SERVICES SECTOR - OTHER

1992

Trimmed ad industry optimistic

B/Day 6/1/92

NINA SHAND and MARCIA KLEIN

THE advertising industry is confident of better billings and profit growth in 1992, despite the massive rationalisation experienced during 1991.

An industry spokesman said many agencies had trimmed down, "if not hacked", during 1991. The year saw the demise of U5 Partners in Advertising, Headlines and the Ad Company, and substantial cutbacks at Grey Advertising.

(295)

Many agencies have been retrenching and rationalising and agency heads said they faced 1992 running tighter ships.

Also, many clients had realised they had to start reinvesting in advertising as cutbacks were beginning to affect their brands, an industry spokesman said.

Young & Rubicam (Transvaal) MD Johnny Johnson said one indicator of pressure on the industry was the number of agencies "chasing every piece of new business", especially government or public service pitches.

Apart from the recently awarded VAT, AIDS and national peace committee accounts, the population development account was out for tender, and about 14 agencies had pitched.

BSB/Bates MD Dave Kelly said that 1992, and most of the '90s, would see an escalation in social advertising. This trend towards social services campaigns meant

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new advertising markets would grow.

Kelly said that prior to the '80s, fast moving consumer goods were the engine behind advertising expenditure. During the '80s the trend changed towards durables and financial services.

Although retail remained important, agencies would need to change their approach during the '90s in order to deal with public service organisations as opposed to corporate clients.

Hunt Lascaris TBWA MD John Hunt said although there would not be "a sudden change from famine to feast" over 1992, there would be a slow improvement and agency heads hoped they were well positioned for the economic upturn.

Bernstein Loxton Golding & Klein client service director Martin King said many clients were looking for more immediate returns on their investments. The overall trend was away from conventional to more direct advertising, but agencies still needed to balance brand building with short-term returns.

This was echoed by Lindsay Smithers chairman John Sinclair who said clients were spending more on short-term tactical marketing.

Clients did not reduce budgets in rand terms, but adspend was not enough to cover media inflation, and real growth would be marginal.

Lintas creative director Barry Fox said there was a move towards using a wider spectrum of communication, including above- and below-the-line advertising.

Johnson said agencies — both above- and below-the-line — had to become involved in below-the-line to provide clients with a fully integrated campaign.

Industry spokesmen said that 1992 would still see a pressure on existing budgets, and growth had to come from new business or a consolidation of existing accounts.

Ecco plans expansion in wake of Technihire acquisition

Finance Staff STAR 6/1/92 (295)

The acquisition of listed Technihire, SA's largest human resources group, by Ecco Group of France, is now complete, setting the scene for major local expansion and diversification.

Technihire's minority shareholders have accepted a cash offer of 45c a share for 830 113 ordinary shares, representing 6,5 percent of the issued ordinary share capital.

The controlling shareholders, Jack Eliasov Holdings and Jack Eliasov Family Trust, previously accepted an identical offer for 5,316 million ordinary shares and have now made available to Ecco an additional 1,453 million ordinary shares.

This will give Ecco 60 percent of Technihire, in keeping with the announcement on September 30, and puts a price of R3,420 million on the acquisition.

The acquisition was made via Ecco's Dutch-based subsidiary, Nobra, and is at a slight premium to the ruling price of 40c.

Further investments to fund expansion and acquisition will be injected into Technihire by Ecco on an "as and when" required basis, says Ecco's director of international operations, Christine Raynaud.

She says: "The Ecco Group is virtually a mirror image of Technihire, except in respect of secretarial personnel, and this is clearly one of the areas we are looking at."

The timing of the acquisition was ideal, she says. The SA economy is on the verge of recovery and markets in Africa are opening up.

Zola Mahobe with girlfriend Snowy Moshoeshoe and well-wishers after his release from jail yesterday. Picture: ROBERT BOTHA

Zola Mahobe wants his soccer club back

THEO RAWANA

A FIT-looking Zola Mahobe walked to freedom after a four-year stint in jail yesterday and announced: "I want my Mamelodi Sundowns football club back."

Mahobe, 36, sentenced to 16 years in 1988 for defrauding the Standard Bank of at least R6m, had his term reduced to 12 years on appeal and was released on parole yesterday.

The big spender who reputedly owned a R10m business empire which included nine companies and three valuable horses before his arrest, was met on release by his lover, Snowy Moshoeshoe, 33.

There was no sign of Mahobe's wife Sizakele.

Moshoeshoe was released last year after serving two years of a 10-year sentence for her part in the fraud.

"I am physically fit, mentally stable and emotionally balanced — and I want my Mamelodi Sundowns football club back," said Mahobe as he came out of the prison gates.

But he would not answer questions relating to his future plans, except to say: "I am going to see the Krok brothers (Twins Pharmaceuticals owners and present Sundowns owners who bought the club from Standard Bank) and talk to them about getting the club back."

One of his many spending sprees was footing the bill for a first-class trip for 53 soccer fans to the 1987 FA Cup final in London.

Five Sundowns players, who were on hand to welcome their former boss yesterday, said they wanted Mahobe back with the club.

"We want no other owner but Mahobe," said Mbongeni Mdlalose, one of the players.

Abe Krok would not comment yesterday. "No one has approached us about the club, and I don't want to comment now," he said.

Bop posts matric pass rate of 63%

B/Day 14/1/92

KATHRYN STRACHAN

THE pass rate in Bophuthatswana for SA's Department of Education and Training (DET) matric exam is 63%, significantly higher than the overall rate of 39,2%.

Bophuthatswana's results are 12% higher than last year's and the homeland's education department has bought advertising space in newspapers to congratulate its schools and matriculants.

Ten schools had pass rates of 90% and higher, with Mariasdal coming out tops with a 100% rate.

At the weekend it was reported that children from the wealthy Bafokeng tribe in Bophuthatswana had registered an 84% pass rate.

The tribe's acting chief George Molotlegi said he ascribed the good results to the platinum mining royalties the tribe enjoyed. The tribe was fortunate to have money to give its children a good education, he said.

The tribe runs five high schools. The pass rate represented a 14% improvement on 1990.

The Bophuthatswana government advert quoted from President Lucas Mangope's speech at the Codesa conference last year, in which he said: "Our enrolment figures of primary and secondary scholars rate in the first 10 in sub-Saharan Africa, and our 1990 matriculation results were second to none."

All independent states and self-governing territories in SA, with the exception of Transkei, write DET matriculation papers.

Tour operator opens sports section

GAVIN DU VENAGE

THOMPSON International tour operators has opened a new section devoted to putting together sports packages. B/Day 14/1/92

Director Delene Oelofse said yesterday the first tour would leave for the World Cup cricket tournament in Australia and New Zealand. (295)

Oelofse said the price of R14 995 would include all international and internal flights, transport to and from matches and hotel accommodation. Meals were not included, nor were the semifinal or final matches. "Only those games featuring the SA team are covered by the tour," she said.

Hotels line up for

Travel agents slam govt's charter policy

295 LINDEN BIRNS

GOVERNMENT's decision to reject air charter licence applications for flights between Johannesburg and Mombasa has come under fire from the Association of SA Travel Agents (Asata).

Asata executive director Chris du Toit said on Friday that the association's initial reaction to the issue was that the National Transport Commission (NTC) was not demonstrating any foresight. B/Day 27/1/92

"The more people travelling in and out of SA means more money for Asata members (travel agents). Growth in traffic would also be good for the local tourism and travel industry," he explained.

His remarks follow the release of the NTC's reasons for supporting an SAA objection to a Johannesburg-Mombasa charter application last December by Northlands-based Air Supply. The NTC indicated it was satisfied SAA and Kenya Airways were providing adequate capacity on flights between Johannesburg and Nairobi and that charter flights to Mombasa would harm SAA.

The NTC made no mention of the potential growth in the package holiday market which travel agents believe could be stimulated to fill the extra capacity offered by the addition of charter flights.

Air Supply has reapplied for the same licence, as has Flitestar. SAA has indicated it will oppose both applications on the grounds that charters to Mombasa would "overlap uneconomically" with SAA's and Kenya Airways' scheduled service between Johannesburg and Nairobi. The NTC will hear Air Supply's second application on Thursday.

Du Toit said Asata favoured further liberalisation of the interim civil aviation policy as far as charters were concerned. At the same time, he said, government should still exercise caution against opening the skies to "fly-by-night" firms.

"There should still be a veto, but it should not be placed in the hands of an organisation with a vested interest, such as SAA, which would use the veto to protect itself."

RETAIL ADVERTISING 295 FM 31/1/92.

Check-a-Checkers, about turn

Checkers was one of the first big advertisers to take its advertising in-house a decade ago. Now it is moving out again.

About R30m of spending on print advertising handled by the Checkers marketing services department under Brian Cutler will go to Cape Town agency De Novo. Cutler will join the agency as general services director and will be joined by many of his Checkers staff.

This is probably the largest move of a Johannesburg ad account to Cape Town.

De Novo is the agency for the Shoprite chain, part of the giant Pep retailing group which recently acquired a controlling interest in Checkers. De Novo is owned by a trust and does not have a formal MD.

One of the country's three biggest advertisers, Checkers spends around R50m a year, according to MD Serge Martinengo. The in-house unit handled print advertising and the less-than-R20m spent each year on radio and television is handled by Meridian, an agency in the Ogilvy & Mather group.

The figures include production costs, which are higher in retail advertising than in most forms of branded advertising because new ads are produced daily. Media billing is somewhat less, calculated by Adindex as R35m in 1990. Last year's figure was probably about R42m.

The injection of Checkers business will more than treble the annual billings of De Novo, which last year had about R17m in business from Cape advertisers.

Martinengo, who became MD two years ago, says he has been less than enthusiastic about the in-house route which Checkers first embarked on in the early Eighties. The takeover by the Pep group, which had a similar philosophy, proved the catalyst for change.

"We prefer to deal with a third party for our advertising," says Martinengo.

The move leaves Meridian's future in some doubt, though Martinengo says the future relationship has not yet been finalised. "But I don't think we will move all of our electronic advertising into the new agency."

It is believed that the electronic media account is up for pitch.

Meridian MD Greg Garden is braced for a change. "They have indicated that from the beginning of their new financial year, they would have to re-examine how they work with us. Our contract will effectively fall away from the beginning of March."

The loss of Checkers would be a big but not crippling blow to Meridian, says Garden. "We have 15 clients other than Checkers, including Sterns jewellers, Henkel, Ciba Geigy and RCI." He puts the agency's 1991 billing at about R17,5m.

The move by Checkers is the first major reversal of a trend which appeared to be building momentum. Many advertisers, particularly retailers, have taken this route in recent years. Among the most successful has been Edgars and the most recent was OK Bazaars (a step which had severe implications for its agency, Grey Advertising).

Edgars has produced elegant and effective advertising since it led the way down the in-house route in 1979. Its particular strength, however, is its huge account base, which gives it a big and receptive mailing platform.

Though the in-house option may be suitable for the less creative kind of advertising, notably routine retail price-list advertising, it has proved controversial among agency people because the advertising mostly seems to be unimaginative and dull. Clients usually do it to save money. ■

D'Arcy makes a gain

Grey Response Marketing, one of the two major specialist agencies in direct marketing left in SA, has moved out of the Grey Group and into the D'Arcy Masius Benton & Bowles fold. D'Arcy has bought the 45% owned by the Grey Group and the 55% stake held by Grey management.

Maclean ... *best year for creativity*

The move will make a significant difference to the size of the two groups. Though a direct marketing agency cannot be compared with a normal above-the-line agency, Grey Response's income makes it equivalent to an agency billing R18m-R20m a year. The extra income could be enough to lift the D'Arcy group from about eighth in the agency rankings to perhaps sixth.

Grey Response is still on a high achieved during 1991, when it won two Gold Echoes (probably the top international awards for direct response advertising), along with a number of other international achievements. Locally, it won six Sales Promotion and Design Association awards and a Loerie. "Last year was our best-ever in terms of profitability and creativity," says MD Clive Maclean.

Grey Group MD Ian Shepherd says the group had the option to increase its stake in Grey Response but chose instead to concentrate on the resources of its core business.

Zimbabwe-born Maclean (32) started in direct marketing in 1982 with Commercial Union. After a spell with Standard Bank he started his agency, Response Marketing, in 1987. It was taken into the Grey Group in 1988.

He believes firmly in the benefits of being part of an international group, both because of the access to information and because of the increased credibility it lends the agency. Moreover, he adds: "The agency of the Nineties will be able to offer its clients the full spectrum of advertising services."

D'Arcy chairman Willie Sonnenberg, who in the past has made a couple of attempts to establish a direct marketing unit, goes along with this. "We have always subscribed to the concept of seamless advertising, in which various communications disciplines blend smoothly to convey a single message," he says. ■

Musical chairs

Len van Zyl, for many years the doyen of SA advertising, has stepped down as chairman of the holdings board of Lindsay Smithers FCB, the country's second biggest ad agency group. Into his shoes steps MD John Sinclair, who was named last year as Advertising Achiever of the Year by the *FM*.

Van Zyl is currently based in Philadelphia, where he is CE of FCB Philadelphia. For the last two-and-a-half years since he took up his US appointment, he has been returning to SA regularly to attend meetings of the local board. FCB is the international agency associated with Lindsay Smithers.

Former deputy chairman John Thorne has also resigned, though both he and Van Zyl will continue as ordinary members of the board. Gaby Bush, executive creative director of the Sandton agency, also joins the holdings board.

Tony Koenderman

Budget to buy R140m cars

By DON ROBERTSON

S/Times (Buss) 2/2/92

SOME good cheer for motor manufacturers is that Budget Rent a Car has increased its initial order for vehicles by 5% for 1992.

Budget plans to buy 2 700 cars worth R140-million this year, nearly half from Toyota. (295)

Managing director Tony Langley says: "The order is in line with our market-share growth which we believe will continue in 1992. The order will be increased should the market recover."

Budget's rental days fell by 23% in the 12 months to October, but business improved in the last two months of 1991.

That made the negative figure an expected 19,6%.

Mr Langley expects rental days to fall by 8% this year — 200 000 worth about R22-million.

Budget will again concentrate on 1,3l cars.

Top UK airline appoints an SA marketing agent

LINDEN BIRNS

BRITAIN's second largest airline, British Midland, has appointed a Johannesburg-based company, Development Promotions, as its sales promotion and marketing representative in SA. (295)

Although the airline does not plan to launch a service to SA, it does feed flights linking the UK with SA.

Official estimates are that British Midland has in excess of a 20% share in this market.

Last year British Midland carried more than 2,5-million passengers and generated more than £200m in turnover.

The airline's agreement with Development Promotions will come into effect on March 1.

SAA will continue to act as the British airline's general sales agent, issuing tickets in SA on its behalf. B/Day 11/2/92

British Midland, which operates mainly out of Heathrow, Birmingham and Derby, has been voted the UK's best domestic airline on several occasions.

It has a rapidly expanding European route network, with its 29 aircraft flying more than 70 flights a day.

The airline is unique in that its aircraft are configured for Business Class only.

Development Promotions also represents the US carrier, Continental, in SA.

Adspend shows real growth of 7%

B/Day 11/2/92 295

MARCIA KLEIN

TOTAL advertising expenditure on all media grew by a surprising 25,1% to R2,3bn during 1991, the final 1991 Adindex figures show.

Taking into account an average media inflation of 18% during the year, this amounts to a real growth of 7% in a contracting economy.

Despite a deepening of the recession over the past year, this increase compares with an average 19% adspend growth in the previous three years. Total adspend has grown from R1,3bn in 1988 to R1,5bn in 1989 and R1,8bn in 1990.

The Media Shop MD Dick Reed said television continued to erode print's dominant share of the advertising cake, while radio, outdoor and cinema held their share at last year's levels.

Print, the largest category, dropped from 51,3% in 1990 to 47,3% in 1991 as it grew by only 15,3% to attract expenditure of R1,1bn.

Financial publications were the best performers, growing by 40,1%, and English consumer magazines also fared well with a 25,6% growth.

But freesheet newspapers and black, coloured and Asian newspapers were hardest hit, falling by 7,8% and 4,5% respectively.

Television continued its rapid growth, increasing by 40,2% to R857,6m, to take its share of the total up from 33,1% to 37,1%, Reed said.

M-Net was the star performer — with a rise of 133,2% — followed by Bop-TV with an 84,8% growth. TV1 grew by 19,3% off a larger base to give it half (49,8%) of TV adspend.

Radio grew by 23,9% to R262,4m to maintain its 11,4% of total adspend share, and both outdoor and cinema held their share at 2,8% and 1,3% respectively. Adspend on outdoor grew by 29,7% to R66,2m, while adspend on cinema increased by 24,8% to R29m.

Reed forecast that radio, outdoor and cinema would maintain their shares, while the battle between television and print would continue, with TV taking the upper hand.

He expected adspend to rise by 22,9% to reach over R2,8bn during 1992, while television would increase its share from 37,1% to 38% and print's share would decline from 47,3% to 46,4%.

'Lost' R80 000 ends SA women projects

South 13/2 - 19/2/92 (295)

By Rafiq Rohan, in Amsterdam

THE DUTCH Anti-Apartheid Movement (AABN) has lost more than R80 000 after a Cape Town travel agency which owed them the money declared bankruptcy.

The AABN mistakenly paid R89 668 twice to S&S Travel Agency in Athlone, which brought South African women to the Malibongwe Conference in Amsterdam in January 1990.

And because S&S cannot refund the full amount, the AABN says it has had to "sacrifice" projects for women in South Africa.

The money was transferred to S&S in December 1989 and two weeks later, in error, the same amount was transferred into the accounts of the agency.

The mistake was discovered only in January 1990 and Mr Rashid Banderker, S&S travel manager, was contacted.

"He confirmed the receipt of the double payment and promised to return the money immediately," Ms Hansje Galesloot, treasurer of the Malibongwe Foundation, said.

The money was not returned.

According to Galesloot, Banderker told her he was having problems transferring the money through the Reserve Bank because it wanted the names of the women who had travelled on the tickets. S&S allegedly refused to give the names to the bank.

"At the time," Galesloot said, "we had the feeling that S&S was trying to delay the repayment for as long as possible."

S&S offered to repay the money in terms of air tickets but this offer was rejected by the Malibongwe Foundation.

In September 1990, the matter was handed over to a firm of attorneys to use whatever legal means necessary to retrieve the money.

However, S&S also hired attorneys and chose to defend the claim in court and the matter has dragged on until now with no settlement achieved.

Fraud

In December last year, two executive members of AABN, Mr Peter Hermes and Mr Vincent Vendel, came to Cape Town in a bid to meet the directors of S&S. They had a meeting with Banderker and Mr Abdul Qayyum Sayed.

"They only reacted positively when we threatened to go to the police and lay a charge of theft and fraud," said Vendel. We also threatened to expose them in the press. It was only then that they agreed to a meeting with us, our lawyers and themselves."

An agreement was signed at the meeting whereby S&S would pay amounts of R5 000 at the end of December 1990, in January and February 1991, with the balance to be paid in March.

The payments were met for the first two months, but none were forthcoming for February. It was then that the AABN discovered S&S was bankrupt.

