILE SHOE imports are likely to be down this year, the Footwear Manufacturers Federation is still to press ahead with an appeal to Government for restrictions on import levels.

According to Federation chief Geoff Everingham, shoe imports are likely to be about 10 percent down on last year's R20 million - about 10 million pairs.

He said: "The total import bill to the end of August is R12.5 million. With the busy Christmas period yet to be accounted for I would expect the end of year amount to be about R18 million."

"While any drop in imports is welcome, import levels are still too high for a country with a total market of R250 million and we are still preparing our case for protection to present to Government."

While imports in monetary terms are low compared to South Afica's total needs, the 10 million pairs of shoes imported annually constitutes a quarter of the local production in units.

This loss of production line capacity is seen by some manufacturers as a major factor in the industry's declining growth rate.

The annual growth rate of about 8 percent in 1975 has slumped to nil this year.

Largest reduction in imports has taken place in the up-market range of adult footwear. FMD figures show that the total to the end of July is down from more than R6 million in the same period last year, to R3.4 million.

Gym shoe types have also shown a substantial drop in that period, and adult footwear with plastic or rubber soles and non-leather uppers have also fallen from R2.5 million to R1.9 million.

"However," says Everingham, "these drops should be viewed against the background of domestic consumption which has also fallen off considerably."
Scotts Stores to raise R3m

JOHANNESBURG — Scotts Stores, the footwear and clothing manufacturing and retailing group, is to raise R3,170 million in the form of convertible debentures through a rights offer to its ordinary shareholders, it was announced yesterday by Hill Samuel (S.A.)

The purpose of the offer is "to raise additional permanent capital so as to reduce Scotts' reliance on short-term funding and thereby finance its financial structure," said the announcement.

Scotts' ordinary shareholders are to be offered 12 convertible debentures at par for every 100 ordinary shares held at the close of business on December 9, amounting to a total consideration of R120 for every 100 ordinary shares held.

Interest will be 13.5 per cent per annum, calculated and payable in arrear on May 31 and November 30. The debentures will be convertible at the option of the holder at six-monthly intervals from August, 1982, with any outstanding being automatically converted in August, 1984.

They will be convertible at par into ordinary shares at a conversion price equal to 80 per cent of a six-week weighted average market price of the ordinary shares ruling prior to conversion, subject to a minimum conversion price of 400c per ordinary share.

Arrangements are in hand for the rights offer to be underwritten by Hill Samuel (S.A.) — (Sapa.)
Allandale factory opens

PIETERMARITZBURG — A R150 000 shoe factory was opened at Allandale here last night.

Monique Shoes (Pty.) Ltd. opened their new premises in Salford Road.

The managing director, Mr. Gordon Singh, said last night that the factory would employ 120 people. The business first started in 1973 with an output of 850 pairs of shoes a day.

Production had now reached the stage where 1 000 pairs a day are being produced.

Mr. Singh said that although the general economic climate was not particularly favourable at present, the turnover of shoes had continued to increase.

The factory was officially opened by the capital's mayor, Dr. Ashton Tarr.
Shoe industry takes a giant step forward

IT SEEMS to be a case of "shanks for the memory" of those old soft shoe blues, as the "indications" are that there is more silver lining than cloud for the once ailing shoe industry.

Manufacturers approached this week said the days of short weeks and layoffs were gone and retailers are finding that delivery times have risen from a matter of a week or so to up to three months.

Footwear Manufacturers Federation director Geoff Everingham said shoe production for the first four months of the year was at least 10 percent up on the same period in 1977. He reckons the improved import protection has been only a minor factor and put the responsibility for the increase squarely on the shoulders of better consumer demand.

By TONY HUDSON

Another reason, he says, is that retailers followed their stocks to run right down and were now forced to replenish supplies.

Jaguar Shoes' Roy Eckstein said: "We are finding business very good. Previously we could deliver in four to six weeks, now our order book is full right up until October."

Eckstein says the reason for the increase on both consumer demand and the fact that wholesalers and retailers have been busy restocking.

A contributory factor to the up-turn in the fortunes of the industry is that a number of factories closed during the recession with the result that their production has been taken up by the survivors.

The drop-outs included Shellcor's ill-fated Durban-based Arcadian footwear which was producing 7000 pairs of shoes a day when it closed down in 1977.

Eckstein has every reason to be pleased with the change in the situation for he estimates turnover is up 20 percent on last year — and he feels the situation will continue to improve until Christmas is over.

"Barring any major political upheavals, it could well continue to improve next year," he says.

On the retailing front, Anthony Spitz of A&O's Spitz says there has been a definite increase in consumer demand over the last three months. "Retailers are buying to build up stocks while the public is now buying more often," he said.

Why?

4. What job would you like your children to do?

5. If you work, what sort of work do you do?

3. What sort of work (if any) would you rather do — either

2. Have you ever thought of going to work in a city?

1. How did you come to this farm?

FARM NUMBER

NAME (FIRST NAME ONLY)

QUESTIONS TO WORKERS
Coloured Limited Workers' Protection Association.

Can our Winnie workers, now reservation.

After the war, the workers are now
**Profit up 15 percent over last year**

**SHOECORP SHOWS NO SIGNS OF BEING DOWN AT HEEL**

By TONY HUDSON

SHOECORP, the Durban-based shoe manufacturer, showed a profit of over R1 million in the year to March 31, an increase of 15 percent over the previous year.

Shoecorp managing director Neil Harvey said that while a negative growth trend in the industry was expected, conditions were far worse than expected.

During this period, national production dropped by 4.8 percent. However, Department of Statistics figures showed a 3.8 percent decline in monetary terms and a drop of 2.5 percent in real terms.

Estimated national retail sales rose by 5.1 percent in money terms to R52 million but was down by 0.3 percent in real terms.

The fact that Shoecorp continued to show profit growth during this period shows that drastic steps taken by its parent, South African Breweries, back in 1975, were bearing fruit in 1974, the company showed a profit of over R1 million in a year that was the growth period for footwear. However, in 1975 profits plummeted right down to just over R189 000.

SAB undertook drastic reorganisation and in 1976, profit struggled shakily up to R245 000. The year to March 1977 showed the turning point had been passed and after tax profits increased by a hefty 79 percent to R1.5 million.

Harvey attributes the turnaround in Shoecorp's fortunes to three main factors:

1. The strategy adopted by the company and its subsidiaries, the motivation of staff and the fact that the operation started from a very poor base.
2. The company spent over R100 000 on expansion in the last year.
3. Production is currently running in the region of 12 000 to 13 000 pairs a day with some factories working close to full capacity.

The possibility of funding expansion does not worry Harvey. "A shoe factory is just a shell," he says, "and if you need extra capacity, it is easy to lease equipment and hire a place to work."

**Management programme extends to Natal**

By ALAN PEAT

The recently formed Production Management Institute of South Africa hopes to be able to extend its planned diploma programme to Natal.

The institute is to hold an open meeting on August 28 in Durban to assess the interest in the programme in the Province.

The local representative of the institute, Peter Mitchell, Renwick Management Services, said: "We are planning this introductory meeting with the objectives of the institute and to promote the institute and its diploma programme to the senior industrial leaders." "The whole thing has arisen as a result of the awareness of both private enterprise and the Government of the need to increase management productivity."

"Mitchell stresses that the diploma level is needed throughout the Western business world as a skill that all management careers will have to acquire."

"The syllabus for the diploma has been designed in close association with Unisa and the executive chairman of the institute is Professor Piet Steyn of the University's Department of Business Economics."

"Mitchell emphasised that the diploma course will be aimed at improving the management level of the Institution of Works Managers in Britain."

The four parts of the diploma will be assessed throughout the Western business world as a skill that all management careers will have to acquire. The executive chairman of the institute is Professor Piet Steyn of the University's Department of Business Economics. Mitchell emphasised that the diploma course will be aimed at improving the management level of the Institution of Works Managers in Britain.

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"Mitchell emphasised that the diploma course will be aimed at improving the management level of the Institution of Works Managers in Britain."
counterparts in Europe. However, the
b) Up to 1 year

...
Industrial Location:  
The National P.D. Pla
Black Migrant Work
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Labour in the Textil
Solar Radiation Pa
Commuting Patterns
Nature of the Fish
Residential Locati
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Language Variatio
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Residential Patter
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A Case Study of
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Brasilia - Succ
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The Impact of
An Economic a-
Mill Street/Orange Stre
An Evaluation of the O'Kiep Copper Company in the Namaqualand Copper District -
A consideration of the effect on the area if the copper mines were to close down.
The Transport System of a Bottling Industry in Lilongwe, Malawi.
A Study into the Effects of Seasonal Winds and Sea Temperature on the Catching of Yellowtail at Fish Hoek Beach by Seine-Net Fishermen.
Factors Determining the Ecological Environment of the Cape of Good Hope Nature Reserve, with Regard to the Alien Vegetation.
A Study in Coloured Shopping in Athlone and Claremont.
Models of Rural Land Reform - The Tanzanian Case.
The Way in which Perceived Distances Differ from Actual Distances Within an Urban Area.
Examination of the Importance of the Variable, "Length of Residence" on Local Imagery.
Transkei: An Illustration of its Potential.
Cape Town Electoral Districts.
Perceptions of the Cape Peninsula Landscape 1900 - 1977.
Chairman: Anthony Spitz anticipated an improvement after last year's disappointing results, but it is the extent of the upturn that is most pleasing to minority shareholders. After four years of a 7.5c payout, the dividend has been raised to 10c and the share price has doubled over the year.

<table>
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<tr>
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<th>76</th>
<th>76</th>
<th>77</th>
<th>78</th>
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<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>11.7</td>
<td>12.9</td>
<td>11.8</td>
<td>11.7</td>
</tr>
<tr>
<td>Pre-tax profit (R 000)</td>
<td>706</td>
<td>704</td>
<td>519</td>
<td>888</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>7.9</td>
<td>7.4</td>
<td>7.3</td>
<td>10.4</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>14.6</td>
<td>16.1</td>
<td>11.8</td>
<td>28.5</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>74</td>
<td>83</td>
<td>87</td>
<td>107</td>
</tr>
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</table>

How did the group manage to more than double earnings on slightly lower sales? Spitz reports that the main improvement came from the former loss-making manufacturing division which he claims is now "the dominant manufacturer in the quality women's shoe market." In addition, the wholly-owned seven-store UK retailing chain, Carvela Shoes, became profitable after start-up losses.

On the retailing side, consumer demand undoubtedly fell, admits Spitz. However, confidence in this division is such that a specialist chain is to be launched early in 1979. Starting with seven stores, the chain is aimed at a new breed of customer, says Spitz, the sophisticated, fashion-conscious and increasingly affluent (she has to be) young Ms.

More than doubling cash flow has eased liquidity, and meant less reliance on outside capital. Total net borrowings were down from R2.7m to R2.1m. But this de-gearing was probably only achieved towards the year-end, as the interest charges remained at a relatively high R337 000 (R339 000). However, capital was utilised far more effectively with a return of 28.3% (18%) achieved.

On sales so far, Spitz is optimistic for the current year. The shares are trading near their 1977-78 high on an historic 7.0% yield. In view of the record, there could be more upside potential.

Gillian Cowanhan
SEARLES

No shoe shine

Activities: Holding company whose main subsidiaries, Watson Shoes and Oudtshoorn Footwear, manufacture, men's and ladies' shoes. Also active in the sawmilling and housing industries. The directors' beneficial stake amounts to 14% of the equity.

Chairman: W M S Franklin

Capital structure: 955 000 ordinary shares of 100c, 175 000 5.5% prefs of R2 market capitalisation R1.4m


Share market: Price 150c (1977-78 high, 180c, low, 100c; trading volume last quarter, 29,000 shares). Yields 50.7% on earnings, 10.7% on dividend.

Table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Turnover</th>
<th>Pre-tax profit</th>
<th>Gross margin</th>
<th>Earnings</th>
<th>Dividends</th>
<th>Retained earnings</th>
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<tbody>
<tr>
<td>1976</td>
<td>12.3</td>
<td>7.9</td>
<td>0.5</td>
<td>7.6</td>
<td>31.6</td>
<td>416</td>
<td>460</td>
</tr>
<tr>
<td>1977</td>
<td>16.8</td>
<td>10.5</td>
<td>1.2</td>
<td>9.1</td>
<td>53.0</td>
<td>460</td>
<td>499</td>
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<tr>
<td>1978</td>
<td>17.0</td>
<td>10.0</td>
<td>1.2</td>
<td>9.1</td>
<td>49.7</td>
<td>460</td>
<td>534</td>
</tr>
</tbody>
</table>

This hybrid company produced mixed results. The exceptionally low tax charge enabled earnings to rise when profits had fallen.

Slack demand in all areas resulted in slightly lower turnover. Gross margins were squeezed and pre-tax profit dropped 36%. By the year end the R548 000 earnings rose from 47.7c to 76.1c.

The reason for the abnormally low tax was that assessed losses of R623 000 were applied against profits. Augurng well for the current year, an additional R553 000 in assessed losses is carried forward to 1979 against future taxable income.

Results from both manufacturing divisions were worse. Footwear pre-tax profit was down from R1.4m to R1.2m, and the loss from sawmilling and timber house manufacturing almost doubled from R245 000 to R476 000.

On the footwear side, the drop was largely due to slack demand for men's footwear compounded by supply problems. The market for ladies' shoes was more buoyant, but profits could not be increased. For the current year profit prospects are better, with "definite signs of a revival in trade."

Sawmill production was cut back for the first four months of 1978 due to the poor market for sawn timber. However, this has since improved and the chairman expects the market to "expand..." words, a rather narrow definition.

Page of work involving ould not be regarded as s. There were also 246..."slowly but steadily."

Overall, he adds, group prospects look good. So, tax advantages aside, earnings should improve. At 150c, yielding a 4.8 times covered 10.3% and backed by 534c worth of assets, the share does not ve system of labour relations look over priced.

African workers eschewed it, employers showed a use it in a meaningful way, and even the State implemented..."

SEARLES SHOES . . . NOT ENOUGH DEMAND FOR THEM

The Bantu Labour Relations Regulation Act (No. 70 of 1973) x unrest the Government moved quickly to overhaul the draft Bill embodying its aims in this regard. Its s of the Minister of Labour "... evoked wide interest, proposals for its improvement were received from most ' organisations, from trade unions, individual employers As a result the authorities altered the original Bill e Bantu Labour Relations Regulation Amendment Bill. 25 ned the three-tier system, which had operated for ain important differences.

90, 6 June 1973.

MANUFACTURING — Footwear.

14 April 1979 — 14 Nov. 1981

[Handwritten text not legible]
demarcation between skilled employees and management, state arbitration
being relied upon by the former to mediate these conflicts in a direction
which ensured their privileged socioeconomic position in the industry 33/2

The establishment of a Human Resources Group (financed with half a million Rand for 1975) to research into social and economic conditions on mines
appears to have a number of functions: to provide information about the
both specific and industry problems, using the methods of
research; to examine and articulate long-term managerial interests,
levels of discontent and provide post-conflict evaluation of
'manage unrest', to assist in the formulation of strategies
relating to manpower utilisation, labour policy and product
and to promote profitable means of mediating manage-

The promotion of training schemes, combined with the ap-
political pressures and lobbying to induce a greater st
'job fragmentation' schemes, is also likely to become
overall labour policy, even if the short-term price is
higher wages to white miners. On the other hand, the
five day week initially scheduled for introduction in mid-1975,* unner
pressure from the various white unions, has anomalously provided further
short-term protection to skilled artisans which may well boost average
white earnings above the 1975 average level of R7 929 monthly but potentially
at the cost (to them) of greater efforts being made by mine owners
to maximise the rate of change towards exclusive managerial control over
the technological and social characteristics of the production mix. To
date, however, the 68 percent rise in white average earnings to R6 409
per annum in the 1969-74 period belies the view that black wage growth
in this period has 'cost' white workers

Secondly, at the national level, important initiatives have already been
taken, apart from aligning the minimum mine wages level more closely
to competitive rates in the urban-industrial complex. Rates in the latter,
especially manufacturing, have also risen since 1970 by 22.8 percent to
R87.20 monthly in

The acquisition by mineowners in 1974 of a relaxation of the state re-
requirement that workers finishing their time-defined contracts be directly
'repatriated'  

* But not yet introduced by July 1976

From this figure would need to be deducted those which local policy would
ensure, by various means, were insulated from recruitment for the purpose of
satisfying local employers in agriculture, industry, mining and (to a lesser extent) domestic employment. Clearly, both of these estimates,
crude or otherwise, require some projection about likely structural developments
in the economy. In particular, regard must be given to unemployment,
income distribution, rural development, demographic trends, labour supply
growth, foreign African labour policy as well as potential male/female

*  *  *  *  *  *

Shoes to

"Shoes to

The 1962-69 increase in the adult male labour supply aged 16-60 years at the time of enumeration
was conducted. Hawkins has correctly criticised this interpretation as
being essentially naive in that it ignores those potential workers available
for employment who did not 'actively' seek work in that week. Hawkins has also shown that the 1962-69 increase in the adult male labour
supply aged 16-60 years (after accounting for net emigration, retirement
of persons aged 60 years and mortality estimated at 0.8 percent per annum)
was in excess of the 1962-69 growth in formal African employment by 56,960.
Thus, by 1969, ignoring the unsatisfied backlog of unemployed as of 1962,
there were a larger number of persons who had to find subsistence from
sources other than formal employment, e.g., in petty production, as employers,
or in peasant production. At the same time, the 1969-75 increase in the
adult African male potential labour supply was 430,820, as may be seen in
the following table.

/\TABLE 16  ...

*  *  *  *  *  *
Scotts gallop down loan burden

THIS week’s news that the Scott brothers, Robin and Des, were selling their stable of racehorses put the wind up both shareholders and creditors of Scotts Stores.

The latter became nervous that matters had deteriorated at the shoe group.

However, on Thursday, managing director Des Scott said that the group’s results for the year in February 28, which are due in 10 days, should show a loss no worse than the R658,000 registered at the half year.

He said, “We have been busy stripping down Scotts. We sold the Pietermaritzburg property and after bond repayments realised R450,000. Then we stripped Selected Gifts and sold the shell, an exercise which brought in about R200,000.

The sale of Cashmart realised about R1,5m and the baby chain, Our World, which we are running down — some stores we will continue to operate, some we have already closed — should save us between R600,000 and R700,000.”

Scott is confident that there will be a big improvement in the group’s figures for the year and that the report will show that the company has all but cleared its loan burden.

The Scott Bros are naturally reluctant to sell their horses but as Des Scott sees it he has little option. Originally Standard Bank lent the brothers money for extensions to the farm using their 2,2m Scotts shares as collateral.

When the price of Scotts dropped, the bank asked for more collateral and the brothers ended up with a deed of hypothecation over the farm, and a notarial bond over the horses.

Scott anticipates that the sale of the horses should raise R1,5m sufficient to relieve the pressure on the brothers’ personal position which naturally has nothing to do with the company.
Explosion as fire guts shoe factory

Mercury Reporter

A JACOBS shoe factory was gutted by fire early yesterday when a machine exploded, injuring three workers.

The entire second floor of the building containing the Sherine Footwear factory, in Hidcote Lane was gutted, although no damage was caused to the furniture factory on the floor above the garage below.

The operator of a buffing machine saw it spark and pulled the wall plug out of the socket. The machine exploded. Firemen battled for four hours to extinguish the blaze.

Three African workers were injured and admitted to King Edward VIII Hospital. They were Mr V Shoba (23), Miss D Mthembu (19) and Miss H Dlamini (18).

Manager Mr Gregory Naidoo said the entire stock had been ruined.

Production would probably be back to normal within a couple of weeks, he said.
Shoe factory for capital

PIETERMARITZBURG — A new factory specially geared for the manufacture of leisure footwear, is being set up in Pietermaritzburg.

Mr. Peter Maree, managing director of Reva Shoes, said yesterday that because of the tremendous growth potential of the leisure footwear market, the factory had been set up to cater specifically for this type of footwear.

With a capital investment of R5 000 000, Reva Shoes will employ a skilled work force of 60 and, according to Mr. Maree, turnover for the first year of production is estimated at R1.8 million.

Catching

Mr. Maree said the type of shoes to be manufactured by the company had proved successful in Europe and were now catching on in the United States.

"They are primarily designed as leisure and house footwear," he said, "but we feel that because of comfort, lightness and durability the shoes will be ideally suited to the Black market."

Mr. Maree added, that one of the major reasons for the success of this type of shoe was a unique construction process which had tremendous advantages over conventionally manufactured footwear.

Soft insole

"A polyflex sole, which is foamed onto the bottom of the fabric insole, creates a soft and spongy insole and a shoe which is extremely light and flexible," Mr. Maree said.

"These properties can only be obtained by foaming the sole directly onto the shoe."

Equipment at the factory — the bulk of which is imported — was installed at the end of February and trial runs are in progress.

Bulk production, Mr. Maree said, will start next month.
Leather costs force up prices

MEN WILL PAY MORE FOR SHOES

SOARING prices of hides and leather will force up the cost of men's shoes and school shoes in the next few months. Ladies' footwear, which uses a higher proportion of synthetic materials, will not be badly affected.

A spokesman for Bata Shoes in Penetown said the price of men's shoes and school shoes would rise between R1 and R4 a pair and the price for high grade men's shoes would rise by much more.

The increase in leather and shoe prices was world-wide and was caused by a cut in hide exports from the United States. The price of hides doubled in the last six months but there were indications the price had now stabilized. The price of hides had dropped back to R1.75 a kilogram from R2.30 a kilogram in March. Demand for beef in the United States dropped because of soaring prices and herds had been run down. The shortage of hides was likely to continue indefinitely.

The spokesman said South African hides were more competitive in Europe and the South African prices had been forced up in line with export prices.

"We are doing our best to keep shoe price increases to a minimum and increases since January haven't been passed on. I will be surprised if manufacturers will be able to hold down prices after July," he said.

Good synthetic substitutes for leather were available but the public demand was for leather and the market trend was likely to remain that way.

Petro-chemical based synthetic substitutes had also risen in price but not nearly to the same extent as leather.

The retail footwear market is worth about R500 million a year.

A joint approach by the tanning and footwear industries to the Minister of Agriculture to restrict the export of hides from South Africa, has not been received sympathetically. About half the country's output of hides is exported.

Minister Hendrik Schoeman said in a letter to the footwear industry, rising prices appeared to be a world trend and as local prices were linked to the world market it was hardly possible for the local market to escape these effects.

By JACK BRICKHILL
Price hikes threaten shoe industry

VOLATILE hide prices have hit the R410-million a year local footwear industry and will probably lead to retail price increases of around R7 per pair of R20-R30 shoes, manufacturers say.

The unprecedented rise to R23.80 for a kg of hide — and the subsequent drop by 50c in scarcely a month — have contributed to a feeling of instability within the industry.

Moreover, because raw hide prices account for about 80 per cent of the cost of shoes, there is a concern over the adequacy of local leather supplies.

Manufacturers fear customers will switch to cheaper leathers and synthetic substitutes.

Already an upward trend has been noticed in plastic footwear imports. Volume growth for 1977 alone was 152 per cent on the previous year.

Similarly, turnover in adults' non-leather uppered plastic and rubber-soled footwear has increased by 92 per cent.

Taiwan's share of imports grew by 77 per cent last year and Korea's by 23 per cent. South Africa's share of footwear imports from these countries is now 35 per cent and 12 per cent respectively.

But with the current rise in oil prices and consequently in the price of all petroleum-based products, synthetic shoes prices, too, are not likely to remain static.

Last year retail sales rose in the footwear industry by only 7 per cent," says Dr Colin Titie of Shoe Corporation. "But the mix of footwear bought is changing in pattern.

"Already the customers are buying cheaper footwear with a slight drop in capita consumption. With more consumers entering the market in 1978, slightly more pairs were sold but not enough to equate the 2.5 per cent of the population increase." Footwear production in South Africa increased by 9.6 per cent in volume last year, with children's footwear leading the field with a 15 per cent increase.

Imports made substantial inroads into the local market, increasing by about 17 per cent in volume and by 16 per cent in value.

"Ramifications for the industry as a whole can be serious, with levels of employment and current efforts towards import displacement being affected detrimentally," says Dr Titie.

For this reason local manufacturers, in close cooperation with tanners, have started discussions with the Ministers of Agriculture and Economic Affairs, in an attempt to contain the impact of hide prices in the short term and to seek means of stabilising the market in the long run.
Export growth and increased stock levels helped push shoe production up nearly 10% last year to 47.9m pairs (1977 43.7m)

Highest increase was shown among juveniles' shoes, which increased by 15%. Followed by women's footwear, which increased by 11%. Growth in men's shoe production was only 5%.

But the Chairman of the National Shoe Retailers' Association, Stan Friedman notes that there has been no marked increase in demand at retail level. He attributes the increased production mainly to export growth, and partly to a return to more normal stock levels in the industry. Without exports, growth would have been only 7%.

"Stocks ran low during the recession, and a number of retailers built up higher levels of stocks in the past year to cater for anticipated demand."

However, he notes that changes in fashion resulted in increased buying of women's shoes over the past year, and necessitated increased stocks. Summer sales were better than expected, due to the extended season, but sales of boots have been below expectations.

Due to fashion changes, retailers are looking to a good summer season for women's shoes. However, high prices and lower disposable incomes have affected demand for men's shoes, and at retail level, sales have declined. Demand for men's shoes has been particularly affected by leather price increases.

Friedman notes that price increases have been by about 15% in the period July 1978 to June 1979, and shoe prices have risen by about 14%. Increases of 8% to 18% can be expected within the next year.

In this period, retail sales of footwear were up by 6% in value but with price rises of 16%, this actually represents a decline of 8%. Increased synthetics prices are also expected to affect shoe prices this year.

Vogue Shoes production director Tony O'Sullivan also attributes the increased shoe production to higher stock levels, and fashion changes in the women's market.

However, he attributes the small increase in men's footwear production partly to growth in the casual footwear market. The jogging craze and demand for specialist sports equipment, has resulted in substantial growth in the men's casual footwear market.

He notes that the price of leather shoes has led to a less fashion-conscious men's footwear market.

A number of footwear manufacturers are exporting ladies fashion footwear to Europe, the US, Canada and Australia, including Vogue, Olymp, and Panther. He believes that this is related to good export demand as well as improved quality of women's fashion shoes.

Despite high prices, manufacturers and retailers are optimistic that shoe sales will pick up with the improvement in the economy.

However, they are cautiously optimistic about the summer season.
Shoe industry set for boost—bank review

Efforts by shoe companies to reduce excessive stocks by trimming prices and a rise in real disposable income after this month’s tax cuts should boost footwear sales in the second half of the year; says the Standard Bank in its latest review.

It says overstocking was due to last year’s big production increase not being accompanied by a rise in consumer demand for shoes.

Local factories last year produced some 40-million pairs of civilian shoes and boots, valued at R217-million at manufacturing level, plus 1.5-million pairs for the mining and government sectors.

This was considerably more in volume terms than was produced even during the boom years of 1973 and 1974.

Weakness

However, says the review, the poor sales performance of clothing and shoe stores is indicative of a general weakness in final demand for footwear, particularly in the latter part of 1978.

Some pre-general sales tax buying was followed by an increased demand for stocks by retailers to replenish inventories which disguised the weakness of demand in the eyes of manufacturers.

The restocking process was completed by the end of the third quarter of 1978 but as most manufacturers did not adjust in time to falling final demand this temporarily led to some over-production and unplanned accumulation of inventories at manufacturing level.

Expand

The expected boost in sales during the second half of the year should, however, lead to more normal stock-sales ratios. Manufacturers’ production levels can then expand cautiously again.

The review says the contraction in real retail sales seems to have ceased early in 1979. Between January and March this year, the volume of retail sales by dealers in clothing and footwear rose by nearly four percent (seasonably adjusted).

But a chain of increases—petrol, foodstuffs—in June appear to have temporarily put a damper on this modest revival.

Competition

A sharp escalation in leather prices since early this year, as well as significant increases in rubber and plastic prices likely to result from more costly oil, will probably begin to substantially push up the retail prices of shoes.

The strong possibility of renewed import competition now that the rand is firmer will also continue to place pressure upon manufacturers’ profit margins, in spite of prospects of growing capacity utilization once surplus stocks have been reduced, says the review.
George is SA's only ballet shoemaker

FORMER French ballet dancer, George Tiplitsky, has lived a true-life fairy tale — complete with romance, tragedy and a happy ending in Cape Town.

Forced to give up his dancing career because of arthritis in his hips, George turned his hobby, leatherwork, into a lucrative profession.

He now runs what he believes is the only ballet shoe factory in South Africa in a workshop in Bree Street, Cape Town.

George, now 30, began dancing at the age of 12 and became a top ballet student in Paris.

He danced professionally in France for six years before visiting South Africa in 1974 to dance with Capab.

During his visit he fell in love with one of his leading ladies, Diana Cavender, who is currently dancing the role of Odette in the Capab production of Swan Lake.

TO EUROPE

'If I could not speak a word of English when I came to South Africa, but we managed somehow,' said George in his strongly accented English.

After 18 months here George returned to Europe, taking Diana with him.

The couple danced in Munich, West Germany, until tragedy struck. George found he had arthritis in his hips and his career was over.

'I had had some trouble while in South Africa, but thought I might just have pulled a ligament. But back in Europe, in the cold weather, the condition worsened and I had to see a doctor. It was frightening. I just could not dance,' he said.

Eventually George accepted the end of his dancing days. He had always enjoyed; leatherwork as a hobby, and decided to turn his hand to making ballet shoes.

It took three-and-a-half months to learn the delicate art of fitting and the technical requirements for making the shoes.

In April last year the couple, now married, returned to Cape Town and in December George opened his factory.

'It is going very well. Most orders are for children's soft-toe shoes,' said George who works with a staff of four.

SUPPLIES

He supplies ballet shoes to Fact, Capab, several large department stores and shoe shops.

Previously all ballet shoes were imported, usually from Britain. At first shops were reluctant to take his shoes, thinking the English ones were better quality. Now they seem to have caught on,' he said.

The imported shoes also cost more because of added 40 percent import duty.

George said he no longer wants to dance — 'I am too old now.' He contents himself with watching his Diana on stage, 'I am a tough critic,' he said.
The suede shoes and carnation brigade are on the way out

A NEW LOOK AT THE PR INDUSTRY...

SOUTH AFRICA has yet to experience the full blast of American-style public relations, where the kid gloves have been swapped for aggressiveness and consistency in the defence of corporate interests.

But with the national economy on the move again and a growing sophistication in the local PR industry, South Africa could well be on the threshold of a new era in public relations.

In the boom times of the late 1960s it was fashionable to have a public relations presence, with an endless round of lunches, cocktail parties, and media junkets consuming much of the effort. But the lean years put an end to all that with the PR budget a prime candidate for the axe when corporate cost-saving was discussed.

To survive the PR industry had to develop new muscles, a new direction that would justify its keep and its existence. The most successful of the survivors have done just that.

By JOHN MacDONALD

TODAY IT'S A WHOLE NEW BALL GAME

Identifying policies with public must be a top priority of any South African company's PR department. And, since public relations can now play a far more prominent role than was the case before, the PR department has to develop an integral part of the company's overall strategy.

The PR industry in South Africa has undergone a dramatic change in recent years, as companies have realized the potential of public relations for promoting their image and products. The days of the PR professional being a mere recorder of events are long gone, and today's PR professional is expected to be a strategic thinker and a key player in the company's overall marketing plan.

To this end, PR professionals today are expected to have a thorough understanding of the company's business and its markets, as well as a deep knowledge of public relations techniques. They must be able to develop effective communication strategies, manage public relations campaigns, and handle the media with skill and expertise.

In addition, today's PR professionals must be able to work effectively with other departments within the company, as well as with stakeholders outside the company, such as customers, suppliers, and the media. They must also be able to adapt to the ever-changing landscape of public relations, as technology and social media continue to play an increasing role in the industry.

The future of the PR industry in South Africa looks promising as companies continue to recognize the importance of effective public relations in today's competitive marketplace. With the right skills and strategies, PR professionals will continue to play a vital role in helping companies achieve their goals and succeed in today's challenging environment.
A.S Spitz

Non-fashion fillip

Activities captured by footwear and clothing retailed through 33 outlets. The directors add 17% to the equity.

Chairman A.J. Spitz

Capital structure. £27m ordinary of 500,000 at £2.50, and 75,000 second £5.50 preference at £2.50.

Initiation. £3m.

Financials. For the year to June 30 1979.

Buyout of £57.6m net short-term £2,633,000.

Dividend per share 12.4% on earnings, 5.2% on dividend cover. 2.4 PE ratio 8.1.

Return on cap. 12.2, 15.0, 18.9, 17.8.

Turnover (Rm). 11,6, 11.7, 14.8.

Pre-tax profit (R'000). 754, 619, 868, 769.

Gross margin %. 7.4, 7.3, 10.4, 7.5.

Earnings (c). 16.1, 11.8, 25.5, 24.2.

Dividends (c). 7.5, 7.5, 10.0, 10.0.


The major event of the year was the launching of the new chain, Shoe Biz. Thus, together with three new A&D Spitz outlets, raised the number of stores from 25 to 35. But heavy start-up expenses, coupled with high markdowns due to the mild winter, eroded profits with the gross margin slipping from 10.4% to 7.5%. Thus earnings fell 15%, though the dividend was maintained at 10c.

Despite the drop in profits, chairman Anthony Spitz sees the year under review as a "watershed year". He elaborates on the manufacturing division "achieved outstanding results", UK subsidiary, Carvela, trebled profits, and Shoe Biz chain "was successfully launched".

Spitz windows . . . profits should light up too

Limited edition "Raffish" non-fashion base Spitz is confident in the future of the retailing side too Shoe Biz should prove viable this year and he is "very satisfied" with results from A&D Spitz for the first two months.

With no further store openings planned this year, the company faces a period of consolidation in which the benefits of the recent expansion should flow.

Over the year, the share price recovery lagged behind the market's, gaining 34% to 185c against the 45% rise in the JSE Actuaries index. But, provided women continue to spend freely, this share should retain its appeal.

The Registrar, Mr. Alan Johnson, refers to an entry in the register of a director or if a director fails to object and enter in the register. The date of his decision then pending, after the hearing, the name

(Continues...)

Documents kept by the...
Mixed results for Frame Group companies

THREE MORE Frame Group companies have produced their annual reports with a rather mixed bag of results showing the problems in the textile and footwear industries.

At S A Woollen Mills earnings per share rose from 67,7 cents to 80,2 cents. The 18 percent improvement resulted in a 8,75 cent dividend for the year.

Net operating income was R2,9m (R2,5m), of which R1,7m was put into general reserve.

Earnings per share fell at Natal Canvas by seven percent from 67,9 to 63,2 cents a share. After-tax income was R1,2m compared with R1,3m in the 1978 year. Dividends were 11,25 cents a share.

Footwear loss

The directors say that imports of a large variety of cheap canvas footwear from the Far East led to a net loss in footwear. They say the situation will continue until import duties are lifted or imports restricted.

They also point out that an Industrial Council restriction limits the range of cheap footwear they can make.

At Natal Consolidated Industrial Investments earnings per share were down by over ten percent at 73,9 cents from 82,4 cents.

Turnover was up by 13,8 percent. After-tax income was R1,8m compared with R2m in 1978.
FOOTWEAR employers in Natal will raise wages by 12.5 per cent next year, according to a new agreement signed on January 1, when a 2.5 per cent increase from July 1, 1980, will be followed by a 10 per cent increase from January 1, 1981. This increase in wages comes into effect immediately.

Mr. L.R. Slater, chairman of the Natal Footwear, Tanning and Leather Association, said that the increase is just to cover the increased cost of living and that the workers would benefit from this increase.

He added: "It is worth noting that the leather industry is paying well above the average in the South African and international markets."

According to a recent survey, the average monthly wage in the leather industry is R1,500 per week for a skilled worker and R800 per week for an unskilled worker. This increase in wages will further improve the standard of living for the workers in the industry.
Seahawks swing in from the backwater

Seahawks Holdings comes out swinging from the backwater...
The medicine has worked Scots' recovery now rests more on external factors such as consumer spending rather than any further internal pruning. Scots have taken its medicine in one go. Over the past 18 months, it has written off R22m, cut out loss-making operations such as some of the Our World brances, and re-shuffled management from board downwards.

The company suffered a net loss of R3.7m in the year to end-February. In the first half of this year, however, profitability has been restored. Encouragingly, return to profitability is based on management's remedial action and not merely on the weight of increased sales. For, sales grew by 10.4% over the 1979 first half to R33m, while improved margins restored the bottom line figure to a R20.6m net profit from R15.8m in the 1979 first half.

The figures in fact hide much of what is now a strong recovery situation. Scots has cash stores churn lost over R300m in the six months under review. Though the position continues to deteriorate, new chairman Felix Fielding says: "The board decided to reduce operations in this area by the elimination of uneconomic stores from the beginning of 1980." So the second half, and certainly the full 1981 year, should benefit substantially from the weeding out of the last identified trouble spots.

The other trading operations are running according to budget. The footwear factories, a worry for some time, "have been very satisfactory." While Fielding says good results have been obtained from the Western Cape retail operation and wholesale clothing division Uniebo, unwisely believed to have been on the point of being sold early this year, is contributing to profits.

Although 8.1c a share has been carried in the first half, no dividend has been declared nor is one likely for another year. Gearing is being reduced (a Mtu tube property-owning company has been sold for R210m) and any form of cash haemorrhage is being guarded against.

The final instalment on the R353m 2000 pref. due on August 31 has had to be postponed as interest on the 13.6% R2.2m subordinated debentures was in arrears. These will absorb over R860m in interest this year. End of profits enable the payment to be resumed.

Fielding is guarded on prospects for the next six months. The traditionally highest profits earned in the Christmas period will "reflect in the company's accounts for the full year." But margins are normally higher in the second half and turnover should be up to at least R70m. On this, with the Cash Stores programme under way, profit could gross R1.5m.

At 180c, the share price reflects the company's recovery. But I believe it does not fully discount the revitalised group's future earnings potential and a projected P/E, on an optimistic forecast of 3.5, makes the share look cheap. The taint of the dividend cut and losses suffered will retard a re-rating, but the share could be on the way back to its healthy 500c trading range. But this time round growth will be less giddy.
Shoe Corp kicking for a bigger cut

By JOHN SPIRA

IN AN expansion drive aimed at increasing its dominant position in South Africa's R160-million shoe retailing industry, Shoe Corporation Shoe Stores is aiming at a turnover increase of well over 25% in the year to March 31, 1989.

Shoe Corporation Shoe Stores, which has an estimated 4% of the SA market, is wholly-owned by Anrel, a 60,5% subsidiary of SA Breweries.

Ronnie Cohen, Anrel's managing director, tells Business Times that Shoe Corp accounts for some 19% of Anrel's earnings.

Shoe Corp's backbone is Cuthberts, which the group acquired in May this year. But rising rapidly in terms of market penetration is its Selecta chain.

Optimum

For the present, Cuthberts accounts for 60% of turnover, Selecta 30% and Barnes the balance.

Cuthberts has 141 stores throughout South Africa. Mr Cohen says that since May several unprofitable outlets have been closed down and that a further 17 will disappear between now and the end of March next year.

He expects to close more stores next year in line with the group's policy of raising Cuthberts to a pitch of optimum profitability. This does not, however, mean that Anrel is expecting a lower contribution from Cuthberts.

"On the contrary," says Mr Cohen. "For the current financial year we expect Cuthberts' turnover to rise by at least 20% in spite of the closure of several loss-making outlets. Furthermore, we intend opening eight new stores next year, plus many more in the 1980s.

Franchise

Barnes, which draws its customers from the higher-income groups, gives Shoe Corp exposure to the full spectrum of the shoe retailing market.

Barnes has 12 stores, 11 of which are located in large department stores and operate on a franchise basis.

The intention is, however, to establish new stores on a stand-alone principle as the first of such experiments the store at the corner of Market and Elliot Streets, Johannesburg, has done extremely well.

An additional string to Anrel's bow is its Multi-serv heel bar operation, which is extending the range of services into areas such as key cutters.
Amrel doubles profits, dividend up by 77%
Consumer spending figures are likely to have a

The ABC...further growth

ABC...further growth

The debt equity ratio rose to

and as the growth in equity was

4% in the last year but could

The size of the business

3.8 times last year. As the

Chairman E. Mace, managing director

Activities relating et al.

Best foot forward

price of shares has increased, many importing

over the past four out of the market,

trading prices for up-market, shoe

The outlook for ABC is therefore

For the years

1978-80

The outlook for ABC is therefore

Peter Jone

1978-80

1978-80

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Peter Jone

1978-80

ABC

1978-80

ABC

1978-80

ABC

1978-80

ABC
Dividend policy

Activities: Main subsidiaries manufacture men’s and ladies’ shoes, also involved in sawmilling and timber housing and some trading outlets.

Chairman: D Bolton

Capital structure: 1m ordinaries of R1, 175 000 5.5% prefs of R2. Market capitalisation R5.5m.

Financial: 8 months to February 29

Borrowings: long- and medium-term R1.3m, net short-term R1.3m.

Debt equity ratio: 37.7% Current ratio 2.3 Net cash flow R1.3m Capital commitments K4m.

Share market: Price 350c (1979-80 high, 630c; low, 185c; trading volume last quarter 6.9m shares) Yields 28.9% on earnings, 4.8% on dividend.

Cover: 6.0 PE ratio 3.3

177 178 179 180

Return on cap % 17.0 17.2 19.8 26.8

Turnover (Rm) 150 179 183 150

Pre-tax profit (Rm) 12 09 17 16

Gross margin % 58 73 106 120

Earnings (c) 42.7 76.1 115.7 96.3

Dividends (c) 14 16 24 16

Net asset value (c) 459 934 635 793

It is too soon to tell what effect the takeover by GGM Investments will have on Searles. It is to be hoped that an early share issue will be a more generous distribution policy. Under the control of the Searle family, dividend cover was highly conservative, averaging about 4.5 times. And this is reflected in the market’s rating of the share on a 3.5 times PE.

In the eight months to end-February, cover was increased to 6 times, which is hardly promising. But when new management has things running its way, a more generous payout could be made.

Chairman Des Bolton is highly non-committal on immediate prospects. The major plant owners, Watson and Quilisboor, shoe manufacturers, had a successful eight months and the outlook for the current year looks good. But while there has been an improvement in performance of the timber division, production bottlenecks have developed as the company’s own plantations were fully utilised.

The homes division apparently remains a problem and did not come up to expectations, but the directors are looking for an improvement this year, while the trading and services divisions, which are based largely in the Eastern Cape, made moderate contributions to earnings.

From now on, better use of resources must be one of the new board’s major aims. Though return on capital is now at an annualised rate of 29.9%, there seems more scope for growth, especially as shoe sales should advance with increased consumer spending. Couple that with better prospects for the timber division as housing starts rise, and near-term prospects are reasonable.

However, growth this year should be possible without undue balance sheet strain. Retentions over the past few years have been put towards reducing the debt equity ratio indicating scope for increasing use of borrowed funds as trading conditions improve.

In pricing the share at its current 350c, the market clearly expects a strong dividend advance this year. Even without operational changes, there is scope for an earnings advance to at least 1.4c and a dividend rise to 5c.
Amrel to open 70 more outlets

By ELIZABETH ROUS

AMREL, the SA Breweries group furniture and shoe retail division, plans to open 70 outlets this year—a sign of the group’s optimism about the consumer upswing.

This expansion follows on the opening or resurfacing of 41 shops and the closing of 80 shops in the past year in line with the group’s rationalisation and updating policy.

The chairman, Mr Dick Goss, says in the annual report that the group’s capital structure is adequate to finance the envisaged growth, but it is advisable to rearrange the borrowing pattern. Long-term loans are being raised.

The 10% finance sheet shows that interest-bearing debt rose to R33 000 000 in the year to last March from R23 000 000 in 1979 and total liabilities to total shareholders increased to 1.8:1 after remaining at 1.6:1 for some years.

Mr Goss says Amrel trades on the principle of different chains of stores to serve specific markets. There are 12 such chains within the group and this policy allows it to focus on a particular market and encourages flexibility in day-to-day operations.

A partnership is being negotiated with the Colourful Development Corporation in the Cape to facilitate store openings in selected areas for both furniture and shoes.

The group operates shoe shops successfully in partnership with the relevant Government corporations in Bophuthatswana and KwaZulu.

Amrel plans to open 20 furniture stores and to resurface five shops. The Early Bird Television service division has moved successfully into household appliance repairs and this service will be expanded.

The shoe division trades under four main trading names—Cuthberts, Selecta, Barnes and Multiserve. A programme of store rationalisation and openings is under way.

Many Cuthberts stores, better suited to Selecta’s self-service style of trading, are being converted. Low-return stores are being weeded out and replaced with opportunities more suitable to Cuthbert’s requirements. Selecta will open 27 units with major emphasis on the Western Cape. Four Barnes stores will be resurfaced and Multiserve, the heel-bar division, will expand by about 20 units.

Amrel again surpassed the national retail sales growth in the furniture and shoe sectors over the past year. National retail sales rose by 12%, with furniture increasing by 9% and footwear by 9.5%.

Amrel’s turnover rose to R126 600 000 from R79 900 000. Furniture division sales increased to R97 200 000 from R76 700 000 and shoe division sales were up 20% to R29 400 000 from R24 500 000.

Earnings climbed by 7.5% to 124.5c from 70.5c and dividends were raised to 41.5c from 25c.

Shareholders are advised of further growth of the group, which will continue, with the optimism of Mr Goss who said in the view of the increase in consumer spending and the opening of further outlets.
No drop in SA shoe prices

Pretoria Bureau

A DROP of up to 40% in the prices manufacturers pay for tanned leather from the tanneries will not mean cheaper shoes for South Africans, according to Mr Geoff Everingham, chairman of the Footwear Manufacturers' Association.

"Mr Everingham said in an interview that the public would not benefit from the drop as it had been offset by increases in other prices in the shoe industry.

"A wage increase of 12.5% for the 20,000 workers in the industry in January will be followed by another of 3.5% next month," Mr Everingham said.

"Materials constitute only 10% of the cost of shoes. The majority of shoes in South Africa are made from synthetic materials which are continually rising in price," Mr Everingham said.

Farmers, meanwhile, are being paid up to 80% less for their raw hides and some are saying it is no longer worthwhile selling their animals' skins.

The slump follows the giddy prices paid for raw hides last year after panic buying by Japan and the Soviet Union when the United States and South American countries halted exports.

Prices paid locally for raw hides were also affected when Italy, South Africa's traditional market for raw hides, closed down hundreds of tanneries in the Genoa, Verona and Pisa areas because they were polluting local rivers.

The surplus was aggravated when the Russians, traditional importers of tanned Italian skins, became exporters after drought destroyed cattle feed and herds had to be culled.

Other reasons for the high price of shoes given by people in the leather industry are:

- About 55% of South African hides are exported
- A 60% mark-up on shoes between the manufacturer and retailer
- The 30 to 100% mark-up between the retailer and the consumer
- Allegations by tanners of a monopoly situation in the curing and brooking business, where three companies dominate the market.
- A volatile international hide market which South Africa must follow.
- The low quality of South African skins, which bear blisters from disease, barbed wire, thorns, ticks and brand marks.
- European animals are stalled and do not have these problems.
THE R250m footwear industry will grow 'spectacularly', predict two of its senior representatives — but in its own, slightly eccentric way.

After a slump over the last few years, consumption will double to 120m pairs a year in 20 years, say Len Slater, chairman of the Natal Footwear Manufacturers Association, and S.A. Davidson, president of the Footwear Manufacturers Federation (FMF).

But relatively low profit margins will put off most of the major groups wanting to diversify.

At the same time, rocketing production will limit new firms. 'Growth will be vertical,' says Mr. Slater. 'Existing companies will grow to take up the slack.'

Increasing consumption also affects the bitterly debated import question. Recent moves by the FMF have persuaded the Board of Trade to allow footwear imports only by special permit, instead of the general import permit used before.

'General dealers were indiscriminately bringing in footwear to fill up their general permits,' explains Mr. Slater. 'This move will help discipline imports.'

The next move, he feels, is to issue permits only to genuine footwear distributors. The rationale? To channel imports into areas where they are not hurting local manufacturers.

Cheaper labour and access to raw materials at international prices make the Far East manufacture much cheaper, says Mr. Davidson. The local, tariff-protected PVC industry sells its widely used material at around R1600 a ton, while PVC sells at around R4000 per ton in the open market. Britain's imports jumped to 46 percent of consumption last year, even Italy, undisputed centre of the footwear world, has had its vast export trades hit by smaller countries like Spain, Mr. Davidson says.

But there is a general realisation in the trade that imports cannot be stemmed. The local industry, which reached 50m pairs last year, two thirds of it from Natal, cannot keep up with demand.

While South African output was up 9 percent on last year for the first six months of 1980, imports dropped by 15 percent during the first quarter, import value went up by R1m. Since then there has been an import upsurge.

'I don't believe South Africa can be the biggest manufacturers of Africa,' says Mr. Slater. 'The country is too industrialised, tastes too sophisticated.'

Whether they realise it or not, local manufacturers are upgrading their products and imports will eventually occupy the bottom of the spectrum, he says.

Another serious repercussion is hating is that sometimes poor quality reflects on the whole industry. Mr. Slater says he suggests country...
THERE was a four percent increase in the number of factories in Natal up to June 1979 and their number now stands at 5,659. But the number of workers increased only fractionally in the same period to 366,145 - up 309.

The figures, supplied by the Department of Manpower Utilization, show that employment of black women slumped in the same period while that of men and white women rose. More men were taken on to reduce the overall increase to a few hundred.

There was a 9 percent employment fall for coloured women, 11 percent for Indian women and a 16 percent fall for African women.

Unemployment figures in Durban for July 1980 compared with July 1979 indicate an overall lower level. There were 4707 unemployed and 5289 registered with the department this year compared with 6584 registrations and 5910 unemployed a year before.

Each of the sectors has been surveyed by the department.

Engineering: There has been a notable improvement generally and most employers have a full work-load. The marine division is extremely busy and the position for the rest of the year appears to be very favourable. There were 90 artisans unemployed (no change on July 1979) and 311 operators out of work (298 at 1979).

Building: The position in the last year has improved considerably and most employers are working to capacity. There are 417 artisans unemployed (531 previously) and 110 operators out of work (139).

Textiles: There has been a big improvement and while new factories have not been opened existing facilities are now being used to a maximum. There are 35 (69) registered as unemployed.

Clothing: is very busy at present and there is still a great demand for machinists. The number of employers increased by about 40 in the past year and since job reservation ended there has been a marked increase in blacks joining the industry. There were 187 (276) unemployed in July 1980.

Motor: since last (187) NM 7/10 80
Chairman, A.M. Spitz.

Capital structure: 3.3m ordinary shares of 90p; 42,500 first 5.5% cum. pref. of R2; 75,000 second 5.5% cum. pref. of R2.


Financials: Year to June 30, 1980. Borrowings: long-term, R1.1m; medium-term, R1.9m; net short-term, R1.1m. Debt equity ratio: 63.9%. Curr. ratio: 1.3. Net cash flow: R1.1m.

Capital commitments: R247,000.

Share market: Price: 260c (1979-80 high, 250c; low, 170c; trading volume last quarter, 7,900; shares). Yields: 9.8% on earnings; 4.6% on dividend.

PE ratio: 10.2.

Return on cap.: 16.0; 17.0; 17.1; 20.8.

Net turnover: 411.8; 371.7; 14.6; 23.1.

Pre-tax profit: R500,000; 619.0; 888.0; 789.0; 1031.0.

Gross margin: 73.1; 104.4; 7.5; 7.9.

Earnings: 11.9; 28.5; 24.2; 25.4.

Dividends (c): 1.75; 1.0; 1.0; 1.0.

Net asset value: 117; 107; 120; 158.

A share price increase of around 30% since last October indicates renewed faith in the company after 1979's profit drop. So much so that at its current price of 260c, the share is yielding an historic 4.6% on the payment of a 12c dividend. And the market may not be wrong in anticipating that this year's performance will be as good, or better, than last year, because balance sheet ratios have been strengthened along with earnings growth.

The earnings drop in 1979 was partly the result of heavy start-up costs in the Shoe Buz chain. Its contribution for the first full year reached acceptable levels, and according to chairman Anthony Spitz, significant improvement from the 13 outlets is expected this year.

The A & D Spitz chain enjoyed a very successful year, and the two local retail chains, combined with Carvela in the UK, boosted the retail division's contribution to pre-tax income from 33% to 38%.

Although profit growth in the Carvela chain was poor due to the severe economic climate, the UK subsidiary increased purchases from the company's manufacturing division. This enabled it to continue its strong profit growth and expand its product range. Spitz also points out that brand names Bally and Charles Jourdan have increased market share.

The satisfactory performance of all the divisions is evident in the 43% (28%) turnover growth achieved for the year, plus a 35% improvement in pre-tax profit as opposed to a 13.4% drop the previous year.

Earnings per share were somewhat diluted by the November 1979 rights issue of 370,000 shares. But proceeds of around R1m (based on the ruling price of 196c) plus R65,000 cash from the sale of Cape property, have in turn strengthened the balance sheet. And its other ratios appear to have taken a turn for the better—return on capital was up from 17.5% to 20.4% and debt equity ratio down from 80.2% to 63.9%.