SOUTH attempted to contact Banderker for comment, but was unsuccessful. On Tuesday, a person at the agency, who would only identify himself as "a liquidator", confirmed the business was bankrupt.

"We should have laid the charges of theft and fraud when we were in Cape Town last year," commented Vendel.

"Then at least we could have stood a chance of getting some of our money back."

Car rental rates to rise

CAR rental rates would have to be increased, largely due to the sharp rise in new car prices and high interest rates, SA Vehicle Renting and Leasing Association (Savrala) chairman Grenville Wilson said.

Rental days in 1991, to end-November, were down by 14% compared with the previous year while car rental transactions dropped by 12%.

Wilson said the decline in rentals, coupled with increased cost pressures, were "exercising an upward pressure on pricing".

B/Day 14/2/92

(295)

Fedservices likely to list in leisure sector

B/Day 18/2/92

MARCIA KLEIN

FEDERALE Volksbeleggings (Fedvolks) intended to list its services division Fedservices during the second half of this year, MD Peet van der Walt said yesterday.

The division, which has interests in Interleisure, Teljoy, Price Forbes, Avis, Fedics and Interpak, has a market capitalisation of about R600m.

Van der Walt said Fedservices would probably list in the hotels, beverages and leisure sector of the JSE as more than 50% of its income was generated in the leisure field. Entertainment and leisure group Interleisure is jointly controlled by Kersaf and Fedvolks, both of which have a 38% stake in it.

Van der Walt said Fedvolks had decided to list Fedservices to generate additional capital for new developments and to give the public an opportunity to share in the group's equity.

The group had not yet clarified the amount of capital to be raised in the listing, or decided whether Fedservices' name would be changed.

(295)

Fedvolks recently disposed of SA Druggists and Fedfood to Malbak as part of a major reshuffle in Sankorp, of which Fedvolks is a wholly owned subsidiary. At the time analysts pegged Fedvolks's holding in the two companies at R600m.

With blacks and coloureds the preference for integrated education was much more evenly spread over the various age groups. The HSRC report further found that South Africans, in most instances, supported:

— The advancement of a common South African citizenship;

— Uniformity in school financing for all four race groups;

— The introduction of free and compulsory basic (six years) education;

— Contact between pupils from different population groups on the sports fields as well as during cultural activities;

— The idea that parents should make a higher financial contribution towards their children's education.

— The survey also found "just about" 70 per cent of the respondents of all four race groups believed separate schools would not last another 20 years.

Amnesty: prisoners released/rearrested

*9. Mr P J GROENEWALD asked the Minister of Law and Order:†

(a) How many prisoners who have been released since 1 January 1991 as a result of amnesty have since been rearrested for crimes and (b) in respect of what date is this information furnished?

B174E

The MINISTER OF LAW AND ORDER:

(a) 21.

(b) 1 November 1991 until 5 February 1992.

Note:

The South African Police has only kept such statistics as from 1 November 1991.

Sale of stockpiled crude oil

*10. Mr P J PAULUS asked the Minister of Mineral and Energy Affairs:†

Whether he will furnish information on the sale of stockpiled crude oil; if not, why not; if so, (a) on what date since the most recent Cabinet decision on the sale of strategic oil supplies was stockpiled crude oil sold for the first time, (b) to what agencies or countries was it sold and (c) how much crude oil was sold to each?

B181E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

Yes, within the limits of existing legislation.

(a) 2 September 1991;

(b) local refineries and Madagascar; and

(c) the volume of crude oil sold cannot be disclosed; it can, however, be mentioned that less than two per cent of the volume has been sold to Madagascar.

Sale of oil supplies: utilisation of money

*11. Mr P J PAULUS asked the Minister of State Expenditure:†

(1) For what purposes is it intended to use the money obtained from the sale of stockpiled crude oil since the most recent Cabinet decision on the sale of strategic oil supplies;

(2) whether any money has been paid out in respect of projects; if not, why not; if so, (a) on what dates and (b) to whom were the first amounts in respect of such projects paid out?

B182E

The MINISTER OF STATE EXPENDITURE:

(1) Divided into broad functional categories it is intended to apply the funds as follows:

	Rm
Health	84,2
Welfare services	15,2
Education	138,1
Infrastructure (rudimentary services)	407,9
Hostels	31,0
Community facilities	8,8
Special job creation programme	20,0
Sports facilities	16,9
Transport (roads)	204,2
Police (police stations)	62,4
Maintenance of government buildings	18,7
	1 007,4

(2) On account of the substantial number of requests which have been received and

Continued

which had to be thoroughly evaluated in accordance with established norms, the allocation of funds to the relevant departments/administrations was only completed at a late stage in the financial year. Provisional estimates indicate that an amount of R264,5 million will be spent in the current financial year. The amount could prove to be less if specific projects do not progress as planned within the current financial year.

After the funds had been allocated to departments/administrations, further measures had to be adopted such as complying with tender procedures, the procurement of materials etc. which means that all the projects cannot be completed during the current financial year. However, payments have already been made. The Cabinet has requested a report on a six-monthly basis and the first report will be submitted on 30 April 1992. Detailed information concerning the actual expenditure will subsequently be available.

Travel Agents Board/travel agency: discussions

*12. Mr P G SOAL asked the Minister for Administration and Tourism:

(1) Whether he was involved recently in discussions between the Travel Agents Board and any travel agency which was experiencing financial difficulties; if so,

(2) whether, as a result of these discussions, an amount of approximately R500 000 was paid to the owners of a Greek pleasure vessel, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) what was the nature of the (i) meetings held in this connection and (ii) discussions at these meetings and (b) what is the name of the vessel in question;

(3) whether he came to the conclusion that this amount of money was to be paid from the Travel Agents Fidelity Fund; if so, what brought him to this conclusion?

B191E

The MINISTER FOR ADMINISTRATION AND TOURISM:

(1) Yes. The company in question was TFC Tours. The President of the Association of Southern African Travel Agents (ASATA) was also present, as was the Chairman of the Travel Agents Board and the Executive Director of the SA Tourism Board. The meeting took place on 9 January 1992.

(2) An amount was not paid to the Greek shipowners in question as a result of this meeting. The possibility of a loan from the TAB was raised by TFC but the Chairman of the TAB indicated that this was not possible in terms of current legislation. This proposal was not pursued any further, and attention was given to other possible ways of preventing the collapse of TFC Tours with the attendant hardships it would create for the consumers concerned.

(3) The decision to pay monies to the Greek shipowners was taken at a later date by the Travel Agents Board, an autonomous body established under an Act of this Parliament. I was thereafter informed by its Chairman of the decision the Board had taken in order to avoid even greater losses for the Board and its fidelity fund. At no stage did I propose this course of action to the Board.

Squatters: property at Bloubosrand

*13. Mr P H DE LA REY asked the Minister of Local Government and National Housing:†

(1) (a) For what amount did the Transvaal Provincial Administration purchase the property at Bloubosrand intended for accommodating the squatters of Sevenfontein and elsewhere and (b) out of what fund was this money voted;

(2) whether the Government intends paying damages to persons who are allegedly going to suffer losses as a result of a decrease in the value of their properties because of the establishment of a squatter camp at Bloubosrand; if not, why not;

(3) whether any steps are contemplated to ensure the safety of residents and properties in the vicinity; if so, what steps?

B198E

Continued

Tour operators complain

DARIUS SANAI

THE SA tourist industry will face serious problems trying to cope with a large influx of tourists unless the country's infrastructure is improved, say leading tour operators. (295)

The main problem areas, they claim, are the unreliability and inadequacy of coach tours in SA, and the shortage of hotel accommodation in the western Cape.

Rennies Travel Marketing MD Kathy McWhirter yesterday called on government to involve itself more in tourism and turn the industry into SA's main money-spinner. B/Day 28/2/92

"SA has a vast potential in terms of its attractions, but there are serious problems that need to be overcome," she said.

Incentive Touring MD Mike von Kotze said yesterday tourists were experiencing problems with coaches breaking down.

Chris Hunoldt, director of Cape Town based company The Tour Consultants, said the coach problem was likely to be the single biggest thorn in the side of foreign tourists in future.

He said SA coaches were not up to the standard of those in Europe. "The coach operators advertise luxury tours, but the coaches are usually two- or three-star quality compared to those in Europe, which are of five-star quality.

"Some coaches operating as luxury tourers are only school bus standard."

SA-made coaches were also less reliable than foreign ones, Hunoldt said. But coach operators were deterred from buying foreign coaches because of a 60% import surcharge.

The MD of another travel agency said accommodation on the Garden Route and in Cape Town was very limited during the high season.

McWhirter said it would be very difficult to find accommodation for the tens of thousands of tourists expected to come to SA in the years ahead, particularly in Cape Town.

She said service standards were also a problem, with restaurants, hotels and shops at times offering inferior service.

Other problems included the inaccesibility of tourist information centres, and the illegibility of road signs, she said.

The Berlitz guide to SA comments that many tourists become confused by road signs in SA. It says many foreigners drive round the country with the impression that the addendum "Slegs-Only" means that only "slegs" are allowed to follow a particular road sign.

Tourists flocking back, say operators

B/Day 28/2/92

(295)

DARIUS SANAI

FOREIGN tourists are flocking to SA in unprecedented numbers and 1992 is set to become a record year for tourism, say leading airlines and tour operators.

A spokesman for British Airways yesterday described booking volumes on flights from London to Johannesburg as "excellent".

"The number of forward bookings southbound over the next few months is very, very good, and January and February have also been excellent months," the spokesman said.

She said she was unable to confirm whether the past two months had seen the greatest number of tourists ever to visit in January or February, but said bookings were "better than we've seen them in a very long time".

Rennies Travel spokesman Kathy McWhirter said yesterday there had been a "significant increase" in tourist numbers.

Business had also increased dramatically at Rennie's Travel bureaux de change, indicating a notable increase in the numbers of foreign tourists, the spokesman said.

Accurate figures on the numbers of tourists are only available from Satour, which has not yet released figures for this year. But smaller operators yesterday echoed comments from Rennie's and BA.

Mike von Kotze, MD of independent Incentive Touring, said yesterday that numbers of tourists so far this year "are definitely higher than in any previous years", with an increase of around 15% over last year's numbers.

Von Kotze said the referendum would not adversely affect tourist numbers unless the outcome was negative, and a positive outcome might help tourism by giving SA good publicity.

The BA spokesman said the value-for-money factor in SA was a definite drawcard.

Flitestar unveils new fare discounts

B/Day 28/2/92

LINDEN BIRNS

FLITESTAR would offer 40% discount fares for its soon-to-be introduced evening and late night flights and had increased discounts in several categories of daytime flights, it announced yesterday.

The airline, which like its opposition SAA has been struggling to increase load factors, recently reconfigured its Airbus A320 cabin layout. The new seating plan features a Business Class which has been almosthalved — 35 seats instead of 65 — and a 36-seat increase in the economy class.

Flitestar's last late-night departure is 11pm, with its latest arrival time 00.45am. The earliest evening takeoffs, which qualify for the 40% discount, are 7.15pm. These will operate every day except Saturday.

The late night flights will initially link Johannesburg to Port Elizabeth and Durban to Port Elizabeth and Cape Town. Flights between Johannesburg and Cape Town will begin by mid-March.

Early morning flights have also been rescheduled, with the earliest Johannesburg departure moving from 6.30am to 6.50am. The first flight from Durban to Johannesburg will depart at 8.15am instead of 9am. Changes have also been made to the Durban-Johannesburg midday schedule.

Flitestar said it had reacted to the recession by increasing weekend discounts for sports teams, their spouses and people under 25 (25%), and people on government pensions and senior citizens (30%).

Starpex 25% discount fares have been made available to all travellers.

Meanwhile, Flitestar is hoping to start flights to India and the Persian Gulf region within weeks if it gets approval for its proposals from the Directorate of Civil Aviation (DCA).

Flitestar MD Jan Blake said the airline was also interested in starting long-haul flights to London. He said it was evaluating the acquisition of long-range aircraft to augment its medium and short-range fleet.

A management delegation led by GM Reinhart Mecklenburg this week took part in a Safto visit to Oman. Mecklenburg said Flitestar had identified the Gulf as a region of vibrant economic growth.

He said Gulf travel agents had shown particular interest in southern Africa's casino resorts, health spas and luxury game lodges. Flitestar has proposed a once-a-week direct flight linking Johannesburg to Bombay and Delhi.

DCA spokesman Maurena Nel said yesterday an intergovernmental bilateral air services agreement was not required for Flitestar to begin services to India or the Gulf.

She said it was free to negotiate a purely commercial agreement on air links with carriers registered in those countries, similar to the arrangement SAA has with Lufthansa.

FM 6/3/92

IMPHOLD (295)

FM 6/3/92

Recession benefits

Diversified motor vehicle group Imphold continues to benefit from the spread of its operations. The recession has hurt the market for new and used motor cars and trucks but it has encouraged growth at Imphold's car rental and leasing operations, its truck systems business and sales of vehicle parts and accessories.

Operating profit for the six months to December 25 climbed nearly 17% to R32m on turnover which rose by around 19% to R375m. Attributable earnings, bolstered by a fall in finance charges and the reduction in the company tax rate, improved by an impressive 25%.

Imphold and its pyramid Imperial look set to maintain the good earnings record built up during the past few years.

Executive chairman Bill Lynch says the contra-cyclical nature of some of the operations and the high level of vertical integration have enabled the group to deal with the recession.

Though wholly owned Toyota distributor Imperial Motors is expected to show little growth this year, 60%-owned Imperial Car Rental and 75%-owned Imperial Truck Systems are performing well. The recently formed insurance and services division, which includes motor vehicle insurer Regent Insurance and several panelbeating outlets, is on budget and expected to deliver good results for the year, says Lynch.

Imphold has taken advantage of the depressed economy to take over some competitors. Mercedes Benz and Honda distributor in the East Rand Mercurius Holdings was bought for R18,6m (settled by the issue of 3,7m Imphold shares), effective from September. Since the December half-year, the group acquired Quattro Carriers and the business of Van Zyl's Spring Works for R6,8m and R6,4m respectively. Both purchases were settled by the issue of Imphold shares.

RIDING THE RECESSION

Six months to	Dec 25 '90	Jun 25 '91	Dec 25 '91
Turnover (Rm)	315	282	375
Pre-int profit (Rm) .	27	29	32
Pre-tax profit (Rm)	23	28	28
Attributable (Rm) ..	10	12	12
Earnings (c)	17,6	20,8	21,6
Dividends (c)	7	8	8,5

(295)

Short-term effects of these acquisitions on earnings and dividends are expected to be positive, if slight, but the increase in issued shares will curb EPS growth. EPS gains of 23% in the first half were two percentage points behind attributable earnings improvement. Nevertheless, Lynch is confident this dilution will do little to inhibit the good EPS increase expected for the full year.

Lynch says Imphold's balance sheet remains healthy — though gearing climbed from 36% at year-end to 42% at the interim — and margins have been maintained despite strong competition in most of its markets. Margins at year-end are expected to weaken slightly from last year's 9,5% as a result of the integration of the three acquisitions.

Lynch says that though Imphold's current mix of products and services in the motor vehicle market has enabled it to perform well, the group would benefit considerably from an upturn in the economy. Not only would there be a recovery in sales of new and used vehicles, which now account for about 17% of pre-tax profit, but there would be substantial benefits for the group's other transport services. Greater foreign tourism will fuel the car rental business.

Investors appear to have recognised Imphold's strengths. The share has climbed from around 250c to 650c in the past year, giving an earnings multiple of 15,4. Potential investors who have been looking to buy the share have probably missed the boat for the time being. At this level, the counter is beginning to look expensive.

Simon Cashmore

Training and motivation are the keys to success

(295)

KEISER and Gentry sales and human resources director Debra Anne Myburgh says the training and motivation of staff are the most important factors in the company. B/Day 17/3/92.

Attention to training finds its source in K&G MD George Keiser, who comes from one of the world's top tourist destinations — Lucerne — in a country famous for its efficiency and standards of service.

K&G seeks to apply Keiser's standards to all staff.

"Our staff is our company, as the travel industry is a service one, a people industry," says Myburgh.

"The quality and professionalism of our staff affect the service we provide."

K&G's philosophy involves sending staff to courses to update them on local and international products, fares, routings and motivation.

One of K&G's specialities is arranging tours.

The company has staff who converse in various languages and are trained on the requirements for monitoring, organising, negotiating and leading specialist corporate groups into and out of SA.

The staff, says Myburgh, are trained to offer expertise from the initial inquiry to the presentation, launch, ongoing management, departure and the tour through to the return, offering assistance with teasers and promotional items.

DIAL-A-MOVIE (295)

Better picture

FM 20/3/92

Dial-A-Movie appears to have turned the corner after closing its loss-making Top Tec electronics chain halfway through last year.

Chairman Brian Cunningham says the group no longer has to contend with any loss-making operations. The 60% holding in Express Foto is to be sold to minority shareholders shortly. For the rest, he says, the group's countrywide branches reported sound earnings growth for the six months to end-December.

Attributable earnings for the period swung to R452 000 from the year-ago loss of R586 000. Another positive feature was the strengthened balance sheet. Gearing was sharply down from 84% to 58%, though it could change either way in the future. Capex planned for further development of the music division will have to be financed, but stronger cash-flow generation is expected for the second half.

Interest charges absorbed about a third of the first-half operating profit. Cunningham is not worried about the finance charges, because interest receipts from debtors have covered the interest paid during this period. On the other hand he concedes that this position could soon change, with debtors being significantly reduced as Dial-A-Movie outlets are franchised.

Borrowings totalled R1,75m at the last year-end. Cunningham believes all debt will have been repaid by early 1993. It's hoped that reduction of debtors will produce the cash needed to retire these borrowings.

The interim accounts show a tax credit of R7 000 and any tax charge for the year will be small.

Retained earnings were boosted by an extraordinary profit of R236 000. This came about mainly because of recoveries from losses in the Top Tec CD-chain, the sale of Dial-A-Movie stores and the write-off of R62 000 goodwill.

Cunningham is optimistic that a "worthwhile profit" will be posted at the end of this year. He says growth should come from both the music and video chains, but the music outlets will be the more important profit source over the longer term.

Interim EPS were only 5c. Assuming this is repeated in the second half, as Cunningham is forecasting, then Dial-A-Movie, at 10c, offers an earnings multiple of only 1,0. Provided the profit recovery is maintained, the share looks well worth watching. *Basil Barber*

Technihire looks to be up against it

STAR 23/3/92

Diagonal Street

LYNNE PEACH

295

Technihire battled through its latest accounting period and the pressure on profits is unlikely to ease in the current year.

In the annual report, executive chairman J Eliasov says the state of the economy and the shelving of projects by the Government and by the private sector resulted in an exceptionally difficult period to to end-December 1991.

He predicts that trading will continue to be difficult, but adds that the group is in a strong position to pursue a policy of expansion.

The acquisition of a number of new divisions, which are complementary to the group's existing services, are in the pipeline.

The core business of the Technihire group is the provision of a comprehensive range of technical and administrative services.

A number of personnel, including draughtsmen, engineers, technicians and administrative personnel, are hired out.

Other activities comprise professional placement services, the collection and administration of debts and computer isographs of contructural plans.