Both increased liquidity, plus expanded debt capacity should allow for a possible acquisition this year. Following the failure of recent negotiations in the event of continued success, earnings should be boosted both from growth in overseas divisions and the addition of a further division. The company has also taken steps to prune its UK outlets of the least profitable, and this should bring about higher returns.

On this basis this year's dividend could be 10c, higher in line with predicted market average, and present at 12c per share would put the highly valuated share on a prospective 5.7%.
Big imports worry industry

Shoes from the East that hurt!

By JACk BRICKHILL

SHOE manufacturers are watching anxiously the big increase in imports of shoes from Taiwan and other Eastern countries.

The recession in Europe, and tight trade agreements in the United States and Canada have forced the Eastern countries to exploit new markets and they have got about their task in South Africa with a purpose — capturing 28 percent of the market so far.

In the first eight months of last year Taiwan exported to South Africa more than four million pairs of shoes worth nearly R8 million. Hong Kong exports of under one million pairs were worth R1.2 million and a smaller number came in from South Korea.

The real upsurge started in the middle of last year and is still gaining momentum. The shoes are generally cheaper and are made from synthetic materials which cost less than the materials used by local manufacturers.

The South African manufacturers have seen enough to send them scurrying to the Board of Trade and Industries with a plea for higher tariffs on shoe imports.

A previous request to the board was turned down but the situation has changed and the manufacturers now feel they have a better case.

Geoff Everingham, director of the Footwear Manufacturers' Association, says the factories are well employed at present and the jobs of 25 000 workers in the industry, many of them in Natal, are not yet in jeopardy.

He says the situation could easily change if the flood of imports remains unchecked. At present the Taiwanese onslaught is aimed at the lower end of the market but that, too, could change.

Most of the imported shoes come in with no identity of the country of origin, adding to the competitive edge enjoyed by imported goods.

P. F. DUNCkEY

SIXTH YEAR

ARCHITECTURE

FINE ART & ARCHITECTURE

HELEN GORDON TRAVEL PRIZE

FOR THE BEST STUDENT IN:

OF ARCHITECTURE, PRIZE

CAPE PROVINCIAL INSTITUTE

ARCHITECTURE

ARCHITECTURE
FINE ART & ARCHITECTURE

Cape Provincial Institute of Architects, Prize
Sixth Year
P F Dunckley
Helen Gardner Travel Prize
For the best student in
1st, 2nd and 3rd major courses.
P A Rapport
Molly Gohl Memorial Prize
For the best woman student
in third year.
Miss C Tredgold
David Haddon Prize
For the best student of
Architecture (or Quantity
Surveying) in the subject
of Professional Practice.
D H Pryce Lewis
General J B M Heritzig Prize
For the best final year student.
S A Read
Osborn Prize
For the best work in fourth
year.
D H Pryce Lewis
John Perry Prize
For the best work in
ARCHITECTURE

spitz taking on two

more shoe firms
AN upsurge in shoe imports from the Far East is causing concern among local manufacturers who feel they have a case to make to the Board of Trade and Industries to ensure continued expansion of their labour-intensive industries.

Made from mostly cheaper materials, the imports from Taiwan, Hong Kong and South Korea are beginning to stretch from the cheaper end of the market to the more expensive ranges making the shoe market more competitive, says Sam Davidson, president of the Footwear Manufacturers' Federation.

Although the shoe industry appears to be growing steadily, some sectors are thought to be feeling the pinch as a result of imported shoes undercutting certain local products.

"We are waiting for more recent information, but issues such as labour and production costs warrant further investigation before we can present our case," he told Industrial Week.

Imported shoes have captured 20% of the local market according to latest research in August last year. While imports have increased Davidson points out that high-class products from Italy and other European countries do not worry local manufacturers as these were aimed at a special part of the market.

Shoe sales doubled in June and July compared with those months in 1979, but "normalised" at 10% above 1979 sales in August, according to latest figures.

"I think there is still plenty of capacity in this industry for expansion. If there isn't then we'll make the capacity to meet expanding demands," says Davidson.

Friday, 30th April 1979

Drawing best classwork in engineering was awarded to the student with the Sammy Socks Memorial Prize.

H T J Venn

CTET Engineering

awarded on results of final
examinations to the best make
student in Land Surveying or
B F Mcteague

Professor George Maikes Prize

J H Mein

D P Weeks

P M Salmon

Fourth Year (Gold Medal)

Miss N C Davidson

Third Year (Silver Medal)

Miss C Littler

Second Year (Bronze Medal)

Corporation Medals

Faculty of Engineering
Shoes

126 Mr. G. S. Bartlett asked the Minister of Industries, Commerce and Tourism if he could supply figures showing the number of shoes manufactured locally, and imported from countries outside the Republic in each month of the latest 12 months, for each country from which imports have been received.

The MINISTER OF INDUSTRIES,
COMMERCE AND TOURISM

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<th>(b)</th>
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1980

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(a) and (b) Particulars of imports of shoes per country per month are not readily available. Information on total imports of shoes per country for 1979 as well as for the first 9 months of 1980 is furnished below.
Frame group denies dispute

By STEVEN FRIEDMAN
Labour Reporter

THE giant Frame group has flatly denied an allegation by the unregistered SA Allied Workers Union that a worker at one of its subsidiaries, Natal Canvas, has been fired for refusing to join a registered union.

The Frame Group's joint managing director, Mr Selwyn Lurie, said yesterday: "It is certainly not our policy to force workers to join unions. We have never heard of Saawu and we know of no trouble at Natal Canvas. We do not even know of any dismissal there."

Saawu's general secretary, Mr Samuel Khilane, claims that the chairman of a Saawu committee at Natal Canvas was fired for refusing to join a registered leather workers' union which recently opened its doors to black workers.

He said workers had been informed that this union or be fired. He also claimed that a similar incident had occurred at a Natal printing works where workers had resigned after being told to join a registered union or be fired.

Mr Lurie said, however, that he knew of no incident at Natal Canvas. He said the 300-odd black workers at the plant were all registered union members, but added: "We are employers — why should we force workers to belong to a trade union, which is on the other side of the bargaining table?"

A clause in the industrial agreement governing the leather and footwear industry says employers must show "preferential treatment" to members of the registered union.

But Mr Lurie said the company had never understood this to mean workers could be forced to join the union. "Membership of the union is entirely voluntary and this entire story is total nonsense," he added.
### Surviving children per mother

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### Survivor as percentage of children born

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### Child mortality, per 1,000 live births

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<td>Mean</td>
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<td>357</td>
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SA Brews in major new growth plan

AMRELI, the furniture-retailing arm of SA Breweries, with large shoe interests, is embarking on an aggressively competitive expansion programme costing R13.7 million this year.

The focus of the programme is the establishment of discount furniture warehouses, where customers can walk in and with the help of home-decorators, furnish an entire home.

The establishment of AMRELI’s discount furniture warehouses, which will offer customers a wide variety of quality furniture pieces at prices all accessories make up a home was announced by managing director Ron Cohen last week.

The first two warehouses, each costing R2 million, will be situated in Port Elizabeth and Pretoria before the Christmas season.

Building has already started in Port Elizabeth, which is the site for the main warehouse and in Pretoria’s main street, both warehouses being irresistible to customers looking for quality furniture at competitive prices.

The existing 4,000-sq-ft Amsterdam shop, which will be extensively re-equipped and re-stocked, will be the flagship of the chain, to be called Amsterdam.

By March 1982, a warehouse will be built in a well-populated Johannesburg area with another to follow in the Pretoria area.

AMRELI has planned to open its first Discount Furniture Warehouse in the Pretoria Town Precinct, which will have two warehouses in all.

By Elizabeth House

The end of 1981 and Port Elizabeth both are next on the programme. By the end of 1981, AMRELI will have at least eight furniture warehouses.

Mr Cohen forecasts that the Pretoria, Durban, and Alberton discount warehouses will chalk up sales of R100 million in the first year, with the group’s total turnover of about R150 million should eventually total sales of R50 million a year.

As offering customers the convenience of one-stop shopping, the adviser of discount stores, Mr Cohen believes that AMRELI is taking a gap in the furniture trade.

AMRELI’s Discount warehouses will reflect the size of the business, not the quality of the furniture and other household goods which will be on offer.

Sizzling furnisher plans

Based on the US concept of furniture discount warehouses, which have proved to be enormously successful, the goods on sale will range from crockery, cutlery, linen, carpets and curtains to furniture for every room in the house.

Mr Cohen has been looking at goods available from the Far East (Taiwan, notably) and found excellent quality at competitive prices.

He is now looking at the United States and will look also at Continental furniture AMRELI is already retailing top quality curtains and carpets from the Continent.

AMRELI is aiming for the medium to up-market furniture trade, but prices will be at cash levels, in other words competitive with cash-and-carry prices, with the usual credit-sale terms available for buyers.

Existing furniture-retail customers of AMRELI — Geen & Richards, Mahlaba, Monument & Melody — are also expanding for expansion. AMRELI has signed leases on 20 new stores, the majority of which are being built. They will be opened from April to September this year.

Four Melody stores are being added with the aim of getting a stronger foothold in the musical instrument market in South Africa. In fact, AMRELI seems to have no major competitor left in that market.

AMRELI’s shoe division, which last year opened 80 new stores, including 39 Selecta outlets, is to add 35 stores to its empire this year. Eleven uneconomic shoe stores have been closed and R1-million is being spent in refurbishing existing stores.

The Barnes chain, which operates mainly in-store branches (such as in Garlicks and John Orrs), has opened two free-standing stores in Johannesburg and Pretoria.

More ambitious is the establishment of a chain of initially six women’s high fashion shoe outlets, in up-market urban areas such as Sandton.

In addition 25 new Multiwear blocks (tailoring and kevlar) will be opened in stores this year.

Last, but not the least, the AMRELI business

...
SEARLES 197 Fm 28/10/81

Bright prospects

Actuator. Manufacturer of men’s &
women’s shoes. Also involved in saw-
millng, the supply of timber housing
and timber product trading outlets
GGMB Investments owns 65% of the
equity.

Chairman: D Bolton
Capital structure: 1m. ordinaries of R1,
175,000 5.5%. N. P’s of R2 and 30,000
variable rate N.T. 6%.

Market capitalisation: R4,6m.

Financial. Year to February 28 1981
Borrowings long. and medium-term,
R1,1m. net short-term, R1,1m.
Debt equity ratio 20.2% Current ra-
tio 3.0 Group cash flow R2.2m.
Capital commitments N.T.

Share market Price 46p (1980-81)

The share seems a good buy.

The current high];

Chairman: D Bolton
Super. as he is in charge of the

If prices in
will produce
But when the

The success of our business will be

A low price will

and increase in demand. This will

This process will lead to equilibrium, and

It seems that the farmers

Sears Bolton
Spitz doubles profit and raises dividends

By HAROLD FRIDHORN

M & S Spitz Footwear Holdings has doubled its profits for the year to June 1981. Attributable income has gone up from R7.5 million to R15.5 million and the final has been raised by 2c to 16c making 20c for the year against 17c last year.

From a turnover 21.5% higher, pre-tax profit was 18.5% higher at R13.6 million but the tax rate was lower. The percentage paid to the Receiver rose from 17% to 20%.

Dividend cover has been raised to 2.5 times and as a matter of policy this cover will be gradually raised.

Mr Anthony Spitz, the executive chairman, said that he was delighted with the group's excellent performance which was the result not only of the buoyant trading conditions, all the divisions made a positive contribution to profits.

The breakdown shows that 62% of profit came from footwear manufacturing and 45% from retailing, with the balance from wholesale activities. The group had been in the wholesale field only since March and that this could be regarded as being an important growth point in the business.

Spitz has bought 81% of Eurofit International (Pty), a women's clothing manufacturer, and Continental Fashion Accessories (Pty), a handbag manufacturer.

A new point of departure will be the opening of the Dashi Store and the Bally boutiques. These will be new diversifications into the upmarket trade which Mr Spitz says is less volatile than the popular business and therefore should be able to withstand any downturn in the economy.

The recent acquisitions and the new developments mean that Spitz is no longer a manufacturer and retailer of footwear. It is a diversified group with assets in excess of R10 million.

The group, he says, should again show healthy growth during the current year although the rate of growth might be lower.

COMMENT: M & S Spitz has made excellent progress in the past five years with turnover up from R13.8 million to more than R24 million and with earnings more than four times bigger, having grown from 12c a share in 1977 to 20c last year.

With the current dividend, the yield at last night's price is just over 8% which indicates that the share is highly regarded.
TOP executives of garment, textile and footwear manufacturing companies were given a tongue-lashing by Mr Adrian Bellamy, managing director of the giant Edgars Stores group, in Cape Town this week.

He came to present awards to some of the 49 suppliers who gave Edgars "distinguished service" in the past year.

But he also complained of late deliveries of merchandise. On average one out of every three orders was seriously late, he said.

"I am a frequent visitor to America and Europe and I can categorically say that the delivery performance we have been forced to accept over the past 18 to 24 months is seriously deficient by international standards."

HIGH LEVELS

He accepted that the clothing, footwear and textile industries faced exceptionally high levels of demand. But he said many other sections of the economy and they had generally responded well to that challenge.

We must share some of the blame for the problem. There are, however, a sufficient number of firms that are performing in an exemplary fashion with deliveries that I must suggest those with a tarnished record should first look at the quality of their own management for a solution.

Availability of local merchandise first, faced with your delivery record we had no alternative.

The solution to our future success in textiles, clothing, footwear and the associated retailing is effective management, not import permits or draconian duties.

"It is indefensible for any industry with such a record to be simultaneously launching a public programme for protection. How much more satisfactory, surely, to put these enormous efforts into an improved performance."

Complaints like Mr Bellamy's will be discussed next week at the National Clothing Federation convention in Sun City, the president, Mr Simon Jecum, said in Cape Town.

"Retailers and many others will attend and we want to investigate the extent of these delays. South Africa has 1150 clothing factories and each one claims his deliveries were on time. Obviously, some are better than others and we are concerned at statements like this."
MANUFACTURING - FOOTWEAR

1982 - 1986

**All agreed**

- Contracted for the services of a consultant to advise on the design of the project. The consultant will be selected after a competitive bidding process.

- The project will be completed within 18 months of the commencement of work.

**Chief Executive**

- The Chief Executive will be responsible for the overall management of the project. He will report directly to the Board of Directors.

- The Chief Executive will be appointed by the Board of Directors and will serve a fixed term of five years.

**Life Policy**

- A life policy of $100,000 will be issued to the Chief Executive. The policy will be non-forfeitable and will be paid up at the death of the Chief Executive.

**Chief**

- The Chief will be responsible for the day-to-day management of the project. He will report to the Chief Executive.

- The Chief will be appointed by the Board of Directors and will serve a fixed term of five years.

**Kwazulu's Workers**

- A new workshop has been established to provide employment opportunities for the affected workers.

- Workers will be trained in new skills to enable them to find alternative employment.

**Industrial Council**

- The Industrial Council will meet regularly to discuss issues related to the project.

- The Council will consist of representatives from the management, workers, and management representatives of the affected companies.

**Workers' Council**

- A Workers' Council will be established to represent the interests of the affected workers.

- The Council will have the power to negotiate with the management on matters relating to the project.

**Appointments**

- All appointments will be subject to the approval of the Board of Directors.

- The Board of Directors will issue a statement on the criteria for appointment to the public.
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**Notes:**
- Repeated efforts to contact the management of the bank were unsuccessful.
- The bank offered a minimum salary of R10,000 per month, which was refused by the union.
- The bank's representative stated that the bank was unwilling to negotiate.
- The bank also refused to grant any credit to the workers.
- The bank's representative stated that the bank was unwilling to negotiate.
- The bank also refused to grant any credit to the workers.

**Heincio 23/1/2022**

**Downtown Workers: KwaZulu**

The general secretary of the union, Mr. Zuma, said that the workers were forced to leave the factory after management refused to negotiate. The management had also dismissed workers and reduced working hours.

**Note:** The document contains a signature and date, indicating it is dated 23/1/2022.
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**Continued/ .........**
Mercury Reporter

KWAZULU Shoe Company workers yesterday decided to return to work after a meeting with union officials.

At an earlier meeting, community councillors from the Loukop area had told the workers to return to work but they had refused.

Mr Obed Zuma, general secretary of the Pusat-affiliated National Union of Textile Workers, said workers had reconsidered their decision late yesterday after a meeting at the union offices in Fordsburg.

About 700 workers downed tools on Monday after management had fired one of the women workers. Workers also had demanded recognition of the union.

At the meeting held near the Loukop factory, workers told community councillors that the dismissed woman had been ill-treated by a supervisor at the factory.

Union officials have claimed that the woman was fired because she had complained of ill-treatment by the supervisor at a union meeting.

Workers also complained of irregular lunch breaks, wages as low as R14 a week and that they were not paid during sick leave or for overtime.

A company official, who would not give his name, told the Mercury after the meeting that the dismissed woman worker had been warned a number of times that she was not doing her work properly. After the fifth warning she was fired.

He said the worker had not complained to management about ill-treatment. The first time he had been aware of it was when the workers had gone on strike.

Community workers told the Mercury that they had been approached by management and asked to tell the workers to return to work.
The Edgars takeover has given SA Breweries control of more than the country’s biggest fashion retailer — it has also handed it over 60% of national footwear outlets.

The 450-odd Edgars branches have brought well over 80% of the 1,330 registered shoe stores under the SAB banner. Which suits Breweries’ book well, for the corporate policy is apparently to dominate whatever field it decides to enter.

Yet, although SAB will dominate the retail shoemarket in terms of numbers, it will effectively hold only 25% of the R500m/year market.

Prior to the Scotts takeover early in the year, the group’s footwear interests were represented by Amalgamated Retail (Amrel) and manufacturer Shoe Corporation of Africa (Shoecor).

Amrel controls about 280 outlets through Cuthberts, Barnes, Select-a-Shoe and Moda Belle. With Scotts, which will fall under Amrel from April, the total rose to 410.

The addition of about 450 Edgars branches now gives SAB more outlets than the rest of the market combined.

On the manufacturing side, Shoecor has four factories, producing brand names like Barker, Hush Puppies and Millana. With Edgars and Scotts, SAB acquired six more factories, which make brands such as Richleigh and La Nova.

Some small retailers regard the latest takeovers with concern. Many are supplied by the SAB factories and some feel that their supplies may be curtailed in favour of SAB’s own stores.

But Laurie van der Watt, chief executive of SAB’s industrial division, rejects the possibility “SAB’s shoe factories,” he says, increase.”

Manufacturers have made representations to government for protective relief, claiming that job opportunities in the footwear industry are being affected by the increasing imports.

A slowdown in imports, however, looks likely. The pessimistic economic outlook for 1982 has caused retailers to predict that real growth in shoes this year will be a minimal 2% or even less.

Says Tooke de Bruyn, chairman of the National Shoe Retailers Association “Imports will not be as high as last year. This will allow a moderate volume growth for local manufacturers”
Hammarsdale mill workers end stoppage

ABOUT 600 workers from the Progress Knitting Mill at Hammarsdale returned to work yesterday after management agreed to re-employ 80 fellow workers who downed tools at the weekend.

The 600 workers downed tools on Tuesday after management had told them they would not be re-employed the following week. The 80 workers had stopped work on Saturday after they had worked five days of 12-hour shifts because of the introduction of a new shift system, and had received R1 extra pay for the overtime.

Yesterday morning when the workers arrived at the gates of the factory, a contingent of riot policemen was waiting on the road so they decided to enter the factory gates, according to union sources.

Management representatives closed the gates when half the workers had entered the factory grounds and entreated them to return to work.

Fired

They told the workers that the other 80 workers had been fired. The men still refused to return to work.

Management then told workers they would discuss the issue with elected representatives of the workers.

A committee of 12 workers met management and a settlement was reached when they agreed to re-employ the 80 workers.

Mr P D Jacobson, Progress Knitting Mills' chief executive, said there was some dispute over the introduction of a new system which was introduced, after discussions with a union representative which was accepted by the workers.

The discharged workers were given the opportunity of re-applying for their jobs on the same conditions as applied previously, he said.

Refused

Meanwhile, at Tongaat Milling in Estcourt the 146 workers who last week downed tools following management's refusal to dismiss a supervisor who they claim is victimised, still refused to return to work yesterday.

According to an official of the Federation-affiliated Sweet, Food and Allied Workers' Union, they had refused to return because management had refused to return to work yesterday.

KwaZulu Shoe Company entered its fourth day of work stoppage after about 700 workers downed tools following the dismissal of a shop steward. Workers have demanded recognition of the National Union of Textile Workers (NUTW).

Meeting

The secretary for the KwaZulu Department of the Interior, Mr A M J van Rensburg, said yesterday a meeting between the labour officer of the department, management and workers was still being arranged.

At a meeting with union officials this weekend, Dr Frank Mdlatlose, the KwaZulu Minister of the Interior, agreed to mediate between workers and management.

According to union officials, management had agreed to meet the KwaZulu labour officer today but without workers who had not been accepted by the department and they were negotiating with management for workers to be present at the meeting.

Mr Obed Zuma, the general secretary of NUTW, said union officials had gone yesterday to Johan nesburg to discuss the issue with the Canadian ambassador. The major shareholders in KwaZulu Shoe Company, Beta, has its head office in Canada.

Legal

He also said he would be calling a national executive committee meeting of the NUTW which represents 13,500 workers countrywide, to discuss the possibility of declaring a legal strike at KwaZulu Shoe Company.

At the Henkel chemical plant at Prospecton, the company had re-employed only 20 of the 160 dismissed workers, according to union sources.

Last Tuesday 200 workers downed tools after a dispute over the company's pension fund. A number of workers had been re-employed at the end of the week.

Talks between the Chemical Workers' Industrial Union (CWIU) and management in an attempt to get management to re-employ all the dismissed workers broke down on Tuesday.

Meanwhile, at Colgate-Palmolive in Boksburg, the subject of a four-month strike and a consumer boycott, a wage settlement has been reached between management and the Fosatu-affiliated CWIU.

According to the settlement, workers will receive a minimum of R1.93 an hour and this will be increased to R2.04 in November.
Week-old stoppage at shoe factory 'to continue'

**Mercury Reporter**

ABOUT 200 KwaZulu shoe company workers have returned to work but the majority have decided to continue the week-old stoppage according to trade union sources.

About 700 workers from this homeland industry at Lookout near Estcourt downed tools last week when one of the shop stewards was dismissed.

They demanded his reinstatement and the recognition of the National Union of Textile Workers (NUTW).

This was the second stoppage that the company has experienced this year. Workers downed tools at the end of last month when a worker was dismissed and they also had demanded recognition of the union.

An NUTW spokesman said workers who had returned to work had said that a notice was put up in the factory stating that no worker was allowed to become a member of the union.

Mr. Peter Bodsworth, the managing director, was not available for comment.

The spokesman said he had spoken to a Canadian consulate official in Johannesburg who had said that they had been aware of Dara's Pinetown factory which they had been told contained successful attempts to end down by the Industrial Council of the Leather Industry.

He said the consulate official had been unaware of the KwaZulu factories in which Dara's headquarters are in Canada - had the majority of employees were in Canada.

The union has claimed that wages at the factories were only about the minimum laid down by the Industrial Council.

But because the factory falls within KwaZulu it does not fall within the ambit of the council.

The official could not be contacted late yesterday because she had left for Swaziland.

Meanwhile, at Tongaat Milling Company in Estcourt, most of the workers who had downed tools more than a week ago returned to work yesterday.

An official of the Fosavita-affiliated Sweet Food and Allied Workers' Union said almost all the 350 workers had been re-employed - but 17 had been refused re-employment.

The workers downed tools last week for the second time this month when the subject of their first strike, a supervisor, had not been dismissed. Workers had claimed victimisation by the supervisor.

The union official said negotiations with management about the 17 workers and the supervisor would continue.

The regional director of Tongaat Food South Africa (TFA) said the 17 had not been re-employed because during the stoppage the firm had found it needed fewer labour.

The Fosavita-affiliated Chemical Workers Industrial Union (CWIU) which called for a consumer boycott during a four-month strike at Colgate-Palmolive in Bathurst last year, is considering a similar action against Henkel.

About 250 workers downed tools on March 17 at Henkel's chemical plant in Pinetown after disputes with wages, the company's pension scheme and the introduction of a new shift.

Although all the dismissed workers applied for re-employment only 75 of them have been reported to have been re-employed.
Move to resolve Loskop dispute

Mercury Reporter
THE KwaZulu Minister of the Interior, Dr Frank Mdlalose, has directly intervened in the four-week dispute between workers and management at the KwaZulu Shoe Company at Loskop near Eshowe in an attempt to 'get the two parties talking'.

Following a meeting at Ulundi between Dr. Mdlalose and management of the Bata-owned factory, the department's labour officer, Mr Z.A. Khanyile, has been instructed to arrange a meeting between the striking workers and management.

A department official in Ulundi said yesterday Mr Khanyile had left for Loskop to discuss the proposed meeting.

The four-week stoppage, which is the second the company experienced this year, was sparked off on March 12 when approximately 700 workers downed tools following management's dismissal of a shop steward.

Workers have been demanding his reinstatement and the recognition of the Fosatu-affiliated National Union of Textile Workers (NUTW).

Workers had begun to drift back to work at the end of last month but when Dr Mdlalose summoned the company's management to Ulundi workers decided to continue the stoppage.

Dr Mdlalose said the meeting had established quite clearly that 'we as a Government have jurisdiction over companies operating in KwaZulu'.

He said the KwaZulu Government expected companies to listen to workers' grievances and allow them to establish their own trade unions.

The general secretary of the NUTW, Mr Obed Zuma, said at a meeting this week about 200 workers decided to continue the stoppage.

Officials meet over deadlock

Mercury Reporter
FOLLOWING a month-long dispute between Chemical Workers Industrial Union and Henkel, the Federation of South African Trade Unions officials met with the management late yesterday in an attempt to resolve the dispute.

The dispute started after about 250 workers at Henkel's Prospecton plant downed tools on March 9 over wages, pensions and the introduction of a new shift.

Although they all applied for re-employment, only 75 of them appear to have been accepted.

The union has distributed thousands of pamphlets calling for a boycott of Henkel products.

The results of the meeting were not known last night.
Shoe company dispute: talks arranged

DURBAN — The KwaZulu Minister of the Interior Dr Frank Mdla-lose has directly intervened in the four-week dispute between work ers and management at the KwaZulu Shoe Company at Loskop near Emprefield in an attempt to “get the two parties talking.”

Following a meeting at Ulundi between Dr Mdla-lose and management of this Bata-owned factory, the department's labour officer, Mr Z A Khanyile, has been instructed to arrange a meeting between the striking workers and management.

A department official in Ulundi said yesterday that Mr Khanyile had left for Loskop to discuss the proposed meeting.

The four-week stoppage, which was the second the company experienced this year, was sparked off on March 12 when approximately 700 workers downed tools following management's dismissal of a shop steward.

Workers have demanded his re-instatement and the recognition of the Fosatu affiliated National Union of Textile Workers (Nutw).

Workers had begun to draft back to work at the end of last month but when the KwaZulu Minister for the Interior, Dr Frank Mdla-lose, summoned the company's management to Ulundi, workers decided to continue the stoppage.

The meeting had been postponed until recently as Dr Mdla-lose had accompanied Chief Gatsha Buthelezi on his visit to Germany.

Dr Mdla-lose said the meeting had established quite clearly that “we as a government have jurisdiction over companies operating in KwaZulu.”

He said the KwaZulu government expected companies to listen to workers' grievances and allow them to establish their own trade unions.

The general secretary of the Nutw, Mr Obed Zuma, said at a meeting this week about 200 workers decided to continue the stoppage.

Workers said that more than 400 workers were still involved in the stoppage, Mr Zuma said.

The managing director of KwaZulu Shoe Company, Mr Peter Bodo- vives was not available for comment.

- Following a month-long dispute between Chemical Workers' Industrial Union and Henkel, Fosatu office bearers met with management late yesterday in an attempt to resolve the dispute.

The dispute between the Fosatu affiliated union started last month when after about 250 workers at Henkel's Prospection plant downed tools on March 9 over wages, pensions and the introduction of a new shift.

Although all the workers applied for re-employment, only 75 of them have reported to have been re-employed.

The results of the meeting were not known last night — DDC
Shoe firm workers break off strike

JOHANNESBURG.—Striking workers at the Bata shoe company in KwaZulu last week decided to end their month-old strike and to return to work.

More than 500 workers went on strike over demands for higher wages.

Because the firm is in KwaZulu it is not bound by minimum wage levels agreed upon in South Africa.

According to a spokesman for the Fosatu-affiliated National Union of Textile Workers, which represents many of the workers, the strike was ended because workers felt they had been ‘betrayed’ by a homeland labour official.

Mediate

The official had been appointed to mediate in the dispute, but workers claimed he had only held talks with management and ‘strike-breakers’—those who had returned to work.

The union would continue to make representations overseas to the International Labour Organisation and the Canadian government over the subject of wages at Bata, the spokesman added.

Interests

Representation would also be made to the KwaZulu government to ascertain whether it felt its official was acting in the best interests of the homeland workers.
Mercury Reporter

STRIKING KwaZulu Shoe Company workers are steadily returning to work following a month-long stoppage at the Loskop factory near Estcourt, Dr Frank Mdalose, KwaZulu's Minister of the Interior, said yesterday.

This 'border' industry has been struck by work stoppages twice this year as workers downed tools demanding the recognition of the Postau-affiliated National Union of Textile Workers (NUTW).

Mr Obed Zuma, the general secretary of NUTW, said: 'At a meeting of striking workers and union officials on Wednesday, workers decided to return to work.'

**Deadlock**

Following a deadlock during this recent work stoppage which began on March 12, Dr Mdalose, sent the department's chief labour officer, Mr Z A Khanyile to mediate in the dispute.

Dr Mdalose said in a meeting between worker representatives, Mr Khanyile and management, the company had agreed to re-hire workers on a staggered basis.

He said 'Management had said because of the stoppages they had to cancel a number of orders and would not be able to take on the full compliment of workers immediately.'

'But they would take on a certain number of workers each week and expected to be back to full production in June.'

Chopper crash
Canadian interest in KwaZulu labour row

Mercury Reporter

CANADIAN trade unions showed 'considerable interest' in the Fosatu-affiliated National Union of Textile Workers' labour problems with the KwaZulu Shoe Company, subsidiary of the Canadian-based multinational Bata, Mr Alec Erwin, union organiser, said yesterday.

He said this on his return from the Canadian Labour Congress held in Winnipeg.

Mr Erwin said he had discussed with Canadian unions the recognition dispute that the local union was having with the KwaZulu Shoe Company in Loskop which sparked off two strikes by the entire workforce earlier this year - one stoppage lasting for nearly a month.

He said the congress international affairs director, Mr John Harder, had already raised the issue with the Canadian Government.
Shoe industry ‘on the line’

— MCT chief

Business Editor
THE footwear and other industries were standing on the dividing line between the past and the future of South African labour relations, the president of the Midland Chamber of Industries, Mr Peter van der Merwe, said at the annual dinner of the Footwear Manufacturers Federation in Port Elizabeth.

"When our Government created legislation to give effect to the recommendations of the W/tabahn Commission, it released forces that are bringing about a new industrial relations environment — one that will contain a number of areas where the workers themselves will become an ever-increasing reality in business," he said.

"A leading force in this changing environment is the role being played by the emergent black trade unions."

He said there would be emphasis on change and social reform and, because black workers would be a leading force in the clamour for change, management and employers would have to manage the bulk of the adjustments that brought change.

Mr Van der Merwe said managers must ask themselves if they knew what their workers' perception of the management role was, and if the workforce knew what the management expected from it.

"Management always has a problem in managing effectively when it is unable to predict events or behaviour with any measure of certainty," he said.

"This will be particularly true if it is unaware of its workers' attitudes on such issues as punctuality, overtime and productivity.

"Attitudes are directly linked to a society's system of values."

"What I am trying to convey is that if the value systems of management are the opposite of the values adopted by its workers, there will be a conflict of interests which could lead to confrontation and work stoppages.

"For instance, management may have the rewarding of shareholders as a major item in its value system."

"If the workers do not hold that item in their set of values, then the need for a return on capital will not be accepted as an argument for greater productivity.

"It is a matter of urgency that you and your workers establish a common value system over a wide variety of subjects, so that when you talk to each other you know each other's norms that form the basis for the decisions to be taken," said Mr Van der Merwe.

He added that managers also had to understand the Press, and that it was no use saying "No comment" when approached, because managers had to realise they were not living in isolation.
Giant shoe company faces world action because of alleged primitive labour conditions at tiny KwaZulu factory

BATA GET THE BOOT

By STAN MAHER in Durban and PETER WARD in Ottawa

A CANADIAN shoe company may face an international boycott aimed at cutting its sales, because of reports of poor wages, primitive labour practices and the suppression of union activity in its KwaZulu factory.

Jonathan Copelyn, an organiser for the National Union of Textile Workers (NUTW), claimed yesterday the world-wide boycott move against the Bata Shoe Company was a direct result of the local firm's attempts to prevent its workers belonging to a trade union.

The NUTW reported the KwaZulu company's labour practices to the International Textile, Garment and Leather Workers' Federation, which is based in Brussels and has five million members.

The Federation has now enlisted the support of the powerful Canadian Labour Congress, which in turn has asked the Canadian Government to toughen up its voluntary code of conduct for Canadian firms operating in South Africa.

A spokesman for the Canadian External Affairs Ministry said in Ottawa that an investigation by the embassy in Pretoria had substantiated some of the union charges.

The result is that the giant company, which has 100 factories employing 85,000 workers around the world, faces international action because of alleged malpractices in a tiny plant at Loskop, near Escoort.

The international federation has accused Bata of profiting from apartheid and of paying sub-standard wages. The NUTW report, drawn up in March, said some workers earned take-home pay of R14 a week.

This was in spite of the fact that the shoe company enjoyed all the benefits of a homeland industry established in line with the Government's incentives scheme to provide work in rural areas.

A sample survey showed almost 96 percent of those interviewed earned less than R115 a month, at a time when the minimum subsistence level for a household in a city area was R326 a month. The NUTW says rural living costs may be even higher than city living costs because of the lack of cheap shops.

Copelyn said the union wrote to the company management in February this year asking for a meeting, because most of the workers had joined the union.

"The management has consistently refused to meet us," he said.

The union claimed the company paid wages which were only a third of the rates recommended by the Canadian Government and would not increase it "to a standard capable of sustaining human life."

Workers' grievances, alleged the union, included claims that:

• They were forced to work overtime without pay.
• They were made to work through their lunch breaks without pay, as a punishment.
• They were repeatedly warned not to join the union or attend meetings called by union organisers.
• Some workers were assaulted by supervisors.

All the information was sent to Charles Ford, head of the international federation, who passed it on to the Canadian Labour Congress.

Copelyn said this week it was clear the KwaZulu Shoe Company had been set up in an isolated rural area to "profit from apartheid."

He said two-thirds of the workers had been retrenched, leaving about 300 workers who were now on short-time. Rumours that the factory might close were given credence by the closure of a nearby plant making shoe laces, which had been linked to the shoe factory.

"We have not made a single wage demand, but the management will not even meet with us," he said. "It is clear they are not prepared to recognize a union."

The Canadian Embassy in Pretoria declined to comment.

A spokesman for the KwaZulu Shoe Company would not discuss the union allegations in detail. He spoke in glowing terms of the factory's "first-class cafeteria and spotless washroom."

He denied the company paid sub-standard wages, but gave no details.
Labour Reporter

THE Australian Boot Trade Employees' Federation has called on Mr T.J Bata, head of the giant multinational shoe company based in Canada, to 'eradicate' the mistreatment of workers by Bata's subsidiary, the KwaZulu Shoe Company.

It has warned that the continuance of treating workers in this manner could lead to 'further action' against the Bata organisation by the Australian federation.

This move follows a dispute between the National Union of Textile Workers and the KwaZulu Shoe Company at Loskop near Estcourt. Bata holds two thirds of the shares in the company and the other third is held by the Government-funded Corporation for Economic Development.

The textile union has claimed that workers were forced to work overtime without pay, that they were forced to work through their lunch-hours as punishment, that workers were assaulted by supervisors and that they were warned not to join the union.

In his letter to Mr Bata, the federal secretary of the Australian union, Mr S Bitmead, said: 'We are deeply alarmed to read of the treatment being handed out by management of the Loskop company.'

'We must join with all other affiliates of the International Textile Garment and Leather Workers' Federation in condemning your organisation for allowing such treatment of workers to take place,' he said.

Mr Bitmead added that the federation's association with Bata in Australia had always been 'extremely cordial' and that it would not want to see this association 'endangered' by 'continued action such as that taken by the KwaZulu Shoe Company.'

Yesterday the Bata head office at Pinetown told the Mercury no one was available for comment.
SA footwear retailers are squaring up to local manufacturers who want an increase in import tariffs on footwear.

Retailers and the Republic of China (RoC), the main exporter to this country, have lodged objections with the Board of Trade and Industries (BTI) to the applications for higher duties.

The application requests that the existing 30% ad valorem duty on jogger shoes (30c-80c/pair, depending on size and type) be increased to 300c/pair less 70% of fob value.

Manufacturers also want legislation to make it obligatory for all footwear sold in SA to show country of origin. "The consumer is not aware of the country of manufacture and this does not contribute to the Buy SA campaign," says Footwear Manufacturers' Federation of SA (FMF) national president Sam Davidson.

"It is only natural in a recessionary time to seek protection against imports flooding the market," he says. "We provide employment for 30 000 people and could take on many more if we were assured of equal opportunities to compete."

But the retailers say higher duties will decrease the range available to consumers. And as SA could not produce as cheaply, some poorer consumers would not be able to afford shoes at all.

RoC commercial attaché Michael Wei says: "Some SA footwear manufacturers do not plan ahead. When they cannot survive a recession they pass the responsibility to the government. The poor suffer because of business's bad judgment."

He says local production of cheap shoes is a bad allocation of resources. SA manufacturers should rather produce and export more top quality leather footwear.

In 1981, 20m pairs were imported, a growth of 7m pairs on the previous year. In this period, SA manufacturers produced 62m pairs. Most imports are slippers, sandals and other cheap shoes from RoC, Hong Kong and Korea. Canvas shoe imports increased from 3m p in 1980 to 5m p in 1981 and from January to July this year, 346 000 p of slippers were imported compared to 287 000 pairs for the whole of 1981.

Imports of good-quality footwear from Brazil and Spain are making matters worse for manufacturers.

Imports of leather shoes grew from 332 000 pairs in the first six months of 1981 to 465 000 pairs in the same period this year.

Some imports have already come under official scrutiny. One of the latest is lace-up canvas shoes. Following BTI studies and recommendations, government introduced a provisional anti-dumping duty of 80% in September, in addition to the existing duty of 30%.

Government will give its final decision on whether this is to remain in force in December.
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service will be available in Pretoria, Johannesburg, Cape Town. The service will be extended to other centres later.

The biggest user of the equipment in the South African Transport Services is the office in marshalling yards, on track and service maintenance. It is also used for control operations.

Another technological venture is the P.O. Motorphone, a sophisticated country-wide system to be inaugurated in 1965. It already exists in a small way on the Witwatersrand and has about 500 subscribers.

The system will offer a push-button in-car telephone, from where the subscriber can make and receive local, trunk and international calls.

Footwear industry hit by imports

Financial Staff

Increasing footwear imports are disrupting the local manufacturing industry and all signs point to a negative growth rate in this sector this year, compared with growth in real terms of 9.3 percent in 1961.

In terms of the 1961 report, the board of trade recently imposed a punitive charge of 60 percent on imports of lace-up canvas footwear. This is on top of the normal 30 percent import duty.

Slipper imports have increased by 200 percent since 1968, resulting in a negative growth rate in local slipper production last year.

SALES GROWTH

Mr S A M Davidson, national president of the Footwear Manufacturers' Federation of SA, told a meeting of his management committee that retail sales had, in comparison with production, grown by more than 12 percent in the first half of the year.

The industry was seeking protection against imports flooding the market at prices which were less than local basic material costs of similar footwear.

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SHOE IMPORTS

Chinese puzzle

The gloves are off in the battle between SA footwear manufacturers and Republic of China (RoC) exporters.

RoC commercial attaché Michael Wei claims SA manufacturers gave the Board of Trade and Industries (BTI) what he describes as "false information" which led to the imposition of a provisional anti-dumping duty of 60% on lace-up canvas shoes, in addition to the existing duty of 30%.

Many SA retailers agree with Wei that the RoC is not dumping. The National Shoe Retailers Association met with the BTI yesterday and is determined to get the provisional anti-dumping duty lifted.

"If we can show that the price of RoC imported goods is higher in SA than on their domestic market, we will have proved our point," says a retailer. "But while we are convinced that accusations of dumping are just a big con by the manufacturers, we don't know what the outcome will be."

Retailers and manufacturers are meeting next week to discuss the matter in what many believe will be a heated confrontation.

Manufacturers are adamant that dumping is taking place and say they cannot compete as SA raw materials cost more than double present world prices.

The three RoC companies accused of dumping are Raphe Industries, People International and Cosa Lieberman Taiwan.

Wei says that, according to the RoC trade and customs departments, Raphe Industries has never once exported to SA. People International has sent only one shipment (worth US$3 400) and Cosa Lieberman Taiwan sent shipments totalling US$92 047 in 1991, with no proof of dumping.

Footwear Manufacturers Association of SA president Sam Davidson says "Dumping is selling exports at below the home market price. We received evidence and put it to the BTI. Our report was confidential so I can't reveal our evidence. But the BTI is the arbiter and it was up to RoC to put forward its views."

The BTI has still to decide whether or not to recommend that the additional 60% tariff be permanent.
Workers to be laid off in King William’s Town

**Mineral Development Corporation CEO Mr Kynaston and the Board of Directors announced last week that the company was going to cut its workforce by 20% and retrench employees. This was confirmed by the company’s human resources manager,**

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<th>Workers to be Laid Off</th>
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<tr>
<td>King William’s Town</td>
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<td>20% reduction in staff</td>
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<td>CEO Kynaston's decision</td>
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**The retrenchments have resulted in the Board of Directors sending a memo to the KwaZulu-Natal Chamber of Commerce and Industry.**

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*Note: The text is partially obscured and difficult to read.*
Border town retrenches 60 workers

BORDER Footwear is to retrench 60 employees — about 20 percent of the workforce — next month.

The workers to be retrenched — both monthly and weekly paid — would receive normal retirement benefits.

Mr Kynaston, general manager, said the decrease in the demand of products has necessitated the closing of the injection moulding department here and this would be moved to the Port Elizabeth branch.

The King William’s Town plant would continue cutting and assembling the upper section of footwear. This section was more labour intensive than the injection moulding process where machinery was used mainly to fix the soles to the upper sections.

Mr Kynaston said the Leather Workers Union, which represented the workers, had been fully informed of the retrenchments. He did not anticipate problems, he said.

Border Footwear is the second King William’s Town firm to announce retrenchment during the past fortnight.
HARD times have been blamed for the retrenchment of more than 250 workers of all races by a Durban shoe factory over the past two weeks.

The managing director of Dick Whittington Shoes, Mr Graham Crouch, told the Mercury yesterday that no further lay-offs were expected after the latest batch of 63 at the company's Victoria Road plant.

This brought the redundancies to more than a fifth of all employees.

Mr Crouch said 1982 had been an exceptionally good year for the company, with a lot of overtime being worked, but the state of the economy had taken its toll on sales.
Border firm changes scope — 112 lose jobs

By TOM LOUW
Business Editor

EAST LONDON — Border Footwear (Pty) Limited of King William’s Town is to be changed in scope and part of its operation is to be transferred to Port Elizabeth.

The immediate effect will be the retrenchment in the next month of 112 people out of the staff of 246.

A company statement says over the next few months the capital-intensive shoe-making operations at King will be merged with the holding company’s Edworks plant in Port Elizabeth.

The remaining labour-intensive cutting and stitching plant will continue operating at King William’s Town, and will gradually be expanded, creating more work in time to come in the Border area.

The company says this move is in the nature of a logical rationalisation with the aim of making both plants more efficient and more profitable.

An important motivating factor has been the continuing high level of imports from the Far East, which compete directly with Border Footwear in their target market.

The company adds: "We reiterate that although we intend to expand the activities in King William’s Town in the future, it will in the meantime cause a retrenchment in the next month of 112 persons of the existing staff of 246. However, additional jobs will be created in Port Elizabeth.

"The Border Footwear company’s product range will be strengthened. Their marketing thrust will be directed from Port Elizabeth under Mr C R Horne, the production director of Edworks.”
KwaZulu loses factory

African Affairs Correspondent
ULUNDI—The General Electric Factory at Isithebe is to close at the end of May and 90 blacks will lose their jobs.

This announcement was made in the KwaZulu Legislative Assembly yesterday by the Minister of the Interior, Dr Frank Mdicalose.

Dr Mdicalose said he had been told by Mr R C Bullen-Smith, deputy managing director of General Electric in South Africa, that the company could not compete against similar products being imported from Canada and the United States.

The minister said that the people concerned stood little chance of being re-employed.

Dr Mdicalose said that those workers who had been employed by the company for a year would be paid out for six weeks at the end of May.

Those employees who had been with the company since it was established at Isithebe in 1975 would be paid up to 16 weeks' salary when they were retrenched.
British United
head retires

Mr DALTON LE GRANGE, chairman and managing director of PE-based British United Shoe Machinery (South Africa)(Pty) Ltd, has retired after 48 years' service.

Mr John Begg, formerly with the parent company's Leicester operation, is to succeed Mr Le Grange in Port Elizabeth.

The BUSM operation is a subsidiary of the Emhart Corporation of Hartford, Connecticut, whose machinery group has been restructured into two groups, namely the shoe machinery group (SMG) and the footwear materials group (FMG).

This reorganisation is designed to give more impetus to the product lines, with the objective of improved products and service to the customer.

Mr John Begg is director of the SMG unit, and Mr Peter Schoombee director of the FMG unit.

Several other new appointments have been made. Mr Robert Morris, who has been general manager, fastener division, and Cape Town branch manager, has been appointed manager, shoe machinery. Mr Clive Brunette, Johannesburg branch manager, will be manager, press cutting and general machinery.
At last night's annual dinner of the Footwear Manufacturers Federation of South Africa were, from the left, Mr SAM DAVIDSON, president of the federation; Mr IVAN KRIGE, Deputy Mayor of Port Elizabeth; Mr BARNIE MANCHEVSKY and Mr GUY DOWNES, past presidents of the federation; Mr STAN ANDERSON, the guest speaker; and Mr DONALD GOUGH, also a past president of the federation.

Businessmen have duty to black staff

By LOUIS BECKERLING

Business Editor

PORT ELIZABETH businessmen have no alternative but to contribute to the urgent need for improved housing, education and social services for their black workers.

This was the gist of a blunt message delivered last night by Mr Stan Anderson, chief executive of Maybaker (Pty) Ltd, and former president of the Midland Chamber of Industries.

Addressing the annual dinner at St George's Club of the Footwear Manufacturers' Federation of South Africa, Mr Anderson made an appeal to fellow Port Elizabeth industrialists and businessmen to accept that their concerns no longer ceas ed to function at their factory doors.

Several factors had, since the late 70's, altered this situation, said Mr Anderson. These included:

- The disparity between the quality of life of South Africa's black and white communities.
- The heavy influence of multi-national companies in the PE area had introduced strong forces for change.
- Politically-motivated economic influences introduced by the SA Government itself.
- The public sector's acknowledgement that it "had failed dismally in its attempt to house the people".

Elaborating on the issue of politically-motivated economic influences from the Government, Mr Anderson said rebates, concessions and sanctions imposed for anything other than sound economic reasons would not succeed.

"Industrialists are reluctant to make heavy capital investments in premises or plant where by a stroke of a pen the advantages apparent in the location they have chosen are suddenly nullified by an attempt by the Government to create some new politically-inspired nearby growth point,"

Mr Anderson was also critical of the building society movement which, he said, had been "notably reluctant" to accept the challenge of black housing needs.

"They plead that they have not the resources, either financial or infrastructural, to cope with the multitude of small loans that could result."

"Unfortunately, like we industrialists, I do not believe they have an option to opt out and it is the industrialists' responsibility to make sure that by co-ordinated effort they are made to understand that we regard through which the financing of the private sector's housing effort will be channelled."

Mr Anderson spoke at length on the question of education and said he was appalled by the disclosure that in 1979 no less than 80,6% of black teachers in the Eastern Cape had done only one - or perhaps two - year's training after leaving school at Std 8,7, or 6 level.

"In the technical field in 1979 only 2,6% of pupils were engaged in technical classes - an increase of only 1,3% over the previous year, a year in which conventional matriculants increased by 49,3%.

Mr Anderson said that six years ago only seven remotely qualified mathematics teachers were available to pupils in the 51 schools operating for blacks in Port Elizabeth.

"Since then a large number of maths and science teachers have been sponsored by the Midland Chamber of Industries through an arrangement with the Urban Foundation and hopefully the standard of education will gradually improve."

"Industrialists now have the opportunity of adopting a school and assisting in establishing such things as playing fields, said Mr Anderson."

"While the businessman's job becomes more taxing I am afraid he has no alternative but to exercise his social conscience in these new areas of responsibility as well."

Mr Stan Anderson, of Maybaker, expressed concern last night that while 50% of SA's pre-war footwear production originated in PE, this had since dwindled to 15% (some 71% now being manufactured in Natal).

"I am worried that other industries, such as the motor industry, could be following footwear's lead.

"Perhaps the most significant problem is the fact that imports of footwear in the last 30 years has increased from 10% to 34% and the motor industry is being similarly threatened, despite its local content programme."

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Spotting to Your Pocket
New R-Z

Footwear imports as a percentage of total local demand.

Footwear industry faces low demand and high imports.

Business
ABOUT 60 workers from the recession-hit Vogue Shoe plant in Matland have been retrenched in an attempt to streamline production at the plant.

Mr Johan Burger, general manager of Vogue's sister company, Sports Shoe, said yesterday the lay-offs had become necessary because the women's fashion footwear market was depressed.

He said business was still good in the sports shoe market.

While some Vogue workers had been absorbed into the Sport Shoe operation, it had still been necessary to streamline production and retrench some 60 workers.
BY PATRICK MCGOUGHIN
INVESTMENT EDITOR

SOUTH African Breweries, the dominant retail group, Amarel, which has reinforced its
position in the South African footwear industry with the acquisition of ABC Shoe Corpora-
tion.

Amarel yesterday said that the majority shareholders of ABC, real estate, clothing and
shoes, have agreed to sell the company to Amarel for about R800 million. The acquisition
will add another 2.2% to the currently estimatedAmarel shareholding in the highly
diversified retail food market, putting the company on the radar for another 2.2%.

A spokesman for Amarel said it is believed that the acquisition will add another 2.2% to
the company's shareholding in the highly competitive retail food market, but that it will
add another 2.2% to the company's shareholding in the highly competitive retail food
market.

The cash stock will be allocated in two phases: the first after the deal is completed,
and the second after the cash stock is paid. The second phase will be paid in cash stock
as per the terms of the deal.

The cash stock will be sold by the company's shareholders, and the company's board of
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R7,8m Factory for Transkei

BUTTERWORTH — An international clothing giant is to start a R7,8 million operation here in two months' time.

The Republic of China manufacturer, Lien Fu, which has a $50 million annual turnover in America, will launch the multi-million rand investment with the Transkei Development Corporation (TDC).

The TDC managing director, Mr Sonny Tarr, confirmed the deal which is the biggest in the country in the last five years.

Mr Tarr said the project would create 2,000 jobs for Transkeians at a low cost of R4,500 per job.

The company will also manufacture for the US market and will achieve sales of $15 million a year when the factory reaches full production.

The Transkei undertaking, to be known as Bally (Pty) Ltd, will employ the services of American designers and a large marketing organisation in America.

Mr Tarr said the R7,8 million factory would be constructed in stages, with the first stage nearing completion.

Mr Tarr said the major contact with Mr Lee was first made during a visit to Taiwan by the TDC development manager, Mr Pieter Bosch.

"We are naturally very pleased with Bally's arrival in Transkei. We are expecting more of this type of investment, especially the size, because our negotiating position through our incentives is such that we are dealing only with the top 100 companies in the Republic of China.

—DDR
Shoemakers fight losing battle against imports

By MIKE JENSEN

SOUTH AFRICA's R500m a year footwear industry faces slow death unless it is granted increased tariff protection against imports, says the director of the Footwear Manufacturers' Federation, Mr Dennis Linde.

From the beginning of 1982 to the end of 1983 local production dropped 23%, he says, while imports steadily rose to 27% of market share.

Between 1980 and 1982 the FoB value of imported shoes almost doubled to R72m from R37m.

Without protection, and with conditions for local producers expected to deteriorate still further in 1984, Mr Linde says, the SA industry can only go the way of footwear manufacturers in the US, where 60% of shoes are now imported.

Overseas recession and the low cost of shoe production in the Far East appear to be the main reasons for the poor health of the SA industry.

Retailers prefer to stock imported brands from Taiwan, Korea and Hong Kong because they are cheap despite the on average 30% duty placed on them.

"The labour cost per shoe produced is far cheaper in these countries," says Mr Linde.

"In addition foreign prices have been cut to the bone in an effort to combat the global decrease in shoe sales caused by recession. Now we just cannot compete."

Because of stiff overseas competition there has been only a 7.8% increase in the SA footwear production price index over 1983 while the index for the whole manufacturing sector increased 15.5%.

Profit margins are unattractive.

In 1981 — the last year for which figures are available — the return on investment was 12.2% compared to an average manufacturing return of 18.6%.

There is worse news to come for the footwear industry.

The worldwide shortage of leather is growing and prices will be pushed up even further. In 1983 hide prices rose 70%.

Demand for locally manufactured product is predicted to continue falling.

Manufacturing costs will increase further as retailers push up overtime wages by demanding "unreasonably short" lead times according to Mr Linde.

Aside from better protection, Mr Linde says, a programme should be mounted to persuade consumers to give preference to products made in South Africa.

"A 'Buy South African' policy would ensure the growth of our manufacturing industry and maintain employment stability."

Pretoria-based investment research group, Rand Investment Services, says the homeland development corporations have experienced strong interest from foreign investors who see the potential of establishing new footwear factories in the subsidised decentralisation zones.

Relocation in these areas may offer existing manufacturers better profits.

Rand Investments also point out that the black market is adequately catered for.

Local manufacturers are not producing enough of the American-style top quality/high price shoes most popular with this population group.

As black spending power takes off this could be a major growth area for SA manufacturers.
FOOTWEAR INDUSTRY

Hopping mad

Footwear manufacturers did anything but stick to their lasts at their annual meeting in Durban last week.

They berated government for the high level of footwear imports, which, they claimed, were threatening the very existence of the industry, castigating raw materials suppliers for sharply raising input prices and called on government to step up protection of the industry.

The agm provided plenty of opportunity to air views, both official and unofficial. But in spite of the heated debate at times, the industry seems to be losing its central argument — that it is in dire need of increased protectionism.

Stripped to basics, the industry’s main contention is that selective tariff protection just does not work. It wants a return to quantitative controls which, it says, are far more effective at keeping imports out.

Leading the industry’s charge is Frank Moodie, MD of Shoe Corporation of Africa. Since 1979, Moodie claimed, shoe imports to SA had risen from 10 495 000 pairs to 26 461 000 pairs — an increase of 152%. Imports now constitute 31.1% of the total SA market, up from 17.3% in 1979. Last year alone, imports rose 41%, in spite of the weak rand.

Fleshing out its indictment of imports, Moodie asserted that this level of imports equated to the production of 15 SA factories producing 500 000 pairs of shoes/year. The flip side to this was that not only were local manufacturers losing out on domestic sales, but some 5 250 South Africans had been deprived of employment.

The problem, Moodie asserted, has become universal through the aggressive marketing of developing countries in the Far East and South America, particularly Taiwan and Brazil. But where SA had defaulted, he contended, was in failing to follow the example of others in taking timely action.

Britain has recently imposed a restraint level of 9.9m pairs in Taiwanese shoes, France has a ceiling of 12.6m pairs and Ireland restricts imports from Taiwan to a mere 140 000 pairs. In doing so, however, they are clearly contravening the restriction on quantitative controls contained in Article 11 of GATT.

Shrugging off the tariff disadvantages, however, Taiwan remains far and away SA’s major overseas supplier.

Even the open US economy, Moodie avers, is now giving serious consideration to the re-imposition of quantitative restrictions — but not before its shoe industry has been decimated by imports. Imported shoes now constitute 75.7% of the US market, 507 plants have closed in recent years, unemployment in the industry has risen to 18.6% against a national average of 8%, and operating margins are down to about 2%.

Moodie’s thumbnail sketch of the US experience was an unusually grim picture of a country swamped by an avalanche of unwelcome imports.

The implications for the SA industry are clear: if the mighty US economy has been unable to withstand the onslaught of imports, how then is SA going to cope?

Moodie’s suggestion is that while the present policy, deferring to the pressures of GATT and SA’s trading partners, was one of selective tariffs, “experience will show that ability both locally and on the export market. Agree or disagree, it is clear that from now on the main thrust will remain towards tariffs.”

But, in the end, government has struck something of a compromise. It has agreed to hold 1985 imports to the 1983 level in value terms plus 20%. Some industry sources feel this is still too high. But in the absence of quantitative controls, Moodie sees it as a reasonable alternative. He would like to see the policy entrenched, with perhaps an annual 10% adjustment in values “At least we could plan for the future with greater certainty,” he says.

On the other major beef, the rising cost of raw materials, government was a little more forthcoming. But then the Footwear Manufacturers Federation probably has legitimate grounds for grievance.

Many of its raw materials are derivatives of the plastics and rubber industries, classified as “strategic” industries in SA. Consequently prices are often double those available overseas — the price local manufacturers have to pay for keeping them in operation. The upshot is that it erodes manufacturers’ competitiveness both on the local and export markets.

The price of synthetic rubber, for example, is now 43% higher than it was a year ago. The cost of hides and skins has gone through the roof because of lucrative prices overseas, and there has been another increase in the price of PVC compound.

What, asked one industry source, was government intending to do about it? Or did it expect the industry to capitulate and admit that it just could not compete in certain areas?

Board of Trade chairman Basse Kleu had a ready answer. The cost of footwear, he pointed out, had increased a good deal more over the past 10 years than some inputs. But he said if the industry really could not solve the problem itself, it should target the troublesome inputs and “make a case for exemptions and rebates on duties so that you can compete.”

Welcome news, no doubt, for hard-pressed footwear manufacturers. And so were the indications that the BoT was now ready to hear more argument on what constituted unfair trade and destructive competition. The authorities’ blinkered vision on this has long been in contention. Government is clearly growing bolder. Having won the economic argument on duties versus controls (there could, in reality, be no other outcome), it now seems ready to permit dissent of a different kind. Kleu’s parting shot said it all: “We’re open to debate.”
PINETOWN — About 700 workers at the Bata shoe factory in Pinetown blocked the main route to New Germany today.

The unrest started when about 90 men in the company’s rubber department demanded a pay increase and it was rejected.

They persuaded most of the labour force to down tools and join them outside the factory today.

After blocking the road they moved to a site near the factory.

They rejected pleas to return to their jobs while negotiations took place and booed management representatives.

The police were called, but said the situation was orderly and under control.

Senior management officials were not available for comment. — Sapa
Striking workers block road

PINETOWN — About 700 workers at the Bata shoe factory in Pinetown blocked the main route between the town and New Germany yesterday.

The unrest started when about 50 men in the company’s rubber department demanded a pay increase and it was rejected.

Then most of the labour force downed tools and joined the 50 outside the factory yesterday.

After blocking the road they moved to a site near the factory.

They rejected pleas to return to their jobs while negotiations took place. Police later said the situation was orderly.

Senior management officials were not available for comment — Sapa.
Rioting workers injure three

Argus Correspondent

PINETOWN — Rioting Bata shoe factory workers here have injured three people and stoned cars in an attempt to prevent production continuing.

Police used dogs to control the angry crowd of about 300 who were finally dispersed from the factory about 6 pm yesterday.

An Indian member of the permanent staff was seriously injured when a brick, hurled from the crowd, smashed the window of a van.

Workers say the unrest started a week ago when about 50 men in the rubber department demanded a 25 percent increase.
Rioters injure three people

Own Correspondent

PINETOWN — Rioting Bata shoe factory workers here last night injured three people and stoned motor cars in an attempt to prevent production.

Two temporary workers, Mr P Mkize and Mr Z Ndlouv, were stoned and beaten. An unidentified Indian member of the permanent staff was seriously injured by a brick hurled from the crowd.

Police used dogs to disperse the angry crowd of 300 from the Manchester Road factory.
Violence at shoe factory

Labour Correspondent

VIOLANCE has erupted at the Canadian-owned Bata shoe company’s Pinetown plant, which has a workforce of more than 1,500 and where workers have been on strike for the past week.

According to police and the company, strikers used sticks and stones late on Tuesday afternoon to attack temporary workers at the plant. Three people were injured and passing cars were also attacked, they said.

Worker sources said a woman worker had been shot on Tuesday by a company security guard and was now in hospital. The SA Allied Workers Union also claims that police at the factory killed workers.

A company statement confirmed that a security guard had fired shots at an “illegal mob” which, it alleged, had thrown stones at him but said he only shot into the air.

The strike at Bata began last Thursday when workers in a department organised by the SA Allied Workers Union downed tools. According to worker sources, other depart-
ments stopped work the next day.

SAAWU's general secretary, Mr Sam Kikins, said workers were striking in support of wage talks and were also demanding that they be allowed to resign from the Tuscan union. They were also protesting against the dismissal of two colleagues, he said.

Bata, Mr Kikins charged, had refused all attempts by SAAWU and a worker committee at the plant to negotiate with it and workers had been told they would be fired if they were not back at work by Monday.

Bata said workers had been on an “illegal strike” and alleged that many wanted to work but were being prevented by “a group of militant strikers”.

On Tuesday afternoon, it said, 15 to 20 people attacked two casual workers who were leaving the premises. Two security officers went to investigate and were shot by the crowd. One fired five warning shots into the air.
NEARLY 1 000 striking workers at the Bata shoe factory in Pinetown have been given an ultimatum to return to work today or face dismissal, according to workers.

The work stoppage entered its sixth day yesterday following a refusal by the management to meet a demand by about 90 workers in the rubber department for a pay rise of 20 percent.

Workers from other departments downed tools in support of their colleagues and now the issue has spread to union recognition.

According to a spokesman for the workers the management refuses to recognise the black-dominated South African Allied Workers' Union at the factory.

"They are only prepared to talk to the Tusa-affiliated National Union of Leather Workers, which represents about 25 percent of the workforce," he added.

**Stoning**

On Wednesday evening, a black woman was shot and wounded after security guards at the factory opened fire when a riot broke out as home-going workers were attacked by a knobkerrie-wielding mob. Two others were also injured.

In a statement to the Mercury yesterday, Mr S Finlayson, the company's managing director, said the company had been in an illegal strike situation since Thursday of last week.

"In spite of numerous attempts by many employees to return to work they have been prevented from doing so by a group of militant strikers," he said.

He said the situation worsened on Wednesday afternoon when a group began stoning vehicles leaving the company's premises after work.

At 4.45 p.m. a group of 15 to 20 people attacked and assaulted two casual workers who were leaving the premises using sticks, stones and large rocks.

**Threats**

"Two of our security officers went to investigate the fracas and were themselves stoned by the unruly mob. One of these officers drew a pistol and fired five warning shots into the air.

"It is also known that an unidentified person not employed by the company fired two shots in an attempt to protect his property. Police are investigating.

"The company dissociates itself from the incident as it does not permit employees to carry weapons. The security guard had brought the weapon to work following threats on his life on Thursday," he said in the statement.
Bata men to end strike

Mercury Reporter

STRIKING Bata shoe factory workers decided at a meeting yesterday to end their week-long strike and return to work on Monday.

This decision was taken after an undertaking by the management to meet representatives of the workers soon after all the workers had returned to their jobs, Mr Welcom Nishangase, a spokesman for the workers, said after the meeting in a Clermont church hall yesterday.

He said the company had requested that all workers return yesterday, but the deadline was extended to Monday as most of the workers could not get the message in time.

Dealings

In a letter to workers, Mr DA Bell, the company's personnel and industrial relations manager, said 'The management had been advised by a group of seven workers, who claim to represent the wishes of the majority, that dealings with the present representative trade union are satisfactory.'

'The company urges all employees who are on strike to return to work immediately and having done so, the company will talk to the spokesmen of workers with a view to ascertaining the wishes of the majority of employees regarding their future representation.'

Mr Nishangase, who is also organizing secretary of the Leather and Allied Workers' Union— an affiliate of the South African Allied Workers' Union — said the majority of the workers no longer wanted the Tusea-affiliated National Union of Leather Workers to represent them.

'The majority said they no longer wanted the Saawu-affiliate to represent them at the factory, but the management refused to recognize this union.'
Peace talks follow strike violence

Bata changed its tune after we phoned Canada, union claims

By Barney Mmambothi

A TRANS-ATLANTIC telephone call to Bata Shoe Company in Canada this week brought to an end a week-long strike by more than 120 workers at the company's plant in Pinetown.

They had been on strike since last Thursday because of a dispute over a pay increase and union recognition. The strike took an ugly turn this week when three workers were injured during an eruption of violence.

One, Miss Nomusa Mdudane of St Wendel's, was in hospital with a bullet wound in the chest after she was allegedly shot by a security guard.

The workers decided on Friday they would report for work tomorrow after management assured them they were prepared to talk to the workers' spokesmen with a view to ascertaining the wishes of the majority of employees regarding their future representation.

Workers saw this as a turn-about by management from the hard line it had taken since the strike began and decided to go back to work while talks on union recognition continued.

They are demanding a 30 percent wage increase and that management sign a recognition agreement with the Leather and Allied Workers' Union, and not the Trotsky-affiliated National Union of Leather Workers, which they say they were forced to join.

A spokesman for the workers, Mr. Welcome Ntsangase, said there had been a perceptible change of attitude by management after he had contacted Bata's headquarters in Ontario, Canada on Wednesday.

"We contacted Bata's head office because we wanted them to get the workers' side of the story as well," Mr Ntsangase said.

He said Mr. Thomas Bata, head of the company, had not been available, but he had been able to speak to his secretary-general, Mr. Cheasarie.

"Mr. Cheasarie said they were very concerned about what was happening here but could not help because Bata was autonomous. He however assured me they would contact Bata."

Mr Ntsangase said a letter to workers from Bata's industrial manager, Mr. D.A. Bell, showed they had changed their initial attitude.

Mr. Sisa Njikela, vice-president of the SA Allied Workers Union to which the Leather and Allied Workers Union is affiliated said the union would have no problem proving majority membership at Bata.

But Mr. Terrance Davan of the NULW said all workers at Bata belonged to his union. He denied his union had a closed shop agreement with Bata.

Mr Davan said workers who joined the new union had been intimidated into doing so. "The dispute at Bata is a man-management-worker dispute. It is not union-worker dispute."

Bata management has refused to discuss the strike with the media except to release a short statement acknowledging the existence of the strike and dissociating themselves from the shooting which took place on their premises.

Striking Bata shoe company workers outside the plant on Friday before collecting their wages. Welcome Ntsangase (far left), the workers' spokesman, and Sisa Njikela, vice-president of the SA Allied Workers Union.
Woman (19) shot as 1 000 strike

The Pinetown police are investigating charges of assault following the shooting of a 19-year-old worker during a week-long strike by over 1 000 workers at Bata Shoe Company near Durban.

Miss Nomsa Mdade, of St Wendolins, Pinetown, was allegedly shot in the arm by a company security guard. She was admitted to the King Edward Hospital, Alexandra, and later discharged.

Three other workers, Mr P Mkhize, Mr Z Ndlovu and an unidentified staff member, were injured when violence erupted near the plant last week.

The incident has been confirmed by the police, who say they are investigating.

The workers, members of the Leather and Allied Workers' Union, an affiliate of SA Allied Workers' Union, went back to work this week after management had promised to continue discussions with them. They demanded 30 percent pay increases and union recognition.
Shoe factory boost

QUEENSTOWN — A Durban-based shoe factory, Mayflex Shoes, is to relocate to Queenstown in an operation expected to pump close to a million rand into Queenstown's industrial economy.

The deal was announced this week by Mr Adri Loots, whose company is industrial consultant to the municipality and who negotiated the deal.

Mr Loots said the factory manufactures many popular lines in footwear, including school shoes, running shoes and 'tackles.'
Footwear imports still worry SA footwear men

AMONG domestic manufacturers likely to benefit from rises in prices of imports as a result of the rand’s recent nosedive, are those in the footwear industry.

However, after a prolonged assault on the South African market by cheaper-priced imports, the director of the Port Elizabeth-based Footwear Manufacturers’ Federation of South Africa, Mr Denis Linde, is wary of anticipating early relief. In his report to the federation’s recent annual general meeting in Cape Town, Mr Linde outlined the impact of imports on the local market. And in an interview last week, he said, notwithstanding the rand’s steady loss of value, the gains made by imports in the first four months of 1984 had grown worse.

In January, 1984 the volume of imports (at 826 602 pairs), was some 70% up on the 473 002 pairs imported in the same month last year, delegates to the federation’s AGM heard several weeks ago.

“And despite the increasing costs of imports, the figures for January to April show a 100% increase in both volume and value of sales,” commented Mr Linde this week.

“So for this period it’s got worse, not better. Though we can hope that the rand’s effective devaluation (approaching 25% before last week’s remedial action on interest rates), will help, we haven’t seen any results yet.”

Mr Linde’s reassuring comments might usefully be gauged against a background in which the federation is awaiting the outcome of a 27-month-old application to the Board of Trade for formula import duties on the basis of “disruptive competition.”

And should there be any doubt that tariff increases under discussion be traded-off against import price increases resulting from exchange movements, Mr Linde points out that “both the Board of Trade and the

Imports still worry SA footwear men

Minister of Industries and Commerce (Dr Dawne de Villiers), disregard such movements because they are so unpredictable.

The federation’s application calls for tariffs which will introduce highest percentage increases in the lowest-priced products and reduce to a cut-off point where a duty of 30% will apply.

At the lower-end of the product range tariffs are intended to more than double retail prices of imported footwear.

Mr Linde says he understands a decision favourable to the domestic industry was taken towards the end of last year, but has not yet been made public.

“The snag is that a vast number of these tariff items fall under binding GATT agreements — which means that we must first negotiate these items out of the agreements before we can adjust the duties.

“This can take an awfully long time — years in some cases.”

Hardest hit last year by the imports made by imported products in the domestic footwear industry were manufacturers in the lower-end of the market.

A little over 26% of the total number of imports into the country in 1983 fell into the category of laced canvas footwear and doubled the previous year’s imports.

Footwear imports still worry local industry
A shoe industry faces further retrenchment

By inexpensive imports and slow collection of debts the South African shoe industry could be hit by further retrenchment if there is no improvement soon according to the March edition of KreditRemete.

A number of factories are already working short term and the situation could be further aggravated by a fall off in winter orders, that are already below expectation.

The journal says although the value of overdue accounts at 20.7 percent is moderately up on previous years, the number of debtors unable to meet their commitments has risen to 50.1 percent in the last two months of 1984.

'Until this amazing escalation, the industry appeared to be holding up reasonably well, with an approximate overdue average of 27 percent.

According to the journal, a large portion of the escalation is due to 'refer to drawer' cheques and extensions on post-dated cheques.

KreditRemete notes that 'refer to drawer' cheques in the industry may have grown by over 100 percent in the past six months.

The textile industry has also witnessed a substantial deterioration in debtors, with value of overdue accounts rising to R20,372m — 11.7 percent higher than last year.

The number of overdue debtors at 46.8 percent is 12.9 percent higher than last year.

The journal says woven manufacturers are being castigated by the clothing industry for unreliable deliveries, but the industry 'which was forced to retrench about 13,000 employees, while the clothing industry made its purchases overseas'.

It points out that the rand-slide has aggravated the situation by changing the actual cost of imports.
Footwear trade
hard hit by
the recession

Financial Editor

The recession has hit the footwear trade hard and half the country's shoe stores are behind in the payment of their bills, says the latest issue of KreditReview, the official journal of the Kreditfinform credit information organisation.

It says the value of overdue is moderately up, being 20.7 percent higher than last year. However, the most disturbing statistic is the number of debtors who cannot meet their commitments. It says that 50.1 percent of them are overdue.

The deterioration began in the last two months of 1984. Until then receivables had been holding up well with about 27 percent overdue.

Winter orders

The footwear industry, already under pressure from inexpensive imports, is finding winter orders slow in coming in.

KreditReview says it is probable that further retrenchments in this industry will be necessary if no improvement is seen soon. A number of factories are already working short-time.

It reports there has also been a substantial deterioration in the textile industry's debtors' position. The value of debts overdue is 20.7 percent, which compares with a figure of only 17 percent last year. Altogether 46.8 percent of debtors are overdue against 33.9 percent a year ago.

Reflecting this situation, applications for liquidation and sequestration reached record levels in the first two months of 1985, being double last year's corresponding figures.

It is estimated that when all the figures have been received the number of final liquidations last year will be 4,600, to handsomely exceed the 3,800 in 1977, the previous record figure.
Two industries with their backs to the wall

Grim for shoes as imports surge

By Kerry Clarke

ONLY months after being granted tariff protection from low-priced imports, South Africa's shoe manufacturers are complaining. They are considering new applications to the Board of Trade.

Imports are eroding the market share of SA manufacturers, making up 28% of sales in 1982 and 31% last year.

SA manufacturers produced 98-million pairs of shoes in 1984, and 96-million pairs were imported. Total sales from November 1985 to December 1986 were worth R904-million.

There is hope in the industry that the devalued rand will suppress imports from the Far East, Brazil and Europe this year.

Grim outlook

But Denis Londe, president of the Footwear Manufacturers Federation, says it took two years to gain tariff protection.

"The outlook for shoe manufacturers is grim," he says. "About 95% of manufacturers are producing well below their capacity, says Robert Pemblum, managing director of Cosina, one of SA's biggest shoe firms. Some factories are working only a three-day week and retrenchment is widespread."

Mr Londe says the labour complement in the shoe-manufacturing industry has dropped 22% since 1981. Johnny Greenblatt, marketing director of Richleigh Shoes, a company in the SA Breweries SA Footwear group, says certain factories producing women's shoes have reduced production from 2,500 pairs a day to only 800.

Manufacturers also face increasing raw material prices. PVC, used for soles and synthetic uppers, increased in price by between 10% and 20% in the past few weeks, and leather prices have doubled in the past 18 months.

Short notice

Retailers are causing another problem by ordering shoes at short notice.

Mr Pemblum says: "This is dangerous for us as it makes it impossible to plan. We are working from hand to mouth."

Kreditinform reports that more than half SA shoe stores are overdue in payments to suppliers.

Kreditinform's quarterly review says 'Winter orders, which should be virtually finalised by now, are not up to expectations. It is probable that further retrenchment will be necessary in this industry if no improvement is seen soon'.

Winner

In spite of difficult market conditions, some shoe manufacturers are working at near capacity. This fact was noted by the Minister of Trade and Industry, Dawie de Villiers, in a letter sent to the Footwear Manufacturers Federation last month.

Dr de Villiers said the pessimistic views sometimes expressed about the state of the industry were exaggerated.

Richleigh Shoes in Maritzburg has maintained output at capacity of 4,700 pairs of men's shoes a day. Mr Greenblatt says 1986 will be one of the best years in the company's history. He attributes the success to an aggressive sales and marketing policy and a trimming of the range of styles.

"I am not against imports because I believe that if we are good enough we will survive. However, I might feel differently if I were involved in producing women's shoes."
They are still waiting.

The South African subsidiary of the giant C & J Clark footwear company, based in the UK, was placed in voluntary liquidation in January 1985, owing more than R1m to about 20 creditors.

Clarks guaranteed to honour its debts and even arranged a payment schedule, put forward by the SA-based liquidator in late 1985. This schedule has now been dubbed "the never-never plan" by suppliers. It was agreed that 25% of the total owing would be paid in January 1986, with another 50% in June or July this year and the remaining 25% in December 1986.

But the January payment has not yet materialised.

Suppliers' shock

Suppliers, already struggling because of the depressed footwear trade, "are shocked that a company of the standing of Clarks has chosen to procrastinate in fulfilling its obligation," says an SA Tanners' Association spokesman.

Payment depended upon the sale of Clarks' SA property from which, the liquidator says, funds have been realised. A circular issued by the liquidator says discussions on payments are continuing, but that the matter has been delayed because of expense queries by the Master of the Supreme Court. Adequate funds are available, the circular emphasises, but it seems the original payment plan is doomed.

The circular suggests a new offer of compromise to be agreed by a majority of creditors. But the suppliers are sceptical. Says one "We have received many gestures of this kind before."

The liquidators' reaction? None at this stage, except an unofficial comment that creditors are being unreasonable.
Labour Reporter

ABOUT 80 workers at the S A Bata Shoe Company Ltd have been retrenched in the past week.

Mr Terence Deven, branch secretary of the National Leather Workers' Union, confirmed yesterday that some workers had been retrenched, but he declined to divulge any further information.

'It is union policy not to disclose such information to the Press,' he added.

Comment

Mr D A Bell, industrial relations and personnel manager of the company, also declined to comment when approached by the Mercury yesterday after he attended an Industrial Council meeting in Durban with union representatives.

The company's managing director, Mr S Finlayson, could not be reached for comment.

A spokesman for the National Industrial Council of the Leather Industry of South Africa said it was up to individual companies to decide on policy matters regarding staffing requirements.

However, the Industrial Council agreement provided for one week's notice of termination of employment and the council was therefore not directly concerned with retrenchments as such, he added.
Clothing industry is in tatters

By DICK USHER, Labour Reporter

CHEAP imports and the recession are wreaking havoc in the clothing industry and at least 4,000 jobs have been lost in the Western Cape in recent months.

In the leather and footwear industry about 3,000 jobs have been lost nationally for the same reasons.

And one major Cape clothing manufacturer is reported to be considering laying off about 1,000 workers as the recession bites deeper.

Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association, said today that a prime rate of 25 percent, an inflation rate of at least 16 percent and a weak rand were killing the industry.

Half the costs in the clothing industry were imports — of yarn and other items — which had to be paid for in dollars.

Mr Jocum also said the industry believed imports from Ciskei were finding their way to the local market.

"The Ciskei gets tremendous subsidies from the South African taxpayer to encourage employment there, but effectively it seems that we are subsidising Ciskei to put people out of work in urban areas," he said.

Mr Bobby Jacobs, chairman of Tej, which last week retrenched 46 monthly-paid staff and put 282 workers on short-time, said the knitwear industry was particularly vulnerable to cheap imports.

"And it doesn't help that we have a Taiwan within our borders. Wages in border areas and homelands are much lower," he said.

Mr Louis Petersen, general secretary of the Garment Workers' Union, agreed that Ciskeian imports were affecting the South African industry, mainly at the cheaper end of the market.
Boot on the other foot for shoe manufacturers
Imports main problem
for S A footwear trade

Mr Linde, director of
the Footwear Manufactur-
ers' Federation of
South Africa, said in a
statement, that it was
disconcerting to note
that footwear imports
which represented less
than 20 percent of the
local shoe market in
1981 had grown to 31.2
percent of the market
last year.

He said some relief
could be afforded to the
industry by the Ministry
of Trade and Industry,
which had indicated it
would restrict imports to
1983 levels plus 20
percent to the value of
R87m, this representing
a drop of 41 percent on
last year's figures.

Procedure

Also, the new proce-
dure which will hopefully
be introduced in July of
issuing permits on the ba-
sis of tariff items, not as
at present where permits
cover all footwear, will
exercise a better control
of the types of footwear to
be imported.

'But it is also of con-
cern, that importers, of-
ten with a popular make
that had been made locally
for years, had copied
the shoe in Taiwan and
then imported it into
South Africa in large
quantities without pass-
ing any of the extra profit
on to the consumer.'

He said it was correct
that local material input
in most cases had higher
costs structures than
overseas and the fede-
ration accepted the need
for imported footwear,
'especially expensive
fashion footwear from
Europe, but the continual
cost increases of raw ma-
terials was one of the in-
dustry's biggest
headaches.'

'Rubber, for example,
increased by 14 percent
this month, to bring the
total escalation to 45
percent in the last 12
months and plastic ma-
terial is twice the world
price.'

The absorption by the
industry of the added
costs of raw material in-
puts had led to a decline
of 32 percent in profit
margins and indications
were that some of these
cost increases could not
be carried much longer.

Price index

He said he expected
that the 1985 consumer
price index for footwear
will increase at a faster
rate than the average CPI
for all commodities for
the first time since the
period 1976 to 1980.

The annual general
meeting of the federation
is to be held in Durban on
June 11, when the Gov-
ernment's White Paper
on Industrial Development
Strategy will be dis-
cussed, but Mr Linde
warned that an urgent so-
lution to the industry's
problems - particularly
to the labour intensity of
the industry - had to be
found.

'Since 1981 the sector
has lost 18 percent or
more than 5 000 of its
employees - not so much
because of the recession
as because of imports.'
Cheaper imports blamed for drop in shoe industry

Finance Reporter

CHEAPER imports and recent increased prices of raw materials were cited as the main factors for the decline in profits in the shoe industry during a Footwear Manufacturers’ Federation seminar in Durban yesterday.

Mr Frank Moodie, group managing director of Shoe Corporation of Africa said, in contrast to the stagnant manufacturing scene, imports had rocketed since 1979 by 152 percent to capture 31.1 percent of the South African market compared with 17.3 percent five years ago.

Declined

He said the most dramatic growth had taken place in 1984 when goods pouring in from the East and Brazil had escalated by 41.3 percent, which amounted to an extra 7,000,000 pairs of shoes.

The increase alone is equivalent to the production of 15 large South African factories each capable of producing 500,000 pairs annually.

‘Somewhat surprisingly, exports from South Africa declined sharply to R3,900,000 last year from a high of R11.3 million in 1980 and this reflects the highly aggressive nature of our overseas competitors.

But the phenomenon of escalating imports, which we have experienced in this country, has also manifested itself in virtually every Western democracy and in most cases it has gone on longer than in South Africa.

Relief

‘Footwear industries in the U.S., Canada, Britain, France, West Germany and Ireland, all of which were previously major manufacturers, have been virtually decimated by the rapidly growing production in the so-called developing countries in the Orient and Brazil.

He said some relief had been afforded the industry through the present import control for 1985, based on 1983 import levels plus 20 percent, ‘but if this was increased by 10 percent annually the industry could plan for the future with far greater certainty.’

Doubled

Mr Moodie said an annual 10 percent increase would benefit the country in terms of employment and foreign exchange savings and the quotas would be liberal enough to ensure lower income consumers were not unduly harmed.

Mr Syd Finlayson, company manager of Bata’s South Africa operations, told the seminar raw materials, which form the largest external component of input in the industry, had risen by nearly 40 percent for those imported.

He said synthetic rubber had increased by 46 percent and raw hides had almost doubled.

Mr Finlayson said productivity, through maximising output of the industry’s resources, was the industry’s future direction to success.

‘We have to raise our productivity levels to those of the industrialised nations. For too long our productivity increases have originated from using additional or extra resources.’
Shoe firms using 'outdated marketing techniques'  

Finance Reporter  

SENIOR management's 'lack of interest', outdated marketing techniques and shortage of skilled middle managers in the footwear industry were all highlighted during the Footwear Manufacturer's Federation annual seminar in Durban on Tuesday.

While the high increase in imports was singled out as the most important factor in the industry's present stagnation, Mr Syd Finlayson, company manager of Bata's South African operations, said in his address that during his three years in the footwear industry he had become disenchanted at the lack of interest shown by senior management in many areas of the industry.

'It seems that providing someone else is doing the work and fighting the battle they are unconcerned.'

Mr Finlayson cited two instances when meetings had been called to discuss the threat of imports when only six chief executive officers had attended and at another meeting in Natal when the same tier of executives had been called to discuss the acceptance of proposals put by the National Productivity Institute to assist in increasing productivity and was attended by a handful of managers.

New ideas

The industry is estimated to have approximately 144 footwear manufacturers.

He said many companies 'paid little or no attention to marketing'.

'We have become a "knock-off" industry, largely incapable of creating new or innovative ideas, or even attempting to establish the needs and wants of our customers'.

'As soon as a specific shoe becomes a successful product at least five or six manufacturers copy it; identically or retailers get it "knocked-off" in the Far East.'

'And I predict that if imports continue growing at the present rate and unless local manufacturers become more marketing oriented, price cutting will become the only tool for continued existence, with the result that in the not too distant future only a small percentage of today's manufacturers will still exist, and then at unacceptable profit levels.'

Solution

Mr Finlayson said the industry had to become more aware of consumer needs and demands, and added that poor marketing had caused more companies to go to the wall in the current recession than was ordinarily believed.

He said a solution to the lack of skilled middle managers was to develop industry-oriented courses at tertiary levels, 'probably in the techniques on a similar basis available to engineering technicians'.

'To begin at grass-roots levels would take some time for the industry to reap the benefits, but would certainly contribute to the creation of capable and well-trained middle management and ensure an adequate pool of supervisors.'
British United plans export drive

Business Reporter

BRITISH United Shoe Machinery (Pty) Ltd, manufacturers of tacks and nails for the shoe industry and for general industry, is poised to enter the export market.

Product manager for BU in Port Elizabeth, Mr Barry Bouton, told Evening Post that since the beginning of the year, the company, which has its factory in Port Elizabeth, had spent a quarter of a million rand on overhauling plant and buying new machinery.

Additional funds — which would also amount to about R150 000 — had been budgeted for the improvements to the plant next year.

The main idea behind the improvement and extensions to the plant was to consolidate the company's position in the South African market with a view to exports.

Mr Richard Jourdain, engineering manager for BU Shoe Machinery, will be going to Leicester, England, this month for a four-week training programme to keep abreast of the latest techniques of tack and nail manufacturing.

Project manager for BU in Leicester, England, Mr Owen Webb, is in Port Elizabeth to supervise the overhauling of the PE plant and the installation of the new machines.

The director of footwear materials, Mr Martin Dunne, first mooted the overhaul and improvements to the plant last year.

Mr Webb visited the factory in Port Elizabeth in December for two weeks when the plant was initially drawn up.

He returned for four weeks in March.

Mr Webb paid his third visit to Port Elizabeth last month to supervise the final stages of the project, which is likely to last a month.

Mr Webb has 51 years' experience in the nail and tack manufacturing industry.

In 1962 he spent eight months in India training to build a complete factory for the manufacture of tacks and nails for shoes.

He spent some weeks in Paris at a tack factory there and has paid short visits to Holland and Sweden in the course of his work.

BU are suppliers of all kinds of materials to the shoe industry but have also perfected techniques for the hardening of nails — their nails will drive through steel.

By improving their plant for the manufacture of tacks and nails BU are planning to improve their output and the quality of the goods and they will soon be making a thrust into the export market.

Product manager at British United Shoe Machinery (Pty) Ltd in Port Elizabeth, Mr BARRY BOUTON (left), and Mr OWEN WERR, project manager for Bil at Leicester, England, discuss some aspects of the plant in Port Elizabeth.

Skilled office staff in strong demand

Business Reporter

PUBLIC OFFER of clothing and small goods is the subject of much comment in the country today.

There is so much gloom and doom around that it is pleasant to hear of good news for a change and the good news for office staff with good skills is that there is a strong demand by commerce and industry throughout the country for them.

A recent salary survey released by Kelly, the largest general office consultancy in South Africa, highlights the demand for shorthand secretaries earning R1 000 and over, receptionists with typing skills earning R750 and trained word processor operators earning R1 000 and over.

Kelly Personnel Group's general manager, Mr John Dawkins, says qualified applicants in these job categories are needed in most areas throughout the country.

He said there was a market shortage of staff with good general office skills.

Salaries were not decreasing, but were stable and increasing due to the shortage of available skilled staff in certain job categories.

Skilled office staff in strong demand
Cheap imports cost 500 jobs

ABOUT 50 workers will lose their jobs when a shoe factory closes at the end of this month — because of cheap imports of shoes from the Far East and the high cost of raw materials.

Mr Selwyn Lurce, joint managing director of Natal Canvas, said all his workers would receive severance payments when the footwear division closed down.

The directors' report said the "large variety and volume of cheap footwear imported from the Far East" contributed to the division's loss.

22/9/87
GOVERNMENT has decided to apply stricter control on footwear in order to check temporarily inroads imports are making into the domestic market.

The purpose is to give SA's footwear manufacturers sufficient breathing space until additional tariff protection has been finalised, says Trade and Industries Minister Dawie de Villiers.

The Footwear Manufacturers’ Association is preparing an application for further protection on categories of footwear not already covered by tariffs and formula duties introduced last year.

Opening a shoe factory in Maritzburg on Friday, De Villiers said disruptive competition from imports had led to an unsatisfactory local situation that could not be permitted to continue.

Domestic demand for footwear has shrunk from a normal output of about 88-million pairs of shoes a year to about 68-million pairs in 1983.

Production in terms of pairs has fallen from 63-million in 1981 to about 54.7-million last year.

At the same time the share of the domestic market captured by imported footwear has increased from about 17% in 1979 to 31% in 1984.

Confirming that stricter import controls would be applied until additional tariffs could be introduced, De Villiers warned that such protection could not be applied indefinitely.
Shoe workers' pay upped

WORKERS in the shoe-making industry are to get a 12.5% wage hike from July 1, under an agreement signed between the Footwear Manufacturers' Federation (FMF) and the SA Federation of Leather Trade Unions last week.

The across-the-board increase will apply to all sections covered by the Industrial Council's footwear agreement. The employees will also benefit from an extra working day's paid leave a year, raising the present allowance to 15 days.

A leather industry source said the negotiations took two full days.

The unions were pressing for an increase in excess of the present inflation rate — estimated at 10.5%. And the industry aimed at a lower figure than was finally compromised on, as the manufacturers continue to feel the effects of a recessed market and competition from cheap imports.

Dennis Linde, executive director of FMF, said the industry felt that the impact on the price of end-products from the wage increase would be "no more than 5%"
Women’s fashion footwear manufacturers ‘face disaster’

By Stan Kennedy

The average women’s footwear manufacturer experienced a virtual zero growth in rand sales in 1985 and this sector of the industry faces financial disaster, says Dr Jan Boer of the National Productivity Institute (NPI).

Net investment increased by eight percent while profits declined by 60 percent or about R260 000 per company. If the change in investment is taken into account, the average decrease in profit per company was R370 000.

This decrease was due to manufacturers absorbing R344 000 in resource price increases. Efficiency gains compensated for this absorption with R135 000 but capacity utilisation decreased cost each manufacturer another R161 000.

The NPI study covered 13 predominantly ladies’ footwear manufacturers as well as their predominantly men’s manufacturers. The sample is said to be representative of the industry and covers 60 percent of employment, turnover and output.

“The ladies’ sector is experiencing its worst financial position in the last 10 years,” says Dr Boer. “It is imperative that manufacturers, retailers, suppliers and labour consult with one another on the future viability of the sector.”

A further decline in profitability this year may lead to the closure of many reputable firms.

Average profit margin before interest and tax in the ladies’ sector crashed to 1.17 percent of gross sales. Turnover of operating assets was 2.73 times a year and therefore the return on operating assets was only 3.13 percent before interest and tax.

The NPI estimated that the average interest burden was four percent of gross sales per company. This indicates that ladies’ manufacturers were making losses after interest or just breaking even.

The raw material and manufacturing overhead cost components expressed as a percentage of gross sales rose sharply over 1984. This was caused by lower capacity utilisation of the fixed assets and the inability of the manufacturers to increase selling prices in line with raw material price increases.

The men’s sector held its own, each company’s profits decreasing by R11 000 on average if the increased net assets employed (R2 million per company) was taken into account.

However, the decrease in profits originated from a cost absorption of R806 000 per company, offset by a R530 000 efficiency gain plus a R265 000 capacity utilisation gain.

Profit margin was about 10 percent, while operating assets were turned over 2.4 times to give a return on operating assets before interest and tax of 24 percent.

Golds close mostly easier

Gold shares closed mostly easier, shedding a part of their recent gains on light profit-taking and currency factors as the rand recovered partially from Thursday’s sharp fall, dealers said.

Kinross lost 15c at R42.50 while cheaper gold shares losses ranged to 75c as in Durban Deep at R21.75, but ET Cons was among a few firm spots, closing 15c higher at R47.

At the close 35 gold shares were lower, seven higher and eight unchanged, while the Krugerrand slipped R10 at R790, they added.

Mining financials and other munings generally also drifted off their recent highs, with Anglos closing 25c up at R43.50 after opening stronger at R44, while diamond share De Beers shed 30c at R23.70.

Shortly before the close the JSE all gold index had fallen to 1174.7 from a close of 1205.1 Thursday, but the industrial index had risen slightly to 1094.7 from 1098.4.

The overall index was down slightly at 1392.7 from Thursday’s 1406.0 finish --
Footwear trade not willing to invest in new plant

Finance Editor

THE FOOTWEAR industry in South Africa is loath to invest in new plant and equipment and so increase employment because it does not think the Government wishes to encourage employment, says Mr Desmond Bolton, chairman of Desmond Bolton Industries, the Cape-based shoe manufacturers.

The industry says that the Government appeared to encourage employment only in decentralised areas and that it had not clear policy on footwear imports.

He described, in the annual report, how in the 'good times' the Government was not prepared to protect the local industry from 'cheap' imports and said local manufacturers must rely on increased productivity to maintain their industry.

The limited protection granted recently was at the height of the Government's financial squeeze and the recession when shoe sales dropped and demand at manufacturing level slumped.

Workless

Mr Bolton said that this meant increased unemployment, which was a 'major reason' for the township unrest.

He pointed out that there had been closer liaison between the Government and the private sector, 'many of these problems could have been averted.'

South Africa could not compete with Taiwan, South Korea and other Eastern countries which had access to petro-chemical based materials at a lower price than those produced by our 'strategic and protected' industries.

Additionally, South African trade unions negotiated 'adequate wages' for their members in the industry which were 'often in excess' of the levels in the competing countries.

Overseas

Also, the manufacturers were having to compete against overseas demand for the local leather which resulted in large increases in leather prices. Nonetheless, because of the collapse of the rand, local leather prices were among the cheapest in the world.

Said Mr Bolton: 'We believe that the Department of Trade and Industry should endeavour to ensure that beneficiation of raw materials takes place in South Africa.'

He said the Government's stock reply to the industry's problems was 'export.' But without a sound local footwear market exports were out of the question.

However, said Mr Bolton, exports did deserve more attention from the industry.
Pepkor's new look

THE imminent major restructuring of Pepkor makes any attempt at forecasting profits for the current financial year impossible, says chairman Christo Wiese in the annual report for the year to February 1986.

But, he adds, trading conditions in the first three months of this financial year have been highly satisfactory.

The group is changing its financial and organisational structure so that borrowings can be reduced. This will have a positive effect on the underlying net asset value of the group, says Wiese. An announcement will be made later.

Pepkor is consolidating its areas of operation and in future will restrict its activities to the retailing and manufacture of clothing, footwear, and textiles for its own retailing interests. Existing operations are being reassessed to see if they match up with the new operating philosophy and if required returns are being achieved.

During the past financial year the core business divisions - retailing and manufacturing - performed well with operating profits up 17%. But the bottom line result last year was a net loss of R16.6m compared with the previous year's profit of R43m.

The loss, which amounted to R51.7m, was caused by an uncovered foreign transaction. It appears in the income statement as a loss of R25.9m after deferred tax. In the previous year a foreign exchange loss of R40.2m was incurred before deferred tax. All loans were brought onshore in January 1986 and an after-tax amount of R25.9m was written off in forex losses last year.

In November 1985, Pepkor successfully raised R54m in a rights issue of compulsory convertible debentures. A further R20m worth of redeemable preference shares were privately placed.

The new capital was raised to improve the capital base of the group which had been partly eroded by the foreign exchange losses.

The debt/equity ratio last year was 116% and a ratio of 75% is the target. However, foreign exchange losses eroded a portion of the capital base and gearing shot up to an unacceptably high level.
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Return to profit seen for Spitz

LIZ ROUSE

M & S Spitz Footwear Holdings (Spitz) expects a turnaround to profitability and should resume dividend payments in the year to May 1987.

Spitz, which last paid a dividend in 1965, has struggled with a loss situation since 1984. It enjoyed improved trading results in the last two months of its past financial year and losses were reduced significantly, says the preliminary report.

The strengthened capital base, after receipt of R3m from the July rights issue, and the successful start of trading operations in nine Garlicks stores, should ensure a turn for the better.

Turnover in the year to May was R28,06m, compared with R28,1m in 1985. In real terms this spells retrogression in 'sales'.

Marginal branches, in particular, those catering for black consumers, were closed down.

Although the closures cost money, overheads were cut. Strict cost control over stock, debt, and overheads helped reduce losses.

The pretax loss was reduced to R29,000 from a restated R387,000 in 1985. The bottom line was propped up by a credit of R115,000, being a dividend attributable to a preference shareholder in a subsidiary. The net loss attributable to ordinary shareholders narrowed to R443,000 from a restated R428,000 loss in 1985.

Comparative figures for 1985 have been restated to take into account a change in the basis of accounting for export incentives. This reduced the 1985 loss by R43,392.

Spitz shares have not responded to previous statements by chairman Anthony Spitz that profits were around the corner. They are currently trading at 110c, near the year's low of 80c.

Perhaps the latest results will cast a new light on what should be a recovery stock.
Shoe factory burns

A FIRE in a Claremont shoe factory early yesterday morning caused damage estimated at more than R300 000.

The fire, fanned by a strong wind, started about 5am at Mondain Shoes, Grosderry Street. Firemen brought it under control by 6.20am.

A spokesman for the Central Fire Brigade said two fire engines from Wynberg and one from Salt River had been used.

The owner of the factory, Mr Clive Shonfeld, said the fire had destroyed his stock of raw materials. He did not know what caused the fire. He hoped to be back in production within a week.

The fire destroyed the storage room but was stopped from spreading to the machine room where expensive machinery is housed.

Employee of Mondain Shoe Factory in Claremont salvage shoe soles after a fire destroyed a storeroom early yesterday morning.

Picture: ANNE LAING
The graph below shows the quarterly earnings of the company for the past year. The earnings have fluctuated significantly, with the highest earnings occurring in the first quarter and the lowest in the fourth quarter. This trend indicates a need for improved financial management to ensure stability in future quarters.
FOOTWEAR

Out of step

Like the clothing industry (Business October 3), footwear manufacturers have their own material supply problems. However, although demand is at unprecedented levels, manufacturers are making every effort to meet deliveries.

Not all of them, however, are succeeding. With a 16-week delivery time quoted on canvas, for example, at least one major order has been lost because the manufacturer was unable to guarantee the range would be in the customer’s store when he needed it.

Rather than become involved in unseemly squabbles with suppliers, most manufacturers seem content to concentrate on output while they use what leverage they have to unblock the supply pipeline.

Footwear manufacturers owe their improved fortunes mainly to the rand’s poor conversion rate. Retailers, who traditionally sourced many lines abroad, have been forced to look inward. In addition, retailers who had run down inventories through the recession were caught short by the sudden upturn in sales.

As a result, they have rushed in orders — and manufacturers have packed order books until the first quarter of next year.

Things could have been markedly different, however, had not the Footwear Manufacturers’ Federation (FMF) taken numerous steps to halt the flow of cheap shoes from abroad.

Just two years ago, the FMF was contending that SA was being used as a dumping ground for lower-grade shoe imports. Urgent appeals to the Board of Trade and Industry (BTI) for tariff protection resulted in new formula duties on canvas and leather footwear which effectively increased the duty on cheaper lines.

That seemed sufficient to slow the flood of cheap imports to a trickle and the depreciation of the rand did the rest.

At this point, there is no pressure on the BTI to change the quantitative controls on footwear, which have been held at the 1983 levels plus 20% in value terms for the past few years.

However, this is not to say that things will not change. Manufacturers are already expressing concern that retailers may return to purchasing overseas if the rand continues to strengthen. One manufacturer says he knows of a retailer who sent his buyers to the Far East the moment the rand’s exchange rate touched US$4.0c.

Moreover, manufacturers are still concerned at the high imports of women’s lines. An application to the BTI for additional duty protection was held in abeyance when retailers increased local buying, but FMF director Dennis Linde says, “We’re watching the situation closely.”

Of more immediate concern to manufacturers is the rising cost and shortage of just about all inputs. The SA Tanners’ Associa-
Tannery's future known tomorrow

By DEBBIE MARCH

A STATEMENT on the future of the Bata Shoe tannery in Uitenhage after yesterday's announcement that the Canadian company is disinvesting, will be made tomorrow.

The company's general manager, Mr Sid Finlayson, gave assurances today, however, that none of its 3,200 workers countrywide would lose their jobs. This had been one of the requirements of sale to an undisclosed investor.

A spokesman at the Uitenhage plant, where about 200 people are employed, could not say what the future held.

Another brushed off questions saying "Nothing is changing. We'll continue as is."

The plant's general manager, Mr G I Manley, was attending a directors' meeting in Pinetown, and was expected to return with further information.

"Until then we have no comment whatsoever. A Press statement will follow," the spokesman said.

The announcement by Bata Shoes, the biggest Canadian employer in SA, follows the withdrawal of General Motors, IBM and Eastman Kodak.

Bata's factories in SA are at Greytown, Kranskop, Loskop and Eshowe. Its head office and industrial footwear depot is in Pinetown.

Mr Finlayson said although the name of the company and its trademark would change, the local product brand-name would remain the same.
Bata being sold to local group

Drivers of 60 heavies charged

Pietermaritzburg Bureau

SIXTY heavy-duty vehicles have been suspended and the drivers charged for overloading since the start of a new campaign by NPA traffic police on the N3 here on Wednesday.

A traffic inspectorate spokesman said 181 heavy and extra-heavy vehicles had been weighed at the Mkomeni testing grounds in the past three days. The highest overload on a single axle was six tons.

In spite of an ongoing campaign by the NPA traffic inspectorate one in three lorries travelling the N3 would appear to be overloaded, according to statistics.

Two brothers jailed

Court Reporter

TWO brothers were each jailed for 10 years by Mr JJ Brits in the Durban Regional Court yesterday after being convicted of attempted murder and robbery.

Before the Court were Joseph Bhengu, 24, and Munwenhu Bhengu, 23.

They had pleaded not guilty to attempting to murder Mr Yooness Hoosen at his Glen Anil store on June 3 and then robbing him of a sports bag containing R1 000.

In the robbery, four shots were fired, one of which hit Mr Hoosen in the left arm.

Passing sentence, Mr Brits said he took into account that both were young men.

Shop owners, particularly those in remote areas, were vulnerable to this type of attack.

Mercury Reporter

BATA (S A) is already in the process of being sold to an undisclosed company and negotiations will be tied up within weeks.

A condition of sale is that no employees will lose their jobs.

This was said yesterday by a spokesman for the company who confirmed the name of the company and its trademark would change although local product names would remain.

Speculation in the business community is that the giant Rembrandt group is the most likely to buy out the Canadian-based Bata Rembrandt refused to comment.

Other possible buyers could be South African Breweries, Barlow Rand or Natal Canvas All are big industrial conglomerates with enough financial muscle to buy a company Bata's size.

Mr Basil Baker, company secretary at Bata's headquarters in Toronto, Canada, said last night the name of the likely buyer could not yet be revealed for fear of jeopardising the deal and the jobs of the company's 3 200 South African workers.

"We've gone to a great deal of trouble finding a buyer who is willing to continue to serve the consumer in South Africa and to provide meaningful jobs for South Africans," he said.

"The last thing we want, after going to such lengths to find such a buyer, is to find the deal falls through because we've mishandled it."

Continue

Yesterday Mr Sid Finlayson, managing director of Bata (S A), said: "There will be no changes in our management team and the jobs of our employees will not be affected as a result of this change of ownership."

"We will continue to provide footwear for the South African market."

Yesterday a spokesman for 3M, the giant American-based concern with 900 employees and a country-wide operation in South Africa, discounted speculation that they also intend to withdraw from this country.

Yesterday the group's public relations officer Miss Deidre Jansen, said all indications were positive.

In a statement released by 3M in the United States the company emphasised that it believes the policy of helping all South Africans progress is the socially responsible way to fight apartheid.
European bid for Bata

By Don Robertson

A European consortium is reported to be behind the purchase of Bata SA, whose Canadian parent is quitting SA.

The Canadians insist that Bata's 3200 employees be assured of their jobs.

This includes managing director Suf Finlayson and his executives.

Mr Finlayson says: "A requirement of the sale is that all employees are assured of continued employment."

Mr Finlayson was unable to comment on the identity of the buyers.

Bata Canada will continue to provide training and management development programmes for staff.

Bata SA will take a new name, its trade marks will also be changed, but SA brand names such as Northstar, will be retained.
Bata ‘wants to set up front companies’

Mercury Reporter

THERE is strong speculation in Canadian business circles that the Bata family wishes to retain control of the South African operations of the world's largest shoe company through British or European front companies.

Sources closely connected to Bay Street, Toronto's Wall Street, say the Bata family, descendants of a fifth-generation Czechoslovakian cobbler who founded the company, are fiercely anti-communist and wish to set up front companies in Britain or West Germany to retain control of the South African operations.

Bata's operations in South Africa include shoe factories in Pinetown, Greytown, Kranskop, Loskop and Estcourt and a tannery in Uitenhage. Bata employs about 3200 South Africans.

Announcing its decision at the weekend to withdraw from South Africa, Bata said one of the requirements of any sale would be that the name and trademark would no longer be used in South Africa and all links with Canada would be severed.

Meanwhile Bata's company secretary, Mr Basil Baker, said from Toronto yesterday that negotiations to find a buyer were likely to take some time as the company wished to make it a condition that no jobs would be lost.

"We are anxious to find a group who would continue what we believe to be the good work that we have been doing in South Africa."

"We want to avoid a situation where the South African operation could be taken over and then closed down shortly afterwards. That would be unthinkable," said Mr Baker.
MANUFACTURING - Footwear
1987 - 1988

JAN.   DEC.
Mystery Bata bid

The Argus Correspondent

DURBAN — Negotiations between Bata Shoes — the huge Canadian-based company that decided last November to pull out of South Africa — and a mysterious European consortium are almost finished and the group’s new name should be announced in a few weeks.