Recent developments include the acquistion of 100 percent of Tradehire Namibia and the remaining 50 percent of Advanced Credit Bureau.

The group also purchased a property in Boksburg.

Technihire has changed its year-end from March to December in order to comply with its new holding company, the international Ecco Group, which acquired a 60 percent interest with effect from January 1 1992.

In the nine months to December, group turnover amounted to R5 million, which represents an annualised increase of little more than one percent.

Operating income was also disappointing at R924 000 following a decrease in the operating margin from 29,5 percent for the 12 months to March 1991 to 18,3 percent for the nine-month period.

An absolute increase in interest paid from R86 000 to R110 000 and an annualised decrease in income from investments to R101 000 placed profits under further pressure.

Pre-tax profit fell by an annualised 39 percent to R914 000.

An increase in the effective tax rate and a retained loss from associate companies resulted in an annualised decline of 54 percent in attributable profit to R363 000.

Earnings per share fell to 2,86c and no dividend was declared.

The latest balance sheet discloses a decrease in total debt from R1,3 million at end-March 1991 to R305 000 at end-December.

Despite cash resources increasing from R48 000 to R361 000, net current assets fell from R1,9 million to R1,7 million.

This is largely due to a significant R556 000 rise in accounts payable to R1,7 million.

Net asset value declined from 26c a share to 25,8c.

Based on annualised results, Technihire, priced at 25c, is trading on a P/E ratio of 6.6.

The thinly traded share offers little appeal, especially in view of the possibility of poor results this year.

COMMENT: Technihire entered a downward trend last month following a collapse of its price from 41c to 25c.

The price will have to move above 30c before prospects brighten.

FM 27/3/92 (295)

TECHNIHIRE FM 27/3/92 (295)

Borrowings down

Activities: *Hires out personnel including draftsmen, artisans, administrators and professionals; collects debts.*
Control: *Nobra, 60%.*
Chairman & CE: *J Eliasov.*
Capital structure: *12,7m ords. Market capitalisation: R3,2m.*
Share market: *Price: 25c. Yields: 11,6% on earnings; p:e ratio, 8,6. 12-month high, 41c; low, 20c. Trading volume last quarter, 15 000 shares.*

Year to Dec 31	'90†	'91	'91‡
ST debt (Rm)	1,5	1,3	0,3
LT debt (Rm)	nil	nil	nil
Debt:equity ratio	0,67	0,42	—
Shareholders' interest	0,44	0,54	0,54
Int & leasing cover	12,1	22,7	15,7
Return on cap (%)	62,0	35,5	27,3*
Turnover (Rm)	6,85	6,63	5,01
Pre-int profit (Rm)	2,61	1,96	0,92
Pre-int margin (%)	38,1	29,8	18,3
Earnings (c)	9,4*	8,4	3,8*
Dividends (c)	2,6	3,5	—
Net worth (c)	17	23	19

† 14-month period to March 31.
‡ 9-month period.
* Annualised.

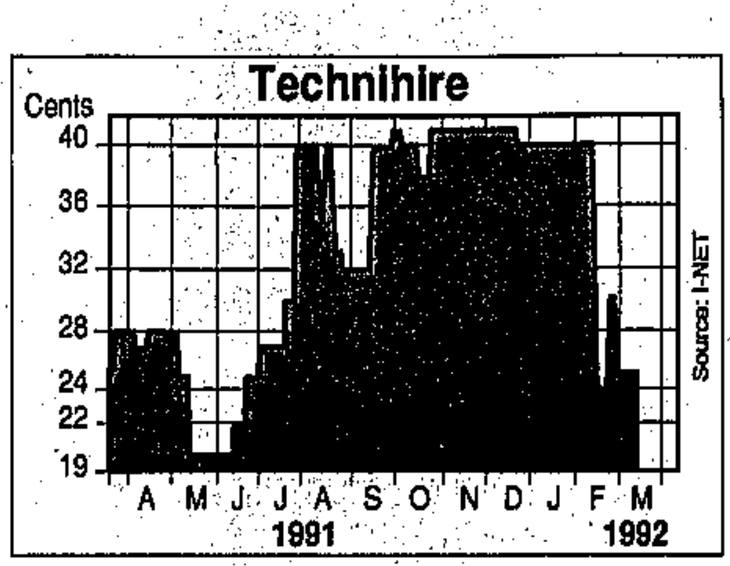
Much of the past year was devoted to consolidation of the major interests, nurturing funding capability and preparing for future expansion. New projects have now been completed or are under way. These include expansion of the range of services, with the acquisition of divisions complementary to the existing business.

Considerable success was achieved in reducing borrowings. Gearing stood at 41% at end-March 1991, but by the latest year-end borrowings net of cash had been eliminated. CE Jack Eliasov says further improvement in liquidity is expected.

Most profitable sector of the business was again the engineering services, whose contribution to income increased to 80% (1990: 60%). Financial services provided the remaining 20% (40%).

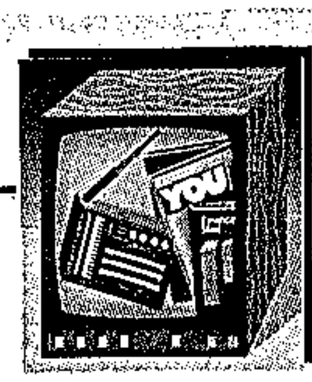
However, bottom-line performance has remained disappointing. Annualised EPS plunged 54,6%, on a small drop in turnover. Operating margins have remained in a downward trend.

While Technihire is not yet producing the returns required, Eliasov is confident the turning point has been passed. He blames the recession, increased competition and high interest rates for much of the company's



woes. Management is looking to improved efficiencies and cost-cutting to reverse the slide in margins this year.

New approaches may follow the deal last December, when the French-based Ecco Group acquired control of Technihire with effect from January 1 this year. Already the board of directors has changed radically. The infusion of new management and the international links may herald better results, but the share remains speculative. *Basil Barber*



ADVERTISING

FM 3/4/92 (295)

What clients expect from agencies

Advertising effectiveness and creative skills are the two qualities that advertisers want most from their agencies. This is one of the findings of Market Research Africa's third Agency Image Study conducted among 300 of SA's leading marketers.

The study established that 296 of them (99%) agreed that effective advertising rated "most important" among the possible criteria for choosing an agency. Creative skills got the nod from 88%.

The findings provide remarkably good insights into where ad agencies should be going and the degree to which they are meeting client needs.

It is evident, for example, that considerable emphasis is placed on the quality of agency staff. High ranking is accorded to calibre of staff, client service skills, compatibility or good chemistry with senior agency personnel and continuity of senior personnel. More than half rank all of these criteria in the "most important" category.

Among the specific skills required, media planning comes third. Negotiating powers with the media are also valued by half of the marketers. And yet it would appear that media planning is not given equivalent emphasis by the agencies themselves.

This failure, it is argued, has resulted in the emergence of a variety of specialist media independents and brokers. While media specialists account for less than 1% of SA advertising expenditure, they have grown to dominance in many European markets and are growing rapidly here.

One of the most significant aspects of the MRA survey is the clear indication that clients are turning away from the full-service concept. Fewer than a third of them want an agency that offers a full spectrum of services. Nor do most of them specifically want design or research skills, below-the-line capabilities or direct response marketing from their agencies.

They claim they are not especially impressed by an agency gaining business, though the evidence of the marketplace contradicts this. It suggests a strong bandwagon effect begins rolling for agencies once they are seen to be successful.

Similarly, clients seem to scorn the winning of awards, but this may be a rationalisation rather than a true reflection of general attitudes. Many agencies find their clients love winning awards, which, in any event, is one of the few objective ways of judging agencies' creative abilities.

The survey rated 28 agencies, including all the major ones, on the criteria mentioned. The outstanding agency by far, as perceived by clients, is Ogilvy & Mather Rightford. O&M was ranked first in 23 of the 27 positive attributes measured.

Of course, its sheer size obviously gives O&M high levels of awareness, but, undoubtedly, its success in past years is paying off now. Two-thirds of respondents felt that O&M produces advertising that works and it has creative skills. The second-ranked agency got the vote of 43% in both categories.

O&M led in perceptions of its ability in the eight criteria considered most important by clients when selecting an agency. It was tops, in their view, for the calibre of its staff, its media planning, the continuity of senior personnel and their compatibility with clients, its marketing skills and its negotiating powers with media.

O&M also led in top-of-mind awareness, being mentioned spontaneously by 73% of respondents. Interestingly, Grey Advertising still ranks second, though it has declined steadily since the 1984 survey. And Hunt Lascaris TBWA has risen to the third most-mentioned agency. In 1984, only 7% of respondents named it. Now the figure is 41%.

The survey was conducted among companies spending at least R750 000 a year on advertising. A third of the respondents were MDs or marketing directors, and three-quarters were over 34.

HOW CLIENTS CHOOSE AGENCIES

Criteria ranked as "very important"

	%
Produces advertising that works	99
Creative skills	88
Calibre of staff	77
Media planning	70
Client service skills	67
Compatibility/good chemistry with senior agency personnel	58
Continuity of senior personnel	58
Marketing skills	54
Negotiating power with media	50
Strategic account planning skills	50
Understands multi-ethnic markets	48
Black market expertise	47
My kind kind of agency	46
Design abilities	33
Offers full spectrum of services	29
Research skills	28
Understands retail advertising	27
Belongs to an international network	14
Below-the-line advertising	12
Direct response marketing	11
Is gaining business	7
Wins awards	4

Source: MRA

Investigative reporting wins the day

W/Mail 3/4-9/4/92 (295)

By SHAUN DE WAAL

JOURNALIST Karen Lotter was acquitted on Tuesday of committing an indecent act for gain, in what was seen as a test case for investigative journalism. She had posed as a prostitute to expose the workings of the police in their treatment of prostitutes.

"The court cannot reject the accused's version that she was doing investigative journalism," said the magistrate, Mrs I Strydom. Lotter's defence had argued that, as she was an undercover journalist, she had no intention of having sex with the policeman; furthermore, she knew that the situation was a set-up to trap prostitutes.

Her description of police behaviour, and how it discouraged prostitutes from carrying condoms, was published in *The Weekly Mail*.

Lotter said it was necessary to pose as a prostitute to find out whether allegations of the South African Narcotics Bureau (Sanab) Vice Unit harassing prostitutes were true.

She said that in discussions with escort-agency women it had come to light that they were often humiliated when arrested and that condoms — issued by the City Health Department's Outreach programme to combat Aids — they had on them were confiscated. Prostitutes said condoms were often confiscated as evidence of soliciting.

The subterfuge was the only way to ascertain whether this was true, she said.

On the night of September 11, Russel Redman, owner of the Prestige Escort Agency, had alerted Lotter to the fact that a police trap was underway at Johannesburg's Downtown Inn. She went to meet a "Mr Botha" — who later turned out to be police sergeant André Holzhausen — in room 403.

Holzhausen paid Lotter her "fee" and told her: "Take of your clothes and let's get on with it." He stripped naked and, after telling her to take off her panties, told her she was under arrest and called in his partners.

Lotter was photographed by policemen while still undressed. They confiscated condoms she had in her possession. She was taken next door to room 404, where there were several other women who had also been arrested. One of the eight women said she had been forced to pose naked for photographs. Later the policemen called in a stripper and watched her show before arresting her too.

They were threatened and told to plead guilty to the charges. The police denied all allegations, but said that "if an escort covers herself with a blanket during the arrest, the blanket will be removed for the taking of photographs which are to be used in court as an exhibit".

The magistrate said that the police's behaviour in the trap was not always above reproach, and that it was not necessary for Holzhausen to strip naked before he took Lotter into custody.

One-person agency grows to a full-scale service organisation

(295) S/Times (Cape Metro) 5/4/92

SUE KIRBY of Super Sitters takes another booking call

SUPER SITTERS of Cape Town has grown in three years from a one-person agency to a full-scale service organisation offering babysitting, lift schemes, companionship for the elderly, entertaining at children's parties and pet care — plus qualified men who will house-sit for high-profile executives who are always travelling and away from home.

It now operates throughout the Southern Suburbs, along the Atlantic seaboard and as far as Stellenbosch.

The service has also been extended to Johannesburg, where local people are being trained to cope with the demand.

Supper Sitters was started by Vicky Weinberg from her Sea Point home and has grown to such an extent that she is now thinking of franchising the operation around the country.

Meantime, she continues with the main service of babysitting during the day and in the evening, using specially-trained child-carers from all race groups.

Vicky and a few hand-picked colleagues also offer a special service of living in with children while parents are away from home.

These "surrogate mums" move in and take the mother's place in the physical and emotional care of the children, handling the shopping, housework and lifting, and running the home with the aid of the resident maid or maids.

They are experienced in child care and home management as well as in first aid. In fact, Super Sitters' child-carers have an approved first aid textbook with large pictures for use in emergencies.

A surge in demand in recent months and the advent of the New South Africa have led Vicky to offer to all interested people, irrespective of race, special training courses in child care, home management and first aid emergencies.

"All candidates will be interviewed for aptitude, and the standard of education will have no bearing on their acceptance or rejection for the training course," says Sue Kirby of Super Sitters.

"In this way people from all walks of life will have the opportunity of a qualification in a specialised field.

"Also, career-orientated parents will know their children are in the care of properly-trained adults in their absence — surely something that one cannot put a price on.

"As Vicky often points out, some employers are sending their domestic staff to sewing and cooking courses, but who is minding their most precious possessions?

"They would do well to sponsor their nannies for these courses — those same nannies who have born the most tremendous responsibility for years without having had the training necessary for handling such responsibility."

TELEVISION FM 10/4/92

Cross-cultural confusion

Since it was launched at the beginning of the year, there has been a question mark over the reincarnation of TV2/3/4 as the cross-cultural CCV. The old TV2/3 station delivered a reasonably well defined black audience, but nobody yet knows how many blacks are watching the new service.

This is because black TV audience measurement is still done by the old Amps diary method, which means results only appear many months after the event. At this stage, the instant feedback possible from the electronic peoplemeter system only applies to white, coloured and Asian audiences, because too few blacks have telephones installed in their homes. It is via telephone lines that peoplemeter data is fed back to researchers' computers.

Many agency media directors have questioned whether CCV still delivers the black audience that TV2/3 offered, especially as in pursuit of its mission to provide a single non-ethnic cross-cultural station and to move away from "segregated information ghettos", it has a preponderance of English-language programming.

"We find this strange," says Y&R media director Henry van Rensburg. "The SABC's own research project, Reaching Critical Mass, indicated a major preference among blacks for vernacular language broadcasting." 295

Y&R has conducted some research on the subject and while it is not statistically valid, it does give cause for concern.

Of 110 blacks interviewed, only a minority said they would prefer to receive their broadcasts solely in English and negative feelings about CCV outweighed the positive.

In response to this, however, CCV's trade marketing manager, Maurice Britten, says that 'Critical Mass' looked at the black market across the board. "Not all of them are television viewing people. But among those who *do* watch TV, there is a greater proportion who are conversant in English and would prefer it as the broadcast medium."

CCV, he adds, has an on-going commitment to vernacular programming, but "this must be balanced against the need to attain commercial viability."

Says Van Rensburg: "We are concerned that black viewers may not have a good enough understanding of English. TV4 was often used as a crossover medium for products with a high black market appeal. But when the black audience dropped after 9 pm, the cost per thousand doubled. It is possible to reach blacks via English programming, but it is very expensive.

"Advertisers now face increased pressure for time on the reduced ethnic programming, which could drive up rates. We feel we have been deprived of a viable audiovisual medium to reach black viewers."

CCV is aware of these worries, says Britten, and has now decided to follow up its earlier qualitative research with some quantitative research which will allow it to draw statistical conclusions about market needs. Specifically, this will attempt to establish whether or not the black audience really does decline sharply after 9 pm.

Moreover, the first Amps diary data on the new station will probably be available in May. ■

dents since last Wednesday. | political, cultural, tourism and trade ties.

Picture: BRIAN HIGGLER

Car hire industry cuts down on new vehicles

B/Day 16/4/92

(295)

EDWARD WEST

THE big three companies dominating SA's car hire industry will buy between 10 000 and 13 000 new vehicles this year, about 30% less than last year, Budget MD Tony Langley said yesterday.

Describing trading conditions as tough this year, he said the number of rental days sold by the industry in February at an average 72% capacity utilisation amounted to 2,6-million, 17,5% lower than the 3-million days recorded in the same month last year, which in turn was 12,5% lower than the 3,5-million days in February 1990.

Imperial Car Hire MD Carol Scott said Imperial would buy about 6 500 new cars this year, 300 of which would be from BMW's new 3-Series range. These would be used mainly for businessmen and foreign tourists — of which there had been an upsurge since October last year, she said.

Scott said the company planned to keep a lid on rates following the 1% decline in interest rates earlier this year. Trading conditions in February and March had been boosted 16% over the same two months in the previous year by rentals from foreign tourists.

Avis will also take advantage of the models launched this year and has spent more than R7m on 80 new BMW 3-Series and more than R4m on 50 Audi 500 SELs, a company statement said. Avis planned to buy about 5 000 vehicles this year.

Budget's Langley said car hire companies were involved to some extent in the launch of new vehicles. Businessmen hired new models to test them, either for individual or company fleet purchases.

Avis and Imperial said business in the industry — which traditionally led an upturn in the economy — had improved rapidly in the first months of this year. Rental volumes dropped 20% in 1991 compared to the previous year. Last year the companies forecast a total fleet of 15 000 vehicles for 1992.

More power for Soweto

B/Day 16/4/92

WILSON ZWANE and ADRIAN HADLAND

ESKOM has begun a multi-million-rand project to upgrade Soweto's electricity supply network.

Eskom CE Ian McRae said in a statement yesterday the project was launched after it took over electricity supply to the township from the Soweto City Council last month.

Eskom was committed to bringing the level of service in the township to the same level as that of "other domestic customers in SA".

"We have started addressing the most pressing issues, such as the replacement of broken meters and updating the customer database," he said.

Eskom had agreed to implement the tariffs negotiated by parties to the Soweto Accord, a spokesman said.

"A new tariff based on actual costs will be introduced after negotiations have taken place," McRae said.

The Soweto Civic Association recently called for a rent boycott but said the R33,80 tariff for electricity, now controlled by Eskom, should be paid.

Final sequestration order against Du Plessis

DESPERATE attempts by the children of former Cabinet Minister Pietie du Plessis to save him from bankruptcy failed yesterday when a final sequestration order was granted against him in the Pretoria Supreme Court.

The order, by Judge H J Preiss, concluded months of litigation, during which Du Plessis stalled his final liquidation on several occasions.

Investec Merchant Bank Ltd obtained provisional sequestration orders last month against Du Plessis and his son Johan, who owed the bank nearly R1,4m after signing surety for the debts of an investment company they formed to develop the platteland town of Steelpoort.

The venture failed, and Steelpoort was sold at a loss of more than R1m. — Sapa.

Elitestar cancels 24 Easter flights

Tedelex deal eases way for Teljoy

295 MARCIA KLEIN

TEDELEX's three-year attempt to capture 25% of the TV rental market from Teljoy ended with the announcement today that Teljoy's rental division would acquire the entire rental stock of Tedelex's Empisal subsidiary. B/Day 23/4/92

The deal, effective from May 1, "has been struck at around book value of the Empisal fleet". This pegs the acquisition at about R6m, and will see Teljoy recapture most of the TV rental market.