“Negotiations are 90 percent completed and Bata hopes to have them finished in the next week or so,” said Mr Denzil Bradley, Bata’s public relations representative.

“The company will then decide on a new name.”

Mr Bradley said business did not appear to have been badly affected by the November announcement that Bata of Canada was pulling out of South Africa.

“Many of their products, such as North Star, have individual brand names and sales have continued as normal,” he said.

Details of the takeover would be released when the negotiations were completed, he said, and said that Bata staff and management would not lose their jobs.

Bata’s South African operations include four shoe factories — at Greytown, Kranskop, Loekop and Escom — a tannery in Uitenhage and a head office and footwear depot in Pinetown.

The company, the biggest Canadian-based concern in South Africa and the country’s biggest shoe manufacturer, employs more than 3,000.
M & S SPITZ Footwear Holdings returned firmly to the profit ranks in the six months to end November 1986.

The company expects to resume dividend payments, with a final in excess of the 5c forecast at the time of the rights offer.

The benefits of the R3,5m rights offer is reflected in the turnaround from the previous interim loss of 9c to earnings of 9.9c a share on double the number of shares in issue to 6.8-million.

Furthermore, the retail divi-

sion performed significantly better.

Margins improved and over-
heads were controlled.

New outlets opened in Garlick stores in July 1986 made a posi-
tive contribution to profits

Dragged down

Turnover jumped from R13,6m to R16,5m

But operating profit was dragged down by lower unit sales in the manufacturing division.

The company expects im-
proved profitability from the divi-

sion in the second half.

Lower interest rates helped re-
verse the pre-tax loss of R294 000 into profit of R779 000.

After preference dividend pay-
ments, attributable profit was R659 000.

This compared with the prev-
ious interim loss of R301 000.

Spitz shares closed unchanged yesterday at 160c

The price has recovered from a low of 100c in July last year.
Finance Staff

Reflecting the strong upward trend in consumer spending in the second half of last year, South Africa's leading footwear manufacturer, Conshu Holdings, notched up good interim results over the period.

Earnings per share rose by 73 percent to 23.3c. The interim dividend of 7.5c is slightly higher than the 6c paid out for the last full financial year.

No interim was paid last year because Conshu was only listed in March 1987.

According to managing director Robert Feinblum, growth prospects for the second half should be boosted enormously by the recent takeover of SA Footwear from South African Breweries.

"Although the process of digestion is still taking place, strong consumer demand for footwear has enabled efficiencies to be maintained while the businesses are being integrated."

The acquisition, however, lowered margins somewhat in the reporting period.

Says Mr Feinblum "Some steps towards rationalisation have already begun and the increasing emphasis on productivity and efficiency should see the margins improve in the months to come."

He points out that the increase in earnings is particularly creditable when taking into account the fact that shoe-price rises were kept below the ruling rate of inflation.

He is confident that the results for the full year will continue to show a healthy pattern of growth "as the order position remains healthy for this time of the year."

Mr Feinblum once again highlights imported footwear as an area of concern for the industry as a whole and sees the possibility of threats in a number of areas not previously contested by imports unless preventive action is taken.

He says that Conshu and other concerned manufacturers are watching closely for the outcome of the Board of Trade's investigation into imports.

The results of this study could be a major influence on decisions related to further investments in the local shoe manufacturing industry, particularly at the cheaper end of the market.
Berkshire continues on the road to recovery

Business editor
EAST LONDON — Berkshire International SA Ltd is continuing on the road to recovery after a R481 000 loss in the last financial year.

The directors have announced a after tax profit of R33 000 for the six months ending December, 1997.

Group turnover is up by 8.5 per cent over the corresponding period in the last financial year.

"Sales demand is buoyant but production remains the biggest constraint aggravated by labour difficulties," the directors say.

Although there has been no outright strike at the West Bank plant, it is understood there have been some labour problems during industrial unrest at other firms.

The last financial statement covered an 18-month period and the losses were ascribed to such factors as extraordinary items involving the sale of the knitwear division and the fact that the 18-month period included to January-

February low seasonal periods where the company traditionally traded at a loss.

The R45 000 loss was also mostly attributable to the loss in the South African operation of R610 000 which was offset by a R308 000 profit by the Zimbabwe operation.

Zimbabwe Berkshire International (Pty), which is a subsidiary, has undergone major restructuring with a R1 million capital injection which has enabled the company to claim a greater up market share of a new type of jeans which did not have to undergo any processing outside the West Bank plant.

Production has been rationalised and expansion at the plant is continuing and is scheduled to be complete by the end of the year. Preference dividend number 76 is at the rate of six per cent per annum for the six months had been declared and paid.

No ordinary dividend has been declared.
Conshu goes for end-March listing

At 200c, it appears the shares are being issued at a considerable discount to prevailing JSE averages. The current average PE in the industrial market of 12.5 would see the shares valued in excess of 300c based on forecast earnings, while the 3.5% dividend yield average in the Clothing, Footwear and Textiles sector would justify a price of around 290c on the basis of the 10.2c pro forma payout forecast this year.

The recent installation of a computer-aided design system gives the group an edge over major competitors. This development is complemented by the introduction of computerised financial control systems.

After the listing, the current institutional shareholders in the group, including Sanlam, Federated Life, FNB and Metropolitan Life, will still hold a substantial stake in Conshu. Feinblum has his brother Allan, who is MD of United Fram, both hold a sizeable stake in Conshu.
from expansion in this industry and the new sports section, acquired last July and expected to add R14m to turnover in the present year, includes brands produced under licence, such as the internationally-known Le Coq Sportif and Adidas Plastic boots are also produced, at subsidiary Wayne Rubber's Durban factory.

The profit performance has been impressive, with turnover growing at an average annual rate of 13.5% between 1982 and 1986 and, with margins improving from 7% to 10%, operating profit has grown at an annual rate of 24%. Forecasts for the year to June 1987 anticipate a further rise in operating margins and a doubling of earnings a share, owing mainly to the addition of the sportswear division and increased capacity utilisation.

The industry is both capital and labour-intensive, but capital expenditure needs, according to FD Ronnie Tollemache, can be "financed out of cash flow", which he estimates at R6.5m-R7m a year against total capital expenditure of R3m-R4m in the past year. Debt/equity will be reduced by the issue from about 100% last June to 44%

The group had a hard lesson with Wayne Rubber, which relocated its factory and bought all new equipment in 1982, only to discover that the new technology required new skills, both technical and manual. As a result, the entire group made a loss that year. Vital worker skills can take up to four years to acquire, according to Grobbelaar. Thus can represent a threat in days of industrial unrest and stronger unions, but MD Robert Fenblum says that staff turnover is less than 2%. Wages are negotiated at national level for all footwear manufacturers and the industry has not been significantly affected by strikes or township unrest.

Of the total issued share capital of 30m shares, 6m are being offered to the public. Dividend policy is to keep cover at 2.5 times. The earnings forecast of 28.4c a share puts the share on a 14.2% yield on the issue price of R2. As this compares with a sector average of 6.1%, there are potential staggering profits for those who receive shares.

Pat Kenney

CONSHU

Well heeled

Suggestions that the quality of JSE listings could decline this year do not hold up with companies such as Consuh Holdings seeking quotations.

A footwear manufacturer with six factories, Consuh produces men’s, ladies’ and children’s wear, as well as safety, industrial and sports shoes. Chairman Peter Grobbelaar says the range ignores the top and bottom 10% of the market, but all-leather-upper shoes, which can retail at up to R600, have made considerable gains through import replacement.

Sales of boots to the mines have benefitted,
Footwear industry about to collapse?

A MAJOR manufacturing sector — the R800m-a-year footwear industry — has called on government to take urgent action to prevent its collapse.

It says, in spite of last year’s near record-breaking production levels, prospects for the industry remain grim until government addresses the problem of imports.

Total footwear production in 1986 was 60.7-million pairs, the second highest figure ever produced. The record is 62.5-million pairs in 1981.

But, Footwear Manufacturers’ Federation (FMF) director Dennis Linde says performance in terms of production volumes and values are misleading.

He says “Unless government takes urgent note of the situation and is prepared to grant some form of guarantee against disruption due to high levels of imports, the industry will find itself in the situation of reluctant disintegration.”

Production improved by 10.9% compared with the previous year’s decline of 6.1% in volume. During the same time, employment increased by 10%, in value terms; the industry produced footwear of more than R800m for the year.

In its annual report, the FMF said profit margins for the whole of the industry were 5.5% before interest and tax — or 2.7% before tax — and studies indicated that factories operating in the women’s section showed losses.

Linde said “Once again the industry is faced with a situation where it cannot benefit from any upswing in the general economy because of obsolete government policies.”

The policies allow the importation of unemployment notwithstanding “hollow pronouncements” on the subject and millions of rand of taxpayers’ money being “squandered” on ineffective job-creation programmes.

Linde said “Of great concern also is the announcement by the Department of Trade and Industry that import control on footwear would be phased out by December 31, 1987, which means that from January 1, 1988, footwear can be imported into SA without a permit. The only protection will be that of tariff duties.”

Linde expects imports to grow by about 18% in 1987, increasing market share to 23.5%. Local production is expected to grow by about 5%.

“As a result, footwear manufacturers, particularly those in the women’s sector, can expect a squeeze on the profit margins already at low levels.”

“Overseas studies have shown that in many Western countries substantial footwear operations either completely disappeared or were greatly reduced, once imports reached a level of 20% of their local markets.”

MICK COLLINS

Call for urgent govt action
FOOTWEAR MANUFACTURING

Crying for luck

The Footwear Manufacturers' Federation of South Africa (FMF), with one of its best years in a decade behind it, is biding its government for more protection.

It claims in its annual report that not only is the industry unhappy with government's intention to phase out import control on footwear by the end of the year, it demands guarantees that government does not allow "too high a level of footwear imports." Predictably, the move has come in for some sharp criticism in the marketplace, not least because it was made so soon after a year (1986) in which the footwear industry
- Came from behind to chalk up its second highest production volume in 10 years — 60.7m pairs compared with a record of 62.9m in 1981;
- Improved production by 10.9%, compared with a 6.9% decline in 1985, and
- Achieved a turnover of R800m and profit margins for the whole industry of 5.5% before interest and tax, or 2.7% before tax.

Moreover, Dennis Linde, director of the FMF, contends the industry is likely to show a slight improvement on that performance in 1987.

Peter Bolliger, MD of footwear retailers A & D Spitz, maintains the local industry certainly needs no additional protection. It can stand on its own, he says.

"Permits to import shoes have been readily available for the past five or six years. Those who want to import can do so freely, as it is. When permits are abolished, there won't be a rush to bring in overseas products," he says. "The value of the rand against other currencies will see to that."

Of most concern to the FMF, he believes, is the prospect of a flood of cheap imports from the Far East. But quantitative controls already exist on canvas shoes and are likely to remain for at least the time being. Moreover, he says, Far East factories' minimum orders are so big that few South African retailers can order from them. Their styles, too, are aimed at the American market, so don't normally sell well here.

Bolliger says Linde is crying for luck. The local industry designs and makes good shoes and will continue to enjoy the support of retailers.

Ken Johnston, a director of Amrel, the holding company of several retail shoe chains, regards the FMF's demands as "an overkill. This is about the third time it has made these demands," he says.

Retailers contend the manufacturing industry is healthy, so healthy in fact that they have been experiencing a spate of late deliveries.

"Shoes for Easter arrived at the end of April," says Johnston. "That shows how the industry is. But that isn't good enough. The trick is to have the shoes on the shelves when the customers want them."

Another retailer claimed manufacturers were seeking to panic the market. "In most cases manufacturers are so fully booked they cannot supply."

However, he adds, even when the industry's deliveries are delayed, it still supplies footwear quicker than overseas factories do. That alone should protect it against imports.

FMF's fear is that once imports account for 20% of the local market, the local footwear manufacturing industry will all but disappear — as has happened in other coun-

tries — or, at best, become a shadow of its former self.

Sam Davidson, national president of the FMF, says, "the problem is we do have quantitative protection now. When it goes, manufacturers will only enjoy the protection of tariff duties. The import permit system is our mainstay. In 1984 when permits were loosened there was a flood of imports."

Davidson voices a legitimate complaint when he points out that manufacturers are obliged to use synthetic materials produced locally which cost much more than similar imported materials.

"That leaves local downstream users out in the cold," he says. "They just cannot compete on price."

The FMF's annual report claims the average price of imported footwear declined by 2% in 1986, whereas raw materials for the South African footwear industry increased by 25%. Moreover, since the start of 1985 local hide prices have increased by 68%.

One manufacturer insisted it was possible to place imported shoes on retailers' shelves for less than the cost of the local raw material needed to make them.

Des Bolton, chairman of Bolton Industries, a major force in footwear manufacturing, maintains the shoe production figures are merely an illusion.

"There are more people in SA now than there were in 1981 and everyone must wear shoes. We should have sold more shoes last year than we did then. But we didn't. That means we have actually lost ground."

It seems statistics are indeed malleable — depending on one's perspective.
Clothing, footwear, textile industry expecting a boom

Finance Staff

DURBAN — Retail sales for the clothing, footwear and textile industry this year are likely to grow to R7 billion (from R5.7 billion), SA Breweries director Ronne Cohen said at a textile conference in Durban yesterday.

Mr Cohen said he believed spending would increase because of factors like low interest rates, an increase in disposable income, continuing stability, a healthy balance of payments, increasing gold price, more industrial and consumer confidence and an improvement in agriculture.

The results of certain retail companies tend to point to the upturn being in full swing — one can hardly argue with the improvement in profits emanating from Edgars, Foschini, Score, Pick 'n Pay, Amrel, World and Ellerine.

These results, however, were largely achieved as a result of lower interest rates and an improved social environment.

"True pent-up spending still remains partially unleashed, particularly for semi-durable merchandise."

The retail sector, however, had to look to the burgeoning spending of black consumers to realise where growth really lay.

Black customers were the future of the retail industry — and unless retailers realised this the economy would come to a halt, Mr Cohen said.

It was very important for retailers to correctly position themselves to the market and the "lifestyle". He believed no store group had repositioned itself as well on the "lifestyle" than Edgars.

From small stores with low stocking, they had become the dominant major retailer in almost every SA city "through insight and guts in securing the right location."

Then Edgars had followed by widening the merchandising range, an explosion in footwear, children's wear and other areas.

Mr Cohen said there had been a lot of talk of off-price retailing coming to SA. There were a few obviously successful off-price retailers and factories in Cape Town.

However there were three major reasons they would never really succeed in SA — lack of major brand awareness, lack of suitable strip shopping sites and the retailers' (chains) dominance with manufacturers.

He said the chain stores' strength of advertising helped them to gain market share.

"Our retailers are world class, and the industry is already very competitive. The more chains advertise and create customer awareness, the better for the industry as a whole."

"Off-price in America has become fuzzy. Specialty stores have affected them, as have rising costs as they move up-market."

More importantly, local chains and particularly department stores had become far more competitive and won black market share, Mr Cohen said.

Only in footwear did off-price stores control 30 percent of the market. But specialty stores were currently gaining market share.
CONSHU Holdings has acquired SA Footwear from SA Breweries in a R36.75m share deal, creating the largest footwear manufacturer in SA. Projected turnover this year is over R550m; and assets will total over R100m.

The deal is being settled by the issue of 10.5-million Conshu shares to SA Breweries (SAB) at 35c each, giving SAB and Sanlam joint control of the enlarged Conshu group.

At the same time Conshu has announced outstanding results for the year to June, with taxed profit at R8.9m — 22.5% ahead of the R7.25m forecast in the prospectus.

A final dividend of 6c has been declared for the six months to June, which is 20% higher than the forecast 5c.

The acquisition gives Conshu a strong position in virtually every aspect of the footwear market, with SA Footwear's strengths in the women's fashion and children's shoe sectors complementing Conshu's dominance in the men's footwear market.

Conshu MD Robert Feinstein, who remains chief executive of the enlarged operation, says that the group will now be by far the largest shoe and boot manufacturer in SA, operating from 13 factories.

If the acquisition had been in place for the past full financial year, Conshu's net asset value would have increased to 13c a share from 10c and earnings would have been 35.5c a share compared with the 31c actually achieved.

Feinstein says the deal was struck at the right time, in that there is potential for extracting the best out of the enlarged group at a point when consumer demand is improving.

Conshu's turnover leapt 43% to R152.4m in the year to June from R108.5m last year. Feinstein says the far better position to counter the impact of imported footwear, now gaining momentum in the women's and cheaper sectors of the market, says Feinstein.

SA Footwear sold to Conshu

Trend of stronger demand has been maintained since the year end.

All group factories are running close to capacity, and the enlarged operation will now allow for better use of resources within the bigger group.

The added strength leaves Conshu in a far better position to counter the impact of imported footwear, now gaining momentum in the women's and cheaper sectors of the market, says Feinstein.
THE CONSHU
Holdings R25m deal brings SA
Breweries (SAB) and San-
lam together as a joint controlling
shareholders in a departure from current
SAB policy.

SAB strategic planning executive Malcolm Wymam said the agreement whereby SAB and San-
lam Investment Corporation Ltd (Sankorp) each now hold about 25% in Conshu, was the first joint part-
nership for SAB in a listed com-
pany.

For the last 15 years Breweries’
interests have been held in wholly-
owned subsidiaries. About 15 years
ago they had a joint holding with
Barlows in a company called Bar-
sab, which sank without trace in
the 1989 share market crash after
the assets had been divided.

Both Wymam and Sankorp sen-
der GM Arie du Plessis said the
deal would not have been consid-
ered if not for the profitability ex-
pected to flow from it.

The deal, settled by the issue of
10.5-million Conshu shares at net
asset value, creates the largest
footwear manufacturer in SA.

The enlarged group holds about
30% of the known market in value
terms, manufacturing 13.5-million
pairs of shoes a year of the annual
total of 80-million pairs, including
imports.

The merger increases Conshu’s
capital base from R30m to R55m.

Conshu MD Robert Feinblum
says the rationalisation is expect-
ed to increase runs by up to 50% in
some lines, while the enlarged
operation will benefit from Con-
shu’s R15m investment in computer
aided design – the first in S

Conshu Holdings in R36,75m share deal

Own Correspondent

JOHANNESBURG — Conshu Holdings has acquired SA Footwear from SA Breweries in a R36,75m share deal, creating the largest footwear manufacturer in SA.

Projected turnover this year is over R350m and assets will total over R160m.

The deal is being settled by the issue of 10.5m Conshu shares to SA Breweries (SAB) at 350c each, giving SAB and Sanlam joint control of the enlarged Conshu group.

At the same time Conshu has announced outstanding results for the year to June, with taxed profit at R8.9m, 22.5% ahead of the R7.25m forecast in the prospectus.

A final dividend of 6c has been declared for the six months to June, which is 20% higher than the forecast 5c.

The acquisition gives Conshu a strong position in virtually every aspect of the footwear market, with SA Footwear's strength in the women's fashion and children's shoe sectors complementing Conshu's dominance in the men's footwear market.

Conshu MD Robert Feinblum, who remains CE of the enlarged operation, says that the group will now be by far the largest shoe and boot manufacturer in SA, operating from 13 factories.

If the acquisition had been in place for the past full financial year, Conshu's net asset value would have increased to 135c a share from 100c and earnings would have been 33.2c a share compared with the 31c actually achieved.

Feinblum says the deal was struck at the right time, in that there is potential for extracting the best out of the enlarged group at a point when consumer demand is improving.

Conshu's turnover leapt 43% to R152.4m in the year to June from R105.5m last year. Feinblum says the trend of stronger demand has been maintained since the year-end.

All group factories are running close to capacity and the enlarged operation will now allow for better utilization of resources within the bigger group.

The added strength leaves Conshu in a far better position to counter the impact of imported footwear, now gaining momentum again in the women's and cheaper sector of the market, says Feinblum.
Conshu ready to run faster

Mr Feinstein's family has been in shoes since 1933. Conshu was established after a merger between the Feinstein shoe interests and those of Cahan.

Mr Feinstein says, "We are manufacturers, not importers. Conshu is the largest manufacturer in terms of pairs of shoes produced, amounting to 30% of SA's production."

"Turnover is expected to reach between R550-million and R570-million in the current year."

A week ago Conshu announced the acquisition of the Panther manufacturing division from A&D Spitz. Panther was something of an anomaly in Spitz which is essentially a retailer. About R5-million will be paid in cash, but more than 60% of it is in stocks and debentures.

Conshu's financial executive, Steven Steen, says, "It is a good deal for everybody." Panther gives Conshu the licence to make the prestige Bally range of women's and children's footwear Conshu seems to have bought goodwill at no cost.

The group comprises 14 operating divisions and manufactures both under licence and under its own brand name shoes such as Barker, Richiegh, Jack & Jill and Bally.

Mr Feinstein says, "These brand names are important in recession times when people look for lasting quality."

SA imports up to 50% of all footwear sold. Mr Feinstein believes that an application for increased tariff protection will be made.

"When the rand was worth US$0.33, it was easy for SA manufacturers to compete with imports, but at almost 50 US cents now, it is becoming a problem."

Mr Feinstein believes that many cheap shoes are being dumped in SA from Taiwan and South Korea in the wake of American bans against imports to protect its own footwear industry.

Conshu's balance sheet could not be stronger. It has virtually no debt and the net asset value a share has increased to 136c. The market rates Conshu on a historic PE ratio of 14.

With the expected lift in earnings in the current year, and the increasing urbanisation of SA's population, Conshu offers steady growth prospects.
Conshu Holdings

Quicker step

Activities: Footwear manufacturer
Control: Sanlam, through Sankor, has a 37% interest. Once raised by shareholders, Sankor and SA Breweries will have joint control.

Chairman: P. Grobbelaar, managing director R. Feinblum.

Capital structure: 30m ordinary 5c each
Market capitalisation: R123m

Share market: Price 430c; Yield 7.2% on dividend. 1.4% on earnings, PER ratio 13.9.

Cover: 2.5; 12-month high 480c; low 295c

Trading volume last quarter, 1.6m shares

Financial: Year to June 30

<table>
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Performance

| Turnover (Rm) | 182  |
| Pre-int profit (Rm) | 21.27 |
| Pre-int margin (%) | 13.9  |
| Tax (Rm)         | 8.9  |
| Earnings (c)     | 31   |
| Dividends (c)    | 6    |
| Net worth (c)    | 100  |

Conshu’s strong balance sheet and acquisitions made since the listing in March puts the group in a sound position to command a larger slice of the shoe market.

CE Robert Feinblum says the acquisition of SA Footwear from SA Breweries (SAB) after the year-end is expected to double turnover to more than R330m and will expand the asset base to more than R100m. The deal, to be settled by issue of 10.5m new
FOOTWEAR

Keeping cats fat

The government policy of phasing out tariffs has been sharply reversed by this month’s Board of Trade and Industry (BTI) imposition of 30% tariffs on rubber and plastic shoes.

And although tariffs are usually applied only to “infant industries” Pretoria has decided that the exceptionally healthy shoe industry needs a helping hand.

Last year the industry enjoyed a record turnover of R800m and a return before tax and interest of 5.5%. It produced 60.7m pairs, only slightly less than the 62.9m pair record in 1981.

But the Footwear Manufacturing Federation argues that its success is precarious and is threatened by the “yellow peril” from Korea, Taiwan and, increasingly, Red China.

Import penetration reached 34% in the first half of the year and is expected to average 37% for the year as a whole.

Moreover, the FMF claims imports are landing at “prices having no relation to normal costs.” FMF director Dennis Linde admits shoes aren’t necessarily being dumped, though he says the lack of Far Eastern labour legislation means that exporters’ production costs are far lower.

“Normal costs are the costs that occur in Western countries. Our costs compare favourably with those in Italy and France even though we have a sophisticated Western labour structure. But in the Far East workers live on far lower pay.”

Head of the footwear unit of the National Productivity Institute Andy Bax says “there has been an improvement in productivity over the last three years although this could deteriorate now tariffs have been imposed and competition will diminish. In the short term extra workers will be taken on to cope with extra demand and this won’t help efficiency.”

The industry argues job protection and creation was an important consideration in the imposition of the tariffs. The additional productive capacity that will result is expected to create between 2,500 and 3,000 extra jobs in what Linde claims to be the third most labour-intensive industry in the country.

“We have a choice between protecting the industry and its jobs or allowing it to fall apart,” says Consha MD Robert Feinblum, “and in the end the voters will decide.”

The tariffs are an “interim measure” until BTI completes its investigation of the industry. Although rubber and plastic shoes only amount to 30% of the total footwear market they account for more than 70% of the 20m pairs of shoes imported annually.

Feinblum is convinced the tariffs will remain in force.

“Our production costs are rising much faster than in the Far East and I doubt if we’ll ever be able to match their prices. In the upper to middle range we can beat them on design but we are vulnerable on mass production,” he says.

He also argues that the tariffs won’t harm the consumer.

“At the moment retailers are marking up the shoes 150%-200% so the consumer isn’t gaining anything from cheap imports anyway.”

That’s a theory that the free market would negate if the mark-ups are that large it would leave room for any enterprising retailer to put his competition out of business.

FINANCIAL MAIL NOVEMBER 27, 1987
Chinese sandals seized AS IMPORTS WARE HOUSED UP

More jobs

More exports the world over, the better for the shoes, too.

Examples

“Overseas experience shows the importance of the shoe industry is growing, and China is the key player in the global market.”

The industry is facing a shortage of well-qualified workers, and there is a need to expand production to keep up with demand.

The interior sections are made by many companies, including those in the eastern part of the country.

By Linda Rydstra
Half of shoe firm's workers retrenched

Labour Reporter

ABOUT half the workers at Panther Shoe Company, Maitland, have been retrenched in an operation linking Panther with another Cape shoe company.

Workers retrenched yesterday said they had been offered one week's bonus and two days' pay for every year of service.

Company spokesmen were not available for comment but Mr Douglas Petersen, assistant area organiser for the National Union of Leatherworkers, said about 160 people had been paid off.

It is understood that Panther and Elliott Footwear, Parow, have been acquired by Con Shu Holdings, a Johannesburg-based firm, which will consolidate operations at Elliott's premises in the new year.

Mr. Petersen said he had assurances from management that staff at Elliott would not be reduced.
SA shoe firms set rocking on their heels

BY DICK USHER
Labour Reporter

THE footwear industry is reeling under a series of shocks which have hit profits and employment.

The manufacturing sector, where employment has been dropping steadily under pressure from cheap imports from the Far East and homeland areas, has been pressing for protection.

Interim higher import duties were imposed in November.

But the duties, which retailers described as punitive, have seriously affected those selling in the lower end of the market.

Aggrieved

The new duties at least trebled the landed cost of imported shoes.

Mr Rodney Logan, managing director of Scolls, said retailers were aggrieved that they had not been given more warning of the duties.

"They came rather suddenly and in many cases retailers with forward orders were forced to ask their manufacturers to sell out-of-hand and carry the resulting losses rather than pay the tariffs and suffer even greater losses."

Can't compete

All retailers pointed to the adverse effects the duties would have on shoe costs for lower income groups.

They also claim that South African manufacturers, with small volumes, cannot produce the same range as cheaply as foreign manufacturers.

Traditional retailers have also been badly affected by supermarkets moving into their markets in recent years.

Retailers have complained to the Board of Trade and Industries about the import tariffs, but an investigation by the board is expected to take at least 18 months.

Until then, retailers see little hope of the tariffs being reduced.

Manufacturers, on the other hand, complain that imports were crippling the industry.

Cheap labour policies, restrictions on trade unions and huge incentives in the homelands have increasingly lured manufacturers there. Similar inducements are also offered by the independent states.

Mr D H Lunde, director of the Footwear Federation, said that at least 24 manufacturers had moved outside the industrial council area in recent years.

"A chicken, which is quite a skilled job, earns about R200 a week in South Africa. In the homelands they are paid about R30 while the employer gets a huge kickback of 90 percent of the wage bill for the first year of operation," said a spokesman for a major manufacturer.

They have also been hurt by the volatile situation in the hide market, which has been affected by the drought and export restraints.

Manufacturers have to quote prices for the duration of a range, but when prices rise they have to bear the cost.
It's smart footwork as Jaguar strides

By Ian Smith

FOOTWEAR manufacturer Jaguar is stepping out smartly after its listing last August.

The group increased attributable earnings by 135% to R5.8-million in the year to December 31.

Earnings a share jumped by 118% from 7.1c to 15.6c — 20% ahead of the forecast last July.

Chief executive Roy Eckstein says the growth was organic. The only acquisition was a wholesale operation in Johannesburg whose profits contributed marginally to the group.

Jaguar has declared a dividend of 4c.

The company is riding the wave of increased consumer spending, and strong demand for lower- and medium-priced shoes has enabled the company to increase productivity and operating efficiency.

The group's divisions in the low labour-cost areas of Lesotho and Qwa Qwa have been expanded to help Jaguar compete with cheap imports. Extensions to the Lesotho factory, adding 40% production space, were completed in December.

Plans for a separate division to make the Puma range of sports and casual clothing are advanced.

Mr. Eckstein says the Board of Trade's decision late last year to impose higher import duties on footwear is a positive move for the industry.
Jaguar betters forecast

A 118 percent increase in earnings a share from 7.1 cents to 15.5 cents was achieved in the year to end-December compared with the same period in 1986, Jaguar Holdings report.

The 1987 earnings were 29 percent ahead of Jaguar's forecast in its prospectus in July last year.

Attributable earnings rose by 135 percent to R5.8 million.

Commenting in the report on the figures, Jaguar's chief executive, Mr Roy Eckstein, says the company's growth was entirely organic and was achieved "without benefit from any acquisitions, other than a wholesale operation in Johannesburg whose profits contributed marginally to the group's figure."

Jaguar has declared a final dividend of 4.0 cents - no interim was paid last year as the company was only listed in August.

The final 1987 dividend has been listed for the entire 1987 year.

Under a share bonus scheme, shareholders are being given the opportunity of either receiving the dividend, or converting it into additional shares.

Mr Eckstein says that production capacities have been increased to meet higher demand.

"More specifically, the group's divisions in the low labour cost areas of Lesotho and Qwa Qwa were expanded to enhance Jaguar's ability to compete profitably, with low priced imported footwear products."

"In order to stimulate local footwear production, the Board of Trade imposed higher import duties on imported footwear late last year. I see this as a stimulus to local industry to take up the challenge and produce additional output to take the place of imported footwear. Jaguar is fully prepared to meet the challenge."

"The creation of a separate division to manufacture the Puma range of clothing has reached an advanced stage. The tremendous demand for Puma sports and casual clothing has given impetus to Jaguar to look at manufacturing themselves, in addition to having Puma clothing made for them."

Mr Eckstein says Jaguar's order book is "particularly well booked for this time of the year."

He is confident that the results for 1988 "will continue to manifest the growth pattern displayed to date." - Sapa.
Jaguar up and running

JAGUAR, the recently-listed footwear manufacturer, is to pay a maiden dividend of 4c a share after profits exceeded prospectus forecasts by 29% for the year to end December.

Earnings of 15,5c a share were achieved, more than double the 7,1c a share reported in 1986.

Meanwhile, Jaguar is to adopt a share bonus scheme which will give shareholders the option of either receiving the dividend in cash or of converting it to additional shares in the group.

In line with the dividend of 4c a share, shareholders can elect to receive six bonus shares for every 100 held. Based on last week’s trading price of 80c a share, the offer appears favourable — especially since the share is on a price/earnings ratio of only 3,2 times, yielding 19,4% on earnings.

During the year, attributable profit rose 135% to R5,8m on only a 20% hike in sales revenue to R48,6m. This was achieved by improved productivity and increased operating efficiencies, which led to a 73% rise in operating income. Significantly lower interest payments also had a marked effect on bottom line profits.

Jaguar CEO Roy Eckstein notes that most of the group’s growth was organic. Only one acquisition was made — that of a wholesale operation in Johannesburg — but its profits had a marginal impact on group figures.

Eckstein says the group’s balance sheet is stronger than ever before, providing a solid platform for future growth, both organically and by acquisition.

At the year end, Jaguar had interest-bearing liabilities of R4,99m against shareholders’ funds of R14,1m. Current assets totaled R22,1m, against current liabilities of R19,2m.

The company has reacted positively to the increase in import duties imposed on imported footwear by the Board of Trade.

In a statement, Eckstein says he views this as a stimulus to local industry to take up the challenge and produce additional output to take the place of imported footwear.
By Don Robertson

A ROW is brewing between the National Shoe Retailers Association (NSRA) and the Footwear Manufacturers Association (FMA) over import duties.

The NSRA says increased interim import duties announced on November 15 have resulted in an increase in the price of shoes, especially "specialised" footwear.

The FMA, however, says import duty is needed to protect the industry.

The Board of Trade and Industry has indicated that it will investigate any industry seeking protection by scrutinising more closely wage increases, prices and labour and capital productivity.

Proof

The NSRA claims to have proof that the reliance on the SA manufacturer and the impact it has on the retailer and consumer have negative implications for all but the manufacturer.

The NSRA and importers have made representations to the Board of Trade and Industry (BTI) for the withdrawal of these additional duties. Before November, the duty on imported shoes was 60%, but in terms of the new formula, it has increased.

Ron Johnstone, chairman of the NSRA, says school shoes which would have retailed at R22.00 in November, now have to be sold for R40.00.

The effect has been most noticeable in cheaper shoes, most of which are either not available from SA manufacturers or are in short supply.

Mr Johnstone says the shoe industry is worth about R1-billion a year, of which about 30% represents imported shoes.

He says that although the import of cheaper shoe has virtually stopped since the new duties were introduced, activity in SA factories - most of which produce expensive shoes - has not increased.

Dennis Linde, executive director of the FMA, says that although duties were increased in some categories, the industry is in a worse position in some instances.

He says that in 1987, imports increased by 60% over the previous year to R1-billion.

"Because of this, the upswing in the economy had no effect on the local industry, imports supplying most of the increased demand."

The BTI's report is expected in June or July. Mr Linde hopes that it will resolve the problem of long-term planning.
Shoemakers hit out at imports

By Don Robertson

MANUFACTURERS have hit back at the retail trade which has asked the Government for a reduction in import duties on shoes.

Not only has the Footwear Manufacturers Association (FMA) challenged the retailers, but individual manufacturers claim that if imports continue to increase they may go out of business.

Business Times reported on April 10 that the National Shoe Retailers Association (NSRA) had asked the Board of Trade and Industry for a withdrawal of the higher import duties which came into effect last November. The higher duties affect lower-priced shoes in particular.

Employment

Manufacturers say that the rise in imports late last year to more than 40% of total sales placed the industry in jeopardy.

Stewart Dodo, group managing director of Edwork's, says imports should be kept to 15% of total sales if employment in the SA industry is to be maintained.

Mr Dodo believes his views are balanced. His company is involved in the manufacture of shoes, wholesaling and retailing.

Last December, the manufacturing industry employed 22,000 people, but the figure fell to 27,000 in February 1989. Employment in associated industries, such as tanning, would double these figures.

Rising imports, say manufacturers, are largely responsible for the decline in employment.

In 1985, imports were worth R82,8-million, rising to R98,7-million in the following year. However, imports soared to R135,4-million in 1987.

Higher imports are also hitting SA's growing export market by upsetting profitability. Last year exports were worth more than R10-million.

Mr Dodo says that in the last few months, 1987, imports soared and in January this year - the latest available figures - they doubled compared with the same month in the previous year.

This was in spite of the increase in duties from an average formula of 20% before November.

Mr Dodo also disputes the claim by Ken Johnston, chairman of the NSRA, that the price of shoes has increased because of higher import duties. As an example, Mr Johnston said the price of a pair of school shoes had increased from R269 in November to about R299 today.

Mr Dodo says school shoes can be bought for between R25 and R27 a pair.

Capex threat

The higher imports have also harmed SA production. In January, production was down 27% in spite of the improvement in the economy.

Since the beginning of the year, Edwork's has discussed the industry's problems with the Board of Trade and Industry and with the deputy Minister of Economic Affairs and Technology, Theo Anstie.

In these discussions, Mr Dodo said that if import duties remained at the present level, his company would have to review its capital expenditure programme.
JOHANNESBURG —

Bolton Footwear (Bol- 
wear) has shown some 
outstanding results with 
after-tax profit jumping 
by 62% to R4.6m (R2.8m) 
for the year to February, 

The rise in net income 
means a maiden divi-
dend of 5c and a jump in 
earnings per share from 
R3.06c to 2.78c.

Turnover rose from 
R78m to just under 
R95m.

Deputy chairman Bri-
an Puchert says the 
strong performance re-
sulted from a number of 
factors, but was mainly 
due to the efforts of man-
agement to contain 
costs, increase sales and 
as a result increase fac-
tory production.

He said "Because of 
the leaner position, the 
company is well placed 
to maximize the benefits 
of stronger consumer de-
mand and a shift in 
buying habits to better 
quality merchandise."

Sapa
Bolton changes produce results

BOLTON Footwear has reported a 62% rise in attributable earnings for the year to end February, supporting the restructuring operation which preceded its separate flotation on the JSE last October.

Attributable earnings rose to R4.8m for the year to February — well up on pre-listing projections. Earnings a share are 33% up on prospectus forecasts at 22.78c, from which a maiden dividend of 5c has been declared.

Deputy chairman Brian Puchert says the strong performance is mainly due to containing costs, while increasing sales and factory production.

Turnover rose 22% to R94m and operating margins surged from 7.1% to 9.1% as all divisions improved profitability.

Puchert says the disposal of certain retail interests in the southern Cape contributed to this heightened profitability. Because of the leaner position, he says the company was well placed to maximise the benefits for stronger consumer demand and a shift in buying habits to better quality merchandise.

Puchert predicts strong earnings growth well ahead of inflation for the current year. He says the group with gearing at a mere 6% is poised for significant expansion through both acquisition and grassroots developments in both footwear and non-footwear operations.

Non-footwear investments, which include three motor dealerships and two timber construction operations in the western Cape and Mossel Bay, are already benefiting from the rejuvenation of business in the Mossel Bay area.

Puchert says the heightened level of

Bolton Footwear

|----------------------|------|---------------|---------------|
| Earnings (Cents per
Ordinary share)       | 14.08 | 17.15         | 22.78         |

Source: BOLTON FOOTWEAR  Graphic: JOHN McCANN

Bolton’s changes lead to laudable results

business activity is expected to dramatically enhance the profitability of these concerns.

Puchert paid tribute to Desmond Bolton — the chairman for the past nine years until his death earlier this month. However, he says the company’s experienced management team had already been complemented by the addition of Sd Finlayson as MD, who joins Bolwear with a solid reputation in the shoe industry.
Bolton Footwear beats forecasts

By Sven Lünsche

In its first year on the JSE, Bolton Footwear, which was listed in October 1998, boosted its attributable income for the year to mid-February by 62 percent to R4.6 million.

Earnings per share were up 51 percent on the 2.78c, which was forecast in the prospectus, while a dividend of 5c has been declared.

Turnover improved by 22 percent to R94.968 billion and on better margins — up from 7.1 percent to 9.1 percent — profitability improved in all divisions of the company.

In line with the rest of the durable and semi-durable retail sectors, foot-

wear sales have been soaring since consumer spending started to pick-

up dramatically in the second half of last year.

As one of the leaders in the industry, Bolton's sales have soared since then and are expected to show further improvement in the current financial year.

Despite the decline in the property market, Bolton Properties reported an improvement in earnings per share by 23 percent to 7.8c per share on the figure forecast in the prospectus.

A maiden dividend of 3.5c per share has been declared, compared to a forecast figure of 3c.

Turnover rose by 15 percent to R1.65 billion.
Bolton’s best foot forward

JOHANNESBURG — Bolton Footwear has shown excellent results with after-tax profit jumping 62 per cent to R4.8 million (R2.8 million) for the year to February.

The rise in net income means a maiden dividend of 5 cents and a jump in earning a share from 13.08 cents to 22.78 cents. Turnover rose from R78 million to just under R95 million.

The managing director, Mr Brian Puchert, says the strong performance was mainly due to the efforts of management to contain costs, increase sales and as a result, increase factory production.

He said “Because of the leaner position the company is well placed to maximise the benefits of stronger consumer demand and a shift in buying habits to better-quality merchandise.”

Mr Puchert said that possible acquisitions were already being examined which would complement both the manufacturing and retail operations. In addition, the company’s factories had the capacity to expand their manufacturing facilities at nominal cost.

He said negotiations were in progress to add to the brands already manufactured by the group.

Mr Puchert said the foundations had been laid for significant expansion this year and expected earnings to show a significant increase in the current financial year. — Sapa
Boltons gets leg-up from Footwear

By Ann Cretu

A better than expected performance from 74 percent held Bolton Footwear enabled Bolton Industrial Holdings to exceed its earnings forecast of 188c per share by almost 12c. For the year to end-February the group reported an 18 percent increase in earnings to 126.7c per share from 87.8c.

A dividend of 24c a share has been proposed which is well ahead of the forecast 18c that was made in last August's unconverted listing statement. The increase in dividend is in line with management's policy of distributing all of the dividend income that it receives from its subsidiaries.

Group turnover was up 21 percent to R216.6 million from the previous year's pro forma turnover of R179 million. As a result of the listing there was a sharp drop in interest paid from almost R2 million to R549,000. Net income increased 44 percent to R65.5 million from R45.5 million.

These are the first figures from Bolton Industrial Holdings which was formed last year following the restructuring of most of what was Desmond Bolton Industries into Bolton Properties, Bolton Footwear, Cargo Carriers and Pyramid Company, Bolton Industrial Holdings.

Joint managing director, Brian Pucher, states that the balance sheets of the operating companies are strong with negligible gearing and healthy cash positions especially at Cargo: "This has opened numerous avenues for expansion through both acquisitions and new business projects.

He adds that the group is now structured for growth and that suggestions, following the recent death of founder Desmond Bolton, that parts of it might be sold are wrong.
Sound footing

Activities: Manufactures and distributes footwear and footwear components, and distributes sports clothing.

Control: Directors hold 59%.
Chairman: RS Eckstein, managing director.
J P Ward.

Capital structure: 42m. ords of 1c each.
Market capitalisation R24m.

Share market: Price 75c. Yields 5.3% on dividend, 21% on earnings, PE ratio, 4.8.
cover, 3.9 12-month high, 100c, low, 25c.
Trading volume last quarter, 980,000 shares.

Financial: Year to December 31.

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt (Rm)</th>
<th>Short-term (Rm)</th>
<th>Long-term (Rm)</th>
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<th>Shareholders interest</th>
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</table>

Performance

Return on cap (%): 27.4.
Turnover (Rm): 48.6.
Pre-int profit (Rm): 6.9.
Pre-int margin (%): 14.1.
Taxed profit (Rm): 5.8.
Earnings (c): 16.5.
Dividends (c): 4.
Net worth (c): 37.6.

Chairman Roy Eckstein says the group has concentrated on expansion of its current activities, with emphasis on those areas in the footwear and clothing industries where further inroads can be made. The intention is to pursue this policy in the current year.

Growth last year was almost entirely organic, with a small contribution to the profit increase from the wholesale business acquired during the year. Turnover rose 20%, while net income after tax increased from R2.5m in 1986 to R5.8m. The bottom line figure was helped by a low tax rate, which was only 5.2%.

Events during the year included extensions to the shoe factory building in Lesotho, further development of the shoe factory in Qwa Qwa, updating and expansion of machinery in all factories to increase production capacity, acquisition of a Johannesburg-based footwear wholesaler, importation of footwear products to expand product ranges, and there are plans to create a separate division to manufacture the Puma range of clothing.

In the 1988 year, Eckstein expects expansion in various areas, including a 30% boost to capacity of the injection moulding plant where heel and sole units are made, and expansion of the Mustang factory in Lesotho, where machinery to manufacture school shoes has been acquired. Production of products, such as Puma sports footwear and training shoes, is being increased. Growth should also be boosted by a range of lower-priced ladies' sandals, shoes and moccasins which are manufactured in Qwa Qwa.

Profits earned by the Lesotho factory continue to enjoy tax-free status, except for a withholding tax on any dividends remitted. Eckstein adds that, although normal company taxation charges will have a more significant effect on net profits in 1988 with the absorption of its assessed losses, the board is optimistic that the year "will reflect strong growth in after tax profits."

Profits for the first four months of the year are said to be well up, making the 4.8 times p e on the current price look low.

Louis Venter
‘Protect job-creators from cheap imports’

A COMPANY which creates jobs is worthy of protection from the dumping of cheap imports, writes Bolton Footwear’s chairman, W F de la H Beck, in the company’s annual report.

At the same time, Budget Footwear’s chairman, G D de Jager, writing in that company’s annual report, says local footwear manufacturers cannot simply rely on government protection.

Beck says “an industry as labour intensive as footwear manufacturing should enjoy more protection from low-priced and often-subsidised imports if job creation is to receive the attention it deserves”.

Arguments that lower-cost imports contribute towards holding down inflation, are, in my opinion, theoretical when balanced against the value to the country from the benefits of job creation, and, particularly, when this takes place in rural areas.”

Beck stresses that priority must be given to job creation, and more attention given to labour-intensive industries and the beneficiation of raw materials. Budget Footwear’s De Jager points out that while SA has been forced to foster certain industries as strategic, the policy has spread to some which are not “realistically strategic”, and there is thus the danger that “funds and efforts are unproductively employed in areas where no competitive advantage exists”, writes our Durban correspondent.

De Jager said that dumping was another question which was difficult to prove, but it was obvious there was something wrong when goods were being sold at prices below the cost of the raw materials for local manufacturers.

Such a situation would demand import protection, he said.

De Jager expects the current reasonable level of growth to continue for most of the year, but to weaken in the last quarter.

Beck is more optimistic regarding the outlook for Bolton, and he expects the restructuring of the group to contribute significantly to growth.
Call for more protection for labour-intensive shoe industry

The labour-intensive footwear industry should enjoy more protection from low-priced and often subsidised imports, if job creation is to receive the attention it deserves.

In the latest annual review, Bolton Footwear chairman Ball de la Harpe Beck says arguments that lower cost imports hold down inflation are theoretical when balanced against the value of job creation, particularly in rural areas.

Footwear manufacture operates effectively away from metropolitan areas and requires the development of local skills, argues Beck.

The upward pressure on footwear prices because of escalating leather costs and rising wage demands from organised labour were not always possible to recover in the marketplace.

Effort and ingenuity have been required to partially balance these increased costs with increased productivity, says Beck.

The shortage of local leather has seen the price rise from below 100c a kilogram in 1983 to over 400c/kg by the end of 1987, he says.
Footwear industry strike looms

Labour Reporter
THE first national strike in the footwear industry is looming following the breakdown of wage negotiations.

Mr Freddie Swartz, general secretary of a federation of the two main unions in the industry, said strike ballots were due to take place among 27,000 workers in the next few days.

He said negotiations for a new main Industrial Council agreement started in March and deadlocked last week, with the union demanding increases of about 30 percent overall and the management offering 12
FOOTWEAR

Down-at-heel
The footwear manufacturing sector is on a decline. Local production increased by only 0.4% in 1987 and the Footwear Manufacturers' Federation (FMF) blames this solely on imports.
They say that local footwear production, at 61m pairs last year, had a market share of only 67% compared with 79% in 1986 (see graph).
The easy response is to blame foreign competitors.
But National Shoe Retailers' Association

(NSRA) president Ken Johnston says the manufacturers themselves must share the blame for their problems.
"There has been a large increase in demand for fashionable, but casual shoes. The local industry has been unable to readjust to this demand and so we have had to import to make up for it. The formal shoe market, which is highly competitive locally, has not been seriously affected."

But, according to the FMF, experience in Western countries has shown that once import penetration reaches 20%, the trend accelerates until eventual destruction of the local industry takes place.
Johnston replies: "If you don't make what the customer wants, you can't survive in any business. The manufacturers have been unable or unwilling to keep an eye on fashion trends and find out what retailers' needs are."

Since interim duties on plastic and canvas shoes were introduced in November, tariffs on some shoes have gone up by 400%, even though shoes were originally imported as demand could not be met locally.

Johnston continues: "The idea that shoes are dumped from the Far East is unfounded. A falling rand has made importing prohibitive and the Taiwanese currency is being revalued significantly.
"But the Taiwanese make a point of finding out exactly what the customer requires and then manufacture to that requirement. South African companies have stuck to the old system of bringing round a range and taking orders."
The NSRA says a three-month survey — after the November tariffs were introduced — discovered that:
□ 250 000 pairs of shoes were returned to manufacturers because of poor quality.
In a submission to the Board of Trade and Industry, the NSRA says it must choose between defending the local retail industry and customers' interests, or allowing manufacturers continued protection.
Footwear pay row
Urgent talks today

Labour Reporter

ATTEMPTS are being made today to settle a wage dispute which threatens to erupt into a national strike of the footwear industry's 27,000 employees.

Employers and union representatives will meet through the national disputes committee of the footwear industrial council.

Unions in the industry are going ahead with a strike ballot.

Mr Freddie Swartz, union spokesman, said Johannesburg workers had voted overwhelmingly for a strike. Ballots in the Port Elizabeth, Durban/Maritzburg and Cape Town regions would be completed towards the end of the week.

Negotiations for a new main industrial council agreement deadlocked over wages about two weeks ago. Unions demanded an increase of about 30 percent and the employers offered about 15 percent.
At a sprint
Activities: Supplies basic, popular-priced footwear through Budget Footwear, processes ethyl vinyl acetate through EVA Components, and makes unit sales through Natal Component Products
Control: Lenco Holdings owns about 77%
Chairman: G D de Jager, managing director R Geyser
Capital structure: 32,5m 14c shares market capitalisation R31m
Share market: Price 95c Yield 5,3% on dividend, 18,5% on earnings, PE ratio, 5,1, cover, 2,9 12-month high, 100c, low, 65c
Trading volume last quarter, 5,2m shares
Financial. Year to February 29
'B7*
Debt
Short-term (Rm) 0,02
Long-term (Rm) 0,13
Debt equity ratio —
Shareholders interest 0,65
Int & leasing cover —
Debt cover —
Performance
'B7**
Return on cap (%) 28,6
Turnover (Rm) 40
Pre-int profit (Rm) 4,4
Pre-int margin (%) 11,1
Taxed profit (Rm) 4,7
Earnings (c) 18,5
Dividends (c) 8,0
Net worth (c) 46,7
*Eight months financial period
**Annualised
Net income for the full year from March 1987 was R6,024m compared with the forecast of R4,6m in the transmuted listing statement Chairman Douglas de Jager says the group enjoyed a "dramatic" surge in turnover and profits from September through to February. All three divisions performed strongly over this period and ran virtually at full capacity.
The group was listed last December via the takeover of the Svenmill cash shell, which was renamed Budget Footwear with the deal backdated to July 1. The R29,4m cost of the transaction, including goodwill of R16,604m, was funded out of cash resources in Svenmill and a R19,5m rights issue held in January. Parent company Lenco Holdings underwrote the issue and at year-end held 93,22% of Budget although this has since been reduced to just under 77%.
At year-end the balance sheet was liquid, reflecting cash flow and the original re-

sources Interest-bearing debt of R148 000 was matched by cash balances of R3,9m while the current ratio was a sound 2,5 times. Based on the figures for the eight months to end-February, profitability has been high (see table)
Budget produces 17 000-18 000 pairs of

footwear daily, concentrating on middle- to lower-income markets where volumes are high enough to sustain the manufacturing operations.
MD Rudi Geyser tells me demand has remained firm, and orders on hand are sufficient to keep production capacity fully booked until the end of December. "If the retail trade has a reasonable Christmas we should have a good winter too," he says. He doubts that demand will be much affected by rising interest rates as most of the footwear the group produces is ultimately sold by retailers for cash.

For the current year De Jager forecasts better than inflationary growth at operating income level, but with tax becoming a factor, the same growth will not be enjoyed in EPS.
At 95c, the share is more than double tangible net worth but offers a reasonably attractive historical p/e of 5,1 times.

Andrew McNally

FINANCIAL MAIL JULY 1 1988
Jaguar set to take Coastal

KAY TURVEY

JAGUAR Holdings, the footwear manufacturer listed last year, is set to acquire Natal-based Coastal Clothing, which also came to the board in 1987. The market expected rationalisations to follow the spate of listings last year and this acquisition can be seen as one of the first.

It is reliably understood the deal will include a cash and share consideration. Both Coastal and Jaguar shareholders have been advised to exercise caution, as negotiations which could affect the price of the shares are underway.

Jaguar to purchase Coastal Clothing

The takeover is in line with international trends, where footwear and clothing manufacturers are increasingly coming together.

Jaguar, which reported a 135% rise in attributable earnings to R8.8m for the year to December, has been looking to step up its involvement in clothing manufacture. It is in the process of setting up a separate division to manufacture its Puma range of sports clothing.

Jaguar's shares issued at 75c in August last year have held up well in the present dull market and have been trading steadily at around 75c for the past two weeks, after hitting a low of 50c after October's market crash.

Coastal Clothing has fared less well since its listing just prior to October's black Tuesday. The shares are currently trading at a discount of about 50% to their 100c issue price, having recovered from an April low of 45c.
MANUFACTURING — Footwear

1988
FOOTWEAR manufacturer Conshu Holdings has acquired a R7.5m rubber processor from Edworks.

It is the footwear group's third acquisition in a year.

The acquisition will have no significant effect on earnings or net worth for the year to end-June — the results for which are expected in the next few weeks.

But Conshu CEO Robert Pendulum says it will have an impact on future earnings in the short to medium term.

The transaction will be settled by a R7.5m cash payment and the issue of 1.2-million Conshu ordinary shares at 29c.

Pendulum says: "The share issue will not dilute current or future earnings a share as the shares being floated are insignificant in comparison with the acquisition."

The Edworks business, located in Port Elizabeth, "will broaden the production base and strengthen the group's non-footwear involvement in the building, mining and chemical industries."
Spitz now leaner

LIZ ROUSE

careful evaluation was made at the beginning of the 1988 year of the group's capital investment alternatives for its long-term growth.
The shoe and handbag division and factory premises were sold, resulting in a substantial release of capital and reduction in debt in the second half.

There are no long-term liabilities and bank finance has been cut to R58 000 (R8,5m).

The group is now totally involved in the retail sector “where it enjoys an unequalled reputation for providing its customers with the highest quality merchandise and dedicated service in the most attractive store settings”, says Spitz.

Its well-entrenched exclusive brands are being extended by more people desiring quality merchandise and superior service.

The geographic spread of its network of outlets allows the group to capitalise on these strengths.

The opening of several new stores is under consideration.
The Sandton City flagship will be expanded by 300m² to bring it to 1 000m².

This store’s performance has been outstanding, both as a generator of turnover and of profit contribution, and the new extension should add handsomely to performance from November this year.

Although Spitz foresees a levelling off in the economy, and bearing in mind the particular volatility that surrounds business in SA, he is nevertheless confident that the group will achieve further profit growth in the current year.

Group stores are more heavily stocked and turnover was up 40% in the first two months of the new financial year.
Conshu posts 41% rise in earnings

JOHANNESBURG — Following a year of acquisitions and organic growth, footwear manufacturer Conshu Holdings posted a 41% rise in earnings for the year ending June 30.

The increase in earnings per share to 43.6c from 31c in the previous year enabled the final dividend to be increased to 10c from last year's 6c.

This made a 2.5-times covered total payout of 17.5c.

The group's turnover, at R329m, was more than double the R152m posted for the previous financial year, with much of the increase coming from the merger with SA Footwear but also substantial growth from the existing Conshu operations.

Pre-tax profit rose to R33.8m from R19m, with operating margins slightly down on the previous year both as a result of the integration with SA Footwear and management efforts to keep selling-prices down for market-share purposes.

Subsequent to the year-end, the group strengthened its position by acquiring a rubber plant in Port Elizabeth. — Sapa
Lower prices trim Conshu's margins

FOOTWEAR manufacturing giant Conshu has demonstrated the benefits of a year of acquisitions and organic growth by doubling attributable earnings to R17,7m (R8,9m).

This was achieved on turnover of R322m, more than double last year's R153m and comfortably ahead of the expected R280m.

However, while the synergy resulting from the merger with SA Footwear boosted turnover, operating profit did not benefit in the same proportion. This, combined with lower prices in the interests of market share, saw operating margins fall from 13,6% to 11,5%.

Earnings rose 41% to 43,8c a share (R1c), enabling the final dividend to be increased from 6c to 10c a share. The total dividend for the year of 17,5c a share is covered 2,5 times by earnings.

Commenting on the company's performance, chairman Robert Femblum said increasing pressure from competitive imported footwear had played an important role in many of the industry decisions taken last year.

He welcomed the protective measures taken by government in this regard, but indicated the shoe industry would not need them if it did not have to contend with such factors as high labour costs, shorter working hours, lower worker productivity, high inflation and an ever-weakening rand.

"All these have to be paid for," he said, and cited the fact that Conshu had been forced to take out forward cover on the foreign exchange front to forestall any further weakening of the rand, which he said would raise the already high cost of imported materials like leather.

Femblum said, though, that with the benefits of the now leaner and fitter Conshu expected to flow through within the coming year, real earnings growth should continue.

He did not expect the government's recent austerity package to seriously affect Conshu's business. "Our research shows that there is no substitute for footwear in the foreseeable future," he said drily.

The balance sheet continues to show exceptional strength, with good liquidity, healthy working capital and essentially zero gearing.
JAGUAR and Budget are to merge to form a new giant in the footwear industry with a turnover of more than R130m.

The deal, in which Jaguar will acquire Budget's assets for about R30.54m in cash and shares, follows hard on the heels of Jaguar's acquisition of Natal-based Coastal Clothing in July.

Jaguar, which has posted an impressive performance since listing in August last year, will change its name to Amalgamated Shoes Limited (Amshoe) and act as a holding company for the business of both Jaguar and Budget.

Budget, which will become a cash shell, is to pursue acquisition opportunities. The R30.45m paid to Budget equates to 93.8c a share, slightly below the current price, which remained unchanged at 95c yesterday.

Jaguar will pay Budget R29.44m in cash and the balance will be settled by the issue to Budget of 14.286-million shares.

Budget and major shareholder Lenco are to offer the shareholders in a rights issue underwritten by Lenco at 70c a Jaguar share. Jaguar's shares are currently trading at 75c, having risen 5c yesterday.

The deal will result in Lenco acquiring 11.567-million Jaguar shares at 70c in addition to those obtained from the rights issue.

Had the deal been effective for the year to end-December 1997, the effect on Jaguar would have been to increase EPS from 13.8c to 16.5c. The merger and Coastal Clothing acquisition would have boosted net asset value to 49.3c a share, compared with 36.6c in 1997.

Jaguar CEO Roy Eckstein, who becomes CEO of Amshoe, says the merger will increase operational efficiency and improve buying power while affording the rationalisation of expenditure.

Jaguar and Budget, positioned among the top four footwear manufacturers in SA, each manufacture about 20 000 pairs a day.

Eckstein says the deal opens the way for exports and enhances opportunities for import replacement. The footwear industry has taken a knock from imports, particularly from the East.
JAGUAR footwear manufacturer continues to exhibit exceptional growth and showed a 34% increase in attributable earnings to R3.6m (R2.7m) for the six months to the end of June.

The company, which has posted an impressive performance since listing last August, reported earnings a share up 30% to 8.4c (6.5c).

On a 16% rise in turnover from R231m to R272m operating margins surged and operating profits climbed 31% to R4.2m from R3.2m.

Contained borrowing resulted in a fall in interest paid, boosting pre-tax profits 48% to R4.1m.

The balance sheet is healthy with debt to shareholders' equity down from 31% to 29%.

The group, which has been blazing an acquisition trail recently, waived interim dividends to preserve funds to pay for the R5.7m acquisition of Coastal Clothing in July and the recently announced R30.9m merger with Budget Footwear.

However, directors say a final dividend will be paid for the year at not less than the 4c paid for the 1987 financial year.

Future growth is expected from the Coastal acquisition (These results do not include this purchase).

MD Roy Eckstein said a significant contribution was expected from the development of their clothing line.

Further benefits are expected from the Budget merger as both companies are positioned among the top four footwear manufacturers and production does not overlap by more than 20%.

In assessing prospects for the second six months, Ecksteins says the protection afforded to local manufacturers through the recent imposition of heavier import surcharges is expected to ensure future growth.

Jaguar does not rely on imported raw materials in the manufacture of any of its ranges.
Jaguar posts healthy earnings rise

Sales were up 16 percent to R27.2 million, while pre-tax income rose by 45 percent to R4.1 million. Earnings per share improved by 30 percent to 8.4c, but in order to retain funds in light of the recent acquisitions, no interim is being paid.

Chief executive, Mr Roy Eckstein, said yesterday, "All divisions are trading well and our order books are full for the remainder of the year."

Assessing prospects for the second half, he pointed to the protection afforded to local manufacturers through the recent imposition of heavier import surcharges. Further growth should arise from the recent acquisitions. "We expect a significant contribution from Coastal Clothing’s Puma line of clothing. Since the production of Budget and Jaguar does not overlap by more than 55 percent, and given both companies’ position among the top four footwear manufacturers in the country, the future looks bright," Mr Eckstein said.
Fancy footwear

Recent mergers and acquisitions will make Jaguar Holdings SA’s second-largest footwear manufacturer, set to handle a market growing strongly because of the increased competitiveness of local products.

The operating subsidiaries of Budget Footwear will be sold to Jaguar for R20,5m cash and 14,3m Jaguar shares at 70c (market price is 75c). The shares will be offered to Budget shareholders at 70c.

Budget will again become a cash shell, and seek acquisitions. Cape-based Lenco holds 80% of Budget, which was listed via the Svenmill shell last December. Lenco, an industrial holding company specialising in textiles, was also reverse listed in August last year. Lenco will displace Roy Eckstein as Jaguar’s largest shareholder, each with close to 40%, but Eckstein remains CEO.

Budget’s assets (in Durban) will be rationalised under Maritzburg-based Jaguar, which has decentralised to QwaQwa and Lesotho. Both are long established and cater to the lower to middle markets. Jaguar has some upmarket products, however, and Eckstein says the two groups compete in about 25% of their production.

Budget was sold to Pepkor to Lenco, with House of Monatic and Rich Rags, in March 1987 for R52m.

Sideshows to the Jaguar-Budget deal are Lenco’s sale of House of Monatic and Rich Rags to DCM-listed Cape knitwear house Fila in what amounts to a reverse takeover; and Jaguar’s acquisition of at least 75.9% of listed Durban clothing maker Coastal to expand the clothing side of the Puma brand, which Jaguar has under local licence.

Eckstein says the enlarged Jaguar will operate as in the past, though there will be some rationalisation. Jaguar has had particular success in Lesotho, where 50% of its footwear is now produced, benefiting greatly from a 10-year tax holiday, labour peace and export advantages. Some former Budget products may be made in Lesotho.

Order books full

Eckstein says the enlarged group will have annual turnover of about R130m, second in footwear only to Conshu, which turned over R329m in its year to June. Footwear was, until a few years ago, a Cinderella sector because of cheap imports, but the declining rand, new tariff protection, and most recently a 20% surcharge on imports have changed the scenario radically. Manufacturers report order books full for more than six months ahead, and almost all raw materials are sourced locally.

Jaguar’s attributable earnings rose by 135% and EPS by 118% in its year to February. This week’s interim reports attributable earnings up 75% and EPS 30%. Budget also grew strongly in its first year (to February), its interim results will be published soon.

Eckstein says Jaguar will be slightly geared after the takeover, but the former Budget subsidiaries have net cash, which bodes well for expansion. He says there is no danger that Jaguar’s expansion will be too rapid because management of all the companies involved is strong.

The same wind of improvement for local production has been blowing for textile and clothing makers, says Lenco executive chairman Douglas de Jager, adding that Budget’s acquisitions need not be in those sectors. Four are being examined, and he expects decisions within a few weeks.
COMPANY ROUND-UP

| PRELIMS       | Turnover (bn) | % change | Profit before tax (bn) | % change | Earnings (d) | % change | Div a share (d) | % change | %
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INTERIMS

| Year     | Sales (bn) | % change | Profit before tax (bn) | % change | Earnings (d) | % change | Div a share (d) | % change | %
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N/C No change

Conshu strides ahead.

**SALES** 329,3m

**EXPENSES** 291.4m

**FIXED ASSETS** 22.8m

**CAPITAL EMPLOYED** 52.0m

**FBT**

**PRE-TAX MARGIN**

**SALES** 11.5%

**CASH FLOW** 12.4m

**ROE** Return on Equity

**ROE (%)**

**RETURN ON CAPITAL EMPLOYED**

**ACTIVITY**

**DIVIDEND YIELD**

**Sustainable growth rate**

**By Patrick Fitzgerald**

Rationalisation improved management efficiency and operating margins. Two factories incuring losses were closed and others have been restructured. Conshu has a policy of vertical integration. A subsidiary, Wayne Rasher, has acquired a raw materials supplier. Capacity has been enhanced and should enable ambitious budgets to be met.

Contrary to some suggestions, Conshu does not depend unduly on any single customer. Its biggest customer accounts for less than 10% of sales. Managing director R M Peinbriem aims at a 20% sales increase this year.

Return on capital employed is susceptible to price and cost of sales changes. Cash flow is sensitive to working capital levels.

Based on a constant price earnings ratio of 7.1 and the forecast increase in turnover, Goulfias profit planner predicts sustainable growth rising to 22.7% and a share price of 310c. In the past year the share price has fluctuated between a low of 280c and a high of 400c. Its current price of 310c suggests considerable upside.
Johannesburg — Bolton Industrial Holdings (Bolton) lifted attributable earnings by 13.5% to R3.58m in the six months to August 31, 1983.

The group's joint MD Brian Puchert said a particularly strong performance by Bolton Footwear, which posted a 33% increase in attributable income to R2.7m, was the highlight of the first half of the current financial year.

He was disappointed, however, with Cargo Carriers' marginal decline in earnings, a result of losses sustained on the two acquisitions in the past year.

An excellent performance by the men's footwear division of Bolton Footwear, combined with the disposal of certain non-footwear activities were the main reasons behind the solid improvement in the subsidiary.

Puchert noted that the profit growth on the footwear side was expected to continue for the balance of the financial year, although possibly at a slower rate than the first half due to a general slowdown in the economy.

Turning to Cargo Carriers, one of the private sector's leading transport organisations, Puchert said that apart from the losses on the new acquisitions, the rest of the business had performed well in the period under review.

Considerable sums continued to be spent on new equipment at Cargo as part of an ongoing programme to upgrade both the operating fleet and transport facilities. With this about 75% complete, Puchert said Cargo was poised for further expansion.

Bolton Industrial Holdings increased earnings per share to 69.2c a share from 61c in the corresponding period of last year, allowing payment of a 6c interim dividend.

At Bolton Footwear, the first interim dividend was set at 3.2c out of earnings up to 13.5c from 10.1c a share.

Cargo Carriers declared a maiden interim dividend of 6c out of earnings of 23.5c a share.

Looking further ahead, Puchert said considerable management attention was being applied to restoring profits in the new subsidiaries and improving productivity at all levels within Cargo Carriers.

On the footwear side, new products and franchise arrangements were continually being examined, while every effort continued to be made to improve both efficiencies and product quality — Sapa.
FOOTWEAR INDUSTRY

Demand can vary

as much as 20%

FOOTWEAR TOWNSHIP

member of

NATIONAL LEATHER CO.

114, TRENCH ROAD

EDgewood, MD 21040

TELEPHONE: 703-955-7711

FAX: 703-955-7733

The Footwear Industry is one of the largest and fastest growing industries in the world. The demand for footwear varies widely from one season to another, and from one region to another. Factors such as fashion trends, economic conditions, and consumer preferences all play a role in determining the demand for footwear.

For more information about the Footwear Industry, please contact us at the above phone number or visit our website at www.nationalleatherco.com.
Amshoe to come on stream

AMSHOE is coming on stream in early December as Jaguar and Budget listed footwear groups merge to produce an annual turnover in excess of £10m.

Jaguar's name changes to Amalgamated Shoes Limited (Amshoe) - the holding company for Jaguar Footwear, leaving the

Eckstein says he is happy with the Budget merger saying it will run independently under current management. The merger has

hooked up until end May

Eckstein says: "I am selling 200,000 pairs of shoes in two weeks"

"Because of import replacement, the footwear industry in the medium and lower price is going to be

make another 1,000 shoes a day

All the footwear manufacturers send designs abroad during the year to update on foreign fashion trends

Eckstein says a brief

wear more trainers than before

Black and black patent is in, combined with grape or

breeze splashes of colour

Brown shades are back

Colour in footwear is popular Court shoes are always

but sophisticated machinery is expensive thanks to our own production of shoes, but we are installing some in Maritzburg. Not in the homesteads,

where it is not understood and, therefore, dismissed. Use of machinery has to be understood, served correctly and properly operated.

'Taiwan is becoming ex-

Polyurethanes play a versatile role in our lives - in our homes, cars and shoes. It literally goes into the bottom end of the footwear market for foot covering because it is not suitable for sports-wear nor high fashion use.
Amphiose to come on stream

FOOTWEAR INDUSTRY

Step out with
durable shoes

Atlantic Shoe Co. to produce

Stapled
glass filling

Marine & Industrial Glass Company

Development

Interpretation helps

Unstriped polystyrene
"AMONG Japanese methods for improving manufacturing operations, by far the most popular is the just-in-time (Jit) inventory control system," writes Fortune International.

"These controls were originally developed in Japan by Taiichi Ohno, a Toyota vice-president who named the system Kanban after the card that production workers find in their parts bins and use to call for a fresh supply. The essence of Jit is that the manufacturer does not keep much inventory on hand—he relies on suppliers to furnish parts just in time for them to be assembled."

An article in Productivity SA claims that US companies, by contrast, have traditionally employed a just-in-case system—that inventories that ensure production won’t be interrupted. It covers up planning glitches and problems with quality. If one component does not work, reach into an overflowing bin and pull out another. But fat inventories cost a bundle to carry.

"A big problem—and thus would influence the use of Kanban—has been a lack of frequent deliveries. As export brings a higher price than local sales, the home market comes off second best. There is more about to stop local auction sales through individual contracts."

"The shoe industry needs to invest more, but variable reaction from government makes it impossible to foresee the future."

"HI-TECH"

"We certainly need to go for hi-tech where possible. The manufacturer in small quantities and line work in progress should be handled by one operator only. Changeover designs should be faster. Conveyors are expensive and a waste of space—rather have operators working close together."

"There is the question of motivation and incentives. You can lead a horse to water, but if he really wants a beer you are wasting your time. There is a distinct limit to the effort people will expend for a low fixed wage."

"A correctly geared and strictly maintained incentive based on output will offer a potential increase of 20% in pay and an existing workforce. That increase in turnover means the system would pay for itself 10 times over in a short period."

"What are his views on local quality, considering Woolworths’s reputation in this field?"

"Local suppliers have the ability to produce shoes of an exceptional high quality. However, consistency is an aspect to which they pay scant attention and thus let the industry down. We strive to uphold quality, ensure the consumer gets value for money and with every purchase."

"Imported footwear is minor and used for holidays. We view the development of the product on the local market. The recent import surcharge has increased costs and therefore the selling price of this merchandise. But we shall continue to experience with imported goods as development is important to the continued success of the footwear group."

"A new trend has emerged in shoe retailing with the chain stores entering the market. Pick ’n Pay and Woolworths are the way forward with self-service in shoe buying. This is a radical departure from the service customer is used to, where a comfortable seat is provided and an assistant oversees off to find the requested item in the correct size."

"Woolworths’s director in charge of the shoe division, David Glasser, says all stores now carry shoes, with the major stores covering comprehensive ranges."

"Our footwear ranges are an extension of our family shopping concept and complement the clothing side. Yes, it is a different way of selling shoes. But shoe fittings are standardized so it is a simple matter for customers to serve themselves."

"DEMAND"

Over the past 10 years the average increase in productivity in SA was 1.6% compared with Japan, where productivity increased by 3% a year. "We have had overcapacity, so manufacturers should be able to gear up to cope with new demand."

"Self-service trend gaining popularity"
Surcharge will help

AT&T is enough

Supply

SIZE

Challenge

Written by Anabelle Gordon
Proposed Jaguar-Coastal takeover deal turns sour

JOHN SHERROCKS

DURBAN — A takeover deal between shoe manufacturer Jaguar Holdings and Coastal Clothing appears to have gone sour, with directors of the footwear company withdrawing their support for the purchase.

Durban's Coastal has told the Pietermaritzburg company it is taking legal action because the sale is not going ahead. Jaguar directors say they cannot recommend to shareholders that the sale be concluded.

A general meeting to consider the deal is expected to be held as planned next February. Major shareholders will vote against the proposal, the directors say.

A probable reason for the change of heart at Jaguar is Coastal's dismal performance in the half-year to August when earnings slumped to 2.75c a share (8.28c previously).

Since then Coastal's shares have dropped to 35c from the 50.25c value placed on them when the purchase offer was announced in July.

In July it was announced that Jaguar had bought 76 percent of Coastal from its majority shareholders and that a similar offer would be extended to Coastal minorities.

The offer was either R30 plus 27 Jaguar shares or 37 Jaguars for every 100 Coastals held.
MANUFACTURING - FOOTWEAR

1989
Management restructuring at Edworks

A MANAGEMENT restructuring, prompted by the rapid growth in black rural shoe stores, has taken place in the Edworks group. Group MD Stewart Dodo said yesterday local manufacture had shown real growth in the second half of 1988 for the first time in four years, driven by an increasingly affluent black consumer.

Chris Hinde has been appointed CE of Edworks Footwear Stores.
M&S Spitz Footwear lifts taxed profit, raises dividend

M&S Spitz Footwear's taxed profit for the six months to November 1988 rose to R1,36 million (R723,000 for the same period last year).

Profit for the year to the end of May was R2,43 million.

An interim dividend of 4c has been declared (3c in 1987).

Profit attributable to shareholders for the period was R1,35 million (R716,000) and R1,347 million for the previous financial year.

TURNOVER

The directors say the increase in turnover was 40 percent.

Pre-tax profit rose by 180 percent.

They say trading in December and January continued to exhibit the pattern shown previously.

The directors say they expect rising interest rates to affect turnover in the second half of the year.

But they expect taxed earnings to at least equal that of the previous year.

—Sapa
**Bolton gets M&S Spitz**

Bolton Footwear has acquired a controlling interest in M&S Spitz, the holding company of A&D Spitz. A consortium of Bolton Footwear, M&S Spitz management and overseas investors has bought the Spitz family’s 75.25 percent shareholding.

Bolton will have an effective 37 percent holding in the company and management control. An offer will be made to minorities. Bolton is paying cash of less than £5 million. — Sapa
Family sells major stake in M&S Spitz

The Spitz family has sold its 76.25% stake in M&S Spitz to a consortium comprising Bolton Footwear, M&S Spitz management and overseas investors.

Bolton Footwear (Bolwear) has bought 37% of the footwear group and management control for just under £1m cash.

M&S Spitz is the holding company for up-market shoe chain A&D Spitz.

Executive chairman Anthony Spitz, who has been at the helm for 31 years explained last night why the family sold. "I've found that the business had been so well run over the past year by the MD that the same drive was not there."

The Spitz management team, led by MD Peter Bolliger, will be staying on in their positions and will have a stake in the business.

Bolwear MD Sid Finlayson said the deal would strengthen the group's position in the footwear industry.

The deal would have increased Bolwear's earnings by 13.7% in the year to end-February 1998 but would have had virtually no impact on net worth.

Spitz shares closed yesterday at 150p. An offer will be made to Spitz minorities in due course.
Bolton clicks with Spitz

Bolton Footwear has gone a step ahead of competitors by snapping up a major stake in upmarket shoe retailer A&D Spitz.

A consortium of Bolton Footwear, Spitz management and foreign investors has bought the Spitz family's 76.25% shareholding in the chain's listed holding company, M&S Spitz.

Bolton will have an effective 37% of the company and have management control, says Bolton Group executive director Brian Puchert.

Bolton Footwear will pay nearly R55-million in cash. An offer will be made to minorities, either through a standby offer or a scheme of arrangement.

The deal will have virtually no effect on Bolton's net asset value, but it would have increased earnings in the year ending this month by 13.7%, says Bolton Footwear managing director Sid Finlayson.

The group performed strongly in the half-year to August 31, increasing attributable profit by 33% to R237-million on a 16% turnover lift to R1.05-billion. Earnings in the half-year were 13.2c a share compared with 10.1c in the same time of the previous year.

Mr Finlayson says the acquisition is in line with the company's philosophy of strengthening its position in the footwear industry. "It also opens the way for opportunities in the wider fashion sector".

He says it is important that the Spitz management team led by managing director Peter Bolliger, will stay on and have a stake in the business. In the half-year to November the retail group increased turnover by nearly 49%.

Bolton Footwear has operated its Shoerama retail chain in the Western Cape for some years. But Shoerama is in a different market sector and the 39-store A&D Spitz chain is in most of the SA's main centres.

"There is no clash and the two chains fit together well," says Mr Finlayson. "Expansion in the retail market has been one of our strategic aims.

"Strengthening our exposure at the upper end of the market is important in terms of growth and helping us to gain a full understanding of the demands of the retailer and the customer."

Bolton is heavily involved in the manufacture of branded, high-quality footwear and the inclusion of foreign shareholders in the consortium will open access to international styles and technology."
Conshu steps ahead on 25% income growth

POOTWEAR manufacturer Conshu Holdings maintained its steady growth pattern with a 25% rise in attributable income to R11.3m in the six months to December.

Group CE Robert Pennluim says continued attention to rationalisation and improved productivity, combined with growth in product sales, were the main factors in the interim results.

Earnings a share increased to 28.3c from 23.5c, with growth at this level marginally diluted by a slight increase in the issued share capital after two small acquisitions.

The interim dividend has been lifted to 9c a share from 7.5c, with cover retained at 3.1 times. Cover for the full year should, however, be in line with the 2.5 times for 1988.

Pennluim says rationalisation, which started after the merger with SA Breweries' SA Footwear in early 1987, continues to be a top priority.

The group's balance sheet shows a slight increase in gearing, after virtually no debt at the end of the last financial year. However, this is more than compensated for by a rise in fixed assets.
Conshu on good footing

By Ann Croody

On a turnover increase of 15 percent,  Conshu has turned in a 21.4 percent rise in earnings for the six months to December.

Turnover rose to R202 million (R175.6 million) and pre-tax income was up 21.7 percent to R23.6 million (R19.4 million). Attributable income increased 25 percent to R11.8 million (R9.4 million).

Earnings per share — on an increase in the number of shares in issue — rose 21.4 percent to 22.3c (23.3c). An interim of 9c (7.5c) has been declared.

The results reflect an improvement in operating margins from 11 percent to 11.7 percent. Chief executive Robert Pembbun says "Continued attention to rationalization and improved productivity, combined with growth in product sales, were the main factors behind the results."

The balance sheet shows a slight increase in gearing. Fixed assets have risen significantly.

Management says imported footwear continued to pose a challenge, but internal developments meant the group was better placed to meet competition.

Target markets are the high-profile, branded products in the medium to better quality end of the market. Management expects the full year to at least match growth shown at the halfway stage."
PRODUCTION of canvas shoes doubled in November to over half a million pairs for the month, bringing total production for the 11 months up 65% over last year.

"Demand for the canvas "tacky"-style shoe has shown a stronger rise than any other during the year. It is made in about 10 factories in SA by two main groups, Conshu and Futura (ex-Beta)."

Futura MD Anthony Carnecky said yesterday there were two reasons for the upsurge in demand.

"Firstly canvas shoes are becoming very much a fashion item and secondly imports have fallen, though it is difficult to give exact figures."

Conshu CE Robert Feinblum said the stimulus to production had come from the import duties and the devaluation of the rand. His company had only recently entered the canvas-shoe market in a serious way in the last few months and had already doubled production.

"We are hoping to develop in this area where we can see an opportunity," he said.
Amshoe abandons plan to buy Coastal Clothing

AMALGAMATED shoes — Amshoe — has abandoned its plan to buy a 76% controlling interest in Natal-based Coastal Clothing Manufacturers.

The company announced today and said a general meeting scheduled to consider the proposal had been called off.

The announcement is the latest in the ongoing dispute between Coastal and Amshoe and follows the decision by Lenco Holdings — Amshoe’s major shareholder — to block the acquisition.

Lenco’s holding in Amshoe increased after the footwear manufacturer, then called Jaguar, acquired Budget Footwear in December last year for R30.5m.

The resolution to approve the deal was to have been proposed at Amshoe’s general meeting, originally scheduled for last month and to have been convened in terms of the Coastal acquisition agreement.

The dispute centres around the general meeting — one of the conditions of the Coastal purchase contract signed last year — and whether Amshoe MD and major shareholder Roy Eckstein is bound by a clause in the acquisition contract to vote in favour of the purchase.

He said he had no prior knowledge of Amshoe’s latest statement.

He doubted whether it had any legal bearing, since neither Lenco nor Budget had any locus standi in the matter.

One condition of the purchase contract — signed on July 1 last year — was that a meeting of shareholders be convened.

A second condition was the JSE’s approval of the transaction.

According to Cohen, neither party had fulfilled these obligations, in spite of having been informed by Coastal in December that they had 14 days to remedy the breaches.

“Therefore, the resolution will be defeated and the Coastal acquisition agreement will not be implemented,” Amshoe said in a statement.

“Accordingly, the board of directors of Amshoe has decided that the convening of the general meeting of Amshoe be dispensed with.”

Coastal MD Bernard Cohen confirmed last night that his company would be proceeding with legal action against Eckstein and Amshoe for not fulfilling the terms of the transaction agreement and was planning to issue a summons on them.

Decided

“We want Eckstein and Amshoe to perform their obligations. Lenco and Budget were not parties to the transaction, so they can’t call the shots, but Eckstein has allowed them to put a clamp on the deal,” he said.

“We will definitely take action when we see fit. We believe in the sanctity of contract and the parties concerned should act with decorum.”

Eckstein and Amshoe had not at any stage repudiated the agreement, he added.

When contacted yesterday, Eckstein said Amshoe would probably contest the legal proceedings, but declined to comment further.
Amshoe triples income to R15.5m

The success of the Jaguar-Budget merger into Amshoe in March 1988 is reflected by the tripling of attributable income to R15.5m in the group’s results for the year to February, released today.

Combined Jaguar and Budget figures from March 1983 to February 1988 are given, with total figures including Jaguar’s January and February 1988 results since Jaguar’s previous year-end was December.

The figures are compared with Jaguar’s 1988 results.

Charlotte Mathews
Earnings of 27.9c a share for the 14 months are 80% higher than Jaguar’s previous 15.5c and 63% higher for the 12-month period — in spite of the increase in the number of shares in issue.

A dividend of 7c (Jaguar paid 4c in 1987) will be paid.

Amshoe CEO Roy Eckstein says the dividend cover is being increased to fund further expansion.

Jaguar and Budget were both footwear companies, but as a result of the merger Amshoe is diversifying into PVC and EVA soles and foam sheeting for the manufacturing, mining and construction industries, which is seen as contra-cyclical expansion.

Eckstein said the full benefits of the synergies of the merger were only coming into effect now and would have a favourable effect on the group’s 1989/90 results.

He said outstanding results for the current financial year could be expected as a result of additional production capacity, full order books and tight control of costs and assets.
Bolton reports a better performance

TANIA LEVY

BOLTON Footwear — included in the consortium which recently acquired a controlling interest in M&S Spitz — has stepped up profits 33% in the year to February.

A dividend of 6.4c a share has been declared after the footwear group's attributable profits grew to R6m (R4.6m) or 30.6c (22.6c) a share.

The M & S Spitz deal, concluded earlier this year, would have increased Bolton's earnings by 13.7% in the year to February.

However, Bolton Footwear's profit growth was insufficient to offset the poor performance of Cargo Carriers, the second subsidiary of Bolton Industrial Holdings.

The holding company's earnings dropped nearly 5% to R6.2m (R6.5m).

Nevertheless, a final dividend of 22c (24c) a share has been declared.

EDWARD WEST reports that Bolton Properties, of which Cargo Carriers has a 63.8% holding, more than doubled earnings to 16.5c a share from 7.8c a share the year before.

A 10c dividend is payable.

In the year to February, turnover rose 54% to R2.6m from R1.5m. Pre-tax income doubled to R1.7m from R736 000. Tax increased to R273 000 from R403 000, resulting in an attributable income of R673 000.
Storeco to raise R17m

To facilitate the expansion of the Storeco Group, the company's operations will be re-listed in a re-named subsidiary, Speciality Stores, and R17 million will be raised through a rights issue by the new group.

Storeco will become the pyramid company of the group with its sole investment being its holding in Speciality Stores, which will consist of the Milady's, The Hub, Mr Price and Footgear stores.

Over 5.2 million new shares will be issued in Speciality at R2.50 each, while the relationship between the two companies will be that two Speciality shares will equal one Storeco share.

Joint MD Stewart Cohen said the funds raised through the rights issue would facilitate the continued expansion of the Milady's and Hub chains, as both businesses were predominately credit businesses and additional working capital was necessary to fund growth.
Lenco profits soar

Business Staff

Lenco showed a 74 percent increase in attributable income to R142.2-million, primarily due to several profitable acquisitions in the clothing sector during the year to February 1989.

A 73 percent increase in turnover to R297.5-million (R120-million) was due mainly to the consolidation of the results of Amshoe, in which Lenco has a 51 percent share, said chief executive Doug de Jager.

Lenco's interest in Amshoe resulted from a transaction in which Lenco subsidiary Budget Footwear's operating divisions were acquired by Jaguar Holdings - Jaguar was subsequently renamed Amshoe, and the listed budget cash shell was retained by Lenco.

Mr de Jager was particularly pleased with improvements in the House of Monastic which reflected improved efficiencies in the manufacturing operation.

Attributable income grew from R60.9-million to R82.2-million, following some highly profitable acquisitions, including Rich Rags and Monastic.

The dividend paid was 40 percent up at 7c a share.

Mr de Jager said the acquisition of premises for the two Atlantis divisions were made in the latter portion of the year at a value which directors believed would be of particular benefit once interest rates came off their present high levels.

Adcock-Ingram, helped by the first-time inclusion of Saphar-Med and strong performances by all divisions, reported figures for turnover and operating profit well ahead of expectations.

In the six months to March, it lifted turnover by 44 percent to R155.9-million and operating profit grew 34 percent to R30.3-million.

After tax at 46 percent, attributable income rose 37 percent to R14.1-million.

The dividend has been lifted by 50 percent to 17c a share.

○ Rand Mines Properties (RMP) increased its bottom-line profits by 42 percent from R8.7-million to R12.4-million in the six months to March 1989.

The interim dividend is 33 percent up at 40c a share.

The higher earnings reflect a turnaround of almost R7-million in the operating profits of the property division and a steady contribution from gold recovery operations.

However, the directors warned that second half results would be significantly lower than the first half, taking into account current gold price trends and the outlook for property sales, which must clearly feel the pinch of higher interest rates.

After-tax profits for the full 1989 year are forecast at about R21-million, compared with the record R27.8-million earned in 1988.
BURHOSSE SA has acquired a controlling interest in Cape-based pantihose manufacturer Golden Girl Hosiery, chairman Ivan Pesnak announced yesterday.

He said "Golden Girl will continue to be managed by its existing team. Although it will operate autonomously and trade independently, it will enjoy a variety of benefits through its association with Burhose SA."

Burhose is a division of Hunts Limited, which manufactures and exports pantihose. Brand names include Chemo, Escort, Activ Alive and Christian Dior.
R21m Jordan for Conshu

CONSHU Holdings has bought Jordan Shoes from Safran for R21-million and plans to list its subsidiary, Wayne Rubber.

Jordan, one of the largest footwear manufacturers, will be bought for R11-million in cash and 2.5-million Conshu shares.

Subject to shareholder approval, Wayne Rubber will be listed through a reverse takeover of Phoenix Rubber in a deal worth almost R50-million.

Conshu will get 48.2-million Phoenix shares in exchange for Wayne. Phoenix is trading at 86c. which will put a value on the combined company of about R98-million. When listed, Conshu will control 52% of the new company.

Phoenix will change its name to Wayne Rubber and will have a turnover of about R150-million and forecast pre-tax profits of about R15-million.

The Wayne listing is intended to separate the industrial activities of Conshu from its core business of footwear manufacture, says chief executive Robert Fembumbi. The listing will open the way for expansion by both sides of the group and will pave the way for growth of Conshu's footwear operations.

Wayne is a leading processor of rubber and PVC, providing products for all sectors of the industry. Phoenix evolved from Sarmacol and makes products for more specific divisions of the market. Mr. Fembumbi will be chairman of the new group and existing executives of Phoenix and Wayne will remain on board.

Expansion

The hiving off of Wayne will strengthen Conshu's balance sheet. Wayne's gearing has risen in past years after major expansion and refurbishing of plant. This position is expected to be rectified.

The two deals would have had little effect on results of Conshu. Safran or Wayne had they been in place for the year to June. However, there are expected to be benefits in future. New tariffs imposed on the import of footwear have strengthened the position of SA manufacturers.
STREAMLINED Sam Steele Holdings is cautious about the future in spite of improving its after-tax profits by R27.8m for the year to end-August.

The group has disposed of its subsidiary, Johannesburg Industrial and Commercial Investments, in exchange for 50% of Transvaal Platinum Consortium in order to concentrate on its furniture manufacturing and retailing activities.

In its annual report, chairman Hector McNell cited increased interest rates and the demands made upon the industry to repay the GST allowance in respect of its debtor prior to the introduction of VAT, as main reasons for the uncertainty.

In spite of this pessimism, the group managed to increase turnover by 49% to R100m (R67m) and raise operating profit by 53% to R18m (R11.3m) on bettered margins of 8% (7.8%) last year.

This figure reflects the disposal of the group's electronic, computer, engineering and food and catering subsidiaries which added R27.8m to the R12m manufacturing and retail turnover figure.

In lieu of a final dividend payment, the directors proposed a capitalisation issue on the basis of five tax-free shares for every 100 shares held.

The 47% reduction of dividend outlay from R162.0m to R302.0m and a reduced tax bill of R7.0m (R7.0m) contributed to the 47% rise in the attributable profit figure of R23.3m (R14.3m).

However, gearing jumped to 12.8% (12.8%) as a result of a 26% increase in borrowings to R44.3m (R33.2m).

On a share price of 36c, 22c below its high last May, the group shows an historical dividend yield of 5.5% and a p/e of 2.5, below the sector's averages of 7.4% and 4.4 respectively.
Conshu Holdings ties up deals worth R70m

FOOTWEAR manufacturer Conshu Holdings has acquired Jordan Shoes from Safren for R21m and will list its subsidiary Wayne Rubber through a reverse takeover of Phoenix Rubber in a transaction valued at almost R30m.

The new listed company, Wayne Ltd, is expected to produce a turnover of about R15m and taxed profits of R1.5m. Conshu will have an 82% stake in Wayne after obtaining 43.3 million new Phoenix shares in exchange for Wayne's business and assets. Phoenix is valued at under R10m, with a current market price of 25c a share. The new market capitalisation will be about R60m.
Making a mark in sport

WHILE top sporting teams and personalities make their mark through determination and sweat, Puma has played a major role in getting many of them to the top.

Puma, manufactured, imported and distributed exclusively by Amshoe company Jagsports, actively promotes and sponsors rugby, boxing, tennis, cricket, running and soccer — the biggest sports in SA.

Puma's soccer teams have been top achievers for years and include Kaiser Chiefs, Cosmos and Giant Blackpool.

The bottom line to the sponsorship venture is clearly shown by Puma's secure position as the market leader in the soccer kit and sportswear market.

Puma is set to make significant inroads into the SA cricket market with an all-new range of cricket boots and shoes, which has received endorsement from the Australian Cricket Board and has the support of top SA cricketers, such as Springbok Clive Rice.

From the days of the great Brazilian soccer wizard Pelé, through to tennis stars Martina Navratilova, Boris Becker and today's famous soccer player Diego Maradona, Puma has managed to attract and sign up leading players and teams to successfully carry its brand name and don its sports kit.

There is little doubt the winning exposure abroad has and will continue to have a major effect in SA.

Puma makes a substantial contribution to the sponsorship of sport in SA.

Soccer gets the lion's share of Puma's sponsorship budget with eight of the 18 major first division National Soccer League teams playing under its banner.

Over and above the first division commitment, Puma actively sponsors, supports and promotes soccer in the second division, the lower leagues, the mining leagues and the Eskom league.

As rugby is as an amateur sport, Puma has opted for sponsoring coaching clinics.

Puma also has contracts with the hockey associations and is responsible for all clothing and footwear for the men's and women's national teams, as well as under-21 and school teams.

On the running track, the company sponsors world 10 000m track champion and record holder Mathews Temane.
Keeping the customers happy

Keeping 6,000 footwear customers happy when they are scattered throughout the country is not an easy task. However, Amshoe has improved its services—particularly to the smaller retailer.

Through a distribution centre with a difference, wholesale operation Falkow Bros provides a facility which is based on an instock service and carries a comprehensive range of footwear at all times.

The operation is in line with the growing demand from small retailing outfits, many with cash-flow constraints which do not permit the ordering of enough stocks to last several months.

The range comprises shoes and some boots made not only at the various Amshoe factories, but also to be supplemented by footwear turned out by other manufacturers.

Purchases are made from the Far East, when certain types of locally made footwear cannot be produced cheaply enough.

The in-stock footwear will fit the needs of most men, women and children.
Propects look good for new company

THE merger of Jaguar Holdings and Budget Investment Holdings into the single company Amalgamated Shoes (Amshoe) has been an immediate success, says Amshoe chairman Roy Ekstein.

Turnover has shown an increase of 46.5%, dividends have improved by 7%, operating profit is up 58.6% and earning per share have grown 8%

The future prospects of the group indicate a conservative growth projection of more than 30% on turnover and corresponding profits for the new financial year.

Nine companies of Jaguar Holdings, which was listed on the JSE in August 1987, and three companies of Budget Holdings have been brought together in the recent merger.

The synergy of the two companies can be seen in their original market positionings.

Jaguar, which began operations in 1965, originally manufactured and distributed ladies and children's footwear aimed at the medium-to-lower-priced sectors of the market.

Budget, which began operations in 1971, has its origins in manufacturing and supplying popular ladies', men's and children's footwear to the SA consumer.

The compatibility of the two companies, coupled with the depth of management expertise, has been a catalyst in ensuring an immediate synergy when developing new markets and the growth of existing markets.

Amshoe now comprises the former nine divisions of Jaguar and the three divisions of Budget, which have been streamlined into three divisions: shoe manufacturing, component manufacturing, and wholesaler/supply.

Besides further synergistic benefits this year which Ekstein forecasts, Amshoe will be expanding its footwear production from the current 40 000 pairs of shoes a day.

He says all factories are running flat out with maximum permissible overtime being worked.

Additions to plant and machinery currently being implemented will not only increase production but afford development of new products and improved returns on assets managed.

Famous

With the experience and expertise of management at all levels Amshoe is well placed to take advantage of the expansionary phase in the SA footwear industry, the growth in supply of footwear components, import replacement, exports and expansion into decentralised areas.

Over and above the potential which exists in the footwear industry Amshoe through its principal franchise of the internationally famous Puma range will benefit from the contribution of the sports apparel division.
Trading results recently released by the restructured Amshoe Holdings Group, first listed on the JSE as Jaguar Holdings in 1987, exceeded expectations. In this special report, Lynn Carlisle examines the operations and market prospects of the group’s various divisions.

Plans are afoot to expand divisions

Amshoe has taken a positive stance in planning to improve or extend operations in the manufacture and supply of footwear. The shoe manufacturing division comprises seven companies based in Durban, Maitland, Lesotho, and Qwa Qwa.

“This enables Amshoe to offer an extensive range of infant’s, kids’, youth’s, ladies’, and men’s footwear across all categories from formal to casual footwear,” says Amshoe chief executive Roy Ekstein.

At its recent board meeting, Amshoe management concluded that prospects for the new group are buoyant, and particular attention would be paid to those areas in the footwear and clothing market where more turnovers can be made.

Expand, upgrade, or extend operations

Ekstein says production capacities in the divisions will be increased by the replacement of certain outdated machinery with modern, hi-tech equipment.

Significant and significant growth is the outlook for Amshoe and the group has plans to improve and expand the shoe manufacturing divisions. Ekstein explains what these divisions are about.

Maritzburg-based Jaguar Shoes manufactures medium to lower priced ladies’ and children’s footwear for major chain stores, and wholesalers.

A separate department within the company will continue to handle imported footwear, to supplement its range with products which cannot be made locally at competitive prices.

Ekstein says a decision to expand Budget Footwear in Lesotho will realise new opportunities coupled to equally attractive returns.

“This is attributable to the existing infrastructure, the guidance available from the Lesotho National Development Corporation and the geographical position in relation to the South African markets.”

Recently completed additions to the Mustang Shoe factory in Lesotho, now 55m², will enable the company to continue with its upward surge in sales.

In the Qwa Qwa-based Rev Shoe factory, the emphasis will be on improved productivity.

With the rights to manufacture and distribute the Puma range of footwear, clothing, and accessories, Jagports is well positioned to capitalise on this renowned brand name.

Jagports has an SA “first” in the footwear industry with the introduction of a capital intensive two-colour sole direct injection moulding PVC machine.

Using locally produced raw materials, this new equipment ensures better quality and greater versatility at more competitive prices, says Ekstein.

Situated in Maritzburg, Delta Shoes manufactures ranges of both formal and casual men’s shoes. The company is geared to take full advantage of the import replacement market, with established brand names like Steven Charles and Delta.
Merger pays off in annual results

TRADING results have exceeded all expectations for Amshoe Holdings in its first year of operation since the merger of Jaguar Holdings and Budget Holdings.

The results have also entrenched the group's position as a major player in the footwear industry.

Despite the increase in the number of shares in issue to facilitate the Budget acquisition, earnings per share (eps) of Amshoe (previously Jaguar) surged 63% to 25.3c per share on an annualised basis. Group earnings soared to R14.5m — considerably up from that achieved previously.

Operating income has exceeded R20m, with turnover in excess of R148m.

Commenting on the results, Amshoe CE Roy Ekstein says: "With the protection afforded the local footwear manufacturers some time ago, significant investment was made in increasing production capacities to replace shoes previously imported into the country."

"All plants within the group have run at full capacity, with current production exceeding 40,000 pairs a day, in order to fulfill the group's factories already established there, have been approved."

Ekstein says further additions to machinery have been made since year-end and production capacities have increased.

"The benefits of synergies of the merger are only now coming into effect and will have full impact on our 1989/90 results."

Plans to locate Budget's expansion in production into low-cost decentralised areas, and to enlarge the order book, and this has impacted favourably on our financial results."

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Significant research and development is being invested in the footwear component plants, which provide PVC and EVA soles to the footwear industry, and cross-linked foam sheeting for the manufacturing, construction and mining industries.

Ekstein confirms that investment has tremendous scope for further development and will in due course become a significant contributor to group profits.

A dividend of 7.5c (1987 — 4.0c) has been declared with the dividend cover increased to fund future expansion.

Amshoe's balance sheet reflects a sound financial structure, with gearing levels at around 28% and group net asset value in excess of R149m.

This places the group in a strong financial position to fund its capital expenditure programme, he says.

Ekstein anticipates outstanding results for this financial year due to the additional production capacity, a full order book, the group's attention to rationalisation of its facilities and tight controls on cost and asset management.
Sanctions are no threat to Jagsports division

DISINVESTMENT poses no threat to Amshoe and its Jagsports division, which has the local franchise to manufacture, import and distribute the internationally renowned Puma range of sports and casual apparel and footwear.

Jagsports MD Meyer Greenspan says this franchise has been held for the past nine years and Puma head office in Germany has signed a long-term contract with Amshoe.

Securing future bonds with a parent producer is an important achievement amid growing pressure abroad to disinvest.

"This achievement is vital for continuity of supply and growth, particularly as Jagsports is now expanding Puma products into exciting new segments in the local market," he says.

Many of the large chains and companies not only seek the assurance that continuity of supply is guaranteed, but that the latest technology used to improve products is freely available, he adds.

Energy

"Being able to meet these needs in the future has injected confidence into Puma’s local marketing strategy with big organisations," says Greenspan.

In the past nine years, tremendous energy has gone into the Puma footwear ranges, but this has been at the expense of the opportunity which has existed in the apparel market.

While the rest of the world has a split of about 50% Puma footwear and 50% Puma apparel, in SA it is about 90% to 10%.

Puma aims to remedy this and has developed a new apparel division.

This complements the existing sports and casual footwear ranges and will design and develop the Puma lines of sport and multi-sex casual apparel on a CMT (cut, make and trim) basis.
All retailers well served by wholesale division

A STRONG wholesale division is in place at Amshoe to support the manufacturing divisions, which are well placed to continue their upward organic growth.

The firmly established wholesale operation of Berbi and Falkow Bros will continue to service the growing demand from retail outlets, particularly the smaller retailers with cash flow constraints that do not permit the ordering of sufficient stocks to last several months.

Falkow Bros is based on an in-stock service and at all times carries a comprehensive range of footwear, comprising shoes produced by not only Amshoe factories but also those of other manufacturers, together with imported lines.

Imported lines are undertaken when certain types of locally made footwear cannot be produced at competitive prices.

Berbi, which is the wholesale division of Puma, services the retail trade out of Durban, Johannesburg and Cape Town.

While offering a complete and comprehensive range of Puma sports and casual footwear, Berbi also offers an in-stock service with regard to the active sportswear and apparel ranges.
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THE merger of Jaguar Holdings and Budget Investment Holdings into the single company Amalgamated Shoes (Amshoe) has been an immediate success, says Amshoe chairman Roy Ekstein.

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Famous

With the experience and expertise of management at all levels Amshoe is well placed to take advantage of the expansionary phase in the SA footwear industry, the growth in supply of footwear components, import replacement, and expansion into diversified areas.

Over and above the potential which exists in the footwear industry Amshoe through Laporte, the franchise of the internationally famous Puma range -- will benefit from the contribution of the restructured Puma sports apparel division.

AMSHOE boasts a strong top management team of skilled and experienced executive directors.

☐ Chef executive Roy Ekstein manages the team of directors and has been in the shoe manufacturing industry for 24 years. He is a commerce graduate with a diploma in footwear manufacturing and design.

☐ G. de Jager is an Amshoe non-executive director and Lenco chairman. He has been a leading figure in the success of Monate and Carded clothing ranges.

☐ Christo Weisbe, an Amshoe non-executive director, is chairman of the highly successful and expanding Pep Stores retail chain. His experience and knowledge of the retail environment ensures Amshoe is accurately aware of the market's requirements and expectations.

☐ Harry Spann, an Amshoe non-executive director, is Columbia Corporate Finance chairman. He is an experienced, astute and well respected financial man in the SA business environment.

☐ Stanley Stubbs is also an Amshoe non-executive director. He is Lenco financial director, overseeing all of the group's financial matters.

☐ John Ward, Amshoe Group financial director, is a
Shoeshine takeover at the JSE

BY BRENT MELVILLE

DIAGONAL Street's fiercely competitive shoeshine industry has been shaken by the merger of two rival camps.

Nugget Shoeshine has bought out its rival shoeshine outfit, Mr Nugget, for an undisclosed sum and summarily shoeshine prices have rocketed by 50% at the revamped Mr Nugget stall.

A basic shoeshine will now cost JSE patrons R1.50, as opposed to the previous Mr Nugget cost of R1.

Conversely, Nuggets prices have been reduced by 50% from R2 to R1.50.

Reactions to the move vary, with some stockbroking analysts believing the move is in the best interests of the shoeshine sector.

Skyrocket

However, one stockbroker has called "foolish" and has come out firmly against the consolidation, saying that with increased demand prices would "skyrocket".

Some disgruntled patrons view the move as monopolistic and believe there are grounds for intervention.

A Davis Borkum & Hare analyst believes the buyout has come at a crucial juncture. "With winter approaching, the dusty buildup on shoes is immense," he said.

Analysts further consider the possibility of a bull-run in the retail shoe market, saying that the increase in shoeing costs could be an incentive for many in the business community to "run out and buy new shoes".
Bolton seeks expansion through Spitz

BOLTON Footwear chairman Bill de la Harpe Beck says purchase of a controlling interest in M & S Spitz is part of a plan to be a major force in footwear.

In February Bolton bought the majority equity in Spitz, in conjunction with an international organisation, to expand its footwear retailing.

Bolton says it is primarily in footwear — manufacture, wholesale and retail — but has interests in construction and motor dealerships.

Beck warns in the group's annual report the rate of increase in profits — a 33% rise in attributable profits over 1988 was reported for the year to February — is not likely to continue under current economic conditions.

"The footwear industry continues to be burdened by the high demand for working capital and the ever-increasing cost of plant and machinery for which it is largely dependent on foreign suppliers," says MD Sid Pailayan.

He adds the company has also paid higher finance charges during the year because of raised interest rates.

"The group is nonetheless fortunate in that it has a low gearing (15.7% at February 28), thereby enabling it to finance organic growth and consider acquisitions," Pailayan says.
Footwear industry reports
market-share turnaround

FOOTWEAR production in 1988 increased by 2.4% compared with 0.4% the previous year, the 1988/89 annual report of the Footwear Manufacturers' Federation (FMP) of SA said at the weekend.

"Whereas 1987 saw the local footwear industry lose considerable market share in volume terms from 78% in 1986 to 67%, the 1988 situation reveals a turnaround to 80%," FMP director Dennis Lande said in the report.

Footwear imports had declined by 46% compared with 1987, but very little replacement of footwear imports was channelled to local footwear manufacturers.

Price increases in manufactured footwear, as measured by the Production Price Index, were contained last year at 10.1% compared with an all industries figure of 12.5%, said Lande.

The same restraints were not applied to the retail sector, however, "where increases in footwear prices at point of sale were 13.5%, compared to an overall CPI figure of 12.3%."  

Consumption

On prospects for 1989, the report said "The fiscal and monetary measures introduced to curb spending are likely, from past experience, to have a greater impact on private consumption expenditure on durable goods with spending switched to semi-durables."

Lande said on the macro level SA's economic prospects could improve in the long term only if government was prepared to accelerate political reform.