Teljoy said yesterday the acquisition would increase its fleet by less than 3%.

In 1989 Tedelex challenged Teljoy's hold on the TV rental market by renting TVs from its 68 Empisal branches. At the time Teljoy chairman Theo Rutstein said: "We look forward to buying them when they've had enough."

However, Tedelex will not walk away from the deal empty-handed. As a second part of the agreement, Teljoy will buy 25% of its new TV set requirements from Tedelex "on a competitive-pricing basis".

Tedelex MD Jack Cohen said the deal would have no material effect on Tedelex's results, but "the second leg of the deal will ensure greater capacity utilisation of Tedelex's Atlantis plant".

Rutstein said the acquisition would have a small positive effect on Teljoy's earnings in the current year. It would give Teljoy access to Empisal customers in areas where Teljoy did not have a strong presence and allow it to increase its customer base without a big increase in overheads.

He said the Competition Board had been consulted, and no investigation of the deal was expected. Tedelex's share of the market was small, and the barriers to market entry that existed when Tedelex entered remained in place.

Recruitment costs slashed

(295)

S/Times (Business) 26/4/92

By ZILLA EFRAT

ADCORP Holdings, which is involved in personnel, communications and market research, has launched a recruitment response handling franchise concept.

Chairman John Barry says Adcorp's response handling operation has made inroads into the personnel consultancy market. This is because it reduces the cost of recruiting medium-to-senior staff members by up to 50%.

Franchisees for the Admark Response Handling (ARH) service are sought in the Transvaal. The network will be expanded nationally to between 20 and 25 franchisees and could go international.

Time

Mr Barry says the ARH operation provides both a time and cost-effective alternative to companies needing speedy recruitment of high-quality employees.

Human resource departments are spending more time on industrial relations issues, leaving less time available for handling job applicants.

Manpower consultants have stepped in to assist them, but their charges are based on a standard percentage of annual package and are often queried.

Mr Barry says more than 65% of appointments handled by consultants can be effectively dealt with by telephone if trained evaluators are used.

The ARH scheme ensures that responses are made to a specific advertisement, placed in the most effective medium, instead of being taken from computer storage files as is often the case when dealing with consultants.

With Adcorp's computer programme, applicants who do not meet the job specifications can be eliminated at an early stage.

A folder containing the CVs of the most suitable applicants, all in identical format and in order of priority, is handed to the customer within a week. Interviews are arranged on the employer's behalf.

The ARH system, which is confidential, has had a high success rate in placements in its five years of existence.

Franchisees should be human resource experts with marketing skills and entrepreneurial flair. They should be interested in starting their own regional response handling operation.

Minibuses inspanned to deliver parcels

B/Day 28/4/92 (295)

EDWARD WEST

A NEWLY formed parcel delivery company plans to co-opt minibus taxis for the delivery of parcels in Johannesburg's northern suburbs and Alexandra.

Web Parcel Services director Herman Potgieter said yesterday the company had launched a pilot delivery project.

It was using three minibus taxis for local deliveries in Johannesburg's northern suburbs and in Alexandra in combination with Transnet's PX service's for overnight delivery outside the region.

The plan to utilise idle taxis during off-peak periods between 9am and 5pm for parcel delivery on a hub-and-spoke system is two years old.

Potgieter said the scheme, which he hoped would expand nationally over the next nine months, could for example take over delivery of parcels of various companies more cheaply than their own local delivery services.

Agency finds jobs for older workers

(295)

S/Times [Cape Metro] 3/5/92

AN increasing number of companies and older employees are using the services of the Senior Citizens Employment agency of Cape Town.

The agency is being approached by older employees who are being retrenched because of the recession, and they are being matched with companies trying to find cost-efficient means of surviving in a harsh economic climate.

Businesses fighting a shrinking market share, increased and intense competition, budget cutbacks and uncertainty and change in the workplace are desperately looking for an answer to some of their problems.

They are finding it by employing older people on a temporary or permanent basis.

Senior Citizens Employment Agency says these people represent the best use of human resources because they are:

- Hands-on and value driven and get back to the basics of business with minimum training.
- Are less inclined to "job hop".
- Most likely to develop loyalty to their new employer.
- Not usually looking for the fast track up the corporate ladder.

"We have many older employees on our data base, from engineers and technicians to accountants and secretaries and from storemen to caretakers," says a Senior Citizens Employment Agency spokesperson.

The Cape Town branch manager of Senior Citizens Employment Agency, Deborah Leigh Kenny, says the agency is getting many applications from people aged 45 upwards.

"We are successful at placing several of them, but the trouble is that they get comments like 'We don't take anyone over the age of 45' or 'You don't have many years of work left in you'.

"Despite this, companies are increasingly on the lookout for older employees and we are pleased to say we have been able to help."

National campaigns 'can outpace global strategies'

B/Day 5/5/92 (295)

Reports by MARCIA KLEIN

MANY international advertising agencies considering establishing global marketing strategies could be ignoring the power of national advertising, says TBWA head Bill Tragos.

Tragos, in SA to visit associated company Hunt Lascaris TBWA and to address the Financial Mail advertising conference, said in an interview the advertising industry had been hurt by comments that its future lay in global marketing.

Although global strategies, using one campaign to sell one product in an international market, was easier for client and agency, this did not mean it was the best route to follow.

Advertising had to communicate the numbers and indications arising out of research and interpret them in a way that was meaningful, he said. SA advertising was a good example of advertising that had looked inward and become national following the sanctions era.

Tragos said TBWA, with 16 offices in 10 countries, was different in that it had no "headquarter country", while other agency groups were defined by the character of the nations they came from.

The agency's development over the years was largely the result of it not being dominated by one country.

TBWA was founded by four people from four different nations, so it was born international, he said. The four founder members also had different skills — including business, marketing, creative and account skills — and each had promoted his strengh.

Tragos said that in most of the countries in which it TBWA was represented, it had become the creative leader in its market. He spoke strongly against those marketers who said creative agencies did not take enough care of brand-building on their path to chasing awards.

He said advertising had to be memorable and charming, and creative advertising was the best way to build brands.

Good creative advertising was a dialogue between the advert and people, he said. Good advertising also did not need to be big budget, but rather the product of clients and agencies prepared to take risks.

Cape agencies in partnership

(295) B/Day 5/5/92

TWO major Cape-based below-the-line advertising companies have concluded a partnership agreement.

The deal, between Ogilvy and Mather Rightford Searll-Trip and Makin(O & M) and Concept Marketing, will see Concept Marketing absorb O & M's existing below-the-line agency, Promotional Campaigns (Cape), while O & M will have a shareholding in the new agency.

The two companies said the new agency would "offer an enhanced promotion service to O & M's clients under its new name, Concept/Promotional Campaigns". Current chairman, Martin Feinstein and MD Alan Radmall would remain in their positions.

The agency would be linked to 17 offices worldwide and will focus on consumer promotions, launches and sales promotion.

Feinstein said below-the-line advertising was growing rapidly, accounting for 60% of adspend overseas.

He said supermarkets, shopping centres and showrooms had turned into the battlefields of brand warfare, and strong promotion was a powerful weapon.

The new agency's client base includes Shell, Arlenco Toys and Games, Lion Match, Warner-Lambert, EMI and Willards.

Saatchi to link up Africa

REPRESENTATIVES from advertising agencies throughout Africa attended a Saatchi & Saatchi Klerck & Barrett conference last week with a view to an African network of ad agencies. (295)

Conference delegates said it was anticipated that this "miniature OAU" would herald an African network of Saatchi & Saatchi-associated agencies. About 12 agency groups in 18 countries have indicated they will be part of the network. B/Day 5/5/92

Delegates said it was likely the SA agency, which recently formed a partnership with Mozambique agency Intermark, would become the major player in the African network, forming the base agency in Africa.

A Kenyan representative said other African coutries would benefit in two ways. Firstly, from Saatchi & Saatchi Worldwide's multinational clients and from its reputation as a global agency, and secondly, from the major technological advances which would flow through from associations with the SA agency.

The benefits of an African network have already been felt. US company The Futures Group is marketing Protector Condoms in numerous African countries through the network. The condom ad, devised by Barker McCormack, Zimbabwe — which is also associated with Saatchi & Saatchi — is already being used in eight countries in Africa. The product will soon be promoted in a further two.

Nando's work

RED Nail advertising, formerly Initiative Johannesburg, has been awarded the prestige Nando's advertising account.

Nando's has won numerous creative advertising awards for its radio spots through its previous agency McCann-Erickson.

The account award follows soon after the recent award of the Times Media Limited advertising account to Red Nail. Red Nail was recently incorporated into the D'arcy Masius Benton & Bowles group.

Red Nail MD Jon Olsen said the agency would create local and international advertising for Nando's.

It would be responsible, too, for creating radio, TV, print and promotional advertising.

Debate rages on comparative ads

STAR 9/5/92. (295)

IS South Africa ready for comparative advertising? Leading figures in the advertising and marketing industry feel South Africa should join a world majority of countries that allow comparative advertising, but the issue has not yet been resolved.

Advertising agency chiefs and marketers debated the point hotly this week at the Financial Mail's "Welcome back to World Advertising" conference in Midrand.

Eighty-five percent of the 300 delegates, comprising the top echelon of the advertising and marketing industry, voted in favour of greater legal leeway for comparative advertising.

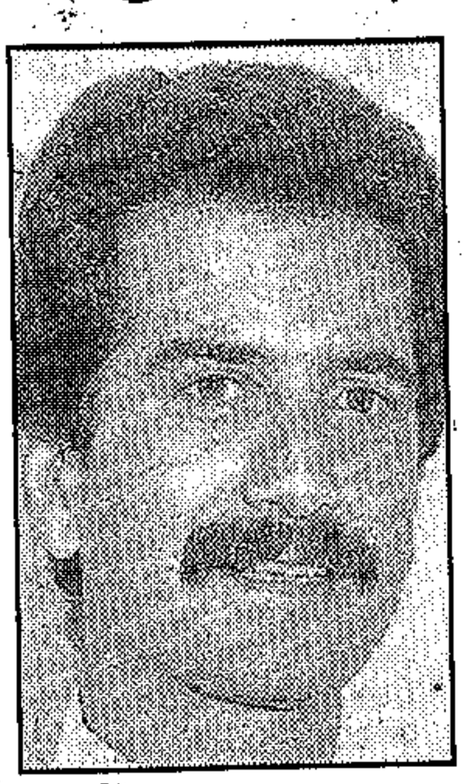
This backs up a questionnaire-based poll conducted by the Financial Mail among delegates before the conference.

Appropriate

The poll found 81 percent of advertising industry executives believed comparative advertising should be allowed as long as comparisons were fair and factual. Only 19 percent believed it "should not be allowed under any circumstances".

Paul Bannister of Hunt Lascaris TBWA said: "The debate really centres on one's right to choose to use comparative advertising when it is considered appropriate and when one accepts the risk."

Direct comparative advertising would permit "passing off" of one advertisement similar to that used by another marketer, naming of competing products and direct comparison of product attributes.



COMBATANTS: In the trenches of the comparative advertising battle are Reg Lascaris (left) and Derrick Dickens.

Those who favoured continued regulation by the Advertising Standards Authority (ASA), were clearly outnumbered.

Reg Lascaris, MD of Hunt Lascaris TBWA, summed up the general opinion.

"Comparative advertising is allowed in most European countries, the UK, US, Canada, most South American countries, Japan and South-East Asia. Where is it disallowed? Uruguay, some middle-Eastern countries, Russia and South Africa. Welcome back to world advertising? Get real."

But the pro-regulation camp remained militant and undaunted.

No action will be taken on the ballot by the ASA or the Association of Marketers (Asom), but Asom is surveying its members' attitudes on the issue. It does not expect the outcome will back up the view taken by the conference.

Leading the debate against comparative advertising was the chairman and chief executive of Lindsay-Smithers-FCB, John Sinclair. He dismissed the ballot as "irrelevant" and "undemocratic" throwing out its justification on the grounds that the audience over-represented young people in the industry who had no real experience or idea of the "disasters comparative advertising can produce".

Sinclair, whose agency produced Sasol's award-winning "little boy" ad said this illustrated that in dealing with a parity product like petrol, the comparative approach of simply pushing product benefits would have been a cop-out. Instead, the agency had to come up with a strong creative idea and had done so successfully.

The pro-regulation camp believes the ad industry's call for comparative advertising disregards some essentials of marketing, such as the need to target different consumers with different emotive appeal.

Executive director of Asom Derrick Dickens said because comparative ads devoted half of the adspend to denigrating other brands, they could not effectively create brand personality.

Reg Lascaris's argument outlined the pros and cons of comparative advertising, acknowledging that it tended to be a short-term strategy and that it did require honesty, creativity and genuine innovation and product benefit. It tended to work for David, but not Goliath, he added.

Ballot

One media owner represented at the conference responded with instinctive agreement. "Everyone wants it. Who are the big marketers to try to protect themselves against comparison? For the ASA not to act on a clear ballot decision from the cream of the industry is undemocratic. They are there to represent the industry."

But Dickens denied that market leaders were "Goliaths" hiding behind the protection of regulations preventing comparative advertising. If it really came to a showdown, the market leaders could kill the opposition in a matter of weeks, he said. Ultimately, the consumer was the best judge and would soon find in favour of market leaders because of genuinely superior product benefits. Saturday Star would welcome consumer comments.

Rennies' new arm

298

S/Times (Bus) 10/5/92

RENNIES Travel has launched African Travel Options for tourists.

Rennies Travel managing director Lilian Boyle says the company will have access to 2 000 affiliated Thomas Cook agents in 140 countries.

It will enable Rennies Travel to offer reciprocal service to all its foreign counterparts, built up over the past 20 years in its outbound business.

African Travel Options will operate in Johannesburg and Cape Town and will save foreign and SA travel agents from having to deal with different principals.

It will act as both a direct marketer of travel products and co-ordinator of many specialised packages.

The company will also set up a luxury coach operation.

Warning over tourism pirates

B/Day 11/5/92 (295)

LINDEN BIRNS

OVERSEAS travel companies and their customers were being taken for a ride by pirate tour operators, many of whom were unlicensed and unable to provide sufficient funds to cover passenger liability insurance and other necessities, the Southern Africa Tourism and Safari Association (Satsa) has warned.

Satsa executive director John Rothschild has urged overseas travel companies to be on their guard and only conduct business with reputable and accredited professional companies.

In an article in a recent edition of Southern Africa Tourism Update, Rothschild said the increase in tourism in SA had opened the door to pirate operators.

He said there were already "dozens" of pirate operators and new firms were entering the market at an alarming rate.

"This is a serious situation because these people are in for a quick buck and have no regard for providing a professional service to overseas clients," he said.

In most cases pirate operators did not have enought funds to comply with bonding requirements or passenger liability insurances.

Satsa members are compelled to adhere to strict financial requirements and subscribe to the Travel Agents' Board (TAB) fidelity fund. The fund is used to rescue tourists stranded by tour operators who have gone out of business or whose guarantees to cover accommodation and air fares are not honoured.

Rothschild said there were currently 127 registered professional tour operators in SA which were able to meet the required international standards.

Marvol to get 51% of Concorde

DUMA GQUBULE

MARVOL Holdings SA, the Luxembourg-based trading group, is to acquire a 51% controlling stake in Concorde Travel Holdings (Concorde).

Concorde is SA's only directly listed travel group.

295

Its controlling shareholders, who include certain directors of the company, holding around 85% of the issued share capital, have undertaken to accept the offer.

B/Day 12/5/92.

However, the offer is still subject to approval by the Securities Regulation Panel.

In a deal valued at about R2,4m, Marvol will offer 33c for each Concorde share.

Trading in the shares was suspended yesterday at a price of 35c.

Concorde MD Allan Lunz said the investment by Marvol represented a vote of confidence in Concorde, tourism to and from SA, and the country's future.

Lunz said the deal would dramatically broaden Concorde's scope to increase international tourism to SA and establish a worldwide network which Concorde would offer its local clients.

Marvol is the holding company of a multinational trading group involved in international trade, mining, tourism, industrial manufacturing and publishing, with existing interests in SA.

It has particular strength in trading activities involving Russia and Eastern Europe.

Concorde has been a pioneer in SA business travel.

Flexibility 'the key' to ad agencies' survival

B/Day 12/5/92 (295)

Reports by MARCIA KLEIN

AGENCIES which tailor their service to their clients' needs will be the survivors of the '90s, according to Sun International marketing director Ernie Joubert.

Speaking at the Financial Mail's Welcome back to World Advertising conference in Johannesburg last week, he said the advertising industry was at a crossroads and was facing serious challenges.

Although the advertising sector previously rode the crest of the wave, now clients and the industry were complaining about each other.

Joubert said clients were complaining that they had no contact with senior partners at agencies, that there were too many staff changes, that agencies were arrogant and major financial negotiations were left to juniors. In addition, clients claimed agencies did not control production costs and cared only about awards and not about the sales result.

Some new trends have also emerged which would affect agencies, Joubert said. There was pressure to replace the fixed commission system with fee arrangements tailored to the client, there had been a growth in direct response marketing, and there was a movement away from the multi-discipline, full service agency towards more specialisation.

Clients have become more informed, more results orientated, more cost conscious and were no longer mesmerised by creative awards. "There is also less respect probably from both sides," he said.

Joubert advised agencies to tailor their products to their clients' needs. "Clients want commitment to the success of their business", which meant agencies had to care about the clients' business results, he said.

He advised agencies not to treat each product as if it were a fast moving consumer item and not to hide behind the fixed commission system but rather to negotiate a fee tailored to the needs of the client.

Joubert believed these changes would see agencies bringing the fun back into the business and would enable them to charge a premium for services and return the industry to decent levels of profitability.

Use of temporary staff on the rise

(295) B/Day 13/5/92 (335)

MICK ELLINGHAM

COMMERCE and industry is turning to temporary employees in a bid to ride out the recession.

Personnel placement practitioners have reported an increase in temporary placements this year, with many employers seeing "temping" as the best way of dealing with recessionary conditions.

By hiring temporary staff, companies do not need to spend money on employee benefits such as pensions, medical aid and retrenchment packages. They are less vulnerable to strikes and labour unrest as temporary workers are not unionised to the same extent as permanent workers, according to industry sources.

Grev's Personnel spokesman Ashlyn Amichan said many companies used temporary workers ranging from secretarial to professional staff as they could afford full-time staff.

"Temps are also hired to assist when the company's workload is thinly spread among too few permanent employees," said Amichan.

Drake spokesman Leezil Voudouris agreed that the industry had seen a significant rise in temping.

She said employers were less willing to train staff on the job, prompting Drake to mount a career development programme for school leavers earlier this year.

Professional Assignments Group (PAG) chairman Syd Catton said temping was a rapidly growing phenomenon which was in the interests of both employer and employee.

Temping was a worldwide trend, he said, allowing staff to contract out their skills and rise more quickly in their field of specialisation than if they worked for a single company.