"Secondly, at micro level, it is essential that the government accepts that the footwear manufacturing industry is worthy of structural adjustment assistance by providing the required-incentives to footwear manufacturers, ensuring that the industry can develop a strong home base protected from disruption caused by footwear imports from lower labour cost countries," he said — Sapa
Footwear industry takes step forward

Cape Town — Footwear production in 1988 increased by 2.4 percent, compared with 0.4 percent the previous year, the 1988/89 annual report of the Footwear Manufacturers' Federation (FMF) said yesterday.

"Whereas 1987 saw the local footwear industry lose considerable market share in volume terms from 79 percent in 1986 to 67 percent, the 1988 situation reveals a turnaround to 80 percent," FMF director Dennis Linde said in the report.

Footwear imports had declined by 46 percent, compared with 1987.

But very little replacement of footwear imports was channelled to local manufacturers, as could be seen from the 2.4 percent increase in volumes produced last year, the report said.

"Indications are that orders to replace imported footwear were placed with those footwear factories operating outside South Africa, such as BLS, TBVC countries and the homeland," Linde said.

Price increases in manufactured footwear, as measured by the producer price index, were last year contained at 10.8 percent, compared with an all-industries figure of 13.9 percent, said Mr Linde.

The same restraints were not applied to the retail sector, however.

"Increases in footwear prices at point of sale were 15.8 percent, compared with an overall consumer price index figure of 12.8 percent," he said.
Life on a shoestring

There is a touch of irony about the footwear industry gathering to discuss the theme "The World is Our Market" when its record over the last four years — exports at little more than 1% of turnover — is convincing evidence to the contrary. Yet that’s just what executives did a few days ago. And it seems that, at last, the footwear men are starting to address the problem.

The industry has been stagnating for years. Employment has dropped from nearly 30,000 in 1982 to under 26,000 today. Production has barely grown, from 58m pairs in 1984 to 62m in 1988.

Part of the problem lies in the industry’s vulnerability to imports, particularly from the Far East. In 1987, 30m pairs of imported shoes accounted for 33% of SA sales.

This pressure was eased by government granting the industry protection via import duties in late 1987. Imports declined to about 15m pairs in 1988. But this sort of protection doesn’t last forever, and the industry is now being investigated by the Board of Trade & Industry (BTI).

The industry realises it stands more chance of a favourable BTI hearing if it is seen to be taking positive steps to help itself. A policy document, Strategic 2000, is aimed at developing a greater export effort.

The bottom line for competitiveness is reduced costs. The document estimates that contracting out work would reduce labour and overhead costs and make SA shoes up to 21% cheaper to produce. Industry consultant Syd Cohn says that for sub-contracting to succeed, piecework rates must be paid. However, he says unions have yet to accept the idea in case it undermines minimum wages.

Attitudes may change. It is understood that unions in the UK have advised the SA union, the National Union of Leatherworkers, to accept the scheme, if the alternative is no industry and no jobs.

Cohn insists sub-contracting should not be seen as a charter for sweatshop labour. Indeed, he says it will probably not succeed if it can’t attract skilled labour by offering better pay.

In the absence of union assistance, the industry has been forced to investigate the route of economic deregulation. Here, it has been helped by the proclamation last month removing restrictions on economic activities in 38 Small Business Development Corporation industrial hubs and training premises.

One other ‘major obstacle’ remains: the industry must shake off its reputation for being a “foul-weather” exporter which jettisons foreign customers as soon as local demand recovers.

It’s a sin shared by several SA industries. For an industry that’s been on its “uppers” for years, it’s one the footwear sector can no longer afford to commit.
By Don Robertson

THE footwear industry expects to increase sales by as much as 10% this year, but with the threat of reduced margins, higher input costs and increased imports the outlook is bleak.

Nevertheless, Conshu Holdings, the largest footwear manufacturer in SA, is budgeting for an increase in earnings above the inflation rate.

Sales in the first two months of this year rose by 12% over the same time last year. There has also been a 6.3% increase in demand for labour.

Overshadowing the market is an expected increase in imports, which last year fell by 46% to 15.8 million pairs from 32.2 million in 1987.

This follows the introduction of interim duties by the Board of Trade and Industry in November 1987 and surcharges in May this year.

As a result, imports represented 20% of total footwear sales last year compared with 33% in 1987.

But executive director Dennis Lindo says in the annual report of the Footwear Manufacturers Federation of SA (FMF) that although imports fell sharply last year, he expects a "substantial increase in imported footwear" this year — in spite of the falling rand.

Little import replacement flowed through to SA manufacturers last year, most going to Botswana, Swaziland and TBVC countries.

A total of 16 factories employing 3,000 people closed last year.

Robert Fosbloom, deputy president of the FMF and chief executive of Conshu, says rationalisation in which Conshu absorbed SA Breweries' footwear division resulted in two factories closing.

He says that although sales were well up in January and February, they came off a low base. He expects sales this year to rise between 5% and 10%. Higher interest rates are also a problem as manufacturers are wary of becoming overtraded on borrowed money.

The rise in production costs last year was kept to 10.4%, compared with the overall industrial figure of 12.3%. These achievements were not honoured by the retail sector where prices rose by 15.9% compared with the overall average of 12.3%.

Mr Fosbloom says that because of the rand's decline, the cost of imported raw materials will rise. Wage negotiations are taking place and machinery costs and high interest rates could add to the input bill.

Mr Lindo warns that the future of the footwear manufacturing industry depends on the Government's accelerating its reform programme to take the heat off SA in terms of sanctions and disinvestment.
Newly-listed Specialty is expecting a good year.

SHAREHOLDERS of recently-listed retail group Specialty can look forward to earnings a share of 63c and a forecast dividend of 26c, says chairman Nie Loubuschagne.

Addressing the group's annual general meeting in Durban on Friday, he said all the group's operations - Milady's, the Hub and Footgear - were trading well, while Mr Price was in a "growth phase".

"Current trading has been good, and sales for the first quarter ending May were 32% higher than the previous year."

"While the group has anticipated a softening in retail trading, sales continue to be well ahead of budget."

He added that Specialty did not trade extensively with upper income customers, who had been most severely hit by rising interest rates.

"On the contrary, we believe our group is benefiting from the structural shift of wealth that is taking place in our nation."

He said the free-enterprise system was emerging as a "powerful unifying force" in SA, and the group's changing customer profiles were signalling these changes.
Lenco bid to gain assets for Budget Footwear

LENCO has plans to acquire assets to inject into Budget Footwear, the cash shell with $31.5m in the kitty, says chairman Douglas de Jager in his annual review.

Plans are at an advanced stage to effect an acquisition which the Lenco board believes will have a significant growth potential. Lenco has an 85% interest in Budget.

The group is well placed to enjoy further real growth in the current year, says De Jager.

In addition to exceptionally strong orders for its existing range of men's formal and semi-formal wear, The House of Monastic is pursuing further opportunities. These include exports for which a spare jacket production line has been recommissioned.

The resulting 30% additional capacity is now virtually fully utilised for export and local orders.

After the termination of the licence agreement on Carducci women's wear, a design team was established by Monastic to launch a range for winter 1979.

Elvenco Plastics' prospects remain extremely favourable. A satellite plant is being planned with equipment to be supplied by the newly-formed machine building enterprise. The machines are manufactured almost entirely from SA components and cost considerably less than imported or reconditioned equipment, says De Jager.

Amahold was created through the merger of Budget Footwear and Jaguar Holdings' footwear division.
AN urgent application for the liquidation of Edworks will be heard in the Rand Supreme Court on Tuesday. Edworks, a household name in shoe retailing, will defend the application.

According to various creditor sources, the company's liabilities total about R80m. Trust Bank is owed R5.7m.

Edworks, established in 1914, has more than 300 stores round the country and the group includes Dodo's Shoe Company and Boutiques, Marcello Shoes and Pick a Pair. The company has factories in Port Elizabeth and Botswana.

The company is 100% owned by the Dodo family. Total assets are not stated.

Between April and May about 300 members of the Commercial, Catering and Allied Workers Union (Cawu) went on a six-week strike. At the time Edworks MD Stewart Dodo said the losses resulting from the strike were substantial.

Jaguar MD Roy Eckstein, who is filing the application, said his company was owed between R4m and R5m.

"We have done business with Edworks for 20 years," he said. "They are an old family name in the SA shoe retailing market, but without any warning two or three months ago they were unable to pay any more, and we found ourselves not being paid by one of our larger customers."

Belwear financial manager Alan Fleetwood said his company had not been involved with Edworks for some time and the amount it was owed was "totally insignificant."

One option for Edworks that has been mentioned is selling off the business.

"They are a very big business," said Eckstein. "They have about 250 stores and a big manufacturing setup, which makes more than 10 000 pairs a day. We are one of the few groups that could take over a part of it. But our main aim at the moment is to recover our debts."

Dodo confirmed yesterday that a summons had been issued against the company, but added: "As at 3.30pm today we are not in liquidation." He said it would be inappropriate for the company to comment at this stage.
FNB in bid to rescue Edworks

GRAHAMSTOWN — Edworks, in the red to the tune of R50 million, was placed under a provisional winding-up order in the Grahamstown Supreme Court yesterday.

The action will allow the provincial liquidator to try to salvage the Port Elizabeth shoe company's operations for the benefit of creditors.

Yesterday, First National Bank, the major creditor, said it was attempting to put together a rescue plan.

Senior general manager Jimmy MacKenzie said in Johannesburg: "We are acting in the interests of suppliers and all parties involved with Edworks.

"The bank is attempting to find a way to keep the company operating, thereby ensuring its future.

"Proof of the bank's support is that the Edworks group's payroll was authorised for payment this morning."

Edworks, owned by the Dodo family, operates three shoe factories, a wholesale division and two retail divisions with 150 outlets in South Africa and Botswana. — Sapa
Business Times Reporter

EDWORKS, South Africa's third-largest shoe-maker, has gone into provisional liquidation - the first large company to be broken by a strike.

Creditors said a strike lasting from April to late June was the last straw that broke the back of the heavily indebted 18-year-old company. The strike involved a claim which would have added about R10 a month to the pay packet of each worker.

Devastating

Members of the Commercial Catering and Allied Workers Union (Cawun) demanded an increase of R125 a month, but Edworks would offer them no more than R105.

The strike involved 900 employees in 50 stores and was devastating for both parties.

Strikers staged a hunger strike in a shop in Eloff Street, Johannesburg. Nine strikers were protesting against "starvation wages" and one was taken to hospital.

The company obtained a High Court order to evict strikers from its premises.

The strike was settled on the company's terms in June. Even though they were defeated, union members staged a march with banners down Eloff Street after the matter was resolved. Their action chased away millions of rand of business from the country-wide chain.

Now, unless someone is prepared to take over the company's factories and its 260 branches, staff may have to start looking for other jobs.

Squeezing among three brothers - Stuart, Neville and Ralph Dodo - who inherited the company from their father was reportedly another factor in the company's slow demise. Mr. Stuart Dodo said he could not comment.

Edworks has underperformed its rivals for years. Papers before the Supreme Court in Grahamstown claimed Edworks owed R57 million - R26 million to banks and R31 million to contractors. Its assets are not known to creditors.

First National Bank general manager Jimmy Mackenzie said his bank was trying to save the company.

"The bank would pay workers until Friday. The company's fate would be decided then."

The banks said in their affidavit they would consider providing finance to permit Edworks to be sold as a going concern.

There was also a prospect that Edworks could be saved by an offer of compromise.

Branches of Edworks operated as usual after the court order. Sales personnel said they had no idea what was going on.

Jaguar Shoes executive chairman Roy Ecketten said his company and its holding company Amshoe were owed R40 million. They also had large orders from Edworks.

He said first prize for Jaguar and Amshoe would be getting their money back. Jaguar would consider making a bid for the remnants of Edworks manufacturing activities if that would facilitate getting its money back.

Jaguar would be reluctant to pick up debt. He said the doubtful debt would not affect Amshoe's earnings significantly whatever happened.

Pickings

Mr. Ecketten lamented the failure of Edworks. His father ran Edworks' factory in Maitz burg before starting Jaguar, which prospered from day one and is now second in shoes to SA Brevneres Coshe.

In its affidavit, Jaguar said that little of the debt was secured. It had called a meeting of banks and creditors and had proposed that a joint committee be formed to confront the company.

The banks had insisted on seeing the company's assets. The banks submitted a separate urgent affidavit ahead of Jaguar's submission to the Rand Supreme Court.

Observers say the best hope for the staff of more than 3,000 is that the manufacturing and retail arms

● To Page 2

Edworks

The Port Elizabeth factories produce an estimated 11,000 to 12,000 pairs of shoes and slippers a day.

The 400 retail outlets are practically every town and suburb.

The main Edworks chain sells budget-bracket men's, women's and children's shoes. The Marcello and Dodo chains sell more upmarket shoes and the Pick-a-Fair chain sells retail low-cost footwear by self-service.

Onerous buyers are showing interest in the retail arm.

If the group goes into liquidation, holdovers are expected to come from shoe retailers and from the growing number of specialty retailers.

Market sources say any one of the leading contenders for the retail chain is likely to be a fast-growing Focus Holdings, which has nearly 80 shops in nbe markets, including men's and women's clothing and bedding.
Attempt to save Edworks is launched

Finance Staff

Negotiations have begun between First National Bank and creditors of Edworks to save the company from liquidation.

Edworks was placed under provisional liquidation in the Grahamstown Supreme Court on Friday, but Mr Justice van Reenen ordered interested parties to show cause by August 17 why the company should not be liquidated.

Edworks owes creditors over R50 million, but two of the four liquidators indicated over the weekend that a number of prospective buyers were investigating an acquisition of Edworks, which would save the company.

First National Bank's senior general manager, Mr Jimmy McKenzie, also confirmed his bank's assistance to Edworks. "We will find a way to keep Edworks operating," he said.

Edworks is South Africa's third largest shoe manufacturer and retailer, but a three-month strike by members of Commercial Catering and Allied Workers Union (Cawusa), involving 800 employees at 80 stores, caused disastrous financial losses at the group.

Cawusa demanded an increase of R125 a month, but Edworks was only willing to offer R105, and while the dispute ended with the strike being settled on management's terms, the lengthy stoppage and a subsequent boycott action caused millions of rands of losses.

Creditors also indicated in weekend newspaper reports that management differences between the three brothers running Edworks, Stuart, Neville and Ralph Dodo also contributed to the demise of the group.
Talks under way in bid to save crippled Edworks

NEGOTIATIONS started this weekend to consider several options to save the Edworks group, which was crippled by strike action.

The group, which owes creditors more than R100m, was placed under provisional liquidation in the Grahamstown Supreme Court on Friday.

First National Bank (FNB) senior GM

Edworks

Jimmy McKenzie said yesterday that the matter was under control, and FNB was assisting Edworks with negotiations to save the company.

He could not, however, divulge the nature of the options. An announcement concerning the options would be made later this week, he said.

Strikes from April to late June involved 260 employees in 10 stores. Creditors said an weekend newspaper reports that strike action and reported management differences between the three brothers, Stuart, Neville and Ralph Dodo, were the last straws that broke the company.

McKenzie said the bank would find a way to keep the company operating. FNB denied aspects of newspaper reports published on Friday, which incorrectly attributed statements to the bank’s GM, central advances, Neil Garden. The statements were made in court papers by Jaguar Shoes, one of Edwork’s creditors.

“From the article it seems as if FNB started the action, but we did not pull the carpet,” McKenzie said.

Mr Justice van Rensburg ordered the provisional winding-up of Edworks under the Master of the Supreme Court.
Jaguar delays application

JAGUAR, a major creditor in the Edworks provisional liquidation, has postponed its own application in the Rand Supreme Court, set down for today, until August 23, pending the outcome of the application brought in the Grahamstown Supreme Court, according to attorneys representing Jaguar.

"We have no guarantees that the order might not be withdrawn," an attorney said. "But if the first application is confirmed on August 17 it has the same effect." Jaguar CEO Roy Eckstein said his company was the third largest creditor in the case, after the banks, and the highest trade creditor. He expected "a reasonable payout." Offer

He said several parties had shown an interest in buying the company.

"At this point it seems there might be an offer for the whole business. It is in our interests that whoever takes over the group pays a reasonable amount and ensures continuity of supply. We have a lot of orders which we think will be taken over by whoever buys the company." Potential buyers of Edworks, Focus and Boltons refused to comment because they felt it premature at this stage.

□ Sapa reports that First National Bank (FNB), Edworks' major creditor for the sum of R12m, has been providing finance to enable Edworks to be sold as a going concern and has paid wages up to last Friday.

FNB senior general manager Jimmy McKenzie said no decision had yet been taken whether to continue paying wages.

□ ALAN PINE reports Ccawusa general secretary Vivian Mtwa yesterday defended his union against charges reportedly made by Edworks' creditors that the lengthy wage strike which ended last month was largely to blame for the shoe chain having been placed under provisional liquidation.

"It is mad to say we are responsible," said Mtwa. He argued that, had management made a serious effort to compromise on the union wage demand, instead of taking a hard line, the strike could have been avoided altogether.

He estimated that fully meeting the demand would have cost an additional R720 000 for the financial year, compared to claims that the strike had cost the company R6m.
Edworks: liquidation bid delayed

Staff Reporter

The urgent application launched by Jaguar Shoes (Pty) for the liquidation of Edworks (1936) (Pty) has been postponed until August 22.

The order was granted in the Rand Supreme Court yesterday by Mr Justice M S Stegmann.

An urgent application was heard in the Cape division.

Edworks trades from 137 Market Street, Johannesburg, which is why an application was brought before the Witwatersrand Local Division.

Jaguar Shoes' financial director, Mr J P Ward, said in papers that Edworks' retail division owes the Maritzburg-based manufacturer R1,9 million and the Edworks' wholesale division, R E Pashley, owes R15,176.

STOCK EXCHANGE

Mr Ward said the outstanding amounts related to shoes delivered to the retail division between November last year and June this year and for footwear delivered to R E Pashley between March and May this year.

Jaguar is a division of amalgamated Shoes Ltd (listed on the Johannesburg Stock Exchange as Amsho), Amshoe's chief executive, Mr R E Eckstein, and Mr Ward met Mr Stuart Dodoo and Mr Neville Dodo to try and resolve the non-payment problem but were not successful.

Mr Ward said the Dodo brothers said Edworks had a cash flow problem and asked if Amshoe wanted to acquire equity in the group of companies. The financial details which were requested have not been completely supplied.

Some of the reasons for Edworks' difficulties were allegedly the poor running of the retail division, the substantial losses of the manufacturing division and a large strike by the retail division's employees.

At another meeting between the parties, Mr Robert Schwartz said Amshoe should be satisfied that he had become associated with Edworks, but he refused to disclose any details, and said Amshoe should keep on supplying Edworks with shoes.

After this and a subsequent meeting on June 13, Jaguar Shoes consulted its attorneys who set up meetings with banks and other Edworks creditors.

After a series of meetings, Jaguar Shoes launched the application for liquidation.
Strike puts shoe firm on road to liquidation

The Argus Correspondent

DURBAN — The Edworks strike from late April until June cost the company about R3-million in turnover, according to company secretary Mr Donald Hedge.

This contributed "significantly" to cash-flow problems leading to an action in a Grahamstown court last week when the long-established shoe manufacturer and retailer was placed in provisional liquidation.

But the company had financial problems before the strike. The last set of accounts for the year to June 30 last year reflected an operating loss of R2.5-million on a turnover of R112-million. In the previous year the company had shown a profit of R2.7-million.

Gross assets were shown as R56-million.

Mr Hedge said sales had fallen off during the strike. He cited intimidation of shoppers by the strikers, graffiti on shop walls and "distorted statements about starvation wages".

This tipped the scales against the company's ability to meet its commitments and when accounts were frozen last Friday an "embarrassing" situation arose where no bills could be paid, including the Port Elizabeth offices' telephone account.

Four provisional liquidators have been appointed: Westrust, Syfrets, Arthur Young and Eastern Cape Trustees.
Applications granted against retail divisions of Edworks

GRAHAMSTOWN — Two retail divisions of footwear company Edworks — Dodo's and Marcello Shoes — were today also placed under provisional winding-up in the Grahamstown Supreme Court.

The application was brought by the joint provisional liquidators of Edworks, which was placed under a similar order on Friday.

The applications against Dodo's and Marcello Shoes were granted separately by Mr Justice van Rensburg.

Granting the provisional winding-up order, Mr Justice van Rensburg ordered that the claims of Edworks against Dodo's and Marcello Shoes be immediately vested in the provisional liquidators.

He further called on all interested parties to show cause by August 17, why final winding-up orders should not be granted. — Sapa.
Shoe retailers feeling the pinch

GLOOMY predictions by shoe manufacturers that imports are likely to increase this year could be another attempt by inefficient local factories to obtain more protection, say footwear retailers.

They point out that the predictions, reported in Business Times, precede a government report later this year on structural adjustment for the industry. Footwear manufacturers were quoted in the report as saying that, although they expected sales to rise 10% this year, they would be squeezed by reduced margins, higher costs and increased imports.

Various shoe retailers say increased imports of shoes are highly unlikely this year in the face of heavy import duties and the weak rand.

Footwear Manufacturers' Federation (FMP) executive director Dennis Lande predicted "a substantial increase in imported footwear."

"That's ridiculous," says Treats Clothing MD Jack Katz. "Imports are bound to drop drastically because of the exchange rate and the surcharges, but local manufacturers simply can't cope with local demand."

Orders I placed with a local manufacturer in October last year are being delivered now. It is the small, independent shoe retailer who is the worst affected by this situation."

Edgar Seaman, director of Cape-based importer and wholesaler Republic Shoes, says the effect of import duties is both severely inflationary and fails to stimulate competition. "The percentage increase in prices of locally manufactured shoes since the introduction of the new duties has been totally ridiculous. Imports fell by 46% last year with the rand at 50c to the US dollar. They will hardly rise now that the rand is at 55c."

A spokesman for footwear retailers says the interim duties of 1987 forced importers into a very limited range of footwear and prices had jumped 30% to 50% as a result.

Footwear International MD Stan Rabnowitz says "A substantial decrease in imports will result from the tariffs imposed 18 months ago, plus the surcharges in the middle of last year and the devaluation of the rand."

Lande responds that figures published by Customs and Excise already show a significant increase in rand terms in imports for the first four to five months of the year, but this could be related to the depreciation of the rand. Volume figures are not available, he says.
Edworks creditors keep business going

CHARLOTTE MATHEWS

EDWORKS' creditors were financing its continued operation to ensure the highest price was obtained for the business as a going concern, the company's liquidators said last night.

"If we closed all shops we would wipe out huge goodwill and the ability to sell the assets at a reasonable price," they said.

Several buyers have shown interest in the company.

FSI Corporate Services has secured the shares from the Dodo family, attorney Michael Krawitz and jeweller Robert Schwartz, but possible buyers for the assets include Closs, Amrel and Beavers.

"Although Edworks is commercially insolvent because it has a major cash problem, it still has balance sheet solvency," the liquidators explained.
FSI in Edworks bid

JEFF Liebesman’s FSI Group has made an entrepreneurial swoop on the shares of Edworks, which is in provisional liquidation.

It has agreed to buy the shares of the Dodo brothers even though they do not appear to have much value.

As a shareholder, FSI would have considerable say in the fate of Edworks. Shareholders, as well as creditors, vote on schemes of arrangement.

FSI director Terry Rolfe says FSI would be interested in Edworks manufacturing and retailing interests “at the right price”.

Analysts say FSI’s approach to the Dodos must be conditional because if offers of compromise from other parties, such as SAB, Amshoe, Jaguar or Focus were to succeed, the shares would be virtually worthless.
Amrel streamlines operations

AMALGAMATED Retail (Amrel) is totally out of favour among investors. But management appears to have streamlined operations, which should allow the group to avoid similar problems to those experienced during financial 1986.

Amrel's operations are divided into three main divisions: furniture retailing, footwear and apparel retailing, and services. Investors are obviously unsettled by the fact that Amrel earns more from its furniture activities than all the others combined.

This emphasis on furniture sales seems to be the primary factor behind the earnings plunge in financial 1986, when the bottom line was flowing with red ink. At that time, interest rates had risen to extremely high levels, which hurt consumer durable sales.

Consequently, it seems investors are now worried that Amrel's profitability is in danger of collapsing once more, given the high interest-rate levels. The share price is currently trading near its yearly lows, which is in sharp contrast to the bullish tone existing on the industrial board.

But the present price level would seem to present a possible buying opportunity to patient investors looking for undervalued stocks. The share price is now sitting at similar levels to 1985, but Amrel never slipped below 98c, even after financial 1986 figures were released.

Management indicates Amrel will produce earnings significantly better than during the financial 1986 debacle, and this factor alone should create some buying interest in the share. It is difficult to determine how well the group is coping with the tough economic conditions until the release of interim results covering the six months ended September.

MD Stan Berger says since the group's poor performance three years ago, management has been streamlining operations, which has made Amrel a more efficient organisation.

Consequently, Berger is highly confident Amrel is adequately poised to cope with the current unfavourable environment.

He makes specific reference to the balance sheet, which shows that for the past two years interest-bearing debt has been reduced. This contrasts with the financial 1983 to 1987 period when interest-bearing debt continued to rise.

Berger also says various activities within the group’s shoe and apparel division were showing losses during financial 1986. So, in order to place the furniture, shoe and apparel divisions on the right path, management looked for ways to make these operations more efficient.

They began to clear out old stock, consolidated management efforts where appropriate and reduced overheads. In addition, not only did more popular product lines begin to make their appearance in the stores, but the stores themselves were modernised and in some cases relocated to satisfy customers. This has eliminated the need for costly acquisitions when management can successfully capitalise on various organic growth opportunities.

But with the balance sheet in better shape, Amrel would consider looking at an attractive acquisition prospect if one did present itself. Berger says an offer will be made this week for Edworks and Pack A Pair. If Amrel’s bid is accepted, Berger feels both operations will fit as well with Amrel’s existing businesses and that names would remain unchanged.

Berger would not venture a guess on financial 1990 earnings since the December holidays alone account for nearly one-third of Amrel’s earnings. But it would seem that with its impressive range of specialist retailers, and the stronger balance sheet, earnings could range between 150c and 200c, taking into account the tougher conditions.

This would suggest Amrel’s share price is near a bottom, especially considering that it is changing hands at a substantial discount to net asset values, which was 1.35c according to the latest annual report.
Edworks is saved as FSI bids high

By David Carte

Most of Edworks 3,000 employees will keep their jobs after the bid for the insolvent shoe company by FSI Corporation's Home-makers this week.

In a Sotheby's style auction, Home-makers bid $25.5 million cash for the assets of Edworks.

Concurrent bidding of the shoe company is likely to receive $56.7 million in total.

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Jeff Liebesman, a lawyer bidding on behalf of American and Jaguar, was in attendance at Sotheby's bidding on behalf of American and Jaguar. He was bidding on behalf of American and Jaguar.

On the other hand, the bankruptcy of Edworks could be one of the most important bankruptcy cases in the history of the United States. The company's assets are estimated to be worth more than $1 billion.

Busby

This is FSI Group's first major bankruptcy auction. The company's CEO, John Busby, has been quoted as saying, "This is a major bankruptcy auction. The company's assets are estimated to be worth more than $1 billion."

Both Ira Zuckerman and Gertie Liebesman expect the bankruptcy auction to be a major event. Ira Zuckerman says, "This is a major bankruptcy auction. The company's assets are estimated to be worth more than $1 billion."

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Conshu looks to rubber for a bit extra

NOW that it is so dominant in shoes that it has to grow in line with that market, Conshu is looking to subsidiary Wayne Rubber for an extra spurt, says managing director Robert Fenslum.

Wayne, which recently acquired Phoenix Rubber, is a promising growth area. It takes Conshu into rubber, PVC and canvas conversion, injection moulding and rubber sheeting.

Shareholders have had little to complain about so far. A company that assumed its present form only in 1994 has reported sales up by 23% to R420,5-million, pre-tax profit 25% to R44,7-million and bottom-line earnings ahead by 30% to 58,8c per share (1994 43,8c).

Favourable

The record, admittedly the result partially of acquisitions made, is so favourable that South African Breweries, a 20% shareholder, is so pleased that it has increased its share of value added from 61% to 65%.

Both came on board at low cost and will be justified at today's market capitalisation of R171-million.

Conshu intends to continue making acquisitions, whereas many shares on the JSE are far from over-priced.
An expansion programme was planned to take advantage of increased demand. Manufacturing plant was expanded in all shoe factories and in the components division.

As a result of the turnover growth, working capital was increased by R18m. The group added to the cash flow available from operations by issuing shares worth a total of R10m. Borrowings were increased to R13,8m (R4,9m).

Gearing thus rose to 0,64 (0,31) and the interest bill climbed to R1,3m (R739,000). Eckstein is unconcerned about the rise in gearing and contends that the group is on a sound footing and plans further expansion this year. New products will be developed in the Puma range of shoes.

Talk in the market is that Eckstein is to sell his Amshoe shares to holding company Lenco. However, Eckstein denies this, he plans to remain in the shoe industry.

At 130c, the share is close to its 12-month high and stands on a p/e of 5,4.

Jacques Magistro
Meritex share earnings slashed

Financial Editor

DELAYS in the arrival of new machinery were the main reasons for disappointing results turned in by footwear and textile manufacturer Meritex for the six months to July 31, chairman and MD E Gordon explains.

Although turnover rose by 23%, following a 22.2% rise in the year to January 31, after-tax income fell sharply to R214,000 compared with R2m in the first half of last year. Earnings at share level were 1c (12c).

But Gordon says the situation had already begun to improve in the last quarter.

Forecasting improved earnings in the current six months, he says the market outlook for the second half of the year "remains buoyant."

Figures released yesterday show that income before tax and interest fell to R1,2m compared with R2,9m in the first half of last year.

The interest bill rose sharply to R397,000 (R155,000) leaving pre-tax income of R1,2m (R2,7m).

The tax bill fell to R183,000 (R75,000) but attributable income was R123,000 (R1,6m).

Explaining the drop, Gordon says in the first quarter the group suffered a loss of R81,000. This, he says, was due to five factors.

There was a continuing dye house bottleneck which was to have been alleviated by outside commission dyeing, which was not forthcoming in spite of prior arrangements.

Delivery of essential dyeing, printing and cutting machinery from overseas was delayed.

There were installation delays with the group computer planning programme.

Interest rates were greatly increased on borrowings which were high as a result of peaking mid-year stock levels and a recently completed major expansion programme.

And additional costs and non-recurring losses were incurred as a result of the relocation of the New Colours factory in March.

Gordon continues: "Urgent remedial action was undertaken by management and the first quarter loss was converted into a R1,2m second quarter pre-tax profit after meeting the much higher interest charges."

"The last of the delayed capital equipment was delivered and commissioned in July 1989, and dyeing and cutting backlogs have now been eliminated."

New Colours has been operating profitably since June and the computer planning programme is being more effectively implemented."
Deals will boost Vic Lewis

VICTORIA Lewis, the furniture manufacturing group, should significantly improve performances following last week's restructuring deals, CB Hymie Hovsha said this week.

He said the deals in which Vic Lewis was to acquire Steel and Barnett as well as certain assets of Mowa Manufacturing and Insulated Structures would strengthen Vic Lewis's balance sheet and income statement.

"The new assets are largely debt-free and will increase turnover while drastically reducing our gearing ratios," said Hovsha.

"He added the benefits of economies of scale would be significant as some of the new companies would operate from the premises currently used solely by Vic Lewis.

"Our present facilities were designed for expansion and are not operating to full capacity at this stage." 

Hovsha said the Steel and Barnett deal would see Vic Lewis enter the bedding market.

He said the expansion was expected to yield good profits.

He added although the group was likely to undergo a consolidation period while synergies were matched and operations defined, Vic Lewis would continue to look for growth.

Hovsha said the export market showed particularly strong potential.

Vic Lewis has shown strong turnover growth in recent years. In 1989 turnover rose 76% over 1988.

However, profits have been marred by high finance costs which, at R2.1m in 1989, saw operating income of R4.3m yield bottom line earnings of R1.1m.

Hovsha said: "There is a lot of work to be done but we are determined to boost Vic Lewis's earnings. This will be far easier with the strength of the new group and particularly by improved gearing levels."
Conshu strengthens its market positioning

By Jabulani Sihlhake

Rationalisation measures and the strengthening of the group's position in the middle to upper sectors of the footwear market boosted Conshu Holdings performance for the year-end June with a 28 percent increase in turnover from R229 million to R290 million.

Earnings per share were 30 percent up at 56.6 cents (43.6 cents) and a final dividend of 22.5 cents was declared, 20 percent up on last year.

According to chairman, AS du Plessis the good results were achieved against the background of continued upward adjustment of prime overdraft rates and increased surcharges on imports and the continued weakening of the rand.

During the year under review Conshu separated its footwear and non-footwear operations by listing the rubber interests through a reverse take-over of Phoenix Rubber.

Wayne du Ruber's repositioning to enable it expand further into non-footwear sectors of the economy and the upgrading of Conshu's involvement in men's branded casual footwear were identified as being vital for the group's ongoing growth and development, says CEO Robert Pembulum.

Also the take-over of two strategic footwear manufacturers strengthened the group's position in the middle and upper sectors of the branded footwear market.

Conshu's challenge during the year ahead, says Mr du Plessis is to increase exports. Such an endeavour depends on the sufficient supply of high quality leather which is vital to the success of an export programme.

"It is further hoped that recommendations following investigations by the Board of Trade and Industry will achieve the intended objectives by providing the required incentives in terms of structural adjustment programmes."

"This will enable the industry to develop a strong home base through protection against countries with low labour costs and thereby enable local manufacturers to become more competitive in the export market."
Amshoe steps out in fashion

AMALGAMATED Shoe formerly Jagnar — stepped out with a sharp rise in earnings in the six months to August. Earnings a share climbed by 28% to 17.7c on a rise in turnover of 48% to R245-million. The operating profit margin was up from 12.6% to 13.9%, but there was a R2-million increase in finance costs to R3.1-million.

Higher turnover had to be financed, as did the R29-million acquisition of Budget effective from March last year. New equipment was also brought in, and a fifth factory will be opened near Lady-smith in January.

The tax rate rose from 25% to 31% — a level which chief executive Roy Ekseniuk says should be a ceiling for the foreseeable future.

The shape of the balance sheet changed because R1-million of the purchase price for Budget is treated as a long-term loan, the balance as overdraft. Shareholders' funds approach R22-million, up from the comparable R14-million.

BELLEVILLE workers engaged in an overtime ban were yesterday interdicted and restrained in the Supreme Court from 'toy-i-toy'ing, demonstrating, singing or dancing on the factory premises except in designated areas.

The interim order was granted late yesterday afternoon by Mr Acting Justice B Hoberman in an application by Table Bay Spinners Ltd against the SA Clothing and Textile Workers' Union, five of its shop stewards and 451 workers.

The workers were further interdicted and restrained from interfering with the normal operation of the factory or intimidating other workers.

In an affidavit, Mr Edward George Arnott, personnel manager of Table Bay Spinners, said employees did two hours compulsory overtime per day.

Since November 13 the employees on the two shifts had embarked on an overtime ban in support of the union's demands regarding the change of the rules of the Industrial Council Sick Fund, he said.
AMALGAMATED Shoe makes footwear for the middle-lower income groups, and can sell all it produces. There is limited downside on the share price and good prospects after expansion. Anglo American is a share for all seasons. Elterne should do well because it has no debt and trades at a large discount to net asset value. Irvine & Johnson is the blue-chip food share. Iscor is popular with institutions, and small selling is likely to dry up. Prospects are sound. Lonrho is worth more apart than together. It could be a second Cons Gold. I like Murray & Roberts, even though the managing director won't talk to me. It has enough interests to carry it through a bad patch. Reichmanns is still yielding 12% in dividend in a growing business. Richemont is a rand hedge with growth potential. Siltex is well managed and the leader in high-technology applications. All these are top-quality shares in which the downside is limited if the market turns sour. Don't forget unit trusts as the best way to save and prosper for the ordinary man.
MANUFACTURING — LEATHER PRODUCTS

FOOTWEAR — LEATHER PRODUCTS

1990

[Signature] — [Signature]
CONSHU FM 28/9/90

ALL THOSE SHOES

Activities: Manufactures footwear, rubber and PVC products

Control: Sanlam and SA Brews hold joint control

Chairman: A S du Plessis, MD R M Fenblum

Capital structure: 48.5m ords Market capitalisation, R150.5m

Share market: Price 326c Yields 7.5% on dividend 18.0% on earnings, p/e ratio 5.5; cover, 2.4 12-month high, 500c; low, 326c

Trading volume last quarter, 884 000 shares.

Year to Jan 30

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<td>Pre-int profit (Rm)</td>
<td>21.1</td>
<td>37.9</td>
<td>48.9</td>
<td>60.7</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>13.8</td>
<td>11.5</td>
<td>11.8</td>
<td>11.4</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>29.6</td>
<td>43.8</td>
<td>56.8</td>
<td>66.6</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>8.0</td>
<td>17.5</td>
<td>22.5</td>
<td>24.5</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>100</td>
<td>162</td>
<td>198</td>
<td>229</td>
</tr>
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Conshu’s trading performance belies the fall in footwear demand and production problems experienced in financial 1990. But the acquisition of Jordan Shoes and Wayne Manufacturing’s reverse takeover of Phoenix Rubber, diluted attributable benefits. Despite difficult economic conditions, demand has recovered and the outlook for 1991 appears positive.

A sudden and sharp slowdown in the demand for footwear in 1990 caused retailers to destock and manufacturers to curtail production. This slowdown, combined with a loss of production — particularly in Natal — owing to sociopolitical unrest, hindered Conshu’s trading performance. But operating profit increased 24.3% on a 26.8% turnover rise — this includes Jordan and Phoenix for the first time.

Jordan was acquired from Safren with effect from July 1 1989 for R21m cash and shares, and is intended to strengthen Conshu’s position as leader in the middle and upper-branded footwear markets.

The reverse takeover of listed Phoenix — for R45.5m — and the injection of all Conshu’s rubber and PVC manufacturing operations into it “provided a diversified base for further expansion against a background of limited growth in the footwear business,” says CE Robert Fenblum. It has an expanding customer base which includes the automotive, building and service industries. The company, renamed Wayne Manufacturing, contributed 21% of group turnover and operating income, and reported EPS of 13c (11.6c).

The acquisitions and the decision to buy properties, on which the group’s manufacturing facilities are sited, pushed up debt but the balance sheet remains healthy. This year another five factory properties have been bought for R9.25m. Financial director Charles Rapp says the shoe division remains a net cash generator and its debt will fall, but the increased diversification and growth of Wayne will limit the decline in group debt.

A strong pick-up in demand since July and restocking by retailers have led to a surge of last-minute orders. Rapp says Conshu’s order books are full until the end of December and factories are operating at full production. A new factory at Babalanga, producing export-quality safety footwear, will open in November and add to successful export sales.

A number of new projects are under way at Wayne that will facilitate diversification from footwear, such as the production of baby tents and import replacement windscreen wiper blades.

Fenblum is cautious about the strength of earnings growth this year but, if the revival in demand holds, it could be better than
Dilution from rights issue reduces Lenco’s earnings

CHARLOTTE MATHEWS

DIFFICULT operating conditions, high interest rates and the dilution caused by the rights issue of an additional 12,4 million shares reduced Lenco Holdings’ earnings to 18,2c (38c) a share in the six months to end-August.

Lenco derives its income from a 35%-holding in shoe manufacturer Anilbo, 95% of clothing group House of Monastic and 48% of newly formed packaging company Comblad-Packaging (Compak).

Turnover in this period rose 61% to R267m but operating margins narrowed to 13% from 16%.

Unrest and labour problems were experienced in the group’s footwear division.

Finance costs doubled to R8,9m despite the injection of R31m from the rights offer held in May. The balance sheet showed net interest-bearing debt rose to R78,5m from R50,7m but because of additional shareholders’ funds of R32m, gearing fell to 47% from 97%.

Financial director Stanley Stubbs said the costs of the Compak acquisition had offset some of the gains from the rights offer.

Compak, listed in March, was formed from the merger of Lenco’s Elvino division, Rubold’s rigid plastics packaging division, the provisionally liquidated Alfie Manufacturing and Kohler’s rigid plastics division Xaction.

After a 25% tax charge of R3m, ordinary shareholders income was R7m, little changed from the previous year’s R7,8m.

The company does not declare an interim dividend.

The directors said all divisions had traded satisfactorily and they anticipated an improved performance in the second half of the current year.

Lenco shares closed unchanged at 175c yesterday, representing a 10c gain from the year’s low of 165c recorded in November. In April the shares were at a year high of 270c.

At 175c the shares offer a historical dividend yield of 3,14% and an earnings yield of 25,68%.

Last week Lenco proposed the delisting of 33%-held House of Monastic.
Conshu turnover up 41%

RECENT acquisitions helped boost Conshu's turnover by 41.6% to R268m for the six months to December against R201m for the previous interim period, but they also took some of the shine off attributable profits.

Attributable profits rose a more restrained 17.5% to R13.9m (R11.8m). Earnings of 30.1c (28.3c) a share were achieved on an increased number of shares in issue to partly fund acquisitions and partly create a share trust for employees.

An interim dividend of 10.5c (9c) was declared.

Conshu has two major areas of operation — footwear, which accounts for around 75% of attributable profits, and wholly moulded plastic, rubber and canvas footwear and rubber products, which contribute 25%.

Conshu's interest bill rose nearly four times to R4.8m from R1m in the comparable period. CE Robert Feinblum said the acquisitions of Jordan Shoes, the Jordan factory property and Phoenix raised borrowings and higher interest rates were also a factor.

"With the turnover growth, extra finance was required and this has placed some strain on the gearing," Feinblum said.

"But I believe this is only a temporary phase."

There was a small decline in operating margins as a percentage of turnover to 11.5% from 12.2%. The decline was the result of changing trading conditions and the company's move towards the more casual, lower margin type of footwear, according to financial director Charles Rapp.

"The company has performed consistently well," Feinblum said.
Edworks helps Homemakers boost earnings

SYLVIA DU PLESSIS

MANAGEMENT at FSI's consumer goods retailer and distributor Homemakers weathered tough trading conditions in the year to December to post a 20% rise in earnings to 112c (93c pro forma) a share.

Chairman Jeff Liebesman said yesterday steps to prepare operating companies for a downturn in consumer spending proved effective, with management focus on control of overheads, rationalisation and internal efficiencies countering tighter trading conditions.

Companies in the group's stable include shoe manufacturer and retailer Edworks, furniture retailer JD Group and photographic and electronic retailer Milstan, in which a 30% stake was acquired during the year.

The pre-emptive measures adopted by management of these companies saw group turnover during the period under review climb 29% to R531.6m and operating profit grow 33% to R76.5m to lift margins to 14.4% (14%).

After finance charges 132% higher at R19.8m — reflecting higher interest rates and borrowings to fund the Edworks acquisition — attributable profit was still up at R41.5m (R34.5m). A final dividend of 34c lifted total distribution to 35.5c (30c) a share, covered 3.15 times.

Liebesman said the “biggest” news was that Edworks — rescued by the group from provisional liquidation in July — made a contribution to profits.

“We are expecting great things of Edworks during the coming years.”

However, group results were built on “all-round” strength, with 49%-owned JD Group continuing to deliver real growth and further improving the quality of its debtors book, he added.

The balance of Homemakers' portfolio posted even faster growth, with its portion of earnings per share growing by 57%, compared to 48% the previous year. This trend should continue.

CE Hilton Nowitz said earnings in the current year would show “satisfactory” growth, given stable operating conditions and declining interest rates.

The share firmed 10c to 480c yesterday, just below its January high of 500c.
Anti-drug march banned

Crime Reporter

An anti-drug march by Salt River residents planned for this afternoon has been banned by the chief magistrate.

The march, organised by the Salt River Co-ordinating Council and the Cape Town Drug Centre, was to have started at the Tennyson Street Mosque at 2.30pm and ended at Woodstock police station where a petition was to have been handed over.

Last night an organiser, Moulana Azeem Khatieb, said it had been banned "due to a lack of policemen" at the weekend.
M & S Spitz recovering from fall in sales

The release of ANC deputy president Nelson Mandela at the beginning of February was followed by an abrupt "horse's tail" in retail sales at the up-market M & S Spitz footwear chain for the remainder of that month.

Bolton Footwear (Bolwear) executive deputy chairman Brian Puchert — Bolwear acquired M & S Spitz in February 1989 — said last week that sales had picked up slightly in March but were not yet at their previous level.

Bolwear MD Sid Finlayson said the group was unlikely to show results in the second half of the financial year to February comparable with operating profit's 35% rise in the first half.

He said this was partly because results were seasonally influenced and the first half was traditionally better.

However, he said the interest bill had soared to about R4.2m (R873 000) in the year to February 1990 largely as a result of borrowings for the acquisition of M & S Spitz.
Boltons investments show good growth

By Ann Crothy

Good improvements from its major investments — Cargo Carriers and Bolton Footwear — enabled Bolton Industrial Holdings to report an 18.7 percent increase in earnings to 143.2c (120.6c) a share.

A final dividend of 28c a share has been declared bringing the total for the year to 46c — 21 percent up on the previous year's 37.5c.

Group turnover was up 40 percent to R363.6 million (R258.2 million), operating profit rose 41 percent to R27.8 million (R19.7 million), after a tax charge of R12.38 million (R6.5 million) and an minority interests of R8 million (R5 million), the group reported attributable earnings of R7.4 million (R4.2 million)

Cargo Carriers managed to convert a 22.4 percent increase in turnover into a 43 percent advance in earnings while Bolton Footwear converted a 68.2 percent turnover increase into a 10.1 percent advance at the earnings level.

Cargo's improvement came off a relatively low base but was achieved in spite of industrial relations problems which continued into the third quarter. In addition, the company had to face a hefty increase in its interest payments — up from R1.1 million to R4.7 million. The higher interest charge was attributed to the capital cost of the fleet replacement programme, the upgrading of facilities and higher interest rates.

The most significant aspect of Cargo's results is the considerable improvement in margins. These increased from 6.7 percent to 8.9 percent and translated a 22 percent rise in turnover (up to R174.5 million) into a 63 percent hike in operating profit — to R15.7 million.

Attributable profit was up 43 percent to R7.4 million (R5.2 million) equivalent to 37.5c (26c) a share from which a dividend of 13c (9c) has been declared.

Bolton Footwear's 66 percent increase in turnover (helped by the acquisition of M&S Sprts) was diluted by a sharp hike in interest payments and an increase in the tax rate.

The former was attributed to the need to fund the higher turnover and the higher level of interest rates. The increase in tax was due to the expiry of decentralisation benefits. Earnings per share were up 10.2 percent to 33.4c from which a dividend of 11c was declared.
Subsidiaries help bolster Bolton

BOLTON Industrial Holdings's earnings rose 18.7% in the year to February after improved results from Bolton Footwear and Cargo Carriers in particular.

Earnings were 143.5c (120.6c) a share. A final dividend of 25c brings the annual total to 46c (38c) a share, up 21% and covered three times.

Bolton's profits are derived from its 34.6% stake in Cargo Carriers and 74.1% holding in Bolton Footwear. Another subsidiary, Bolton Property, is disposing of some fixed properties and plantations to distribute surplus funds among investors.

Bolton directors expect a further real increase in earnings from Cargo and to attain acceptable levels of performance from Bolton Footwear.

Cargo carrierson delivered the goods with a 43.4% rise in earnings in spite of continued labour problems. On earnings of 37.3c (36c) a share, the annual dividend rose to 13c (9c) a share covered 2.9 times.

Cargo's turnover rose 22.4% to R174.6m (R142.5m), while operating profit was up 62.8% at R15.7m on improved margins.

The capital profit on the sale of vehicles jumped to R1.2m (R60 000), but the interest bill soared to R4.8m (R1m) due to capital costs of fleet replacement, the upgrading of facilities and higher interest rates.

Bolton Footwear's results, however, were affected by a higher tax rate, increased interest charges and the downturn in demand for consumer durables. Earnings rose 16.2% to R6.7m (R5.8m) or 33.4c (30.5c) a share. The total dividend for the year was 11c (9.6c) a share, up 14.6% and covered 3.7 times.

Boosted by the acquisition of a controlling interest in M & S Spitz Footwear at the beginning of the year, turnover jumped 66% to R188m (R115.7m) and operating profits jumped 74.6%.

But interest charges, up to R4.3m (R873 000), and a higher tax rate at 49.5% (42.9%) because of the expiry of decentralisation benefits, took their toll on earnings.

On the Bolton Properties side, the sale of most of its prime plantations in the southern Cape boosted earnings by 131% to R6.4m (R2.5m) or 39.1c (16.8c) a share.

Extraordinary items, totalling R1.4m for the year, mainly represent profits on the sale of land and buildings. The proceeds of these abnormal sales were distributed to shareholders via a reduction in share premium account of 25c a share in March. The final dividend of 15c a share, making a total of 18c for the year, is based on the cash available for this purpose.

Bolpro's directors emphasise that the realisation of assets and the distribution of surplus funds will considerably diminish shareholders' income and dividends will similarly have to be reduced.

If there are no further sale of assets during the current year, estimates of Bolpro's net income are projected at 10c a share which will be distributed to shareholders in full.
Amshoe shines with earnings rise

NIMBLE footwork from Amalgamated Shoes (Amshoe) in the year to February has allowed the manufacturer to report a 35.4% increase in earnings to R33.9c (R20.3c) a share and dividends of 9c (7c) for this period.

This was in spite of finance charges which climbed to R1.7m from a corresponding R1.2m and a higher effective tax rate of 28.7%.

The group, with six footwear manufacturing points in Lesotho, Qwerwa, Manziniburg and Durban, lifted turnover by 39% to R207.3m (R148.3m) — owing mainly to increased duty-free exports to EC countries from Lesotho and operating profit by 43%.

ACHMED KARIEM

CR Roy Eckstein said Amshoe had performed in line with management expectations, in spite of the current decline in clothing and footwear sales at the retail level.

While production volumes were not expected to increase substantially, benefits flowing from the group's cost containment programme and its successful policy of relocating existing facilities to decentralised areas should benefit the bottom line, he said.

Amshoe shares, which peaked at 175c in January, yesterday bounced up 16.7% or 20c to 140c from a yearly low of 120c.
Bolton Footwear continues on growth path

Financial Staff

S.A. Bolton Footwear continued on a growth path assisted by the acquisition of a controlling interest in M & S Spitz Footwear Holdings at the beginning of the year.

Bolton Footwear has completed a satisfactory operating performance in the year ended February 28, 1990, with operating profit up by 74.6% on a 69.2% growth in turnover.

Substantially higher interest, taxation and minority interest combined to cut back the growth rate to 10.2% at the earnings level at 33.4c a share.

The annual dividend has been raised by 14.6% to a three times covered 11c.

Interest paid rose substantially, reflecting the need to fund the increase in turnover and higher interest rates but borrowings are still within the company's policy limits.

The expiry of decentralisation benefits is reflected in a higher incidence of taxation and reduced growth in profits at the after-tax level to a 31% higher R7,93m.

The minority stake further reduced growth to 10.2% at R6,67m translating into 33.4c a share, on the unchanged capital in issue.

Looking ahead to the current year, management believes that acceptable levels of performance can be maintained in spite of the difficult trading conditions likely to prevail.

Bolton footwear shares are presently priced at about 190c. This gives yields of 17.8% on the new earnings and 5.8% on the new dividend.
Edgars outرعns troubled industry

By Ann Crotty

In the 12 months to end-March 1990 Edgars managed to lift earnings by 26 percent to 243c (192.2c) a share, but chief executive Vic Hammond warns that "the soft landing is not so soft anymore".

Unless there is a dramatic change in current conditions, the remainder of calendar 1990 will see little joy for corporate SA.

High-flying companies that have been turning in per annum earnings growth of 30 percent plus over the past three or four years are now hoping for unchanged real earnings for the remainder of 1990 and into 1991.

On the basis of inflation forecasts, this points to nominal earnings increases of around 15 percent — and that's for the strong performers.

This is particularly the situation in the retail sector. Mr. Hammond points out that spending on clothing, footwear, household textiles and accessories (CFTA) is expected to drop by two percent in real terms during the 12 months to March 1991.

"I am hoping that Edgars will show a two percent real increase in sales but I'm not saying that this will produce a real increase in bottom line profits — I hope we can match inflation."

If, by being four percent ahead of the industry, Edgars can only just nip inflation on the profit line, their prospects for earnings performance from its competitors certainly look bleak.

Financial 1990 saw another stellar performance from this blue chip performer.

Despite the fiscal and monetary measures taken to curtail consumer spending and the major social upheavals which weakened second half trading conditions, the group managed to increase sales by 24 percent to R19.9 billion (R16.5 billion).

In real terms Edgars' sales were up by nine percent compared with the two percent increase in CFTA sales nationwide. Thus means that Edgars has again significantly lifted its market share.

Consumer demand

A quarterly break-down of sales figures for the industry show the extent of the fall-off in consumer demand in recent months.

In the September quarter, nominal sales were up 13 percent, in December, Christmas spending lifted this to 23 percent, then came the serious knock, in the March quarter CFTA sales were up by only 13 percent.

Mr. Hammond explains that the March quarter was significantly affected by general boycotts, as well as disturbances throughout the country.

Edgars managed to outperform the industry figures. In the September quarter its increased sales by 22 percent, by 30 percent in the December quarter and, by 20 percent in the March quarter.

Helped by the leverage impact of the increased sales as well as increased productivity, operating margins for the year were up to 14.5 percent from 13.2 percent.

This meant that the 24 percent sales increase was converted into a 36 percent hike in operating profit to R267.8 million (R211.9 million).

The interest bill shot up 23 percent to R44.7 million (R35.6 million). This was attributed to the heavier interest costs on an increased level of borrowings.

Financing needs associated with the group's strong growth and the investment in improved store assets and technology all contributed to the increase in borrowings from R144 million to R241 million.

An additional aggravating factor was that changes at the Receiver's office resulted in tax cash payments being much more in line (time wise) with the actual generation of the associated profits.

Heavier tax

This had an adverse impact on Edgars' cash flow. Financial director Kevin Brewer pointed out that it resulted in Edgars having to make actual cash tax payments of R119 million during financial 1990 compared with R55 million in financial 1989.

Without this and, without the need to transfer R20 million from reserves to deferred liabilities (to cover the change in the Receiver's life policy), management would have been able to hold gearing at around 45 percent. As it was, gearing moved up to 47 percent.

The group's attributable earnings increased to 30 percent to R123.5 million (R95.2 million). A final dividend of 68c (53c) a share has been declared bringing the total to 53c — 24 percent ahead of the previous year's 75c.

The balance sheet shows current assets (stocks and debtors) rose by 33 percent from R909.6 million to R683.2 million — which is well ahead of the increase in turnover.

Management stresses that the stocks are current and that debtors' collections remain firm — alleviating fears that the group will be left holding redundant fashion stock or that the current conditions have led to a significant increase in bad debt.

There was little change in the divisional contribution at pre-tax profit level. Edgars contributed about 76 percent, Sales House accounted for around 20 percent and, Jet chipped in with four percent.
Lenco looks to shareholders

By Tom Hood

Lenco Holdings plans to raise about R31 million from shareholders to eliminate its debt, said managing director Douglas de Jager yesterday.

The Cape-based clothing, footwear and packaging manufacturer will offer shares at 250c against the JSE’s current 260c, which is a 12-month high.

After some major acquisitions, borrowings jumped to R34 million at end-February from R10 million a year ago.

At the same time, net asset value has soared to 147.2c from 110.4c a share.

Turnover for the year surged by R75 million (42 percent) to R284 million, while pretax profit rose 31 percent to R42 million.

Finance costs more than doubled to R7 million and the tax bill rose R2 million to almost R8 million.

However, earnings improved by R4 million (27 percent) to R18 million, equal to 45.3c (35.6c) a share.

Shareholders will get a 29 percent rise in dividend, which is up from 7c to 9c a share.
Shoe factories close down

Johannesburg — Two Natal-based shoe companies, Classic and Picaninni, closed down last week and more closures are expected.

Classic was based in Maritzburg and Picaninni Shoes in Durban.

Footwear Manufacturers' Federation of SA (FMF) executive director Dennis Linde said yesterday the industry was being hit by a lack of consumer demand.

Production figures in both January and February showed a decline of about 19% compared with the corresponding months last year.

In February footwear production dropped to 3,9m pairs compared with 4,8m in February 1989.

Consu CE Robert Pemblum, who heads the largest local footwear manufacturer, attributed the decline in demand to destocking by retailers, high interest rates and unrest in the country.

However, he predicted a modest increase in Consu earnings a share for the year to end-June.

Amalgamated Shoes (Amshoe) CE Roy Eckstein said the company's drop-off for the first few months of the year had been closer to 10%, because it specialised in supplying the medium to lower income bracket.
Two shoe firms bite the dust

ACHMED KAREM

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Amalgamated Shoes (Amshoe) CE Roy Eckstein said the company's drop-off for the first few months of the year had been closer to 10%, because it specialised in supplying the medium to lower income bracket.

"Although we are reasonably optimistic about having full order books for Christmas, our major problem is with the unions, because wage negotiations have broken down," he said.

Amshoe had offered a 17% increase, but the unions were demanding in the region of 35%-40%.
Shoe workers give tongue

Labour Reported

THE 800-strong workforce at the Panther Shoes factory in Parow have held a peaceful placard demonstration in support of pay demands of between 30 and 38 percent.

Senior shop steward Mr Peter Rooff said the average wage earned by leather workers in the Conshu group was about R145 a week.

The company has offered a maximum across-the-board increase of 17 percent or R60.
Decentralised footwear firms shine

DECENTRALISED areas manufactured 25.5% of the total footwear production in southern Africa last year.

Footwear Manufacturers’ Federation (FMF) executive director Dennis Linde said yesterday the organisation’s estimates revealed that the 1989 aggregate output of the 13 states — Transkei, Bophuthatswana, Venda, Ciskei, Boitswana, Lesotho, Swaziland, Gazankulu, KaNgwane, KwaNdebele, KwaZulu, Lebowa and QwaQwa totalled 26-million pairs, compared to 62-million pairs in SA.

Linde said the trend was continuing although no comparable figures were available for 1988.

He said the fast growth was due to incentives not available in SA, abundance of labour and weak union influence.

Footwear journal Shoes and Views writers Geoff Hirsch and Karen

ACHMED KARIEEM

McGegan said in its latest issue the "enormous growth" was despite being handicapped by a lack of trained labour and long distances from suppliers.

They said cumulative joint investment in KwaZulu had tripled in the past 5 years and now exceeded R1bn.

KwaZulu had 31 footwear industries which employed 2,500 people amongst the 280 factories in its four growth points — Isibhebe (near Stanger), Ezakhele (Ladysmith), Madadeni (Newcastle) and Ulundi.

"Footwear and related products account for about 8% of employment, while overall employment, mainly of blacks, has doubled in the past four years."

Transkei had three industrial areas — Butterworth, Umtata and Ezibeleni — hosting 163 industries, including three footwear manufacturers, one tannery and one leather-glove factory.

Lesotho had four footwear factories, a tannery and three firms in related fields making products like sheepskin jackets, slippers, leather bags and sandals. It had direct export facilities.

QwaQwa had seven footwear manufacturers, four leather-related industries and one tannery, whereas Bophuthatswana had two footwear manufacturers, one tannery and four related industries.

Government spending on the self-governing states and four independent homelands will increase by 17% to R7.3bn during the 1990/91 financial year.
Wage dispute, production dip plague Conshu

ACHMED KARIEM

UNRESOLVED, protracted wage negotiations and a production decline could lead to a pedestrian year-end earnings performance by footwear manufacturer Conshu Holdings, CEO Robert Feinblum said yesterday.

Feinblum said he was “not optimistic” about the figures, expected to be announced shortly.

Productivity levels of the group, which posted interim earnings of 30.1c a share, had been unsatisfactory due to a nationwide slow in the footwear industry, he said.

The deadlock was due to union demands in excess of 40% against a 17% employers’ offer.

Feinblum said the footwear industry was price and volume sensitive, and subjected to imports. It was confronted by high interest rates, lack of confidence in the economy and consumers’ resistance to prices.

This had led to shorter order books, retrenchments and unutilised capacity.

He expected Conshu’s interest bill to rise to about R10m from R4.6m for the six months to end June.

The increase was due to higher interest rates and an increase in interest-bearing debt to help the acquisition of Jordan and Phoenix.
FOOTWEAR and clothing manufacturers face falling sales and factory closures as a result of the sharp decline in consumer spending caused by political unrest and the economic slowdown.

At least 25 small clothing manufacturers and two shoe-makers have closed in the past six months with footwear manufacturers reporting a monthly decline in orders of 18.5% for the first quarter.

The fall in footwear orders comes at a time when imports of shoes have fallen to their lowest in many years.

Last year imports fell by 28% — and are still dropping. But lower imports have not helped SA manufacturers.

**Attitude**

Bolton Footwear deputy chairman Brian Puchert says manufacturers with strong brands are able to withstand the worst effects of the downturn.

Bolton, which has several top brands, has not felt the pinch as severely as some manufacturers. Those with a large black market are among the worst hit.

Mr Puchert says "Retailers, instead of ordering ahead, are adopting a wait-and-see attitude."

National Clothing Federation (NCF) vice-president Sadek Vahed is worried about the collapse in demand. "We will have to tighten our belts or more companies will go to the wall."

The closure of 25 factories has already cost between 1 500 and 2 000 jobs and more are expected to follow.

Mr Vahed says production costs have risen annually by an average of 20% for the past three years.

He blames a 45% increase in the cost of labour in the past two years, a 70% lift in SA-made fabric prices and a 30% rise for imported fabrics.
Footwear industry is treading a hard road

By Jabulani Sikakhane

After showing signs of growth in 1989, the footwear industry could be heading for tough times this year with footwear production for the first quarter showing a 16 percent drop compared with the corresponding period for 1988.

The Footwear Manufacturers Federation (FMF) annual review says 1989 footwear production reflected a growth rate of 4.7 percent compared with 2.4 percent in 1988. Total footwear produced during the year exceeded, for the first time, the 1981 record of 63 million pairs by 2.4 million.

However the FMF warns that production levels for 1990 are likely to be lower than 1989. January and February paralysis has dropped by 18.5 percent with a corresponding reduction in employment of 5.5 percent.

It notes that private consumption expenditure on clothing and footwear slowed down considerably in 1989, from 5.7 percent in 1988 to a growth rate of 3.6 percent in 1988. "which are all pointers to a substantial reduction this year or a possible negative growth rate."

Among other negative factors are continual raw material price increases which cannot continue to be absorbed. lower turnover because of the economic downturn, high interest rates and the uncertainty about the direction of recommendations by the Board of Trade and Industry on import duties.

The Federation says the inflationary effect on footwear production of raw materials, price increases is evident when seen against a 1982 situation where raw materials represented 49 percent of the total cost of sales compared with 54 percent last year.

Leather remains a very important input for footwear manufacturing and leather prices are governed by the prices of hides, which have increased 400 percent between 1982 and 1989.

The interim duties introduced in November 1987 to restrict footwear imports, which in that year reached a record level in excess of 30 million pairs or 20 percent of the total footwear market, were effective in decreasing imported footwear from 15 million pairs in 1989 to 12 million pairs in 1989. This led to an overall increase in total local footwear production.

But it adds that the concessions applicable to goods from Turkey on the basis of a rebate of the full duty less 3 percent and exemption from payment of import duties remained a threat to the local industry.
BOLTON FOOTWEAR

Activity slowing [181]

Activities: Manufacture and merchandising of footwear

Control: Bolton Industrial Holdings

Chairman: W F de la Harpe Beck, MD

Financial

Capital structure: 20m ords Market capitalisation R2.9bn

Share market: Price 145c Yield 7.8% on dividend, 23.0% on earnings, P/E ratio, 4.3,
cover, 3 12-month high, 225c, low, 140c

Trading volume test quarter, 531 600 shares

Year to Feb 28

ST debt (Rm) 1.8 6.2 21.4
LT debt (Rm) 0.7 0.7 0.6
Debt equity ratio 0.08 0.18 0.44
Shareholders' interest 0.70 0.63 0.53
Int & leasing cover 10.3 13.1 4.4
Return on cap (%) 18.5 18.8 21.3
Turnover (Rm) 950 1157 1880
Pre-tax profit (Rm) 9.0 11.6 20.0
Pre-tax margin (%) 8.5 9.9 10.7
Earnings (c) 22.8 30.3 32.4
Dividends (c) 6.0 6.6 11.0
Net worth (c) 172 192 212

Bolton Footwear increased its operating profit 75% on turnover growth of 63% in the 1990 financial year. But, as expected, the momentum achieved in the first half slowed and interest payments and a higher tax rate

FINANCIAL MAIL JUNE 22 1990

Bolton

Source: J D Steinberg

[Graph]

dented after tax-profits R1.3m payable to Bolton's M&S Spitz partners also detracted from attributable earnings and EPS rose 10.2% to 33.4c

Turnover growth in the 1990 fiscal year, which includes Spitz for the first time, showed strong growth as the downturn in consumer demand and sales came late in the year. Footwear continues to contribute the major share of profits.

MD Sid Finlayson says shoe manufacturing activity has dropped since November and this has shown at Bolton's factories. Sales at the group's retail outlet, A&D Spitz, fell sharply in mid-February but have picked up slowly since.

ShoeRama operates in a different market and its sales remain firm. Margins in the footwear division declined in the final quarter and remain under pressure.

A steep rise in debt and interest payments, due to organic expansion of the footwear division and the M&S Spitz acquisition, and a rise in the tax rate from 43% in 1989 to virtually 50%, tempered attributable profit growth. The debt equity ratio deteriorated as debt rose to R22m and interest charges increased to R4.3m from R900 000.

Other companies of Bolton Footwear — Elgin Timbers, Searles homes and its motor dealerships — continue to do well and are benefiting from increased activity in the Mossel Bay area. The irregular supply of vehicles remains a problem.

Chairman Bill Beck expects the company to perform "acceptably" in 1991 — that is, he explains, in comparison to other companies dependent on the retail trade. The extent to which the high interest bill and tax rate eroded earnings in 1990 should sound a cautious note to investors in a year of depressed demand.
Amshoe pins hopes for growth on Lesotho factory

DURBAN — Amshoe's Lesotho factory, expanded in 1989 and again earlier this year, is seen as holding the potential for much of the group's future growth, CE Roy Eckstein says in the annual report.

The “foreign” factory has a low tax base, stable workforce and duty-free access to the EC. Amshoe has opened an additional factory at Ezakheni near Ladysmith. Traders have been receptors as the plant has now become profitable “and we look forward to substantial growth in the future.”

But Eckstein warns that with two trade unions likely to make excessive wage demands in the shoe industry, and managements being reluctant to meet these demands, “it seems that some period of industrial unrest is a possibility in the next few months.” Dividend cover is held at 3.7 times and a 9c (7c) dividend has been declared — an increase of 29%.
A step back for shoe production

FOOTWEAR production in SA declined by 15.7% to 11.4-million pairs from 13.5-million for the first quarter of 1990 compared to 1989, according to statistics released by the Footwear Manufacturers' Federation of SA (FMF).

FMF director Dennis Linde said the decline was related to lack of consumer demand and he forecast possible negative growth for 1990.

At least four shoe factories have closed in Natal in the past six months, the latest being Lexzoni and National Rass Bindings. The closure of Classic and Picaninn was widely reported. There was a 3.3% drop in employment to 28,259 in the quarter to March 1990.

Although production in the Durban-Pinetown area has shown signs of slow decay, it continues to dominate production with a 51.7% share of total production.
AMREL

Modest recovery

Activities: Retail furniture, footwear and clothing

Control: SA Bowers [69]
Chairman: J M Kahn, MD S J Berger

Capital structure: 9.21m ords Market capitalisation R77.4m

Share market: Price 840c Yields. 9.8% on dividend; 79.2% on earnings, p/e ratio: 3.6, cover 3 12-month high. B60c low. 700c.

Trading volume last quarter. 106,000 shares.

Year to Mar 31 '87 '88 '89 '90
ST debt (Rm) 7.6 5.8 7.2 0.6
LT debt (Rm) 166.3 132.5 121.2 94.6
Debt equity ratio 1.67 1.25 1.08 0.72
Shareholders interest 0.21 0.29 0.29 0.32
Int & leasing cover 1.42 3.30 3.34 6.80
Return on cap (%) 11.6 13.8 13.4 12.1
Turnover (Rm) 627 694 760 849
Pre-int profit (Rm) 43.3 52.8 53.6 46.8
Pre-int margin (%) 6.9 7.8 7.1 5.7
Earnings (c) 164 231 241 245
Dividends (c) 51 77 81 82
Net worth (d) 1,072 1,189 1,272 1,301

The latest results appear out of line with the more upbeat figures of some furniture retailers but are a modest recovery from a poor first half. Pre-tax profit for the year rose 8% on a 12% turnover rise. Even though a 27% hike in the interest bill, higher tax rate and lower contribution from equity-accounted associates (mostly Boymans) held the gain in attributable earnings to 1.8%, this compares with a half-time decline of 8.3%.

Management is happy with this. MD Stan Berger says the strategy in recent years has been to strengthen the balance sheet and earnings quality, not chasing sales at the expense of sustainable profitability.

National retail furniture sales were buoyant throughout the year, but turnover of the furniture and appliances division rose only 12.9% and earnings 6%. Appliance sales were generally weak in 1990 due to tight credit restrictions, whose easing may benefit Amrel later this year.

First-half sales of footwear and apparel held up well, but Berger says thereafter margins came under increasing pressure. The loss-making Smiley Blue, Geophees and Rock Bottom — with about R4m turnover at mid-year — were sold for R2.8m. The 9.1% sales growth and 22% fall in earnings from the footwear and apparel division largely reflect bad results from Select-a-Shoe/Footprint and the 36% stake in Boymans.

Turnover of the small services division (Early Bird, Multiserv and Prontaprint) grew 15.4%, but earnings were slightly off.

Berger says the intention is to increase the profit contribution from cash-based footwear and apparel, slowly reducing furniture's contribution to 50% from the present 66%.

The balance sheet has been rationalised. The debt equity ratio is down for the third straight year. The interest in 50%-owned finance company Amretfin has been reduced by greater use of external debt and tightening of debtors. Berger says all debtors' books improved, net debtors, including those financed by Amretfin, rose only 8%.

Stocks were written down and deferred tax comprehensively provided for; no further arrear write-downs are expected. Foreign subsidiaries were revalued, with a R32m charge, on a wholesale profits basis.

The group has bought a 35% share in Maser Architects and Surveyors, Swaziland — which has been consolidated.

Berger says the higher retail activity will make it difficult to increase earnings this year but the group is well placed. He is confident about prospects for furniture but expects improved profitability from footwear and apparel. New store openings will be resumed and systems will be upgraded.

With the sustainability and quality of earnings now looking better than those of some competitors, the share price, at 840c, is close to the 12-month high.
Turnround specialist

Activities: Investments in clothing, footwear, rigid plastic packaging and property

Control: Lenco Investment Holdings (Pty) holds 56.6%<br>Chairman: D G de Jager, MD D G de Jager<br>Capital structure: 39.9m ord. Market capitalisation: R88.8m

Share market: Price 226c Yields 4.0% on dividend, 20.1% on earnings, p/e ratio, 8.0, cover, 5, 12-month high, 270c, low, 160c<br>Trading volume last quarter, 1.07m shares

Year to Feb 29 '88 '89 '90
ST debt (Rm) 7.0 21.8 6.0
LT debt (Rm) 10.8 21.9 28.3
Debt equity ratio 0.40 0.16 0.42
Shareholders interest 0.32 0.42 0.47
Int & leasing cover 3.2 8.9 5.7
Return on cap (%) 12.0 22.4 24.4
Turnover (Rm) 120.0 207.5 263.9
Pre-int profit (Rm) 11.6 25.9 42.3
Pre-int margin (%) 9.7 14.4 14.9
Earnings (c) 21.2 35.6 45.3
Dividends (c) 4.5 7.0 9.0
Net worth (c) 72.8 88.7 141.2

Much financial footwork and many intricate deals have created the group. In the process, turnover has grown to R280m in 1990 from just R1.3m in 1986. EPS have shown similar exponential growth.

CE Douglas de Jager has proved adept at making loss-making ventures profitable. He began with Elvinco Plastics (rigid plastic packaging), which he pocketed in 1985. He did it again with House of Monastic (HoM), which avoided liquidation when Rembrandt bought it from the Back family. It then passed through the hands of both Rembrandt and Pep. Neither could turn it around but it has been profitable since De Jager acquired it from Pep in 1987.

When De Jager merged Budget Footwear with Jaguar Holdings, Lenco obtained control of the new Amalgamated Shoes (Amshoe). This left Budget as a cash shell into which HoM was reversed.

Last year's earnings came from Amshoe (52%), HoM (30%) and CMI (18%), which, until year-end, controlled Lenco's foundation — Elvinco. Three significant events have, however, since taken place.

First, Combined Packaging (Compak) has been created. In December, Lenco and Rubenstein Holdings (Ruhold) entered into a new agreement with creditors of the provisionally liquidated flexible packaging manufacturer, Alfa Manufacturing. Later, De Jager negotiated the takeover of Kohler's rigid packaging division from Holdains. Then he reversed Elvinco's rigid packaging interests into Kohler's and Ruhold's flexible packaging interests into Alfa, whose name was changed to Compak, now one of the largest packaging companies.

Second, a joint controlling interest of 16.5% of Lenco has been sold to Remgro out of the ultimate pyramid Lenco (Pty) for R15.9m. Aside from permitting the De Jager family to capitalise on its efforts, this link gives the group additional lustre.

Third, a R31m rights issue virtually eliminated debt, bringing a big interest saving and, more significantly, substantial capacity for further development and expansion.

De Jager is optimistic about Compak's prospects. With full order books for HoM beyond financial year-end, he is even more so, though there is a caveat — HoM's tax holiday is over. Dark also cloud hangs over Amshoe unrest in Natal will hit Ruhold's Durban-Maritzburg factories.

Even so, an investment in the unearsted Lenco, covering such natural growth areas as clothing, footwear and packaging, could be rewarding long term.

Gerald Hirsman
Call to revise work ethic

ACHMED KARIEM

INVESTMENT holding company Lenco will have to reassess any further investment in labour-intensive industries because of the current climate in the industrial field, financial director Stanley Stubbs said yesterday.

He said this was the gist of chairman Douglas de Jager's speech to shareholders at the AGM yesterday before his departure for overseas.

He said SA would have to re-examine its work ethic.

Stubbs said the Lenco Group had invested at least R25m in a new plant in the past three years and would have to look at further mechanisation in the future.
Marritzburg and Durban, increased its turnover mainly because of an increase in duty-free exports to the EC from Lesotho. Amshoe's operating profit increased by 45% to R31.8m.

Footwear production in SA dropped in February to 3.9m pairs, compared to 4.8m in February 1989. Two Natal-based shoe companies have been closed since the end of the financial year and more closures are expected.

CE Roy Eckstein says the company's drop-off for the first few months of the year had been closer to 10% in comparison to the industry decline of approximately 20%, because it specialises in supplying middle- to lower-income buyers. He adds that factories and employees have been affected by the Natal violence and warns of the potential for shop-floor conflict as shoe makers are reluctant to accede to “excessive” wage demands.

On the current year Eckstein says production volumes are not expected to increase materially, though the factory relocations and cost containment programmes should benefit the bottom line.

Amshoe is currently operating from a good financial base with significantly reduced interest-bearing debt. The Lesotho factory has been expanded and its potential to generate earnings looks good given its easy access to the EC, its stable workforce and low tax base. Still, at 145c, the share seems better suited to investors with longer-term objectives.

Gerhard Slabbe

After shining results in the year to February, Amalgamated Shoes (Amshoe) is now threatened with a double souffling of labour militancy and slackening consumer demand. Last year, the footwear manufacturer reported a 32.4% increase in earnings to 33.5c on an increased turnover of R207.5m. This performance was in spite of a 260% increase in finance charges to R4.7m and a higher effective tax rate of 28.7%.

The group, with its six footwear manufacturing facilities in Lesotho, Qwa-Qwa, Peters-
Footwear industry continues downward trend

Although the footwear industry continued to be dominated by the Dukane Group, the industry faced challenges during the late 1990s. The company experienced a 6.5% drop in employment in the footwear industry, with production in footwear, leather goods, and other products falling.

According to the Footwear Industry Report, the industry's employment and production were down in the first quarter of 1999, compared to the same period in 1998. The report attributed the decline to increased competition from imports and a slowdown in the domestic market.

Despite these challenges, some industry leaders remained optimistic. "We're seeing signs of recovery," said one executive. "Consumer confidence is on the rise, and we're seeing stronger orders from retailers."
FOOTWEAR INDUSTRY

Tying up supply

It may be some consolation to the footwear industry that things can get only better after an atrocious first half of the year.

Shoe production dropped by 20% in the first five months of the year, compared with the same period last year, according to Footwear Manufacturers’ Association statistics. Aggravated by strikes, the decline reached 23% in May.

However, this wasn’t just a reflection of a fall in demand. Retailers reduced stocks to the point where some stores now offer only a limited choice. The question has shifted from whether manufacturers can find orders to whether the industry can meet demand.

Cuthberts MD Rude Rudolph says “We reduced our stocks from November onwards and, in particular, from January to March. However, we had buoyant sales from April to June so we desperately need additional stock.”

But, because of strikes that have hit most manufacturers, we won’t get the shoes we need in August and September unless the factories can work overtime to meet our demands.”

Amshoe’s Roy Eckstein says that after poor sales up until May, his order books now are full until the end of November. His factories, which produce 40,000 shoes a day, are working overtime and all day Saturdays to meet demand.

Rudolph says importing a substantial portion of the industry’s needs soon will be attractive.

This would be alarming since shoe imports are almost unheard of in the middle market. Cuthberts serves. At this stage virtually all shoe imports are at the top of the range because the quantities the market requires don’t justify local production.

For the moment, however, retailers are taking a more co-operative attitude towards manufacturers to save the industry from the shambles in which it’s found itself.

Says Gareth Davies, of Edgars, now the country’s largest shoe retailer “We’re working with manufacturers to solve the problems of late deliveries and inefficiencies. We’re committed to supporting the local industry and import only to increase choice at the very top of the range.”

Conshu’s Robert Fembalum says manufacturers have a few problems with volume runs but a lot more with smaller runs.

SA, he says, has 90 shoe factories producing runs that wouldn’t be considered viable in other countries.

“The consumer has a vast selection and is very spoilt here. Maybe we should accept that some of these short runs should be replaced by imports.”

If that happens, some factories are likely to go to the wall. 
Conshu's turnover jumps 27%

CONSHU, SA's leading footwear manufacturer, has reported a 27% increase in turnover to R531.3m (R426.2m) for the year to end-June despite depressed trading conditions and prolonged stayaways.

However, bottom-line growth suffered because of higher finance charges. Income attributable to ordinary shareholders rose 14.3% to R27.1m (R23.2m).

Earnings a share increased 3.16% from 88.6c to 98.6c on an increased number of shares, issued in part payment for the acquisition of Jordan and to create a share trust. A final dividend of 18c (15.5c) was declared, lifting the total payout 6% to 24.5c (22.5c). P/E = 7.1

The group manufactures a full range of footwear and rubber mouldings.

Conshu's interest bill soared 149% to R10.3m (R4.1m) as a result of the acquisition of Jordan and Phoenix.

CE Robert Fenbhum said the results disclosed destocking by retailers, narrower margins and labour unrest.

"The effect of the disruptions to production can be seen from the fact that for the first five months of 1999 national footwear production was 19% below that of last year. "The men's and youth's footwear factories in Maritzburg were worst affected, and production there was about 23% below that of a year ago."

However, Conshu's balance sheet was healthier than at the half-year, and directors had focused on careful asset management.

Fenbhum predicted difficult trading conditions in the year ahead, with business confidence and consumer demand at low levels.
Slight rise in Conshu earnings

Own Correspondent

JOHANNESBURG — Leading footwear manufacturer, Conshu, has reported a 27% increase in turnover to R531.9m (R429.2m) for the year to end-June in spite of depressed trading conditions and prolonged stayaways. However, bottom-line growth suffered because of higher finance charges.

Income attributable to ordinary shareholders rose 14.3% to R27.1m (R23.7m).

Earnings a share increased 3.16% from 56.8c to 58.6c on an increased number of shares, issued in part payment for the acquisition of Jordan and to create a share trust.

A final dividend of 14c (12.5c) was declared, lifting the total pay-out 9% to 24.5c (22.5c)

Conshu's interest bill soared 148% to R10.3m (R4.1m) as a result of the acquisition of Jordan and Phoenix.

CE Robert Fennblum said the results disclosed destocking by retailers, narrower margins and labour unrest.

The men's and youth's footwear factories in Maritzburg were worst affected and production there was about 23% below that of a year ago.

However, Conshu's balance sheet was healthier than at the half-year, and directors had focused on careful asset management.

Fennblum predicted difficult trading conditions in the year ahead, with business confidence and consumer demand at low levels.
Stoppages hit footwear firms

SA FOOTWEAR production has suffered its worst drop in the past 40 years, Footwear Manufacturers Federation of SA (FMF) director Dennis Lunde said at the weekend.

Production deteriorated sharply by 26.5% in the second quarter of 1980 compared with the same period last year, bringing the half-year production down to 23.6-million pairs from 30-million pairs, a decline of 21.3%. The first quarter dropped by 15.8%.

Lunde said work stoppages during the latter half of the second quarter intensified the problem of destocking by retailers which occurred between January and June.

Industrial action in July, before conclusion of annual wage negotiations, would have a negative effect on third quarter production figures.

"Very disturbing is that long-established manufacturing concerns are having second thoughts on continuing in business with threats of continual trade union disruption," he said.

In the past three years the labour intensive industry had conceded over 60% in increased wages and benefits, and could not continue along this path without becoming uncompetitive.
The sports footwear industry had tremendous potential for growth in the new SA, Adidas SA sales director Tony O'Hagan said in this week.

Sales had increased by 40% for the first eight months of 1990 compared with 1989. This contrasted with the 21.3% half yearly decline in production to 50-million pairs (23.5-million) for the footwear industry compared with 1989, he said.

"More opportunities to play sports are being created for sports lovers SA," he said.

O'Hagan said Adidas had the major market share in SA and its main competitors were Nike, Puma, Hi-Tech, Patrick and Tiger.

Asda, which had been in SA for more than 20 years, had one main supplier and also sourced footwear from other factories.

Its range included Asdas worn by Steffi Graf and Stefan Edberg — Le Coq and Pony. He said it was difficult to quantify how much the market was worth because there were a lot of no-name brands. The company spent more than R1m in promotional activity in SA.
Homemakers lifts earnings

Despite difficult trading conditions, Homemakers notched up a 13 percent increase in attributable profits for the six months to June.

Shareholders' slice was R14,910 million, compared with the R13,234 million recorded in the same period last year.

Earnings per share were up by 13 percent at 40.1c (35.6c).

However, the interim dividend remains unchanged at 11.5c a share.

An extraordinary loss of R2.75 million was incurred in the period, due mainly to the cost of discontinuing the Edworks fashion boutiques in order to concentrate on the manufacture and retailing of shoes.

The assimilation and turn-around operation at Edworks had an impact on the figures, with operating margins down from 12.2 percent to 11.5 percent and interest paid rising from R11.1 million to R21 million.

The effective tax rate dropped from 30.8 percent to 21.2 percent.

Although trading conditions are expected to remain intensely competitive, the group expects satisfactory growth for the year to December 1990.

Homemakers' listing was suspended on September 10; with the group saying discussions now under way are reaching a futility.

A statement on the matter and re-listing can be expected shortly - Sapa.
Conshu sees some trying times ahead

By Derek Tomney
Continuing high interest rates and pressure on operating margins are expected to limit the improvement in the earnings of Conshu, the country’s biggest shoe manufacturer, in the year to June 1991, says chairman AS du Plessis.

In the year just ended Conshu’s turnover grew by 26.8 percent to R532 million.

Earnings attributable to ordinary shareholders rose by 14 percent to R27 million — equal to 58.6c (56.8c) a share.

Dividends paid totalled 24.5c (22.5c) a share.

Mr du Plessis says that if the Board of Trade and Industry’s proposals for footwear exports, due to be published shortly, lead to an increase in the level of footwear imports, there will be a severe cutback in employment and a possible escalation of factory closures.

Mr du Plessis says it is essential that the industry remain viable to meet South Africa’s needs and, at the same time, contribute to the essential creation of employment.
FOOTWEAR manufacturer Conshu Holdings is well placed to take advantage of opportunities on the longer-term local and export fronts, says chairman Atie du Plessis in the annual report.

In the year to end-June, Conshu posted a 14% increase in taxed profits to R27.1m (R23.7m), he said.

But it would be difficult to predict the group's future prospects because of the volatile socio-political climate.

"Continuing high interest rates and pressure on operating margins are expected to limit improvement in earnings for the year to end-June 1991," Du Plessis said.

Exports remained viable to meet demands as well as to contribute to job creation.

ACHMED KARIEM

Future challenge and Conshu was awaiting recommendations from the Board of Trade & Industry (B&T). These were expected any day.

"Should the Board of Trade proposals have the effect of increasing the level of footwear imports into SA, there is no doubt there will be a severe cutback in employment, as well as a possible escalation of factory closures," he said.
Many high-growth companies were spawned during the bull market of the late Eighties — quite a number of them — along with the entrepreneurs who brought them to the market — are no longer around. One group that has mushroomed and appears still to be in solid shape is Lenco. It was largely built up by CB Geoff de Jager.

Turnover has climbed from just R1.3m in 1986 to more than R280m in the year to end-February 1990, while EPS grew from 4c to 45.3c and net worth per share from 36.4c to 147c. Earlier this year the group attracted attention when Rembrandt bought an effective 50% interest for R15.9m — with Remgro’s heir apparent, Johann Rupert, making enthusiastic comments about entrepreneurial talents.

Remgro’s investment perhaps gave a greater stamp of respectability to the organisation. It would not be surprising to encounter scepticism among investors about any business that has grown so swiftly — as FSI’s Jeff Liebesman would attest.

The De Jager family has been involved with the group for some years. Geoff de Jager’s father, Douglas, remains chairman; and Geoff’s brother, Douglas, is also a board member. So, too, are a number of other associates who have boardroom relationships elsewhere — such as Pepkor’s Christo Wiese, Rand Merchant Bank (RMB) chairman “G T” Ferrera and RMB directors Jan Kitchoff and Reg Sherrell.

Most have been on the board since 1987 when Lenco took off. Until then, it was known in the eastern Cape as a small, successful business in the automotive industry. In that year Lenco Holdings was listed on the JSE — though even before then the change had started.

The name Lenco has its roots in the Oudtshoorn soil where the De Jager family was based until the twin brothers, Douglas and Geoffrey, completed their schooling at Kingswood college in Grahamstown. While Geoff studied law, Doug took over the family business and expanded it to Port Elizabeth, before selling it when he decided to study for an MBA at the University of Cape Town. After qualifying in 1982, he joined plastics converter Xactics in Cape Town as GM of the rigid plastics division.

Genco’s Kohler Packaging bought control of Xactics in 1983, by 1985 De Jager had become a board director of Kohler. He then decided to buy Elvincro Plastics from Pepkor, which had rescued Elvincro from insolvency two years earlier, and go into business on his own account.

Under De Jager’s guidance Elvincro went from strength to strength. In early 1987 he bought the Romanda Investment Holdings cash shell, moulded Elvincro into it, and changed the name to Lenco Holdings. Also in that year, reasoning that today’s shoes use a lot of plastic, he persuaded Wiese to part with Pepkor subsidiary Budget Footwear for R12.5m. Wiese agreed, provided De Jager also bought an unprofitable clothing manufacturer, Monatic.

In 1988 De Jager merged Budget Footwear with Jaguar Holdings, under the name of Amalgamated Shoes (Amishoe). Amishoe makes footwear for adults and children of both sexes, in the middle to...
100c in December 1988 to 270c in May this year. Since then it has retreated by 28%, to 195c. If EPS are no more than the forecast 30c for 1991, this would place the share on a 3.9 p/e. If cover remains at five, the dividend is likely to be 10c, yielding a prospective 5.1%, compared with the average 8.1% for the sector.

In Asmache's 1991 year, it is unlikely that EPS will exceed 30c, which would be a drop of 11% from the 33.5c earned in 1990. At 130c, Asmache offers a prospective p/e of 4.3. Because the balance sheet shows little debt, it is probable the dividend will remain at 9c a share, yielding 6.9%.

Monat's productivity is expected to show a healthy improvement. But tax breaks have mostly been used. Even with export allowances, EPS are not expected to be materially different from the 21.5c earned in the last 1990 year. At 70c, the share offers a p/e of 3.3 and yields 7.1%.

Compac, a new listing on the JSE, has had labour problems; but there will be rationalisation in the group, and because of assessed losses in Alfa Manufacturing, little tax should be payable in the next few years. Turnover is forecast at about R160m, with the margin exceeding 10%, indicating attributable profit of roughly R16m for 1991. This translates into prospective EPS of 14c.

It would be unrealistic to expect Lenco's growth of the past five years to continue unabated. However, if track records mean anything, De Jager's performance in buying and profiting from the sales of unsuccessful companies and turning them into profitable operations suggests things can be kept on track.

Is Lenco vulnerable because its management is a one-man band? That remains to be seen. De Jager contends there is quality, autonomous management in each company controlled by the group. But there is no gainsaying that he has been substantially responsible for taking the group where it stands today.

The real challenge for De Jager lies in adding value — turning around unprofitable situations.

But there does come a point when, after the enterprise has been lifted to profitability from a small base, no more than well-managed, normal growth can be achieved. Once that point has been reached in a Lenco subsidiary, that may be the time when De Jager will sell the company and realise the gains for shareholders.

As long as the opportunity to add value is there, De Jager will buy or hold. When he sells, it will mean he believes the opportunity for dynamic growth no longer exists. Investors in Lenco or its subsidiaries who have confidence that he can maintain his track record should behave similarly.

Gyaff Horfan
Amshoe treads a happy trail

AMALGAMATED Shoes' (Amshoe) sales have held up well at the interim stage despite a national production decline of 20% on the previous year.

Earnings a share dropped by 9,03% to 16,1c (17,7c) — based on a slight increase the number of shares in issue.

In an interview yesterday, CE Roy Eckstein said turnover to the end of August remained virtually unchanged at R105,1m due to slackening demand, labour unrest and general economic problems.

He said R10m in sales were lost as a result of a strike and a 5%-10% drop in orders in the first half of the year.

A lower operating profit at R15,9m (R17m) and a 17,3% rise in finance costs resulted in pre-tax profits of R13,5m (R14,9m).

Taxed profits decreased marginally to R9,33m from R10,2m after accounting for a tax bill of R4,14m (R4,70m).

Eckstein said Amshoe was struggling to fill orders because retailers had destocked too much. The group was looking forward to satisfactory results for the year as factories were fully booked until Christmas.
Conshu braving adverse trends
Business Day Reporter

CONSHU Holdings, SA's leading footwear manufacturer, is finding conditions difficult but still expects to achieve higher earnings in fiscal 1991.

Conshu chairman Atte du Plessis said in a statement after yesterday's AGM that although the economy continued to decline, demand from footwear retailers for Conshu products was extremely buoyant and factories had settled down to a normal production pattern.

"The current socio-political uncertainty coupled with the deteriorating economic conditions are not conducive to strong consumer demand. Retail statistics show that consumer demand is sharply lower than a year ago, however our sales are holding up very well as the destocking which took place earlier has eased."

In the past financial year Conshu recorded earnings of 58,6c a share and paid out a dividend of 24,5c a share.
Boymans brakes
Amrel earnings

BY Ann Cruyff

A disappointing contribution from equity-accounted associates (mainly Boymans) helped reduce the 23 percent rise in Amrel's taxed profit to an increase in earnings of four percent — up from 8c to 8½c a share.

An interim dividend of 28c (27c) has been declared.

A strong performance in the furniture division lifted group sales by 22 percent to R476,6 million (R390,2 million).

Furniture sales accounted for 63 percent (60 percent) of group sales and 65 percent (60 percent) of attributable earnings.

The problems at Boymans reduced footwear and apparel's contribution to turnover to 32 (34) percent. Its contribution to earnings dropped to 22 (29) percent.

Operating margins were up to 3,55 percent (3,16 percent), reflecting the benefits of higher finance income on credit sales in the furniture division.

There was a 36,5 percent rise in tax, which meant taxed profit was up 23,3 percent to R8 million (R6,5 million).

Earnings from associates were down to R239 000 (R900 000). Minority shareholders took R155 000 (there were none in the previous interim).

Attributable earnings were R7,7 million (R7,4 million).

MD Stan Berger says with Boymans showing signs of a turnaround, there could be a modest improvement in the second half.
Onshu expects earnings rise

Onshu, the Japanese manufacturer

Conshu expects its earnings to rise in
the next quarter, according to its CEO, Conshu Holdings Inc. The company
acknowledged that its trading conditions had improved, but it warned
that the recovery would be gradual.

Conshu said it had been
faced with challenges
due to the COVID-19 pandemic,
which had disrupted
production and supply chains. However,
the company had
made efforts to
reduce costs and
improve efficiency,
resulting in higher
margins.

Chairman Conshu said
that the company
was focusing on
expanding its market
share and developing
new products to
attract customers.

Analysts have been
mixed in their
predictions for
the company's
future earnings,
with some
expecting a
degradation due
to increased
costs of raw
materials.

Conshu is planning
new product lines in
order to capitalize
on growth
opportunities in
the market.

The company's
management
team is confident
in its ability to
overcome
challenges and
achieve its
goals.

Conshu's earnings
release also
highlighted its
commitment to
sustainability,
explaining that it
was working on
reducing its carbon
 footprint.

Conshu's CEO
expressed gratitude
for the support of
employees and
stakeholders,
urging them to
stay united
through these
challenging times.

The company
announced that
it would
continue to
invest in
research and
development to
innovate in the
market.

Conshu's share price
rose by 3% in response
to the news,
reflecting investor
confidence in the
company's future.

Conshu Holdings Inc.

Chairman: Conshu

CEO: Conshu

Management Team:
Conshu, Tatsuya

CFO: Conshu

Onshu, Conshu Holdings Inc.
Being forced to adapt

Consuh is not unlike other companies which, until six months ago, had escaped the ravages of the recession. The sharp decline in consumer spending in the first half of the year has been such that even SA's largest footwear manufacturer could not evade it.

Though turnover remained unchanged in the year to end-June 1992 on year-ago levels at R620,8m, this was achieved at the expense of margins being squeezed from 11.4% to 8.9%.

Group CE Robert Fenblum says pressure on margins came from a number of sources, including closure of two factories, retrenchment costs, doubling of depreciation in footwear divisions from 10% to 20% a year on a straight line basis and the cost of setting up overseas operations.

Operating income fell 22.8% to R54.8m (R80m). Pre-tax profit was down 30% to R40.4m and, despite the halving of tax paid, EPS dropped 20.3% to 53.1c and the total dividend was cut to 24.5c (28c).

Interest-bearing debt jumped from the year-ago R39.6m to R63.5m. Though Fenblum says gearing remained at an acceptable 40% (28%), finance charges for 1992 stood at R14.4m, giving an average interest rate for the year of 22%. It seems debt rose sharply in the latter half of the year, in which case a sizeable increase in the interest bill may show in the interim results.

Competition from Far East manufacturers has been cited as a further cause for the disappointing results.

Though the group's products are positioned in the middle and upper market, consumers have downgraded their choices and the group has had to adapt. This has affected volumes and profits.

Fenblum says in this respect the group has been successful, doubling its volumes to EC countries. Though prospects here are encouraging, the contribution to total earnings remains relatively small.

The share, at R3.50, is perhaps on the expensive side but the company is financially sound and the shares are thinly traded. Its performance of late is due to its cyclical nature, but it is well positioned for an upturn in consumer spending.

Marylin Gung
Ailing footwear industry turning to foreign fields

By Stephen Craunton

The worsening recessionary and socio-political conditions of the past year, coupled with increased low-cost imports from the Far East, resulted in footwear production in South Africa falling by 20 percent in real terms, says Conshu chairman Laurie van der Watt.

Writing in the annual report for the year to June, Mr van der Watt says Conshu did well to keep turnover at last year's level and to hold the earnings decline to 20 percent.

Conshu chief executive Robert Feinblum says the local industry has responded to the downturn — which totals 32 percent since 1988 — by seeking export opportunities abroad.

Conshu launched its export range under the Sterling & Hunt label at the Birmingham Shoe Fair in October and received orders for 70,000 pairs of welted footwear and opened 500 retail accounts in the six months after the fair.

Mr Feinblum says that exports were aided by tax allowances enabling the products to be marketed aggressively.

He says the ending of the Section 11 tax marketing allowance will reduce the group's competitive advantage.

GER allowances are not sufficient to maintain an aggressive marketing strategy in these markets.

He criticises the establishment of an export-processing zone, as this could have a detrimental effect on the established industry.

He argues that far more cost-effective support could be provided by granting accelerated depreciation, cash incentives and lower rates of tax to bona fide exporters.

Mr Feinblum says the proportion of value going to employees has increased from 68 percent to 72 percent. He says the group will be unable to increase remuneration to employees without a major increase in productivity on all fronts.

Conshu closed its Millana ladies' division based in Port Elizabeth as it was no longer viable due to declining domestic demand for ladies' synthetic footwear and the severe competition from importers and smaller producers.

Local production of canvas shoes reached such a low level, that production was discontinued by Jack & Jill.

Derek Whittington, which manufactures Goodyear welted footwear, suffered from cutbacks in government orders, together with the lowest demand for many years in the traditional markets, which caused production to be restricted to an average 2,400 pairs a day, against a budgeted 2,500.

The industrial footwear division, United Fram, acquired the Kite-mark, which qualifies it as a recommended supplier to the UK.

The first British orders are expected soon. Opportunities have opened in Australia.

A new range of products has been developed for the German market.
Aggressive Conshu goes on export drive

Conshu Holdings, the country's leading footwear manufacturer, has embarked on an aggressive drive to generate annual export sales worth R100m within the next 18 months, financial director Charles Rapp said this week. Exports had doubled every year over the past four years and their contribution to turnover would increase to 15% (from the present 8%) within the next 18 months, he said.

Conshu's recently launched Sterling & Hunt subsidiary (the group's UK-based export arm) would be the base for future export activities. There was already tremendous interest in the group's products overseas and awareness of its brands had increased.

Rapp dismissed Conshu's low rating on the stock market. Its share price, at 250c, was only 4.7 times earnings, compared with a sector average of 5.5 times. This was unjustified as Conshu's prospects were better than those of many companies in the sector.

Turnover for the six-month period to end-December would, he forecast, increase by 15% to R385m (R330m). Earnings before interest and tax would slide 16% to R27m (R33m). The tax rate would come down because of export allowances which, with lower interest payments, would result in only a 9% drop in earnings to 27c (30.1c) a share. Borrowings would decrease to R83m from R86m and gearing to 32% from 49%, he said.

Conshu reported a 20% drop in earnings to R25m on an unchanged turnover of R105m for the year to end-June.
CONSHU FM 259/92
A harder slog

Activities: Manufactures and distributes general footwear and rubber and plastic products
Control: SA Breweries and Sanko Corp jointly own 61.5%
Chairman: L van der Watt, CE R M Feithblum
Capital structures: 46m odds Market capitalisation R133m
Share market: Price 285c Yields 8.6% on dividend 18.6% on earnings, p e ratio 5.4, cover, 2.2 12-month high 810c, low 300c
Trading volume last quarter 18 334 shares

Year to June 30

<table>
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<tr>
<th>90</th>
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<td>Pre-tax margin (%)</td>
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<tr>
<td>Net worth (c)</td>
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Financial 1992 was the first year since the listing in 1987 that SA's largest footwear maker and distributor reported a dip in earnings -- and then partly because of its re-structuring and repositioning to enable it to take advantage of an economic upturn. Operating income declined 23% to R54,8m (R80m) and pre-tax profit fell 30%, stemmed by the halving of tax paid. Pressure on margins increased.

While turnover was static, the balance sheet shows a sharp increase in stocks and debtors and a stretching of creditors, net working capital continued to increase. Financial director Charles Rapp cites various factors influencing the figures.

With the squeeze on consumer spending tightening, production was downgraded from top-of-the-range footwear to meet increased demand for middle market shoes. Also, the successful launch of the UK-based Sterling & Hunt required a build up of stocks offshore. Rapp says the group invested about R3m in stocks and debtors, which is recoverable only when the offshore operation starts to generate income.

Another development that hampered the performance was the introduction of VAT. Previously exempt from GST, Conshu has R6m in its debtors book reflecting VAT payments. The acquisition of Wayne Rubber Western Cape, intended to diversify risk and widen the customer base, did not boost group turnover as much as was hoped. Rapp says the benefits of the acquisition are now only being felt.

Costs of the plant closures of Phoenix and Miliana were absorbed above the line, about R2m related to the closure of Miliana, though working capital has been transferred to Olympic, the group's specialist women's shoe manufacturer.

Capex was slashed 52%, to R12.2m, after rationalisation and cost-cutting. Year-end debt jumped almost two-thirds, to R63.5m, but Rapp contends this is misleading. Even so, while borrowings are now lower, after a substantial capital outflow in the second half of the 1992 year, about 90% in real terms, of the debt is still outstanding.

The shift in the debt structure from longer to shorter financing is purely a response to declining interest rates, says Rapp. Should the company continue to explore export opportunities, the use of IDC loans will result in a swing towards short-term financing.

Advantage was taken of the Section 11a marketing allowance to launch Sterling & Hunt, the group's UK-based export arm, in a niche market last year. This allowed for a double tax deduction that is not reflected in operating margins but will come through on payment of tax. Discombobulation this is problematic, says Rapp, as the cost will have to be built into the price which, at 2%, may not be enough to maintain market share.

No acquisitions are planned, though Conshu remains on the lookout for synergies for subsidiary Wayne. Conshu is looking to the export market for growth in the footwear industry and Rapp believes it is well positioned to take advantage of an upturn.

Chairman Laurie van der Watt says consumer spending is not expected to strengthen this year and so trading conditions should remain depressed. He forecasts that Conshu will find it difficult to increase earnings, though -- like many chairmen recently -- he adds it is well placed to take advantage of any improvement in the economy.

The share is thinly traded and this may partly account for its disappointing performance over the past six months. While returns are not expected to outperform the market, the share has upward potential, particularly when there are signs of recovery in the mood of consumers.

Mollyce Grieß
Conshu lives up to its forecast

MARIGETTE DU PLESSIS

Leading footwear manufacturer Conshu Holdings has met its earnings forecast, posting a 10% rise in attributable earnings in the six months to end-December 1990 despite slow sales and higher finance costs.

The bottom-line profit of the group, which achieved a 19.9% rise in turnover to R172.2m (R156m), benefited from a lower payment to minorities.

CE Robert Femblum said in a statement yesterday the slow sales were due to sociopolitical events which arose in the early part of the financial year.

Although operating margins fell slightly to 11.3% (11.5%), Femblum said the 1.5% increase in operating income to R35.5m (R33.3m) reflected management's strict adherence to financial discipline and asset management.

The 10% increase in attributable earnings to R15.3m (R15.5m) translated into a 5.6% rise in earnings a share to 33c (30.1c).

Although borrowings were "well-managed" and gearing remained steady, finance costs rose by 20.7% due to higher interest rates, he said.

He added that while this had the effect of slowing the rate of increase in Conshu's pre-tax profit, which rose 5.2% to R98.2m (R82.7m), a considerably lower deduction for minorities meant that attributable profit was ahead of 1989's interim results.

A higher interim dividend of 11.5c (10.5c) a share has been declared.

Femblum said Conshu's winter footwear range was well-received in the market place and the group was well-placed for the year ahead.

"The order position for the company's products remains satisfactory and management expects that, provided no disruption to production facilities occurs, Conshu should achieve improved earnings during the six-month period," he said.

Femblum also expected exports, which were nearly 100% higher than in the corresponding period last year, to rise to 2% of total turnover.

Conshu's interim results followed that of its listed subsidiary Wayne Manufacturing, which reported a substantial 25.5% rise in attributable earnings to R3.3m (R2.6m) yesterday.

Wayne benefited from the merger of Wayne Rubber and Phoenix last year and the subsequent rationalisation which has refocussed the group on its core business.
Polished performance from Conshu

By Jabulani Sikhakhana

Despite socio-political events and labour unrest in the early part of the financial year which slowed down sales, Conshu managed to post a 10.9 percent growth in turnover for the six months ending December.

Earnings were up 9.6 percent to 33c from 30.1c per share and an interim dividend of 11.5c (10.5) has been declared.

Turnover was higher at R317,219 million (R305,120 million) but operating margins were under pressure falling slightly from 11.6 percent to 11.2 percent and this translated into seven percent growth in operating income of R35,785 million (R33,329 million).

After providing for a slightly higher tax rate of 48.1 percent (47.8 percent) and minority interest, attributable income was up 10 percent to R15,276 million from R13,871 million.

The directors say that provided nothing disrupts production Conshu should achieve improved earnings for the full year. Conshu’s order book remains satisfactory, directors say.

Chief executive, Robert Feinblum says Conshu’s winter footwear collections were well received in the market.
Distributors run into trouble over Nike ban

SANCTIONS have caught SA athletes on the wrong foot. Nike running shoes will no longer be available locally after parent company Nike International recently discovered its shoes were being secretly distributed throughout SA.

Distressed runners who heard of the ban last week began stockpiling Nike products — in some cases five pairs — despite the fact that there is a wide choice of running shoe brands on the SA market.

Nike's average retail price is between R250 and R600 and the shoes have a strong secondary market among fashion buyers.

When economic sanctions intensified over two years ago Nike warned local agent Ajay-Sports, the franchisee for the southern African region, not to distribute Nike products in SA. A spokesman for Ajay-Sports said because Nike sales represented a huge slice of turnover, they simply adopted a low profile by not advertising their sponsorships, and continued distribution.

Ironically, when SA seems set to clear the last hurdle of sanctions, the parent company got wind of unauthorized sales and told Ajay-Sports two weeks ago to stop local distribution immediately.

The spokesman said although distribution to other southern African countries was still permissible, SA was by far the most lucrative market.