He gave examples such as engineering contract workers and computer personnel who might lose their technological edge if the company they worked for failed to upgrade its equipment.

"Companies can work at the highest level of efficiency by retaining a core of permanent employees and hiring temporary staff as needed," said Catton.

Association of Personnel Services Organisation president John Dawkins said many companies preferred to hire temporary staff as they were adopting a wait and see attitude to staff recruitment until the hoped-for economic upturn occurred.

Dawkins, who is also Kelly Personnel MD, said: "the first ripples of increased employment are beginning to be evident with the personnel industry feeling growing optimism about the future".

The biggest development in the future of temporary employment would be "outsourcing" where companies contracted out entire departments — such as typing pools or accounting departments — to employment agencies. "The skills shortage which SA may face once the economy recovers will best be addressed by outsourcing," he said.

FM 15/5/92 (295)

ADVERTISING CONFERENCE

In the mainstream again

When more than 80% of the 330 delegates to the *FM*'s international advertising conference last week raised their hands in favour of comparative advertising, they signalled emphatically that SA cannot remain in isolation from world trends even if it wants to do so.

This was reinforced throughout the two days, during which a panel of speakers, including some of the world's leading spokesmen for the industry, spelled out what is happening in world advertising.

It was overwhelmingly clear that, despite this country's isolation for the past decade, virtually all the major international trends have made their appearance here.

Client dissatisfaction with agencies, ethical issues, remuneration patterns, attempts to restrict and regulate advertising of, for example, tobacco and liquor, and, of course, comparative advertising are as much issues here as in Europe or America.

Bungey ... *looking for logic*

The debate over comparative advertising was one of the liveliest sessions. Hunt Lascaris MD Reg Lascaris (in favour) jousted with Lindsay Smithers chairman John Sinclair (against). The issue revolves essentially around whether advertisers should be allowed to knock competing products by name, as they do in many other countries.

Sinclair argued that this would open the door to misleading and unfair advertising which would put unsophisticated black consumers in particular at risk. Lascaris responded that the ban was a restraint on freedom of commercial speech which is made absurd by the fact that it does not apply to editorial writers. A motoring writer may compare one car adversely with another, but if the same editorial page is reproduced as an ad, as happened in SA recently, it gets banned by the Advertising Standards Authority.

The audience voted overwhelmingly by a show of hands in favour of allowing comparative advertising, subject to comparisons being substantiated, relevant and not misleading.

John O'Toole, president of the American Association of Advertising Agencies, who warned of "eight mistakes SA advertising doesn't have to make," declined to nominate comparative advertising as one of them. In a brief postscript to the debate, O'Toole said the real need was for controls over misleading and untruthful advertising.

Among mistakes he warned against were:

- Agencies should not abandon the field of activity characterised as "below the line" — sales promotion, direct marketing, product public relations and the like. Clients, O'Toole says, are no longer asking for the availability of all these marketing activities from a single source, but for integration of media advertising and the other activities into a "seamless, synergistic consumer campaign";
- Don't stop selling advertising. As a result of this failure, "there is a generation of leadership in many American companies that does not place the same value on advertising as its predecessors did," says O'Toole; and
- Don't allow TV to become less effective through advertising clutter. US channels devote 13-15 minutes of each hour to commercials — up 20% in a year. In addition, commercials are shorter. Instead of the 60-second standard, 15-second spots are common and, as a result, the impact has fallen. Five minutes after watching a commercial break, American viewers can identify only 7% of the commercials they saw. The figure used to be 18%.

Much of what O'Toole says is wrapped up in the pervasive problem facing ad agencies around the world: deteriorating relationships with clients. It took a client, Michael Sommers, to put this in perspective. Sommers, who is marketing and premises director of TSB Bank in the UK and a former marketing director of Woolworths Plc, was possibly the most provocative of the speakers at the conference.

Sommers, Blackett ... *radical changes in the advertising marketplace*

"Clients pay for things they can't do as well themselves," he said. "There's nothing worse than listening to an agency venturing over-confidently outside its specialist area."

On the other hand, says Sommers, their specialist area is shrinking. The underlying trend is to reduce expenditure on traditional advertising methods. A sustained reduction in real adspend and the growth of sponsorship "must mean that billings-based remuneration will be dealt a mortal blow." Simply put, the commission system will continue to be eroded. This, in turn, means there will have to be fewer agencies.

"But, whatever happens to their adspend over the next decade, clients will still need a lot of advice. In this environment, marketing consultancies might flourish as never before, unless ad agencies do something about that.

"Or will ad agencies go back upstream to fill the void left by their depopulated clients and get into a fuller marketing consultancy role? This is my preferred solution. They should cease to be advertising agencies as such and become marketing agencies, communication and consumer agencies."

To make this credible, commission will have to disappear. Sommers asserted: "As long as advertising volume has any impact on income, or as long as a certain choice of medium can lead to more efficient money-making, clients will not be convinced of any agency's dispassionate appraisal."

Sommers was speaking from a European perspective, where agencies are battling to find their feet in a confusing new world as regulatory pressures seem to be growing.

Brussels, said Michael Bungey, chairman of BSB Europe, appears to function as "the world's greatest bureaucracy.

"There is also no logic in the legislature. The EC is set to ban tobacco advertising, while they simultaneously sanction the payment of farming subsidies to tobacco growers. Clients and agencies are now lobbying hard to protect the freedom to do business."

The marketing environment has changed in another radical way. Tom Blackett, deputy chairman of the brand research organisa-

tion, Interbrand, observed: "Markets now belong to the consumer. Successful businesses operating in competitive markets have moved from the 'we sell what we can make' mentality to 'we make what we can sell.'"

The result, said Blackett, is a shift from product to brand marketing. Internationalism plays an increasingly important role. "As the world continues to shrink," Blackett said, "the number of international brands is bound to increase."

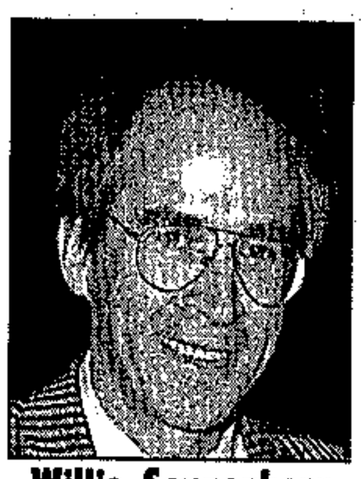
This poses new challenges for SA as it seeks to re-establish its credentials in world markets. But it need not feel a sense of inferiority. Blackett believes SA has the potential to develop powerful brands on the back of its changing economic and political status and also to sell "SA the brand."

On this score, he concluded: "It is not too far-fetched to think of a country as a brand. SA has a potentially dynamic mix, capable, if the ingredients can be balanced, of producing a brand of enduring strength and value."

Tony Koenderman

FM ADVERTISING AWARDS

Individual and advertising agency achievements were recognised when the annual supplement, *Advertising Focus 1992*, was launched at the *Financial Mail's* advertising conference last week. Editor Nigel Bruce presented the awards.



Willie Sonnenberg

Hunt Lascaris TBWA was named as Ad Agency of the Year for combining a year of outstanding income growth, creative achievement and managerial flair.

The agency's income rose by 96%, lifting it from 11th to sixth on the agency table.

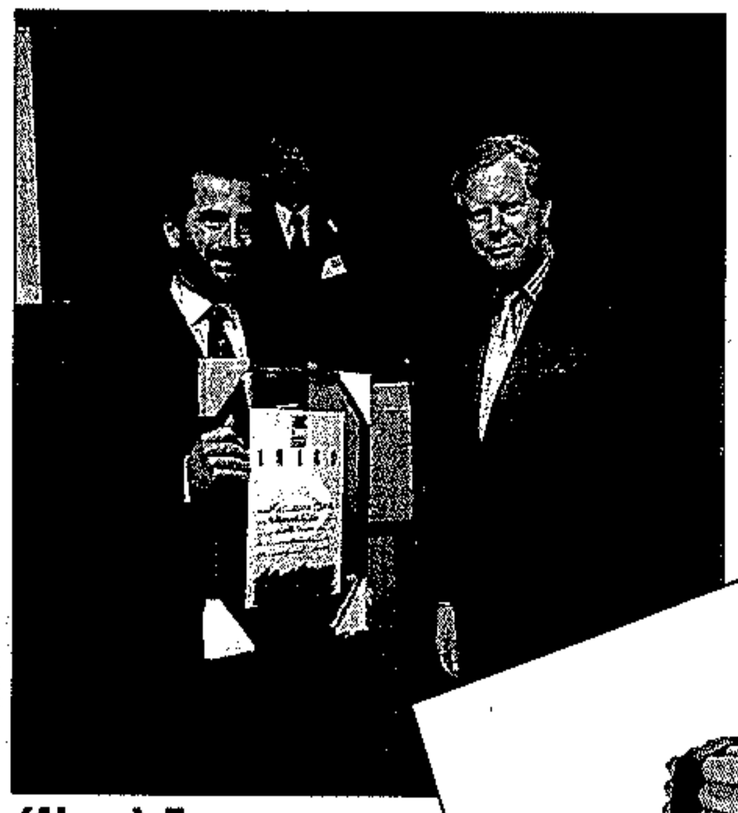
The Agency of the Year in the R25m-R90m billings category was The White House, while the winner in the under R25m category was The Jupiter Drawing Room. Klatzko & Waldron was selected as the Emerging Agency of the Year.

The Advertising Achiever of the Year, for personal accomplishment, was Willie Sonnenberg, chairman of D'Arcy Masius Benton & Bowles.

M-Net was chosen as Advertiser of the Year.

The Backpat Award, given for the best ad in the supplement by an agency for itself, was won by Bernstein Loxton Golding & Klein. The winner in the media category was Rent-a-Sign. Runners-up were Lindsay Smithers FCB and the *Sowetan* ad produced by Herdbuoys.

Emerging ... *Dawn Klatzko, Rob Waldron with Bruce*

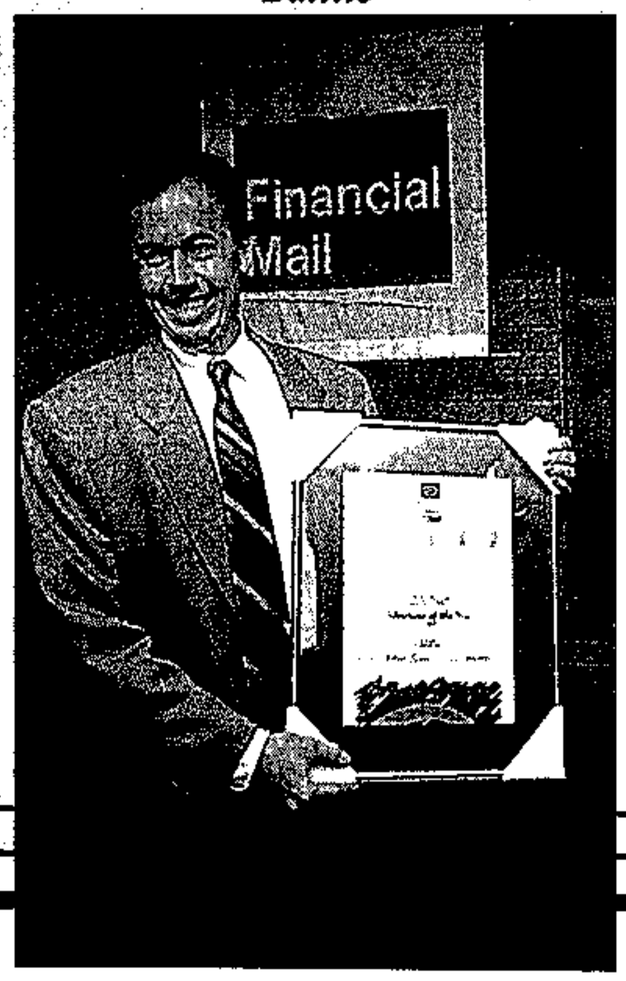


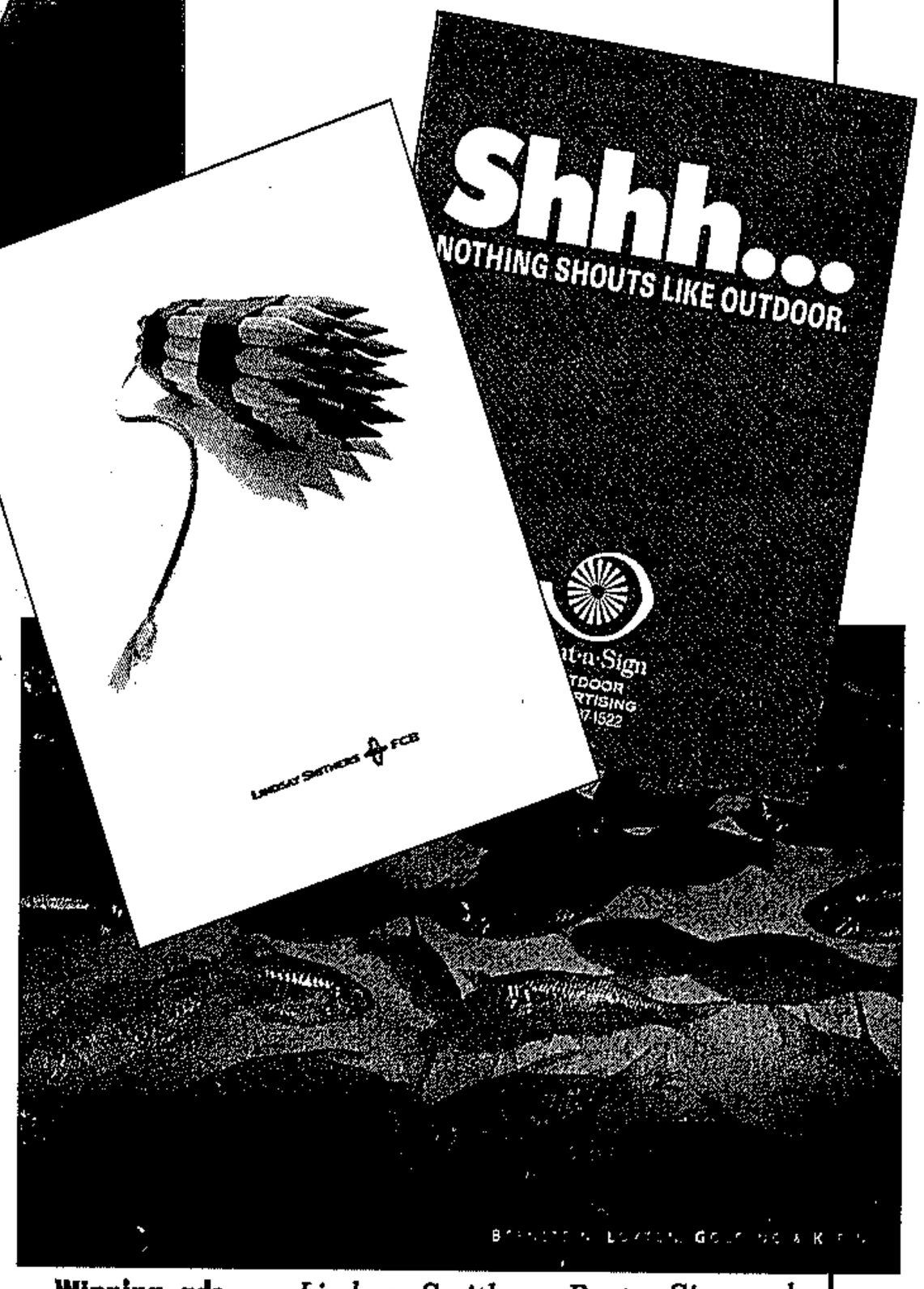
(Above) Top agency ... *Reg Lascaris with FM's Nigel Bruce*

(Left) Small ... *Jupiter's Graham Warsop, Renee Silverstone and Bruce*

Mid-size ... *White House's Gary Leih*

Best advertiser ... *M-Net's Ken Baillie*





Winning ads ... *Lindsay Smithers, Rent-a-Sign and BLGK*

Servgro is on course for JSE

(295) MARCIA KLEIN

SERVGRO International (Servgro), the renamed Federale Volksbeleggings (Fedvolks) services division, has upped its attributable profit 25% to R39,3m in the year to end-March.

The services group, which has interests in Teljoy, Interleisure, Avis, Price Forbes, Interpark and Fedics, intends to list on the JSE in the second half of this year.

Fedvolks recently disposed of Fedfood and SA Druggists to Malbak, and its motor components division was to be sold to Murray & Roberts as part of a major reshuffle in Sankorp, of which Fedvolks is a wholly owned subsidiary. B/Day 26/5/92

Executive chairman Peet van der Walt said the results were gratifying, and trading conditions had become more difficult in the second six months.

Results for the year show that turnover rose 12% to R810,9m and operating income was 22% up at R99,9m.

After Servgro paid R13,3m interest and R34,2m tax, profit after tax was 26% up at R52,4m from R41,5m in the previous year.

Van der Walt said additions and increases in the group's investment portfolio had taken place after year-end, and "these and other details will be disclosed in the prospectus".

Previously Van der Walt had said the group hoped to list in the beverages, hotels and leisure sector of the JSE as more than 50% of its income was generated in the leisure field.

Servgro buys 22% of Nasionale Pers

(295) JONO WATERS

SERVGRO, the services arm of Sankorp, has purchased 22% of Nasionale Pers from the Federale Pension Fund and Sanlam in a tidying-up operation within the Sanlam group.

The amount paid in this intra-house deal was not disclosed, but the sum is thought to be in the region of R72m.

Naspers, which has interests in magazines, newspapers and M-Net, is unlisted and shares trade sporadically on a tender basis with the latest price being quoted at R30.

Naspers profits stood at R45m in the year to end March 1991 and for the six months to September 1991 they rose 51% to R20,7m over the same period in 1990. B/Day 1/6/92

Servgro chairman Peet van der Walt said the investment in Naspers would blend neatly with Servgro's interests which included Interleisure, Teljoy, Avis, Interpark, Fedics and Price Forbes.

Leisure-related services account for 66% of the group's income.

Servgro is to obtain a JSE listing after its holding company Fedservices issues 25% of its 100% stake in Servgro to the public.

The price at which Servgro is to be issued has not yet been decided. The Rand Merchant Bank valued Servgro at R687m without Naspers.

Servgro increased its attributable profit by a quarter to R39m in the year to end March 1992.

Packing market is no longer boxed in

NEW methods of packing goods for road transportation reduce damage and costs.

Correct packing is essential in the road haulage process, especially with spiralling transportation costs.

Well packaged goods could reduce transport costs by utilising space to the maximum.

Years ago, when labour was cheap, transport companies expected their client to either do the packing themselves or have it done by a third party.

But now the market has tightened due to increased costs, says freight broking company Transport Linking Services (TLS) MD Jeff van Wyk.

Instead, companies tend to rob production lines to fill crates by using artisans, who seldom know how to pack properly.

TLS's latest innovation is "instant crating", which is cut-to-size before delivery to a client's premises.

TLS specialists go to the client's premises and measure the goods to be packed. Then they return to the TLS plant where they build the crates and containers suited to the goods.

The system is "quick, clean and efficient".