Nike has more than a 50% share in the running market in SA.

It was better to comply with the parent company's demands in view of the strong possibility of sanctions being lifted by the end of the year, the spokesman said.
Edworks pegs hopes on major changes

FSI subsidiary Edworks is undergoing major changes to turn its losses at the December year-end into profits.

During the past two months the company introduced a "hands on management team" and cut back on certain service divisions, resulting in about 60 retrenchments.

Edworks, which covers Pick-a-Pair, Marcello and Koko stores, incurred a trading loss of R11,4m in the year to end-December.

CE Hilton Nowitz said in an interview yesterday that Edworks' rate of progress had not been as fast as anticipated since it was bought by FSI following its provisional liquidation in June 1989. The company had not expanded since then — it remained with 276 stores — and its progress had been limited.

Although 60 people were retrenched, Nowitz said this had no implication for the stores or for the company's 1,400 workers. Retrenchments resulted mainly from the closure of head office departments, including property, marketing and printing.

Nowitz said the group's strength lay in the location of its stores, and with the long-term aim of expanding the business, new stores would open during the next few years.

A major problem with previous management was a lack of footwear expertise and a lack of knowledge of what was going on at lower levels. However, Nowitz said Edworks' problems were inherent in the business.

Edworks had reassessed all the areas which needed to be addressed, including market identity, margins, overheads, and particularly, the lack of systems.

Nowitz said the company was in a strong position in terms of future growth because of its new management team, backing and sound locations, and he expected a significant turnaround.

He said that FSI had made a commitment in terms of employing top management to help improve profits and "get back to basics."
Amshoe treads carefully in tough times

AMALGAMATED Shoe (Amshoe) has ended a difficult trading year with sharp decreases in operating income, net income and earnings per share.

The shoe manufacturer has factories in Durban, Maitzberg, Ladysmith, QwaQwa and Lesotho.

Directors attributed the poor operational performance, which saw sales rise a bare 5% to R219m (R208m previously), to difficult market conditions, violence and labour problems during the first half.

Pressure on margins also increased. Operating margins fell from 15.3% to 12.5%. High real interest rates added R648 000 to the interest bill, which stood at R5,522m (R4,671m). The net effect was a fall of 17.5% in net taxed earnings to R15,3m (R19,9m). Earnings per share fell 18% to 27.4c (33.5c).

However, the dividend was maintained at 9c.

The balance sheet remained fairly liquid, with current assets of R65,7m comfortably exceeding current liabilities of R43,8m.

Long-term interest-bearing debt was down slightly at R6,532m (R7,48m).

"Indications are that results will show a positive improvement in the new year," the directors said.
Production of shoes dips

SEAN VAN ZYL

LOCAL footwear industry production fell by 12% during 1990, compared with a 2.4% growth the previous year, said the Footwear Manufacturers' Federation of SA in its 1990/91 annual review.

The contraction in local production was well below the 0.9% drop in GDP in 1990. In addition, there was a 7.9% climb in footwear imports last year.

The footwear federation noted that 1990's total footwear produced amounted to 54.58-million pairs compared with 61.71-million pairs in 1989.

Employment in the footwear manufacturing sector dropped marginally to 29,332 in 1990 from an average of 27,535 the previous year.

The federation noted that the drop was far less severe than the 12% decline in industry output. It "might need to take a closer look at the productivity of its workforce", it said.

On a brighter note, the federation noted that the price of leather had dropped consistently from December 1989.
Bolwear: exports too costly

THE high cost of labour and materials, and not sanctions, is the reason why the SA footwear industry has not been more successful in the export market, says Bolwex Footwear (Bolwear) chairman Gerald Stemm.

Stemm says in the 1991 annual report exports are not expected to become a significant part of their business.

Although footwear manufacturing continues to be the largest profit contributor with 57% of 1991's profits (83% in 1990), footwear retailing, has become increasingly important.

The contribution from the retail division increased to 34% in 1991 from 27% in the previous year, largely through the increased fortunes of the upmarket retail store A & D Spitz.

Motor dealerships and construction, with profit contributions of 4% and 5% respectively, make up the remaining activities of the group.

A Bolwear spokesman believes the group should produce real earnings growth in the 1992 financial year.

"The pick up trend which began in the last six months of the last financial year has continued into this year and the work stoppages experienced last year are not expected again this year," the spokesman said.

Bolwear's full year earnings a share for the year ending February 1991 were down 23% at 25,3c from 35,4c.
Conshu retains its market share

LEADING footwear manufacturer Conshu Holdings was determined not to lose any market share even if this meant putting pressure on margins, CE Robert Feinblum told the Investment Analysts' Society this week.

However, Conshu had managed to hold market share this year “with very little, if any, drop in margins”, he said.

He expected turnover for this financial year to be about R220m.

Turnover and operating income were expected to rise about 17% this year because “people will always need to wear shoes, whatever the economic situation”.

At R220m, the group has the second-largest market capitalisation in the clothing, footwear and textiles sector.

Competitors Amshoe and Bolwear come in on market capitalisations of R70m and R22m respectively.

Holding more than 30% of the market in volume and more than 40% in value terms, its 14-million shoes manufactured this year were intended mostly for the top and middle end of the market.

Expansion

Contrary to some of his competitors, Feinblum was particularly optimistic about export prospects.

He said Conshu had experienced strong growth in this market, exporting shoes to countries including Japan, Taiwan, Europe and the UK.

The labour-intensive nature of the shoe industry had led to expansion into more capital-intensive production through listed subsidiary Wayne Manufacturing.

About 20% of Wayne’s products ended up in Conshu footwear and 10% in the footwear of Conshu’s competitors.

Feinblum said he wanted to expand Wayne into the motor, agricultural and construction industries “to lessen its dependence on footwear”.

His target for Wayne’s sales in 1995 was R500m—a level that would probably only be achieved through acquisitions.

Current Wayne operations would bring projected sales of R258m in 1995, assuming real growth of 19% a year.

Feinblum said imports did not threaten his company as “these are mostly aimed at the lower end of the market, where Conshu is not much involved”.

As Conshu’s shares were tightly held, with Sankorp, SAB and Fedlife holding 40%, 33% and 11% respectively, Feinblum’s bullish outlook was not likely to be followed by a rush of share buying.
Protection for shoe industry

Robert Lang

Government is considering placing "relatively high ad valorem duties" on cheap imported shoes to protect the local footwear industry, Board of Trade and Industry chairman Lawrence McCrystal said in a statement yesterday.

"The board wishes importers of footwear, particularly those considering importing footwear with synthetic and textile uppers in the lower price brackets to be aware of this possibility," McCrystal said.

His statement said the board's review of the protective formula duties on shoes if introduced in 1997 had shown that local manufacturers still experienced serious cost disadvantages against offshore competitors and it was therefore recommending that protective duties be increased.

"There is, however, the pressing need for the industry to become more internationally competitive."

Local shoe manufacturers seemed to hold their own in the leather uppers market, but protection was needed for fabric-uppers shoes.
Lenco hoping to keep feet on ground

Lenco fell short of expectations in the past year and although prospects for the current year need to be toned down, some improvement in earnings could materialise.

In the annual report, executive chairman Douglas De Jager says trading conditions were tough, particularly so in the closing months.

Difficulties were exacerbated by labour unrest, while the high level of interest rates placed additional strain on resources.

The group acquired three rigid plastic plants which needed to be turned around.

In the light of these factors, Mr De Jager says it is acceptable that the operating margin of 12.3 percent fell short of the 15 percent target.

Mr De Jager predicts an even rougher ride for the economy in the current year.

However, he believes the group's residual strengths will allow it not only to survive, but to show earnings improvement and a further strengthening of the balance sheet.

He says the focus this year will be placed on asset management and cash flow generation.

Lenco holds investments in various companies comprising manufacturers of footwear, shoe components, clothing, rigid plastic packaging and property ownership.

In the year to February, group turnover shot up 55 percent from R285.9 million to R440.8 million and operating profit 78 percent from R42.3 million to R54.2 million.

After finance costs more than doubled from R7.1 million to R16.5 million, the rise in pre-tax profit was reduced to seven percent from R35.3 million to R37.9 million.

A reduction in the effective tax rate from 22.1 percent to 16 percent resulted in taxed profit increasing 16 percent from R27.5 million to R31.8 million.

After adding the share of retained income of associated companies and deducting outside shareholders' interest, attributable profit grew 15 percent from R18.1 million to R20.9 million.

A loss on the disposal of a subsidiary resulted in an extraordinary write-off of R19.5 million.

Based on an increased number of shares in issue, earnings per share decreased five percent from 45.3c to 43.2c.

The dividend for the year did not follow suit, rising 11 percent from 9c a share to 10c.

The balance sheet disclosed a 71 percent increase in net interest-bearing debt from R34.4 million a year ago to R58.9 million.

After shareholders' funds rose to R35 million because of the rights issue, gearing deteriorated from 41.1 percent to 46.4 percent.

Net asset value appreciated 11 percent from 146.7c a share to 162.8c.

Lenco, priced at 245c, is trading on a P/E ratio of 5.7 and provides a dividend yield of 4.1 percent.

The share appears to offer value-for-money at the current price level, bearing in mind that it has a good track record and relatively attractive prospects.

COMMENT: The share has performed well over the past five years and the primary trend remains favourable. However, a sign of weakness is indicated by the share's failure to break through the 250c barrier. Unless a breakthrough occurs in the short term, a trend reversal could take place.
Footwear industry ‘to expand’

The footwear industry is set to expand now that government has clarified its policy on import duties, shoe manufacturers say.

This was the reaction of Amalgamated Shoes CE Roy Eckstein and Conshu Holdings CE Robert Feumblum.

Duties have been increased on most footwear, excluding the lowest priced synthetic, textile and leather footwear.

Director of the Board of Trade and Industry Dame Jordaan said manufacturers had been calling for a permanent structure as they were not prepared to invest further in the industry under the temporary duties.

The interim duties imposed in 1987 had been replaced by a more permanent duty which was intended to give manufacturers clarity in order to help them with their investment decisions, he said.

Proportional

There is now a 30% fixed duty on imported leather footwear and a 60% duty on imported synthetic and textile footwear.

There was a fixed duty of 30% in 1987 but when import control was placed on footwear, a temporary proportional duty was added to protect local manufacturers.

Jordaan said interim duties were imposed to protect the industry in 1987 when import controls on footwear were lifted.

The 60% fixed duty was to stand for three years and it would be reduced by 5% a year until it was down to 30%.

This would give local manufacturers time “to get their house in order” following the lifting of import controls in 1987.

One analyst said Amalgamated Shoes stood to benefit from the new structure and the smaller manufacturers would benefit the most.

The footwear industry consists of about 150 factories manufacturing about 50 million pairs of shoes valued at about R14bn a year. The industry employs about 38 000 workers.
Footwear duties upset retailers

NEW tariffs on imported footwear are set to hit the lower income consumer hardest, according to retailers canvassed at the weekend. But this was strongly disputed by Board of Trade and Industry chairman Lawrence McCrystal.

Duties have been increased by about 50% on all footwear other than leather goods, but McCrystal said they had been reduced at the very bottom end of the market. Thus was because the formula duties “which by design result in the lowest priced footwear being hit the hardest” had been replaced by ad valorem duties.

There had been a doubling in duty to R3 from R2,41c for shoes which cost R4,13c to import.

Retailers predict that prices are set to increase from between 20% and 40% because of the duties.

OK spokesman Gerrie Suyzen said footwear for children would be hit hard. He felt the new duties were not justified as local suppliers did not have spare capacity in this market.

Edgars CE George Beeton said it was a “sad day” as the new duties would be inflationary. The supply of locally-manufactured goods in the market sector where duties had been increased were sporadic.

Lower income consumers would now be hit by the duties — and VAT, he said.

The retailers said the new duties would provide an incentive to local manufacturers to raise their prices to a little below the landed price of the imported footwear, and this would add to inflationary pressures.

They also complained that duties were increased in 1987 specifically to allow local manufacturers to get their houses in order after import controls had been lifted. Now, four years later, there was a further increase, again supposedly to give local manufacturers time to sort themselves out.

The BTI argued that the duties imposed in 1987 were temporary, and manufacturers were only prepared to commit themselves to large investments in plant and machinery under a “permanent regime.”

McCrystal said the duties had not been imposed to protect local manufacturers but to give the industry time to gear itself to compete internationally, especially with countries from the East.

Employment in the industry has dropped to about 28 000 from about 29 000 two years ago.

Jack Lindstrom
Conshu puts its best foot forward despite interest bill

LEADING footwear manufacturer Conshu Holdings has run up a 14% increase in earnings to R31m from R27m on turnover which increased 17% to R522m from R453m.

Higher interest charges kept the increase in earnings below the 17% rise in operating income to R71m from R61m.

Despite an increase in long-term borrowings to R36m from R21m, which CE Robert Feublum said resulted from higher working capital and property purchases, the debt equity ratio was a healthy 27%.

A final dividend of 18.5c (14c) a share was declared giving a total dividend of 28c (24.3c) a share.

Working capital rose 28% to R113m off R86m which Feublum attributed to the higher turnover.

He said the group's performance had been affected by the unrest, notably in Natal. He was concerned that the introduction of VAT could exacerbate its labour problems.

Export turnover increased by 68% although Feublum conceded this had been off a low base.

While he welcomed the recent increase in import duties, Feublum said more jobs would have been saved had they been introduced earlier.

Productivity per employee in the footwear industry had decreased by 18.6% from 1988 he said.

Since the group's listing in 1987, earnings per share had increased from 31c a share to 66c a share and shareholders funds from R83m to R148m.

Earlier in the week, Wayne Manufacturing, 86% held by Conshu, announced earnings up 17% at R9.2m from R7.9m on turnover which rose by 17% to R130m from R111m.

About 20% of Wayne's industrial and PVC products end up in Conshu footwear.
Conshu Holdings walks tall

Footwear manufacturing group, Conshu Holdings, has posted a 12.7 percent increase in attributable income and announced a 14 percent improvement in dividends for the year to June.

Chief executive Robert Fembum says the increase in attributable income to R30.3 million (R27.1 million), on a 17 percent higher turnover, was achieved in the teeth of the general economic downturn and the ongoing unrest in the workplace.

Earnings a share showed a corresponding increase to 66.6c (58.6c).

A final dividend of 16.5c (14c) a share has been declared, bringing the total dividend for the year to 29c (24.5c).

The dividend is covered 2.4 times (1.7).

The group maintained operating efficiency with a 16.9 percent rise in operating income to R71 million (R60.7 million).

High interest rates pushed up finance charges 28.9 percent to R13.2 million (R10.3 million).

Mr Fembum says the company's healthy balance sheet - the debt/equity ratio stands at 0.27 - will enable it to take advantage of the economic upturn when it arrives.

"In the meantime, trading will remain difficult during the year ahead, with business confidence and consumer demand continuing at low levels," he says.

Sapa
Acquisition by
Hunts of Arwa
being probed

SHARON WOOD

THE Competition Board opened a formal investigation into Hunts' acquisition of Arwa Hosiery in January because the deal had not gone as expected, Competition Board director Pierre Brooks said yesterday.

Prices the board was told would be paid in the deal, and the selling of the divisions, had allegedly not proceeded as had been disclosed, he said.

"There have also been complaints from retailers that prices have taken off and contractual arrangements have unilaterally changed."

"The board has been in correspondence with bankers for about a month and they had an inkling that the investigation would be launched," he said.

The investigation would allow all involved to give their views.

FSI approached the Board in December last year and provided information that Arwa was a failing company.

Based on this information the Board had decided the sale of Arwa's various divisions was necessary to avoid liquidation, and told FSI it would do a formal investigation.

"The Board was not fully apprised of all the details at the time and there is a question mark over whether it (Arwa) was a failing company," said Brooks.

Hunts' holding company, W & A Investment Corp, is controlled by FSI.

A previous attempt by FSI to take over Arwa failed in April last year after the board called off an official investigation. This was because FSI, through its holding of Burbidge and Arwa, was expected to have 99% of the pantyhose industry.

Both Hunts Hosiery Division MD Alan Falconer and FSI chairman Jeff Liebesman said they had not been notified of the investigation.

Brooks said it had been announced in Friday's Government Gazette.
Import duty structure 'should have come sooner'

JOBS and factories in the footwear industry and in the Conshu group could have been saved had the new import duty structure for the footwear industry been implemented sooner, Conshu CE Robert Pemberton said in the 1991 annual report.

Under the new structure, ad valorem duties have been increased to 60% on synthetic and textile-uppered footwear. The increased duties have been recommended for a period of three years to give the industry time to rationalise.

The duties will then be scaled down by 5% a year for six years to end up with an ad valorem duty of 30%

Chairman Attie Du Toits welcomed the new structure as he said it offered some certainty to the future of the local footwear industry.

Du Toits said Conshu's export turnover had grown by over 68% in 1991, although he conceded this had been off a low base.

The group is trading at 530c a share to give a 66% premium over its net asset value at June of 313c a share.
Conshu keeps in step

Footwear manufacturer Conshu is expected to outperform its competitors and achieve sufficient growth to satisfy its shareholders.

In the latest annual report, chief executive Robert Fenthal says although he does not envisage an upturn in the economic cycle in the current financial year, the group is well-placed to supply the local market with footwear previously coming from the East and to expand its export market.

The group performed well in the past year, particularly when it is noted that production and productivity in the industry declined and that the value of imported footwear rose sharply.

Conshu, through its subsidiaries, carries on business as a manufacturer and distributor of footwear components.

General footwear contributes 60 percent to operating income and rubber and plastic products account for the remaining 20 percent.

At the start of the current financial year, the group acquired the rubber manufacturing assets of Rubber Products Moulding for a cash price of R4 million.

In the year to June, turnover grew 17 percent from R531.9 million to R621.6 million.

Efforts to increase export business paid off, with turnover in foreign markets soaring 68 percent, albeit off a low base.

After net interest expenses increased 30 percent from R10.5 million to R13.3 million, pre-tax profit rose 14 percent from R50.5 million to R57.6 million.

A decline in the effective tax rate from 43.8 to 43.2 percent pushed taxed profit for R32.8 million, 16 percent higher than the previous year's R28.4 million.

After deducting outside shareholders' interest, attributable profit advanced 14 percent from R27.1 million to R30.6 million.

Earnings a share rose similarly from 59.6c to 66.6c. The dividend for the year was raised from 34.5c to 25c.

The balance sheet disclosed a 24 percent increase in total borrowing from R31.9 million to R39.6 million, resulting in a marginal deterioration in gearing from 25 to 27 percent.

Net asset value appreciated 15 percent from 271.4c a share to 312.8c.

COMMENT Conshu, priced at 350c, is trading on a P/E range of eight and provides a dividend yield of 5.3 percent.

These yields are attractive, given the light of the group having comparatively favourable prospects. Investment in the shares is worth considering.

Conshu's share price has moved up strongly in the past year from 320c to its current high of 530c.

The bull trend is intact and a reversal will be indicated only if the price falls below 500c.
Frame company lockout

THE United Frame Footwear shoe company yesterday locked out 500 members of the Transvaal Leather and Allied Trades Industrial Union, who are on a legal wage strike at Village Main.

The general secretary, Mr. Freddie Swartz, said the strike - in its second day - was sparked by the company's refusal to negotiate wages with the union.

He said the company was insisting on paying wage increases agreed to at the National Industrial Council. The union represents 85 percent of workers in the footwear sector in the Transvaal but was not party to the footwear negotiations on the National Industrial Council.

A strike ballot had nearly 100 percent support for industrial action and his union would challenge the illegal lockout.

A Frame spokesman refused to comment. -Sapa

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Administrative and other non-academic post.

Administrative and other non-academic posts.

Technical officers

Senior technical officers

Chief technical officers

Administrative and other non-academic posts.

The REGISTER has the authority to decide appointments.

Schedule III appointments.

UNIVERSITY OF CAPE TOWN
Amalgamated Shoes watches turnover climb 21%

IN a move to retain market share, Amalgamated Shoes (Amshoe) experienced lower profit margins in the six months to August, recording earnings up at R53m (R39m previously) on a 21% rise in turnover to R127 481 from R105 141.

CEO Roy Eckstein expected earnings to be only slightly up on last year's as a result. However, the group hoped to regain some of the lower margins through moving more operations to Lesotho as labour and overheads were lower there.

Eckstein said current assets were up at R100m from R86m in February as debtors were taking longer with payments. Work in progress was higher in line with higher turnover. Earnings a share were 16,2c (16,1c). No interim dividend was declared.
Activities: Manufactures footwear

Controls: SA Breweries and Sankaftently own 67.5%.

Chairman: A S du Plessis, CE: R M Feinblum

Capital structure: 46m ords Market capitalisation R255m.

Share market: Price: 550c. Yields 5.1% on dividend; 12.1% on earnings, p/e ratio, 3.3, cover, 2.4, 12-month high, 550c, low, 315c.

Trading volumes last quarter, 54,000 shares.

Year to June 30 '88 '89 '90 '91
ST debt (Rm) . . . . . . 3 7 105 37
LT debt (Rm) . . . . . . 0.03 14.8 21.5 35.0
Debt/equity ratio . . . . . . 0.03 0.27 0.28
Shareholders’ interest . . . 0.49 0.44 0.47 0.46
Int & leasing cover . . . 2.1 1.8 1.6 1.2
Return on cap (%) . . . 28.4 28.4 23.8 23.8
Turnover (Rm) . . . . . 329 420 532 622
Pre-int profit (Rm) . . . 37.9 48.8 60.7 71.1
Pre-tax profit (Rm) . . . 11.5 11.6 11.4 11.4
Earnings (c) . . . . . . 43.8 50.8 55.6 66.6
Dividends (c) . . . . . 17 22.6 24.6 28.0
Net worth (c) . . . . . 161 199 232 273

tariff been imposed earlier, then factories such as the one at Pinetown could have stayed open.

Results were hampered by a strike at the beginning of the year and by stayaways throughout the period, though these were on a smaller scale than the previous year. CE Robert Feinblum warns that shareholders will not invest in an industry plagued by stayaways, strikes and low productivity. Conshu hopes to improve employee relations by encouraging linkage of pay to productivity.

Despite these problems, earnings increased by 13.7% and turnover by 16.8%, even though overall footwear production for the year fell by an eighth, to 54m pairs.

Exports rose by 68%, off a low base.

Conshu has looked to the future by standardising information technology A new system, Concorde, has been installed to interface with existing systems such as Computer Aided Design, Leather Measurement and Dial-in Order Processing.

Financial director Charles Rapp says Conshu is concentrating on branded footwear, which is less sensitive to imports. Conshu brands include Barker, Jordan and Belly. Through Wayne Manufacturing, the group is diversifying into non-footwear areas such as pedestrian tiling and windscreen wipers. Otherwise, the group remains a dedicated footwear business with a family-oriented management-style.

Feinblum says financial disciplines have been improved, especially in cash manage-
PRETORIA — A top international sports shoe manufacturer, which succumbed to the sanctions campaign against SA and cancelled a distribution agreement with a local company, is being sued for R7.5m damages by Jokari.

Jokari, of Bramley in Johannesburg, is claiming R7.410.161 from Reebok International, a British registered company, in the Pretoria Supreme Court.

The hearing, which started before Mr Justice Joffie yesterday, is expected to last about 10 days.

In papers before the court, Jokari says that on August 6 1982 it concluded an agreement with Reebok for local distribution rights of their popular sports shoes. A second agreement to the effect was concluded on July 24 1987.

An implied term of this agreement was that all orders placed with Reebok would be executed within three months or a reasonable time thereafter.

It was also within the contemplation of the parties that shoes ordered from Reebok were required for purposes of resale at a profit, and that Jokari would lose sales and suffer damages because of a loss of profits at Reebok failed to execute these orders, Jokari says.

It says orders for several thousand pairs of shoes were placed in 1987, but the shoes were never delivered.

In a September 1987 letter from Reebok to Jokari, "the impact of SA's racial policies on public opinion within the USA" was given as the reason for the cancellation of the agreement.

The hearing continues today — Sapa
Conshu holds up the index

William Grifflan

The performance of shoe manufacturer Conshu Holdings, whose share price jumped from 400c a share in January to its present 600c, has shielded the clothing, footwear and textile index from plummeting by more than its 15% decline this year.

In fact, in terms of market capitalisation, the rise in Conshu's share price has seen it become the largest contributor to the index. In January its R185m market capitalisation placed it in fourth position behind textile manufacturers De Gama (R388m), Consolidated Frame Textiles (R213m) and Romatex (R186m).

However, the jump in market capitalisation to its current R277m means the shoe group leads the index ahead of De Gama, with a drop to R255m, and Romatex whose capitalisation was slashed to R118m.

But the biggest fall came from Consolidated Frame, whose capitalisation plummeted to R44m. This was reflected by the drop in its share price to 80c a share from 360c at the beginning of the year.

The share price of Amalgamated Shoes (Amshoes), the other shoe manufacturer in the index, did not perform in the same way as blue chip Conshu. But the marginal drop in Amshoes's price, down to 150c a share from 148c in January, ensured its capitalisation fell only R5m to R76m.

Meanwhile Lenco Holdings' contribution within the index jumped to third place from fifth place on the back of an increase in its capitalisation to R184m from R85m in January. Lenco's share price has risen to 800c a share from 180c.

Seardel Investment Corporation (Seardel), which mainly manufactures clothing, saw its capitalisation increase to R78m from R77m early in the year on the back of the rise in its share price to $40c from 350c.

However, the rise in the market capitalisation of SA Bias Industries, a trimmings manufacturer in the clothing and footwear industries, to R5m from R1m meant it overtook Seardel in terms of relative importance in the index.

Leather manufacturer Silveroak Industries was taken off the index earlier this year.

Graphic: Lee Henton Source: INET
FSI 'may sell hosiery division'

INVESTMENT holding company FSI could be set to sell its hosiery division, market sources said yesterday (187).

Various sources said the group could be selling this division, formed after the acquisition in January last year of Arwa Hosiery by W & A company, Hunts The deal saw subsidiary Burhose and newly acquired Arwa account for 99% of the SA hosiery market.

Although it was not clear who the possible buyer might be, one analyst estimated that the hosiery division could be sold for more than R220m. If correct, it would mean FSI would pay off the R224m acquisition of W & A in one deal involving the sale of a relatively small asset.

An analyst said yesterday that the market had been speculating for some time that FSI would sell a subsidiary, and such a sale would not only see it pay off the W & A acquisition, but it would result in a substantial reduction in the group's debt.

Apart from the hosiery division, it was also suggested that FSI could be disposing of National Bolts. Both these divisions were involved in exports. Market sources expect an announcement later this week.

FSI chairman Jeff Liebenberg said last night: 'lots of exciting things were on the go at the moment,' and the market would be informed when the time was right.

FSI is still awaiting the outcome of a Competition Board report into the Burhose/Arwa deal. Board chairman Pierre Brooks said the board had completed its report, and expected the Minister to reply to its findings this week.
Conshu loses 9% in earnings

CONSHU Holdings has attributed a 9% drop in earnings to R13.9m from R15.2m in the six months to December to the closure of a factory at its 84%-held subsidiary Wayne Manufacturing.

The factory, Phoenix Rubber in Durban, was closed after a supervisor was shot at the factory gates last July.

"The factory became unmanageable after this incident," said Conshu CEO Robert Feinblum.

Increased competition from imports and the recession in SA also contributed to shoe manufacturer Conshu's moderate 4% rise in turnover to R229m from R217m. Operating income fell to R31.6m from R35.7m despite the higher turnover.

The operating margin, down to 15% from 11%, was lower largely because Conshu management decided to take the Phoenix closure costs above the line (as the costs were of a non-recurring nature they could have been taken below the line in the form of an extraordinary item).

Export incentives reduced the group's tax rate to a relatively low 41%.

"Our exports have increased substantially and we are predicting export turnover of about R17m in the year to end-June," Feinblum said.

Referring to the Wayne Manufacturing subsidiary, Feinblum said its turnover had declined marginally to R61.5m from R62.7m in the six-month period.

However, the loss in turnover as a result of the Phoenix factory closure had been offset by the inclusion for the first time of about R6m in turnover following Wayne's acquisition of Rubber Products & Moldings (now called Wayne Rubber Western Cape) in July last year.

The Phoenix factory had now been broken up and its production relocated at four other Wayne divisions.

Despite the drop in earnings a share at both Conshu and Wayne, the interim dividend has been maintained at both groups. Conshu declared an interim dividend of 11.5c a share on earnings down to 30.1c from 33c a share. An interim dividend of 1.75c a share was declared on earnings a share of 4.5c (5.4c) at Wayne.
Report on Arwa deal expected
JABULANI SIKHAKHANE

THE Competition Board will release on Tuesday its report on the 1990 deal which saw FSI subsidiary Burhose get a 99% share of the pantyhose market through its acquisition of Arwa Hosiery.

Board chairman Pierre Brooks said yesterday the Minister of Economic Affairs and Public Enterprises had approved the board's report.

The Minister was expected to make an announcement on the board's recommendations on or before Tuesday.

Brooks said last month that depending on the findings of the board and whether these were approved by the Minister, the FSI/Arwa deal could be declared unlawful.

Alternatively, it might be left as it was but with certain conditions attached to it.

Should the deal be declared unlawful FSI would be forced to sell the Arwa business.
Board holds 5-day Arwa report
JABULANI SWIHARRANE

THE Competition Board has delayed the release of its report on the 1990 deal which saw FSI subsidiary Burhose get 99% share of the pantyhose market through the acquisition of Arwa Hosiery.

Board chairman Pierre Brooks said Public Enterprises Minister, Dawie de Villeré, had asked it to hold back the report until he reached a decision on its recommendations.

The report was expected yesterday morning.
Heavy trading in Lenco shares

MORE than 4-million Lenco shares, or 7% of the firm’s issued share capital, were traded in a bookoverall on the JSE yesterday at the ruling price of R320c a share.

The R12.95m deal was originally done on Wednesday, cancelled and then rebooked yesterday by Lenco’s sponsoring broker Senekal, Mouton & Kirschoff.

Stanley Stubbs, Lenco’s finance director, said that there was nothing untoward about the deal. He said two large institutions were looking for blocks of Lenco shares and the group had managed to get shares from a major shareholder.

Lenco is ultimately controlled by the De Jager family and Rembrandt Group via Lenco Investment Holdings, which owns 49% of Lenco’s equity.

According to McGregor’s Who Owns Whom other substantial shareholders are Sanlam, which last year increased its holding from 12.20% to 20.6%, Titan Nominees with 10.6% and Syfrets Nominees with 5.6%.

The Lenco group manufactures footwear, clothing, rigid plastics packaging and owns property. Among its major brand names are Vuyella, Yves St Laurent, Carducci, Consulate and Monatic.

Group results are due towards the end of April, but the annual dividend (the group only pays a single dividend) declared last month is up 15% to R1.95c (10c) a share.

Lenco has been one of the better performers on the JSE’s industrial, clothing, footwear and textile sector, having gained 73% over the past month.
Bolton's profit margins knocked

In spite of increasing pressure on profit margins, borrowings were reduced to R16m (R15.6m) and cash flow was positive during the last two quarters.

Bolton Footwear's directors reported that trading conditions deteriorated throughout the year. Diminishing profit margins were reflected in operating profit falling to R13.8m (R17.9m), even though turnover rose to R199m (R191m). Its directors considered the 14% decline in earnings to 25.2c (21.7c) a share satisfactory.

Dividends of 5c a share were declared.

Profit margins took a substantial knock as turnover increased to R182m (R181m), but operating profit fell to R68 000.
Amshoe's expansion aims to defy industry-wide pinch

INTENSE pressure on margins resulted in shoe manufacturing group Amalgamated Shoes (Amshoe) reporting a 4.6% increase in earnings to 28.5c a share from 27.4c for the year ending February.

Net income after tax amounted to R16.7m (R15.9m) and an unchanged final dividend of 9c was declared.

CEO Roy Eckstein said the virtually unchanged operating income of R27.3m (R27.3m) on a turnover of R239.4m (R239.1m) reflected the squeeze on margins. The bottom had fallen out of the retail market, and although fewer shoe manufacturers were in production at present, there was still over-production of footwear.

Amshoe, one of the largest shoe manufacturers in the country with a production of 40 000 pairs a day, was feeling the sharp drop in demand keenly, Eckstein said.

He believed Amshoe would end up with an improvement in bottom-line profits in the current financial year.

Factory orders for the summer season were falling out satisfactorily, and the company was building another factory in Lesotho to take advantage of the low tax rate.

"Lesotho is our biggest producer now with a daily output of 15 000 pairs of shoes a day," he said.

"We are also looking at Swaziland for possible expansion," he said.
BOLTON FOOTWEAR

Top-end trauma

Activities: Manufacture and merchandising of footwear, motor distribution, housing and construction

Control: Bolton Industrial Holdings (74%)
Chairman: G H Stern, MD S A & B Finlayson
Capital structures: 20m ordinary shares Market capitalisation: R220m

Share market: Price 100c Yields 8% on dividend. 21.7% on earnings, p/e ratio 4.6, coverage 2.7 12-month high, 160c, low, 98c
Trading volume last quarter, 135 000 shares

Year to Feb 29

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Exposure at the top end of the market, where roughly 95% of its production is aimed, is probably aggravating Bolton Footwear's problems in the downturn. Consul SA's largest manufacturer, with activities across the board, says footwear in the upper market has been hardest hit. Amschoe, the second largest, which targets the mid-to-lower end, recently reported a marginal rise in trading profit in the year to February.

The lower end (nonleather) has higher protection, with a 60% tariff, against 30% for top-market leather footwear. Bolton director Cedric Novis says, though two of the company's three factories

— Oudtshoorn and Brak River — are operating well below capacity, there are no plans to close any permanently instead, to claw back lost output it is increasingly emphasising quick-response service and exports.

Quick response also reflects management's awareness of potential competition from the upper market. Given the US$55/month, 11-hour day working regime in some Far Eastern countries, smarter distribution is probably the only way in which local manufacturers will remain competitive — despite the 30% tariff.

Novis says the depreciating rand and General Export Incentive Scheme provide the right base to increase exports from the current 3% of output to about 10%. Bolwear has identified Africa, particularly, as a growth area.

Manufacturing accounts for roughly half of turnover. Retailing and wholesaling (30%) were hit harder than manufacturing. Their share of group trading profit fell to 25% (1991: 34%) on the back of an unchanged turnover contribution of 32%.

Though upmarket chains A&D Spitz and Sheeran deteriorated, Bolton Sportswear suffered most. says finance director Marius Louw.

He notes competition from foreign brands increased. About five new entrants, including major Japanese brand Mizuno, moved in last year, bringing total international sportswear shoe brand available in SA to 33.

Motor distribution, which showed steady growth, and building and construction are the other activities.

Narrower margins in footwear manufacturing and distribution trimmed group trading profit to R13.8m (R17.3m) despite the rise in turnover. Though the group held its market share by 5% (nominal) drop in national sales hurt economies of scale. Cash generated by operations dropped to R11.5m (R19.6m) because of lower profits and a R4.8m hike in working capital.

At 100c the share is close to the 12-month 95c low, reflecting the market's gloom on prospects. With a cut in tariffs likely at some stage, the market is probably correct.

William Giffel
Cheap imported shoes trample SA production

CHEAP imported shoes from the East have severely affected footwear production in SA and led to large-scale retrenchments, says Footwear Manufacturers' Federation (FMF) director Dennis Linde.

Linde said in a federation report released yesterday that production had dropped 3.4% over the past year, from 54,330-million pairs to 52,611-million, and nearly 3,000 employees in the industry had been retrenched.

He blamed the decline in local production on the state of the economy and pressure from foreign imports.

"Since 1985, footwear imports have shown consistent increases, to an estimated 17,5-million pairs last year or 25% of local footwear sales."

Consan financial director Charles Rapp said the drop in demand of nearly 30% was largely due to low-cost imports from China, Taiwan and Vietnam.

Rapp said retail outlets had experienced a drop in demand. Consequently, Consan had retrenched about 800 people in the past three months.

He said SA production accounted for most of the "top-end" of the market, which had been hardest hit by the recession. (

Black consumers, who now have access to improved transport, were buying the less expensive footwear. "They are less apparel-oriented and no longer need the heavy construction of the formal shoe," Rapp said.

Amalgamated Retail (Amrel) had also had to scale down its operations over the past year. MD Stan Berger confirmed 150 retail stores had been closed.

"We had a lot of shoe stores next door to each other. It was not practical. Amrel's Select-a-Shoe stores were particularly hard hit by decreased consumer demand as well as consumer boycotts."

"The situation does not look healthy, as the footwear industry is very sensitive to consumer demand," Linde added.
**On the boil (187)**

Whatever is happening at Lenco, the market evidently thinks it's bullish. As recently as June 8 the share stood at 300c. Since then there have been two announcements from the company and the share price now trades at 340c.

There was a cautionary to alert shareholders that negotiations were under way, and an announcement that holding company, Lenco Investment Holdings (Lenvest), was to be listed. Market talk has it that Lenco is to take over Metkor subsidiary Hendlers.

If Hendlers is the target, that would not be surprising. In 1990, Geoffrey de Jager, twin brother of current Lenco chairman Doug de Jager, sold his controlling interest of 16.5c of Lenco — then held by Lenvest — to Remgro. Metkor is controlled by Rembrandt.

I understand the Hendler operation has not been performing well of late, and Rembrandt management could be well disposed towards shedding the operation from the Metkor portfolio. De Jager has made a name for himself as a turnaround specialist, so...

Rembrandt may have offered the company to him.

Hendlers has two major components: a plastic packaging operation that could fit with the packaging operations of Lenco subsidiary Compak, and the steel beneficiation business known for its Hendler and Hart cooking pots and pans. The latter would probably have to stand alone.

However, there is no firm foundation for this speculation, so a spokesman for Lenco could be reached for comment. The share may have risen because the market has absorbed Lenco's annual results released at the end of May. EPS rose 14.1c to 49.3c, giving a p/e of 6.9. The dividend yield is 3.4%. Even if nothing comes of the rumours, the share offers value.

Gerald Drucker
BOLTON INDUSTRIAL

A year of misery

Activities: Holding company for Cargo Carriers and Bolton Footwear
Control: Cargo Carriers Holdings — 65.5%
Chairman: G H Stein, MD: S G Chulvers
Capital structure: 5.2m ods, and 175,000
5.5% prens Market capitalisation R15.6m
Share market: Price: 300c Yield 7.2% on dividend, 13.3% on earnings, p/e ratio 7.5,
cover, 1.9 12-month high, 630c, low, 300c
Trading volume last quarter, 16,616 shares

Year to Feb 28 89 90 91 92
ST debt (Rm) 12.9 38.6 45.6 46.1
LT debt (Rm) 11.5 18.7 8.4 8.9
Debt/equity ratio 0.25 0.49 0.48 0.47
Shareholders’ interest 0.56 0.51 0.52 0.63
Int & leasing cover 21.4 3.8 3.8 1.3
Return on cap (Rm) 12.64 16.7 11.65 6.56
Turnover (Rm) 258.2 362.6 370.2 380.8
Pre-tax profit (Rm) 21.6 37.0 25.3 14.8
Pre-tax margin (%) 8.4 10.2 6.8 3.9
Earnings (c) 121 144 71 40
Dividends (c) 38 46 26 21.5
Net worth (c) 1,054 1,094 1,068 1,036

In few other companies reviewed in recent weeks has the attrition of the past two years been as acutely highlighted as in Bolton Industrial. Earnings have plummeted, the dividend has been cut yet again and trading margins are under such pressure that now there is nowhere left to hide.

The company is purely a depository for effective control of Cargo Carriers and Bolton Footwear. So it reflects the misery which has beset particularly the transport business and, to a lesser degree, the clothing, footwear & textile sector.

Turnover in 1992 improved by a bare 10%, or 2.9%, to R380m. But this small achievement was destroyed by a plunge in trading margins, which nearly halved to 3.9%. Indeed, doing things by halves seems an unpleasant pattern of the past few years. Earnings, which halved in 1991 to 7c a share, nearly halved again in 1992, this time to 40c.

The dividend has fallen as an inevitable consequence, though not quite so drastically, and at the expense of cover which is now down to 1.9 from a peak in 1990 of 3.1.

MD Stan Chulvers is at some pains to point out that dividend cover is not a matter of concern to directors since the policy is to pay out as much as it can from the proceeds of its two major investments. Nevertheless, shareholders, who received 46c a share two years ago, will get 25c for 1992. That illustrates the sacrifices being made.

effort is being made from management’s side to restore good working relations but he declines to say how successful these attempts have been.

Next year will be another difficult year for Cargo Chulvers says a significant downsizing has been undertaken, involving the closure of some branches and a reduction in the labour force. This took longer than expected but “Cargo is now lean and hungry,” says Chulvers. He expects another year of consolidation before benefits are seen.

Bolton Footwear (Bolwear), held 65%, looks in better shape. But it is the same story, the recession is hurting, disposable incomes have retreated and Bolwear’s positioning at the upper end of the market hasn’t helped. Neither has a 5% drop in national sales volumes.

Bolton managed to contain the fall in EPS to 14% and nearby held its dividend distribution at the 1991 level.

Director Cedric Novis says the concentration this year will be on exports and Bolwear has specifically targeted Africa as its primary growth area. The devalued rand, with the General Export Incentive Scheme, provide the stimulus to increase exports to about a tenth of output, from the current 3%. But, despite the upbeat tone of Novis’s comments, the market has down-rated the share to a new 12-month low of 90c.

Chulvers is reluctant to be drawn on prospects for Bolton Industrial over 1993, saying there are too many imponderables.

At 300c, Boltons is on a p/e of 7.5 compared with a sector average of 14.7, a strong indication of how the market thinks for the time being, and at least until management of the operating companies prove they have restored their businesses and balance sheets, this is a stock to avoid.

Bolton’s Stein — difficult to be optimistic

The company’s Achilles heel is Cargo Carriers (Companys June 12) which it controls through a 34.6% holding. EPS turned negative for Cargo Carriers in 1992. A gloomy chairman Gerald Stein said in his annual statement it is “difficult in these trying times to be optimistic, particularly when past optimism has not been realised.” Cargo’s problems are excessive competition in a constricting market, itself brought about by recession and compounded by the drought, and by severe industrial action.

Chulvers says 11,000 man-hours were lost last year to stayaways, go-slow and other forms of action “It cost us an almost unquantifiable sum in lost revenues,” he says. Of course, it doesn’t help that the Transport and General Workers’ Union is known as one of the more militant. Chulvers says every

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Activities: Makes footwear, clothing and packaging materials

Controle: Lenco investment holdings 51.2%

Chairman: G D de Jager

Capital structure: 81.2m ords Market capitalisation R214m

Share markets: Price 350c; Yields 3.3% on dividend, 14.1% on earnings, p/e ratio, 7.1.

Year to Feb 28 '90 '91 '92
ST debt (Rm) 21.8 7.5 10.7 11.7
LT debt (Rm) 21.9 28.3 34.4 27.5
Debt equity ratio 0.46 0.48 0.66
Shareholders' interest 3.7 3.7 4.4 4.6
Int & leasing cover 8.7 5.7 3.3 3.7
Return on cap (%) 22.4 24.4 21.2 22.4
Turnover (Rm) 207 232 441 465
Pre-int profit (Rm) 29.9 42.3 54.2 69.4
Pre-int margin (%) 14.7 14.9 12.3 12.8
Earnings (c) 35.6 45.3 43.2 49.3
Dividends (c) 7 9 10 11.5
Net worth (c) 88.7 141.2 164.7 184.0

R30,2m is coincidence, or whether it was an objective adumbringly pursued Lenco enjoyed a swing of R82m, from a negative cash flow of R54.2m in 1991 to a positive R28.8m in 1992.

There were two main reasons for this. Firstly, in 1991 there was a cash outlay of R65.9m, relating largely to the buy-out of Monitac and Combined Packaging minorities. Both companies were delisted (A R31m rights issue of 12.4m shares in 1991 helped to fund these acquisitions). In 1992, cash of only R5m was paid for the acquisition of subsidiaries. Outside shareholders in Combined Packaging were bought out by issue of 8.8m Lenco shares.

Secondly, whereas growth in net working capital absorbed R31.5m of cash retained from operating activities in 1991, it was carefully contained to R1.9m in fiscal 1992.

In a difficult year in each of the three industries in which Lenco is active, the priority was to pay meticulous attention to working capital management, cash flow and repayment of debt. Chairman Doug de Jager and his management can be satisfied that results show success in meeting these goals.

Though group turnover rose by only 4.4%, operational efficiencies were realised and net operating income climbed 7.7%. Because of lower interest payments and a reduced tax rate, after-tax income was up 14.4% and retained earnings leapt to R26.9m from R1.4m in 1991. In 1991 there was an extraordinary write-off of R19.5m after the association with Rubenstein Holdings collapsed.

Total debt declined by R22m, to R36.8m, and debt equity fell to a respectable 0.25 as portions of both long- and short-term loans were repaid.

In the clothing division, turnover rose by 25.5% (boosted partly by the purchase of Cravateur for R8m). This was achieved while the garment industry was laying off workers, production volumes being declining and clothing imports rising. The explanation for this success lies in the focused marketing of only highest quality menswear. Clothing contributed 19.9% of group turnover (up by 3.6 percentage points) and 16.9% (16.2%) of operating profit — the margin was maintained at 11%.

Demand for packaging was least affected by the recession, according to de Jager. This division contributed 27% (31.5%) of group turnover, but the operating profit contribution climbed to 37% (29.4%) as the margin rose to 17.4% from 10.5% in 1991 — a notable success.

Footwear sales accounted for 51.3% (50%) of turnover and 47.3% (55.2%) of operating profit. Margin, at 12%, was slightly down.

De Jager believes he has "a skill in repairing things in business." His record is proof of this. Capital Fashions, a small UK marketing and distribution company bought last year, has not been a success and will need his attention. He has a two-year contract to manage ashing Hendler & Hart, with an option to acquire 50% at a predetermined price, but has decided to bid for 100%. If the deal goes through, the company will also need attention.

Management in the three existing divisions has been competent enough to produce EPS growth of 14.1% in a tough economic climate. De Jager can afford to divert his attention to new pastures, confident that management will remain on course.

If Lenco were listed in almost any other sector, its p/e would probably be well above the current 7.1

Gerald Hirston

LENCO HOLDINGS FM 1117192

Cash flow swing

It is matter for conjecture whether the similarity between Lenco's free cash flow of R28.8m and attributable earnings of
Footwear industry faces stiff competition

THE footwear industry's survival will depend on how it handles stiff competition from Far East manufacturers poised to take advantage of lower import duties, Amalgamated Shoes (Amshoe) chairman Douglas de Jager says in the annual review.

Increased productivity and reduced import duties on raw materials were key elements for the survival of local shoe manufacturers.

The survival of the local footwear industry would come under pressure as duties on imported footwear were reduced over the next six years (187).

In line with increased productivity, Amshoe was constructing a production unit in Lesotho and considering a production unit for Swaziland, he said.
CAPE TOWN — Exporter Lenco Holdings was expecting reasonable profit in the year to end-February 1993, executive chairman Douglas de Jager said yesterday.

De Jager has recently returned from a trip to Russia and is in the process of finalising export orders for packaging equipment worth about R8,4m.

If, as expected, Lenco acquires 100% of Metkor's Hendler & Hart — which manufactures this equipment and which is presently under Lenco management — the group will derive full benefit from the export orders.

The deal will also give Lenco exclusive distribution rights in Africa for certain Russian products.

De Jager says export orders for packaging equipment worth R14m from the US market will come in by next year, and that inquiries worth R28m have been received.

One of the main reasons for the continued buoyancy of the group's performance is its four-year secured contract for clothing exports.

De Jager says these exports will increase by 50% this year and are responsible for clothing manufacturer House of Montec operating at full capacity for the first time.

As a result of exports, clothing margins have strengthened, but footwear margins remain under serious pressure. However, the market has responded well to Amshoe's latest range.
LENCO Investment Holdings (Lenvest), the pyramid holding company of Lenco Holdings (Lenco), issued its prelisting statement yesterday on May 27. Lenvest has a 51.25% shareholding in Lenco.

Lenco shares may be exchanged for Lenvest shares in the ratio of 100 Lenco shares for every 100 Lenco shares.
COMPANIES FM 14/8/92

Activites: Makes and distributes footwear.

Control: Lenoe Holdings 54,6% (187)

Chairman: D de Jager, CE R S Eckstein

Capital structure: 68,6m ords. Market capitalisation 787m

Share markets: Price 130c Yields 6,5% on dividend. 21,9% on earnings. p e ratio 4,6, cover 2,2 12-month high. 140c, low, 120c

Trading volume last quarter. 386 323 shares

Year to Feb 29 '89 '90 '91 '92
ST debt (Rm) 5,2 1,0 13,3 7,5
LT debt (Rm) 5,6 7,5 8,5 6,3
Debt equity ratio 0,64 0,21 0,31 0,20
Shareholders interest 0,35 0,52 0,61 0,69
Int & leasing cover 16,7 6,0 6,1 4,4
Return on cap (%) 37,3 38,8 26,8 25,3
Turnover (Rm) 157 208 219 234
Pre-int profit (Rm) 22,0 31,8 27,3 27,9
Pre-int margin (%) 14,0 16,3 12,5 12,0
Earnings (c) 27,9 33,6 27,4 28,5
Dividends (c) 7 9 9 9
Net worth (d) 37,2 73,9 92,2 111,6

6,5% to R233,5m but with extreme pressure on margins. Finance charges were up 17%. Turnover growth was mainly due to success in focussing business on the changing buying patterns of consumers.

The effective rate of tax at 22,7% (27,6%) is efficient, considering the group has no assessed losses. Nevertheless, after-tax income was up a mere 5% and the dividend was pegged at 9c for the third year.

Interest-bearing debt fell substantially in financial 1992. So did current liabilities, down 18%. Capex this year will be focused on the expansion of production plants, with

Amalgamated Shoes

Swaziland a possible target for investment in capacity

CE Roy Eckstein says margins have taken the brunt of a difficult trading year. In an attempt to maintain production levels in a shrinking market, and so increase market share, Amshoe has kept price increases to a minimum.

A key objective this year is to improve profitability, says Eckstein. For this reason, capacity expansion is in Lesotho, away from the Natal-based plants where the tax rate and overhead costs are higher.

Exports from Lesotho to EC countries have been disappointing, having made only a marginal profit contribution. Unfortunately, Eckstein does not see much short-term growth in this area.

Amshoe is operating from a good financial base. Expansion of the Lesotho factory has potential to generate good earnings, but the share, at 130c, is best suited to long-term investors.

Maryma Greg

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Amrel footwear, apparel divisions perform poorly

SA Breweries subsidiary Amrel has reported a loss of 22.9c a share (earnings of 59.3c) in the six months to end-September as poor results from its footwear and apparel divisions offset stronger performances by its furniture and services interests.

MD Stan Berger said joint financing company Amretim was now being fully consolidated, so results for the previous year have been restated on the same basis.

But no restatement has been made to reflect the effect of the April acquisition of a controlling interest in clothing retailer Boymans.

Turnover excluding Boymans increased marginally to R462,4m from R462,6m on the back of a “downward spiral” in consumer confidence and spending, Berger said. The most significant contribution to turnover came from the furniture division, which increased sales by nearly 6%.

Although the increase in expenses was limited to 4%, sustained pressure on margins saw trading profit drop by 15.2% to R30,2m (R35,7m).

Berger said that solid performances by the furniture and services divisions and Boymans were offset by the poor results in footwear and apparel.

The group’s operating result was eroded by net financing costs of R34,2m (R38,3m), resulting in a R3,9m loss before tax. This compared with a R158,000 pro-tax profit in the previous year.

But deferred tax credits of R2m on losses in certain companies brought the bottom line loss to R2,1m from earnings of R3,8m in the previous year.

No interim dividend has been declared.

Berger said the group had decided to discontinue servicing some market segments due to “extensive overhead structures, unmanageable collection problems and unacceptably high credit risks.”

To this end, Amrel has completely restructured Tip Top Furnishers. The costs are reflected in a R33m extraordinary item.

He said Amrel was closely monitoring the prospect of raising new share capital.

Cash flow

The incorporation of Amretim’s borrowings had placed further pressure on gearing, which was 360% at the end of the six month period.

Berger said cash flow from operations reflected a positive R5m.

The second half was traditionally far stronger than the first six months, but Berger said it was unlikely that there would be any recovery in consumer spending before the financial year-end.

In this light, Amrel expected only a marginal improvement on the first half’s performance.
A silver lining at Silveroaks

SILVEROAKS Industries chairman Peter Kaufmann is cautiously optimistic about the company's future in spite of adverse worldwide economic and local market conditions.

He said in the company's annual report the share price had not performed well, but shareholders had been rewarded with a 300% increase in dividend payments. One of the divisions in the leather tanning and manufacturing group did badly, but new management had been appointed and production streamlined.

MD Owen Townsley said the trading division's operations remained satisfactory, but this would have not been the case if the market price of hides in SA had remained unrealistically high.

The footwear leather division had been affected severely by the downturn, strikes and importation of cheap shoes. The garment and exotic hides division had been affected by declining market demands and trends.

The upholstery leather division had been hit by fragile labour relations in the motor industry, and furniture upholstery demand collapsed in the second half of the financial year to end June, Townsley said.