Van Wyk says packing at a client's premises has several advantages:

- The client can see what is going on;
- It allows the transport company to get closer to the client; and
- It reduces the amount of handling and thus the chances of damage. Handling costs are also lessened.

"Efficient packaging is essential, particularly for mixed loads being transported across borders where road conditions are often appalling," he says.

Good risk management will reduce road deaths

BETTER physical risk management would help reduce SA's road death rate, say transport consultants.

Perturbed about executive managements' lack of concern, Corporate Risk Management (CRM) motor fleet consultant Allan Harvey says insufficient commitment is given to effective motor fleet risk management programmes.

"It's time management, particularly in the road haulage industry, took positive and responsible action to reduce its contribution to these unacceptable statistics," he says.

Tolcon CE Ron McLennan says only 15% of traffic on the N1 and N3 toll roads is commercial, yet heavy vehicles account for 25% of collisions, with 12% involving buses or minibuses.

He says three-quarters of such accidents involve stationary vehicles, while blow-outs and negligence are the other main causes.

SA loses R16m a day in commercial and passenger vehicle accidents, including 200 fatalities per 100 000 vehicles each year.

Harvey says fleet operators are not carrying out effective risk management simply by paying insurance premiums and running a bank fleet management programme.

"What is urgently required is physical risk management, especially as vehicle losses have overtaken fire as the largest loss peril to which business is currently exposed."

Education

Noting that in some instances insurers have declined to cover high risk fleets, he says there are no short cuts to motor risk management.

"But fleet operators can effectively manage the risk aspect of their portfolios, and this starts with management education."

In suggesting some guidelines, Harvey starts with company policy.

His research shows that a company mission statement is rarely understood by the driver, thus they should be assured they are an integral part of that organisation and that the company cares about their welfare.

Next, management should maintain a comprehensive, user-friendly, PC-based database as a regular part of its business practice.

The database should comprise all vehicle accident/incident details, maintenance records, driver and vehicle details — all contributing to a meaningful analysis of such records aimed at determining causes of losses.

Getting to the heart of the problem quickly is essential to reduce further losses. Regular analysis using a detailed process of elimination of reveals interest trends.

He says a management commitment to dynamic driver education programmes is vital.

Here one must ask how long has it been since the training programme was updated, and the instructors re-trained.

"In addition, do drivers know what commodities they are carrying and the relevant precautions to be taken in an emergency? Are they receiving regular health checks and does the company have AIDS education programmes?"

He says not enough risk control is carried out by management.

Hence, greater vigilance is needed to prevent vehicle malfunctions that contribute to the high accident rate such as the absence of brake lights, chevrons and indicators.

Reporting

"The public can play a role by reporting transgressions of this nature before they result in fatalities."

Harvey says the attitude of fleet management is often reflected in the fact that it is cheaper and more convenient to take the chance of being fined for an unroadworthy vehicle than to keep it properly maintained, or lose business due to vehicle downtime.

These are just a few of the suggestions he has to ensure better fleet management and usage.

A cheaper alternative to be looked at

MANAGERS still reviewing their fleet management options should look hard at full maintenance leasing (FML), which offers a number of advantages.

FML continues to become more popular, particularly for certain types of companies.

FML is offered in several guises — through specialist companies, vehicle dealerships and motor manufacturers — as well as different finance options.

In its short history in SA its initial promotion tended to have been based on its growing popularity in the US and Europe.

But it has already proved to be a cheaper alternative to companies running their own fleets.

The bottom line counts and the word is spreading.

Many reasons are now advanced in favour of FML, but a few from Toyota Marketing Finance director Neville Frost and Prime Car Leasing MD Nigel Webb may suffice.

Secured

Frost — instrumental in setting up Toyota Lease, which operates in the same way as other independent FML companies — says its future is secured by continued disinvestment, due to political uncertainty, and takeovers.

These issues tend to discourage capital investment in transportation.

"I believe FML is both a good and a bad time product," says Frost.

When times are good the businessman who switches to FML is able to keep his capital to develop his business. In bad times it can be a major saving grace since no capital is tied up in vehicles.

"This means company motoring costs can be taken off balance sheet, resulting in better asset-profit ratios and lower on-balance sheet investment for offshore companies," he says.

Webb says FML also allows companies to focus on their core business, without going to the time, trouble and expense of running a transport operation as well.

Professionals and smaller businesses can take the same view, but this will be on a more modest scale, he says.

NEVILLE FROST

"They can subtract transport hassles from their operations, monitor costs, improve their forecasting and record-keeping and optimise productive time by going for this comprehensive type of leasing product."

Few know their rights when it comes to car allowances

MANY recipients of car allowances are not fully aware of their rights in terms of the tax regulations, says Stannic assistant GM (commercial operations) Allen Pentz.

They should know that there are a number of ways in which to calculate their deductions against car allowances received and that different finance options result in different tax deductions.

He says travelling expenses may be claimed according to one of the following methods:

- Actual business kilometres, divided by the total kilometres for the tax year, multiplied by actual costs;
- Actual business kilometres multiplied by the kilometre rate;
- Total kilometres not exceeding 32 000km less 12 000km, multiplied by the kilometre rate; and
- Total kilometres not exceeding 32 000km, less 12 000km, divided by total kilometres not exceeding 32 000km, multiplied by actual costs.

The first two methods may be used only if accurate records have been kept and a copy must accompany the tax return.

Methods 2, 3 and 4 may be used only if the individual receives a travelling allowance.

Moreover, one does not have to adopt the same formula each year.

Pentz says deductions allowable depend on the types of car purchase financing options used.

An annual wear and tear reducing balance deduction can be claimed only on instalment sale and cash purchase, while finance charges are deductible only on instalment sales.

Rentals and lease deductions apply to leasing, full maintenance leasing and rentals agreements, he says.

Prime Car Leasing MD Nigel Webb says perks tax comparisons show it is better to run a company car than receive a car allowance, particularly as 25% of the allowance attracts PAYE up front on a monthly basis.

In addition, the Receiver has put a cap on business travel of 20 000km and raised private use from 10 000km to 12 000km — unless it can be proved otherwise by accurate records.

Webb says one should know how to fill in tax claims correctly as vehicle running costs are high.

Business Day

SURVEY

Full maintenance leasing looks like being the only growth area in the motor industry this year. Figures for 1991 show year-on-year car retail sales dropped 11,2% and light commercial sales were down 6,7%. In comparison the FML industry fleet grew 15% last year and looks set to have a major influence on new vehicle sales. ***LYNN CARLISLE*** *reports.*

The Isuzu F8000D turbo is ideal for the fleet commercial market.

MBSA expects upturn in commercial sales

HAVING stretched the lives of their fleets to the limit, more operators now find they have to replace some of the older trucks.

As a result Mercedes-Benz SA (MBSA) forecasts vehicle manufacturers will report an upturn in commercial vehicle sales this year.

MBSA management board member responsible for commercial vehicles Adolf Moosbauer believes industry sales of commercials over 5-ton GVM could increase by 8%-10% this year.

This improvement will not, however, reflect the complete upturn hoped for in the commercial vehicle market in 1992.

Because many transport operators have kept their vehicles for too long, this has also created greater growth potential for the remanufacturing industry.

In this scenario, MBSA expects to benefit with its new M-units range of remanufactured products in the commercial rebuild market.

These are intended, firstly, for cases of "wear and tear" of commercial vehicle aggregates and, secondly, for the commercial rebuild market, he says.

"The advantage of M-units products is that transport operators save on downtime due to the system of immediate exchange."

Although M-units cost about 45% of the new equivalent, customers receive a remanufactured component which is guaranteed by Mercedes-Benz to the same extent as a new unit.

With regard to commercial vehicle prices, MBSA expects increases to be below the rate of inflation, or about 12%.

"That is provided no unforeseen occurrences take place, such as a negative trend in the exchange rate," says Moosbauer.

Delta sets sights on bigger slice

DELTA Motor Corporation has set its sights on gaining a larger share of the fleet market.

Sales and marketing director Willie van Wyk says the implications are far reaching.

"For Delta and for nearly 200 dealers it means consolidating our strengths and addressing our weaknesses.

"From a product point of view, it means re-evaluation of positioning and the re-alignment of current vehicle line-up to meet the expectations of the fleet-owner."

For example, he says where excitement and driveability may be highly visible characteristics of a vehicle, Delta will reinforce aspects such as cost of ownership, affordability, reliability, durability and fuel efficiency to enhance the appeal of the vehicle to fleet operators.

"In addition, product pricing and specification will be brought under scrutiny and adjusted to meet fleet requirements."

Van Wyk says Delta last month introduced Isuzu Truck Rental as a new challenger in truck leasing.

This is a joint-venture between Delta and Nedfin's Fleetrent Holdings and Isuzu Truck Rental is primarily a full maintenance leasing (FML) company.

Its first objective is to provide a total, "loyal" one-stop FML capability to Delta's dealers which service customers requiring a factory-backed truck leasing alternative.

Avoid cannibalism, managers urged

FLEET managers should repair idle trucks rather than cannibalise them.

While cannibalising trucks standing idle due to lack of demand can save money in the short term, it carries significant dangers.

Truck reconditioners Schudel Swiss Engineering warns against the practise because when the upturn comes and trucks are needed in a hurry they are no longer roadworthy.

MD Rolf Schudel says it is easy to cannibalise a vehicle for a small or inexpensive part. However, when it is needed it takes time to get the necessary repairs done.

If repaired in a hurry, it can become costly and mistakes can occur because of the time pressure for a quick repair.

He advises fleet managers to embark on a professionally planned programme of reconditioning to keep trucks in peak condition to deal with any eventuality.

"I am not suggesting companies should embark on full reconditioning programmes in a recession, but certainly by properly planning such programmes they can ensure their vehicles are ready for all contingencies."

Schudel says an engine can be fully reconditioned for 40%-60% of the cost of a new unit, and then be expected to last as long as a new engine.

Growth could lead to new car market revival

FULL maintenance leasing could be the key to reviving SA's flagging new car market, says a leading fleet consultant.

Fleetlease Contracts MD David Owens says FML looks to be the only growth area in the motor industry this year.

Owens, a former SA Vehicle Rentals & Leasing Association chairman, says this in turn could help boost the economy this year.

"Apart from direct benefits to corporate and government agencies, FML releases massive amounts of cash into the industry — R230m in the case of Fleetlease Contracts last year."

Prime Car Leasing MD Nigel Webb says the latest year-on-year car retail sales dropped 11,2% and light commercial sales were down 6,7% in 1991.

However, the FML industry has maintained its growth in an otherwise shrinking market.

"With the FML industry fleet having grown 15% last year and a number of new entries in the industry in recent months which will enhance the market, FML is set to have a major influence on new vehicle sales," he says.

NIGEL WEBB

Owens believes FML will account for almost 15% of all new vehicle purchases, estimated by the motor industry to be below 200 000 this year.

"The R1bn-a-year industry has grown from 22 000 vehicles in 1989 to 33 000 and we believe this will increase to 50 000 within three years," he says.

He says that as with any growth sector, the FML industry has started to segment, with manufacturers and other new entrants jostling for business.

Owens says the manufacturer is motivated by the need to move his products but is confined to his own product range.

"New entrants may find themselves and their clients in trouble in two or three years time when inadequate capital reserves impact negatively on maintenance levels or short-sighted buy-back deals leave them cash strapped.

"Hence the established FML companies, geared as they are to fully assist the customer without any bias regarding finance or product, claim to have a clear-cut edge over competitors."

However, Webb points out that all that is happening is that the market is becoming more segmented.

"The independents, including Prime Car Leasing, are offering increasingly more sophisticated products that cater for the needs of larger fleets where dealers are concentrating on the larger companies.

"In our case, Prime's customers are picking out those elements of sophisticated packages that suit their needs and their fleets are being managed for them."

Local companies follow overseas trends

DAVID HYMAN

DEMAND for vehicle full maintenance leasing (FML) is growing as SA companies follow the trend overseas.

This trend is based on developments noted by SA's largest FML fleetowner, Avis Lease.

Port Elizabeth has now been added to the company's branch network, says Avis Lease MD David Hyman.

"SA is clearly following the trend in America and Europe where FML has outstripped all other forms of fleet financing, including hire purchase and straight financial leasing."

Reporting more inquiries for FML, he says demand for Avis's services has increased substantially and this should continue as the marketplace becomes more aware of FML.

For example, the recent acquisition of a parastatal fleet of nearly 500 vehicles, together with an FML contract, represents the largest commercialisation of a semi state-owned fleet.

Retrenchments and lowering staff levels have led to reductions in corporate fleets and a trend towards keeping cars longer and running them greater distances.

This is perhaps understandable as average prices for small and medium-size cars have increased 200% since end-1985 to end-1991.

In comparison, however, Avis's FML charges have increased 86% in that period.

Cautioning against inexperienced companies entering the FML industry, he says businessmen and fleet managers should take great care when choosing a leasing company.

"Sophisticated systems, proven expertise in vehicle management, knowledge of operational costs and skilled and experienced staff are but a few of the prerequisites of a successful FML operation."

Company car vs allowances	Price Excl value added tax	Price Incl value added tax
Corolla 1.6 GL 5-SPD	33 837	37 221
Jetta 1.6 CSL 5-SPD	37 191	40 910
Jetta 1.6 CSi EXEC	57 240	62 964
Cressida 3.0i Auto	78 667	86 534
Mercedes 200E Manual	113 685	125 054

Better tax benefits on company car

AX on the company car is lower an that payable by individuals ung a car allowance, says Avis Lse MD David Hyman.

omparisons by Avis Lease, SA largest fleet management company, show a difference in taxpayable of up to R3 400 in favr of company cars on a full maienance lease (FML).

Tales which compare taxes payale on five different models and rified by a leading auditing fin confirm that benefits linked o a company car far exceeds car allowance scheme (see tale).

This follows adjustments which hve removed what few benefits emained for those on allowancs: not requiring 25% of fringe beefits up-front tax on allowance to be paid via PAYE, and an incease in deemed personal milege from 10 000km to 12 000km a ear.

"Under te new perks tax scheme it ishow even more advantageous t have a fully maintained compay car rather than acquiring onefor oneself.

"Hence, theswing back to the company car nstead of the car allowance schene is already evident," says Hyman.

Changes in regulations affecting allowance sclemes are fairly far-ranging.

Personal cash low will be affected as PAYE is levied (on the perks tax) monthly, whereas it was previously accounted for only at tax year-end.

Private deemed usage has now gone up, but the deemed allowance for company usage is restricted to 20 000km a year.

In both cases accurate log books must be kept if these distances are to be disputed — less distance for private use and more for business use — in an income tax return.

Car allowances really grew out of need by employees for more disposable income and, from the employer's side, to get rid of all the hassles of company cars — at the same time releasing funds and management time which until then had been tied up in company transport.

However, car allowances became something of a tax avoidance scheme while, from the employer's side, few of the perceived benefits had in fact accrued, he said.

"In most cases employers have picked up more problems from going the car allowance route than they had with company cars.

"The irony is that if businesses had converted from owning cars to leasing them on an FML they would have removed all the contingent liabilities of the company cars from the balance sheet and would have got rid of the hassle factor as well, without incurring further problems."

A major problem for a company is the difficulty of working out what the allowance should be. Unless costings are extremely accurate, problems will occur, says Hyman.

Franchised dealers now offer one-stop package

FRANCHISED motor dealers are moving with the times by providing fleet users with an additional service in the form of a one-stop FML package.

An example is the Dan Perkins Toyota network in the Transvaal and Natal which uses the McCarthy Toyota group FML scheme that has a financial link-up with Wesbank, Bankfin and Stannic.

Dan Perkins fleet manager Des Jones says the service is tailored for clients wanting to control transport costs.

"Demand is increasing particularly in a business environment where prices of new vehicles, spare and repairs are escalating in excess of the inflation rate," she says.

Also available in the Transvaal through the Dan Perkins branches of Gervis Toyota, its FML scheme is ideally suited to the extensive Toyota range of vehicles, she says.

"We offer a choice of 60 models ranging from Corollas and executive sedans to light pickups, medium commercials and heavy Hino trucks."

McCarthy Toyota, SA 's largest Toyota dealer network with 28 outlets, is also represented by Olympic in Natal, Atkinsons in the Cape and Cartoria in northern Transvaal.

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BUSINESS DAY, Thursday, June 4 1992

New legislation may remove older vehicles

ROADWORTHY legislation due to be introduced in July could pressure fleetowners to take their older commercial vehicles out of service.

Many older trucks may fail to meet the stringent new requirements and may have to be kept off the road unless they are significantly upgraded, says Fleetrent Holdings CE Roy Webber.

The new provisions are to be incorporated in the all-embracing Road Transport Quality Services (RTQS) — a package of regulations being systematically formulated to cover national minimum driver, fleet operator and vehicle standards.

With pressure already mounting for delivery services, some ancillary transport users will thus find it more difficult to get their goods to markets on time.

Ancillary users, who account for about 70% of delivery vehicles, are experiencing delays amid mounting problems with ageing fleets — which are owned mainly by the numerous smaller transport operations.

"With the average estimated age of the national fleet now 10,4 years, many such vehicles will be unable to meet the stricter certificate of fitness (CoF) requirements from July."

CoF must be obtained every six months, but the frequency is expected to be extended to once a year.

Webber says many ageing commercial vehicles are in a poor state of repair and stand to be withdrawn from public service, particularly as their smaller operators seem unable to afford upgrading costs.

Moreover, due to the tough economic conditions, such operators are believed to be unable to raise sufficient capital to replace them with the same number of new units.

Webber thus foresees rising demand for the reliable services of both full maintenance leasing (FML) transport companies and specialist third party distributors.

Webber, who also heads Nissan Truck Rental, Fleetrent FML, Viamax Rent Plan and Fleetrent Contracts Division — with a combined fleet of 4 346 commercial vehicles — says many FML companies have been extending into third party distribution transport services.

Meanwhile, cost increases and breakdown problems also arise when fleet operators keep trucks too long, studies have shown.

Optimum replacement times and distances travelled are clearly defined after research by Mercedes-Benz SA dealership Mercurius Motors.

With transportation running costs having soared in recent years, operating at optimum has become a matter of survival.

Mercurius Motors reports operating costs and vehicle use must be monitored to get optimum performance data and establish economic life cycles.

This will help to maintain an economical tariff, improve use and maintain reliability.

Crucial for success is correct commercial vehicle selection, proper maintenance and accurate costing.

Monitoring has to be done throughout the vehicle's economical and technical lifecycle in order to realise a viable operation for the operator.

This is important as the older a vehicle becomes, the greater its operating costs and downtime possibilities.

Simba manager wins award for excellence

SIMBA regional transport manager Scotty Robertson has won the 1992 Castrol/Road Freight Association Maintenance Management Award.

The award recognises companies in the road transport industry which excel in innovation and excellence in fleet management.

Robertson is responsible for optimising the efficiency of operating the Simba Group fleets in the Transvaal and OFS.

Castrol industrial marketing manager Kevin le Roux says Robertson's competence and fleet management experience made him a natural choice.

"We looked at the special techniques he had developed for servicing such a widely dispersed fleet, operating 16 branches within the Transvaal and Free State," says Le Roux.

Robertson says distributing millions of packets of snack food a month to thousands of outlets demands a special approach to transport.

"Besides the logistical problems associated with this distribution, its tremendous bulk also presents a unique transportation problem.

"In an operation where heavy vehicles cover less than 20 000km a year, fixed costs become a critical element in the transport equation.

"These are just a few of the unique problems associated with operating the group's's fleet economically."

He says high running costs have been lowered substantially by reducing the age of the fleet.

He says from past experience they have been able to develop a servicing programme aimed at getting the maximum service from each vehicle component.

Deregulation opens door to opportunity

DEREGULATION and anticipation of commercialisation of government and semi-government organisations are opening up new markets for the fleet management industry.

Stannic assistant GM (commercial operations) Allen Pentz says most of these organisations maintain their own fleets.

"But I believe as commercialisation accelerates and they become more cost conscious they will realise the advantages of using the services of a professional fleet management company."

Fleetlease Contracts marketing director Arthur Mutlow says FML offers savings and efficiencies and is in keeping with the policy of rationalisation and privatisation.

Pentz says the current fleet management car market for passenger cars is close to saturation and the four major players, Stannic, First National Bank, Volkskas and Nedbank, compete keenly.

"Most of the large companies are already using one or the other of the fleet management systems so we are always looking for new markets."

One area being targeted is the professional freight carrier market, which is under-penetrated.

Current fleet market studies reveal many of the larger commercial fleets need bank-operated fleet management systems to produce and deliver data for fast decision making.

They are also concerned about the inability of many fleet management systems to provide concise, specialist high-level management reporting in totally flexible formats. Most reports are in a fixed format.

"Stannic's Fleet Management System Offline Link is a first in the industry."

Pentz says another service offered is to base staff at the customer's premises to control all aspects of his fleet.

Careful driving improves profits

CARELESS driving could be curbed and profits improved through the correct use of tachographs.

The key to operational efficiency and profit for any transport organisation is the driver, says Control Instruments analysis manager Phil Clarke.

"The most cost-effective way to keep the driver in check and ensure vehicles run profitably is by making proper use of a tachograph and a back-up chart analysis and management reporting system."

Lifebelt

However, even though the correct use of tachographs can be the economic lifebelt for most fleet operators, too many tachograph owners do not use its easily obtainable data to best effect, he says.

"There are five aspects of truck-driving that heavily influence running costs and fleet profitability.

"All five — speed, driving methods, torque usage, gear-changing and engine idling — can be accurately monitored and recorded on a tachograph."

Driving in the fast lane is more costly than most realise. A truck that travels 100 000km a year and is carefully driven at a top speed of 80km/h is considerably more profitable than one driven at 100km/h.

It is significant that the overall earnings of a truck are eaten up by depreciation, interest and insurance totalling 45%, at least 16% more on maintenance and tyres, while the fuel bill costs another 26% of total costs. This leaves 13% for overheads and profit, says Clarke.

Rises

"However, if the same truck travels at a top speed of 100km/h, the fuel bill alone rises by at least 15%.

"At speeds higher than 100km/h all of the above costs escalate enormously, to the point where the fleet operator could be looking at profit margins of about 1% — even though his truck has completed more trips."

Chances are, says Clarke, the driver who goes fast for four hours will save only about 15 minutes in journey time anyway.

When in motion, smooth gear changing, avoiding harsh braking and disciplined driving are essential behaviour.

It is more fuel and engine efficient to let the truck torque its way up a hill at low revs rather than making a cavalry charge, particularly as torque in a modern diesel engine peaks at relatively low revs.

Sequence

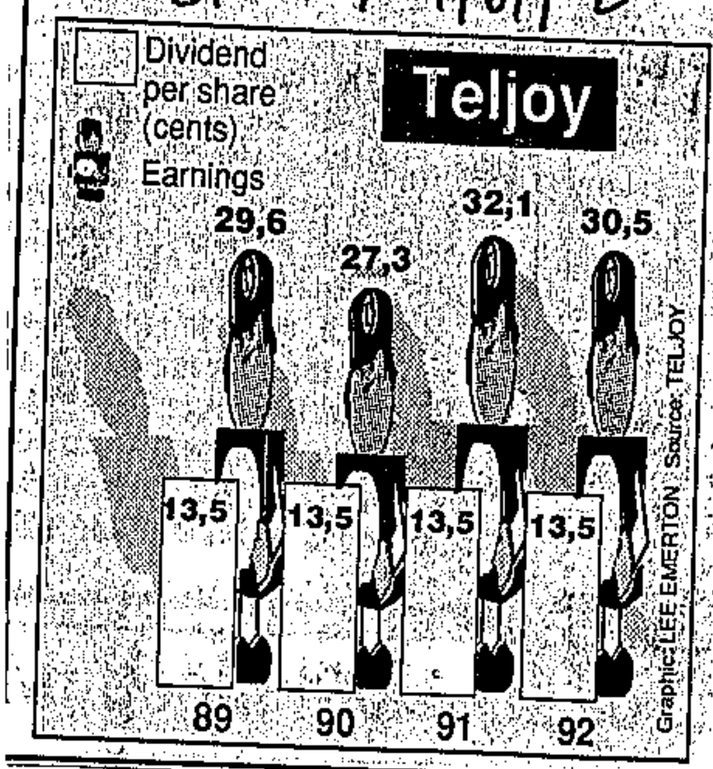
With the older type of engines it was common practice to employ a gear change sequence that took engine revs right up to the governor limit in each gear.

"In the modern engine, however, revs should be kept low as the truck moves off and slowly builds up through the gears until the correct road speed is reached."

Idling is also a problem as the sulphur present in all diesel fuels is turned into sulphuric acid during idling. This causes acid build-up on the bearings.

Mixed fortunes for Teljoy

B/Day 4/6/92 (295)



MARCIA KLEIN

TV AND video rental company Teljoy Holdings' 5% decline in earnings to 30,5c (32,1c) in the year to end-March reflects the mixed fortunes of its operating companies.

However, the dividend was maintained at 35c for the year.

Good performances by the core rental and business services divisions were offset by a loss at technical services division Mastercare, as well as an increase in taxation and finance charges.

Executive chairman Theo Rutstein said results were marginally lower than he had anticipated at the interim stage.

Group turnover rose by 18% to R173,7m

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Teljoy

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from R146,8m, but an operating loss in Mastercare resulted in a 10% growth in operating profit to R34,8m (R31,6m).

Mastercare reported a pre-tax loss of R2,7m compared with a pre-tax profit of R1,8m the previous year.

This had resulted from operating difficulties, following agreements entered into with manufacturers to handle warranty repairs.

Rutstein said the group had discovered "certain deficiencies" in this division which resulted in provisions or write-offs of over R1m.

Teljoy has appointed new management in Mastercare following the resignation of the divisional CE and the operating director. In addition, it has taken action to improve control over assets and to reduce operating costs.

The loss at Mastercare, as well as a 32% rise in financing costs to R13,1m and a 30% hike in taxation to R4m — following the previous year's release of deferred tax — resulted in the 5% drop in net income to R17,7m from R19,1m.

The rental division remained the major contributor to group profit, increasing turnover by 12% and operating profit by 13%. Reduced Capex resulted in a lower interest bill, enabling the division to increase pre-tax profit by 26%.

The business services division increased turnover by 64% on the completion of major contracts, mainly the Sun International Carousel Entertainment World. Its operating profit was 112% higher as operating costs were contained and margins improved.

Rutstein said the completion of the rental fleet standardisation programme in the previous year had the desired positive effect, with return on total assets rising by 1% to 20% and gearing being reduced to 103% from 121%.

Despite real growth in the number of units installed on the TV rental fleet Capex declined by 20% to R41m in line with group policy to age the rental fleet to the optimal level. Capex was funded by internally generated funds. The strong cash-flows would enable the debt level to be reduced further. Rutstein said access to international sport, dual broadcast times and increased entertainment had led to a greater demand for sets. But the large amount of retrenchments had also resulted in an increase in disconnections.

The acquisition since year-end of Emposal's entire rental fleet would have a small but positive effect on the division's results.

Rutstein said all of the factors affecting the 1992 results were addressed. In addition, the interest bill would be reduced due to a lower level of debt, operating costs in Mastercare had been contained and the group expected a marginal 2% to 5% increase in its effective tax rate.

In this light, Teljoy would resume earnings growth in financial 1993. Rutstein said it was unlikely that the company would make any acquisitions in the coming year. It hoped to generate "some hard currency" in terms of exports.

Mastercare loss dampens Teljoy

By Stephen Cranston (295)

An operating loss in the Mastercare division saw Teljoy reporting a five percent dip in earnings per share to 30,5c in the year to March.

Turnover was up 18 percent to R174 million, but the Mastercare losses spoiled the celebration. STAR 4/6/92

In a subsequent reorganisation at Mastercare, the divisional chief executive Mike Caffery resigned and the financial director Richard Bonnage was moved to a new post within the organisation.

A new divisional CE, Jon Stoffberg, and a new financial director Innes Campbell have now been appointed.

Says Teljoy chairman Theo Rutstein: "We are investigating irregularities from the lower levels of the organisation, but senior management has been given a clean bill of health."

Mastercare reported a pre-tax loss of R2,7 million, compared with a R1,8 million profit previously.

Mr Rutstein says the loss was caused by a failure to reach agreement on warranty repairs with manufacturers.

The group was forced to write R1 million off the bottom line.

The rental division, which operates outlets countrywide, increased operating profit by 13 percent on a 12 percent rise in turnover.

Its pre-tax profits were up by 26 percent thanks to a reduced interest bill.

Mr Rutstein says Teljoy's acquisition of the entire fleet from Empisal, a rival rental chain in the Tedelex stable, will have "a small but positive direct impact" on the division's results.

Teljoy Business Services, which operates security cameras in casino resorts, increased turnover by 64 percent and operating profits by 112 percent.

Since it acquired Visionhire four years ago, Teljoy has been upgrading the television fleet at considerable cost. This year it has spent R41 million on upgrading the fleet.

Mr Rutstein predicts an earnings increase in the 1993 financial year.

Slave trade still a booming business

W/Mail 5/6 – 11/6/92. (295)

A year ago The Weekly Mail exposed the slave syndicates. Despite information being given to the police, the trade in people is growing.

By **EDDIE KOCH**

SOUTH AFRICA'S slave trade — involving young girls abducted from Mozambique and sold to local men, who subject them to forced labour and often rape them — continues to flourish.

The slave syndicates, which were uncovered last year when an investigative team from *The Weekly Mail* purchased two slaves for R200 each from a trader operating in the eastern Transvaal homeland of kaNgwane, appear to have proliferated. Not a single trader has been convicted, despite evidence being handed to police about the practice.

In February this year one of the slave traders, known in Mozambique as *marianos,* lured six girls from Maputo across the South African border to a village in the homeland of kaNgwane where he kept them in a kraal and invited prospective buyers around to see them.

"One of the girls, Sonia Sibiya, aged 13, was raped on the way to the border. She used the words 'I have been stolen' when she described her ordeal to us," says Sally McKibben, a fieldworker who runs a scheme that provides emergency aid to Mozambican refugees in kaNgwane.

"They were enticed into crossing the border by the trader, who promised them well-paying jobs in a shop in South Africa. They were still at school at the time and their parents did not know where they were."

The girls broke out of the stockade where they were being kept and fled to a neighbour's home after hearing rumours that they were about to be sold to a local *inyanga* and killed so that their bodies could be used as *muti.*

Residents from the Ntsikazi district of the homeland, which borders on Mozambique's southern provinces, insist that refugees who are brought by professional guides across the electrified fence that divides the two countries are frequently murdered and parts of their bodies sold to witchdoctors — although there is no documented evidence of this.

The neighbour, a Swazi woman from kaNgwane, directed the fugitives to a transit centre for refugees located in a village called Mangweni where McKibben works. Affidadvits were taken from all of the girls and handed to the local police station so that charges of abduction could be laid against the trader, known to the girls as Alfonso.

Various forms of bondage, forced labour and sex slavery have developed around the large population of refugees who flee into South Africa to escape Mozambique's civil war. But McKibben detects a common strand that runs through most of the accounts she has collected from victims of the trade.

A group of guides or agents have developed a lucrative business which involves bringing villagers from Mozambique across the electrified fence in South Africa for a fee that ranges from R150 to R250, depending on whether the fugitives want to be dropped off across the border or travel by taxi to Johannesburg.

Some of these guides offer a valuable service to people desperate to escape the extreme forms of brutality carried out by Renamo. But other unscrupulous dealers take advantage of the desperation caused by war. They offer young Mozambican girls a free ride across the border and a job in South Africa — a gesture of altruism that is a sure sign the agent is *mariano.*

Once they cross the frontier with the girls, who have no identity documents or official record of their existence, the traders sell them to men in the townships, who then try to justify the transaction by saying they have paid *lobola* and that the girls are now their wives.

In reality the "wives" are forced to have sex with their owners, cook for them, carry out domestic chores without any payment, and are frequently assaulted if they refuse. Many of the women complain that they are fed only scraps of food and left-overs from the meals they prepare.

Ironically, most accept this form of bondage, even though it is fairly easy to escape. To report their owner to the police is to invite being arrested as an illegal alien and sent back to Mozambique, where their fate is even more terrifying. They face famine, drought and a horrific form of slavery practised by Renamo bands who raid villages and force women to kill their husbands before force-marching them to bases where the widows are allocated to rebel commanders.

In January this year five young girls who found their own way across the electrified fence, known as "the snake" because of the lethal 3 000 volts it delivers to those who come into contact with it, were waiting at a taxi rank in a border village when they were picked up by a driver called Madonsela.

The man then took them to Johannesburg and visited various townships, apparently on the east Rand, looking for customers. Along the way he allegedly raped some of the girls and, after failing to sell them on the Reef, took them back to kaNgwane. There he allowed a friend to sleep with one of the captives while looking out for local buyers.

The girls escaped from a local motel and reported to the Mangweni transit centre. Refugee workers called in the kaNgwane police who took affidavits from the girls.

Madonsela was arrested and then released on bail. He has not yet been charged as all of the girls disappeared soon after he was released. The refugee workers have evidence that at least one of them was abducted by the trader.

Less than two weeks ago a team of health workers came across 17 adults and 19 children being held in a village called Block C at the home of a woman who is known to recruit people and sell them as chattels.

The team alerted refugee worker Rachel Ntsimbini, who visited the premises and returned the next day in a bid to rescue the group — only to hear from neighbours that the trader had been warned and promptly loaded the entire group into a single taxi bound for Johannesburg.

●To PAGE 10

A desperately narrow escape from slavery ... Anna Timba and her two daughters

Photo: PAUL STOBER

Seeking a better life, she was sold for R200

W/Mail 5/6 – 11/6/92

By PAUL STOBER

THE only thing that saved Anna Timba from slavery was an absolute determination to escape the life to which her masters wanted to condemn her.

Through an interpreter she told how her family was broken up and she was driven into the clutches of a man who sells people for less than R500. She is not shy and her thin body seems to have shrugged off the abuse to which it was subjected.

In September 1989, after her village was attacked by the Mozambican rebel movement, Renamo, Timba fled to the relative safety of Maputo. She spent the next three months in the capital, struggling to eke out a living for her family by selling tomatoes on the streets.

In December that year, Timba received an offer she felt she could not refuse for the sake of her family. A *mariano* offered to take her to South Africa and find her a job. *Mariano* is the jargon used by residents of Maputo to describe people who lure Mozambicans to South Africa by offering them transport and jobs. Eager to start a better life and ignorant of the danger involved, Timba accepted.

Days later, the *mariano,* Mahulani Mapalani, herded Timba and her family, along with at least 80 other men, women and children, into an open truck and drove them to the South African border. At an unmarked place, the group crossed the border on foot, were picked up by another truck and taken to Mapalani's farm in kaNgwane.

Timba and her family stayed at the farm for two months, sometimes watching others being quietly taken away.

After this time, Mapalani brought a man Timba knows only as Sibuyi, to the farm in a minibus. Mapalani told her that she must go home with Sibuyi.

He took Timba and her children to Tembisa on the east Rand, where he lived and ran a shop.

On the first night he demanded that Timba sleep with him. "You are my wife now — don't you know I paid that man money for you?" asked Sibuyi. Timba later discovered that he paid about R200 for her.

As punishment for not going to bed with him, Sibuyi locked Timba and her family out of the house when he went to market.

Determined to get away from this man she knew nothing about, Timba managed to steal two R5 notes from the shop. Using the money, Timba bought a box of bananas which she sold while she was locked out of the house. Over the three months she was with Sibuyi, Timba managed to squirrel away R75.

One day in May she scooped up her family and using the money, caught a taxi back to Mapalani — "because he was the only one I knew".

Timba confronted Mapalani and accused him of selling her. He admitted he had done so, asking: "How else am I going to get my money back?" According to Timba, in Maputo, he had said nothing about her having to pay him.

By way of an apology, Mapalani promised to get her "a better husband".

Timba reminded him that she was already married and wanted work, not a husband. Mapalani responded with: "There is nothing for you to do here and you must go."

Before long, he had sold Timba and her children again; this time to Philip Mahlalela for about R450.

Mahlalela dismissed Timba's refusal to sleep with him and during her first two nights with him she was brutally raped. After that, though he did not sexually molest Timba, he assaulted her almost every day. He spared the children.

Mahlalela was unemployed but sometimes did the rounds of his brothers, asking for money and food which he shared with her and the children. Timba was forced to plait hair each day to raise the R4 she needed to feed all of them.

While she was working, Timba heard about a centre nearby which took care of Mozambican refugees. She bolted from Mahlalela's house late one night, and walked with her daughters until she reached Mangweni, kaNgwane, the next morning.

In Shongwe, Timba met refugee fieldworker Sally McKibben, and made a detailed statement about what had happened to her over the past months. The refugee project then helped Timba and her family settle in "Block A" of the nearby township.

But Timba's fears of the slave traders are far from over. After writing to her family, Timba discovered her younger sister, Wilhemina, had been brought to South Africa by a man who claiming she (Timba) had sent him to fetch her.

After making inquiries among Mozambiquan refugees, she discovered another *mariano,* known as Sedake, who claimed her sister was being held on a nearby farm. He promised that if she gave him R20 he would fetch her sister. McKibben gave Sedake the money, who left and has yet to return.

Despite this disappointment, Timba is determined to track her sister down.

In the meantime Timba has established a life for herself. She teaches at a pre-school for the children of refugees and has a close circle of friends.

A desperately narrow escape from slavery ... Anna Timba and her two daughters

Photo: PAUL STOBER

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Check it out: The Buoys

By ZB MOLEFE in Johannesburg and JOAO SANTA RITA in Washington, DC

INTERNATIONAL advertising guru David Ogilvy would have nodded his head in approval.

Black-led advertising agency Herdbuoys, which celebrated its first anniversary on Friday, has reason to feel good after staying the course in this rough and tumble industry, for years the preserve of whites.

Well-wishers, friends and clients all came together in a glittering affair to pop the champagne and wish Herdbuoys – the child of sheer guts and raw determination – many years of health and good business.

It was the crystallisation of a beautiful solid, black dream.

When the agency started last year it was not given a ghost of a chance. By its nature the industry has a very high casualty rate. And few, if any, blacks have ventured into the advertising industry.

"We have a common vision here which makes it easy to run the business," said managing director Peter Vundla, who is at the helm of the agency which boasts billings of more than R12-million in one year.

Creative director Dennis Mashabela concurs: "The success of black business is scarce."

You can't argue with that. Especially after you have seen their modern businesslike offices in the swank and upmarket Sandton – fondly known as "South Africa's Madison Avenue" in the industry.

It is a compliment which reminds anybody who is anybody in the industry of New York's famed Madison Avenue, home of the world's greatest advertising agencies.

HOT SHOTS ... The Herdbuoys who are going places quickly are Dennis Mashabela, Happy Denyssen, Peter Vundla and Dimape Serenyane.

Herdbuoys, dreamt up by five young Soweto men with fire in their bellies, has a short and long-term vision. In fact, Mashabela calls it "controlled growth".

The visionaries who dreamt up the agency are regular Soweto guys who had two things in common. They were employed in senior advertising and marketing jobs; and they had a burning desire to branch out on their own.

There was Vundla, an account director for a well-established agency; Mashabela, ac-

e Buoys are still afloat

Cipher 7/6/92. (295)

quickly are Dennis Mashabela, Happy Ntshingila, Quintin
■ Pic: ANDRIES MCINEKA

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marketing jobs; and they had a burning desire to branch out on their own.

There was Vundla, an account director for a well-established agency; Mashabela, account manager with a number of multinational agencies; Happy Ntshingila, an account manager for a well-known agency; Dimape Serenyane, account director for an agency with some of the country's biggest accounts and Quintin Denyssen, an accountant and former financial director for one of the country's well-known agencies.

Vundla adds: "We want to be the best. We want to create an environment where things are achieved. Where young people, black and white, have a common vision. For me that is where the new SA is."

A sense of the African concept of sharing work – "Letsema" – comes into play when Vundla and Mashabela tell how their agency's name Herdbuoys came about.

The five founders of the agency were toying around with a name and their creative juices were working overtime, says Mashabela.

South African commonplace images like "boy-master", "employer-employee" and of course "herdboy" were very much in their minds as they wrestled with the problem.

"We are the head buoys as against headboys. It is rather a way of cocking a snoot. We are going to lead from the front. All said and done our name was a collaboration of our efforts," points out Mashabela.

Vundla stretches the point that Herdbuoys is an effort where everybody puts the proverbial shoulder behind the wheel.

This explains why it is not unusual to find everybody at Herdbuoys, when the occasion demands, working round the clock. At times knocking off time comes round at about dawn.

"There are no shortcuts in this industry. Opening this business is easy, but maintaining it is the hard job." Vundla and Mashabela are almost in chorus as they make this point.

It is at this point that the million dollar question emerges: Is the agency rich? Is it true that the five directors are making millions?

Vundla and Mashabela are surprised. But they quickly assure you that Herdbuoys is not in the game to make millionaires.

But of course they're enjoying what they are doing tremendously: "To date we have only lost one business pitch."

With solid business from companies like Tusk Music, Eskom, Future Bank, Kenya Airways, the National Peace Committee, Wella Haircare and the SA Foreign Trade Organisation, it says a lot for this one-year-old agency.

But Herdbuoys, Vundla and Mashabela make it plain, takes the saying "nothing ventured, nothing gained" as a religion.

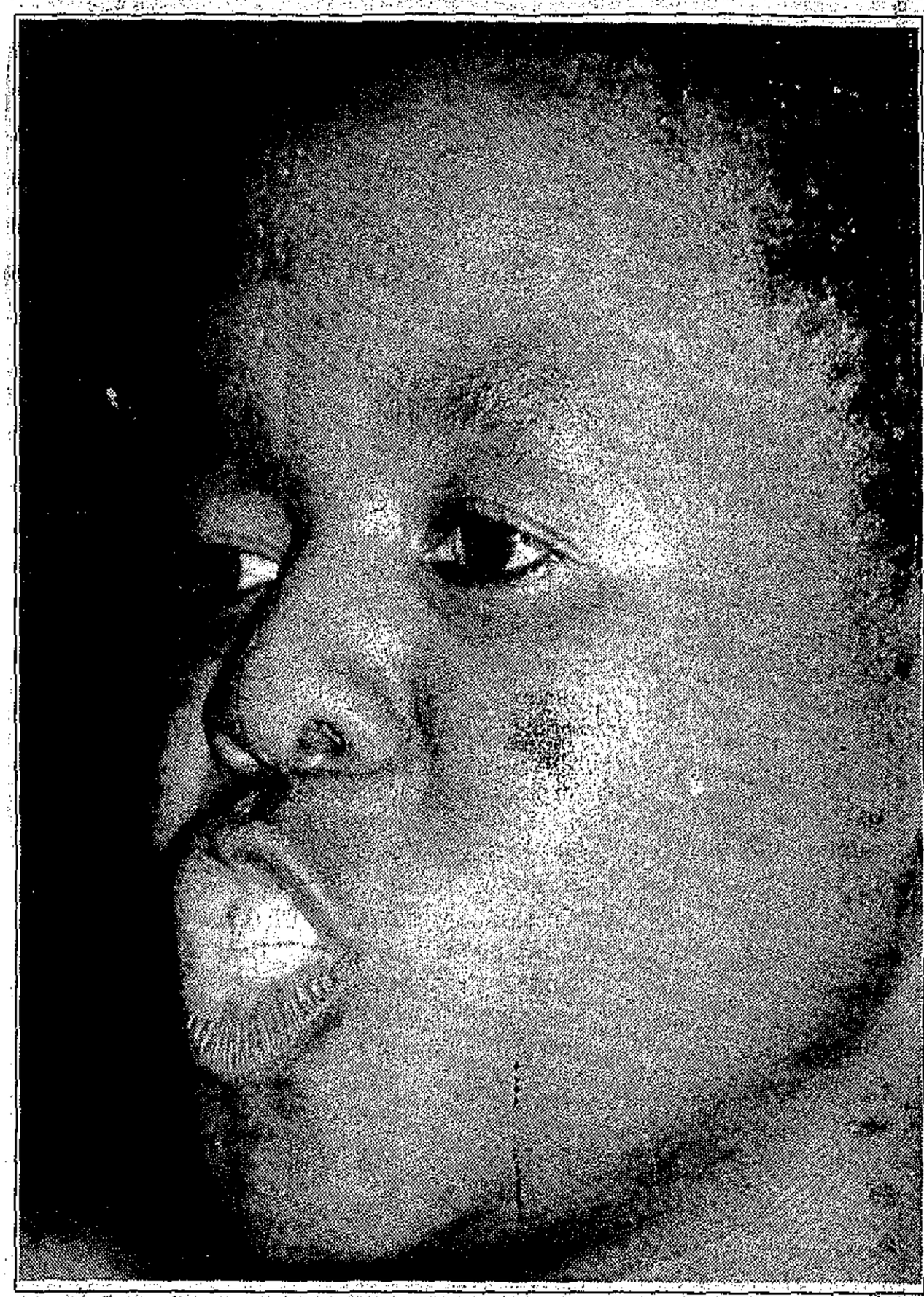
The agency has also attracted international attention. A Los Angeles gallery is holding a three-week photo documentary exhibition of the agency and its work.

The influential *New York Times*, devoting almost an entire page to an article on Herdbuoys, headlined its story "Writing ads to usher in a new era in South Africa".

The newspaper praised the agency's approach to racial issues, stating that "through irony (Herdbuoys) has been able to transcend racial stereotypes, creating a strong identity rather then becoming simply 'the black agency' ".

"It has been the privilege of white advertisers to portray blacks as they see us," the newspaper quotes Vundla, "Now we have the opportunity to portray blacks as we see ourselves and we want to be seen."

USINESS



Ms BUSI RADEBE aims to help entrepreneurs

Small travel agents demand

Sowetan 8/6/92 (295)

By JOSHUA RABOROKO

WITH South Africa's re-entry into the International Business Community, there is a demand for small travel agents.

However businesmen in the tourism industry have claimed that lack of well-trained personnel and finance have excluded them from making a meaningful contribution.

The newly-formed Afri-Tour claims it has been approached by the underprivileged of all racial groups who seek to join them in eradicating all the barriers that hamstrung this sector of business.

It is estimated the tourism industry contributes about R2,8 billion to the country's economy a year.

South African Tourism Board's head of corporate communcations, Mrs Derina Holtseham, said most of the money was used on accommodation (28,8 percent) meals (17 percent) transport (13 percent and 29 percent on other expenses.

Speaking at the launch of Afritour, president Ms Busi Radebe said they aimed to nurture the budding travel entrepreneurs, to support them and help them along until they can stand on their own feet.

The organisation consists of 28 companies. It is considering applications for membership from three British companies and one from Toronto in Canada.

Radebe appealed to financial institutions to look seriously into the issue of providing suitable assistance for small operators by granting them financial packages, adding: "Let there be different prescriptions for different diseases," she added.

"We want to make it clear that Afritour is composed of business people and therefore we are not coming out cap in hand begging for donations," she said.

The executive director and chairman of NSB Mr Mohale Mahanyele said that Afritour should apply for membership of big business that would help them.

J Walter Thompson back in SA market

(295)

MARCIA KLEIN

INTERNATIONAL advertising agency J Walter Thompson (JWT) Worldwide has re-entered the SA market after a 64-year absence by acquiring a significant stake in the local JWT operation. B/Day 11/6/92

The international company would buy a parcel of shares in the local company from seller Timothy Hamilton-Russell, who had about 80% of the business, JWT Europe CE Miles Colebrook said yesterday. Financial details of the deal were not disclosed.

Colebrook, who has regional responsibility for SA, said local management had also taken substantial shares.

The move "resolves three years of speculation following a walkout by several senior employees in April 1989", he said, referring to the walkout by the current top management of the SBBW Partnership.

The agreement was a vote of confidence in SA. JWT also followed its multinational clients, and many were looking at entering the SA and southern African region.

JWT SA MD Don Carpenter said the SA operation was profitable and would now look at taking on new business.

Although most of its work was for multinational clients, it did have significant local business, including Foschini, Syfrets, Prima Toys and Anglovaal. Colebrook said JWT wanted a 50/50 balance. International clients included Ford and Unilever.

...nsortium's intentions?

MD Walter Simeoni have the full confidence of both Searll and Sable.

They also believe a long-term strategy of protection must be negotiated if government wants to keep the textile industry alive.

"The US and EC have quota systems. We need them too, to level the playing fields, otherwise we can't compete with the cheap labour and subsidies in the East," says Sable.

So it seems Frame will continue in its present form. According to the new controlling shareholders — something Frame has not had for a long time — it will begin to realise profits when the economy picks up.

But it will take a long time for the share to get back to the R22 that so many institutional and private investors paid when Frame was tipped as a good growth stock. At R3, shareholders have little option but to hang in and hope the group can be turned, though at least one view is that it should be offloaded if it moves up by more than R1. *Shaun Harris*

TELJOY FM 12/6/92 (295)

High cost of Mastercare

Trading profit would have jumped 23% but for Mastercare's disastrous results. The reversal at this division, to a R1m trading loss from 1991's R2m profit, meant group trading profits increased a much lower 10%.

In addition to the trading turnaround, R1m was provided above the line after the group "picked up deficiencies, possibly fraud-related, at lower management levels," says executive chairman Theo Rutstein.

Mastercare, which provides technical services, doubled its infrastructure after undertaking to carry out warranty repairs for manufacturers. The problem was that activity rose by only 20%, mainly because manufacturers' sales were lower than expected.

FM 12/6/92 (295)

MASTERCARE MESS

Year to March 31	1991	1992
Turnover (Rm)	146,8	173,6
Operating income (Rm)	31,6	34,8
Attributable (Rm)	18,6	17,7
Earnings (c)	32,1	30,5
Dividends (c)	13,5	13,5

Though this may be part of the reason there is probably more to it as Mastercare, which entered the agreement with the manufacturers around April last year, realised things were going wrong less than six months later. Rutstein declines to comment further.

Trading profits at the rental division increased to R39,6m (1991: R34,9m) on turnover of R111m (R100m), while the business services division more than doubled profits to R7,8m (R3,7m) on the back of a surge in turnover to R50m (R27m).

Activity at business services, which supplies visual security systems for hotels and casinos, was helped significantly by the opening of Sun International's Carousel.

Rental, at over 75% of group trading profit, remains Teljoy's cornerstone. Though the current economic climate has mixed effects on TV rentals (lower disposable incomes make it harder for consumers to buy TV sets whereas retrenchments result in disconnections), Rutstein says the group is budgeting for growth in unit installations this year.

Year-end gearing was over 100%, but Rutstein notes gearing is inherent in being a rental company. He says interest cover — 2,7 times last year — is more relevant, adding the objective is to achieve a cover of 4,5-5 times. This is well up on the current cover, itself down from 1991's 3,2 times.

However, high gearing is material to the extent it makes the group particularly sensitive to interest rate changes and Rutstein does say he would like to cut gearing to 1989's 75%. Current gearing is already well down on the 121% at the 1991 year-end.

Though management predicts real EPS growth this year, hurdles such as continuing violence, the temporary halt to township electrification and possible further retrenchments suggest the share, on a p:e of 9,5, is almost, if not, fully priced.

William Gilfillan

Teljoy's Rutstein ... *rental still the cornerstone*

'Mozambican slaves sold in SA'

STAR 15/6/92 (295)

By Alan Robinson
Star Bureau

LONDON — The slave trade has returned to Africa, with young women being bought and sold for as little as R75 each.

And the business in human lives is being carried out in South Africa.

So says Richard Ellis of the London Sunday Times in a front-page report following a visit to the Mozambican border during which he "bought" two 22-year-old Mozambican refugees for R150.

Most of the "slaves" are young women — some of them as young as 12 — who gladly flee the deprivations of war in the hope of finding jobs in SA.

Instead, many are sold off to provide sexual services, as well as cook and clean, for their new owners. Some, says Ellis, have ended up in forced prostitution in Johannesburg and Pretoria.

Many of the men find themselves working seven days a week without pay for farmers or businessmen.

He names Aaron Mashegwane, a "smooth-talking South African in his early forties", as one dealer — who also boasts that Mozambican contacts can supply anything from people to drugs and arm, including "red mercury", a substance Mr Mashegwane said was used in atomic weapons.

M-Net profits up despite tax, foreign investments

B/Day 16/6/92. (295)

MARCIA KLEIN

DESPITE a large tax increase and substantial investments offshore, M-Net increased its attributable profits by 18,5% to R27,8m from R23,5m in the year to end-March.

However, earnings declined by 9% to 17,4c (19,1c) a share on a 13% increase in the number of shares in issue following M-Net's rights offer.

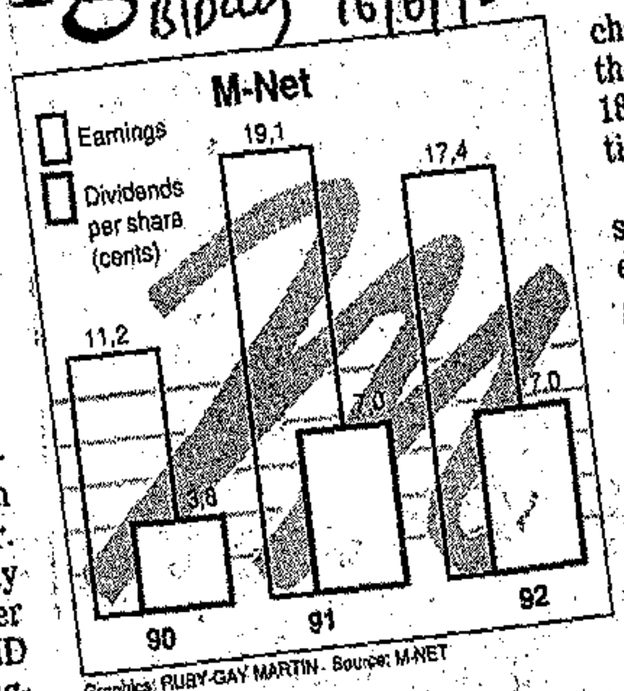
The increase in profits is largely due to an ever-increasing subscriber base, now at 710 000. But M-Net MD Koos Bekker said he expected a significant portion of the pay station's earnings to come from overseas a few years down the line. Some top directors had relocated offshore as M-Net became more international.

Turnover rose by 50% to R640,7m (R426,4m) and operating profit went up by 56% to R70m (R44,8m), mainly due to an increase in the subscriber base and partly due to increased revenues from advertising and from information services subsidiary Information Trust Corporation.

Pre-tax profit increased by 36% to R62,8m (R46,1m), but a rise in the tax rate from 30% to 48% — after M-Net fully absorbed previous tax losses — resulted in a marginal rise in profit after tax to R32,7m from R32,5m.

Comparative figures have been restated to reflect the change in accounting policy from the partial to the comprehensive method. An extraordinary item of the previous year was also restated at R9m (R17,3m) to reflect this change.

M-Net's R4,9m share of associates' losses was mainly the result of losses incurred by European pay station FilmNet since it was acquired in November last year.



Graphics: RUBY-GAY MARTIN. Source: M-NET

The full year dividend, which was paid in March, was maintained at 7c a share. Total dividends paid amounted to R13,8m (R10,6m).

Bekker said a strong operating performance and the rights offer had strengthened the balance sheet, and gearing improved to 17% from 44%.

With a subscriber base of 695 000 at year-end, M-Net was in 27% of homes which had colour TV sets. Bekker said although some scope remained for further growth in the subscriber base, M-Net had also focused on markets abroad.

Chairman Ton Vosloo said satellite technology would allow M-Net to reach more areas locally and in Africa, but he said "we see most additional growth abroad, where the subscription television market is rapidly expanding".

Filmnet, acquired through an agreement between M-Net and Richemont, has given M-Net access to these markets. FilmNet has access to 18-million homes, which is seven times that of the local market.

Although investment costs were substantial, the future potential was excellent, with attractive long-term growth prospects.

M-Net's growth into Africa will be cautious. M-Net is already established in Namibia, and is in a third of every home in Windhoek.

Bekker said M-Net's business had become "quite international", especially its Subscriber Management Services (SMS) division under Paul Edwards. Although this did pull some of M-Net's people abroad, he said M-Net was well established locally.

M-Net's technological know-how had led to agreements like that with the BBC, where SMS facilitated the transmission of channels to additional areas they would not easily access. The BBC service was up and running, and M-Net would start to send its own signal by satellite from September 1.

Commenting on prospects for the coming year, Bekker said: "Our business moves quickly and this is really the take-off phase, so it is difficult to predict where it will go."

"We have to balance profit and margin considerations with the opportunities which are being presented," he said.

The international market was set to expand rapidly, but there were signs the local market could be reaching maturity. Bekker said even if M-Net's local market levelled off, the station still had the ability to add new services and to increase margins.

Teljoy poised to resume earnings growth in 1993

B/Day 17/6/92 (295)

MARCIA KLEIN

TELJOY Holdings, which reported a 5% earnings decline in the year to end-March, would return to growth in earnings in financial 1993, chairman Theo Rutstein said in his annual report.

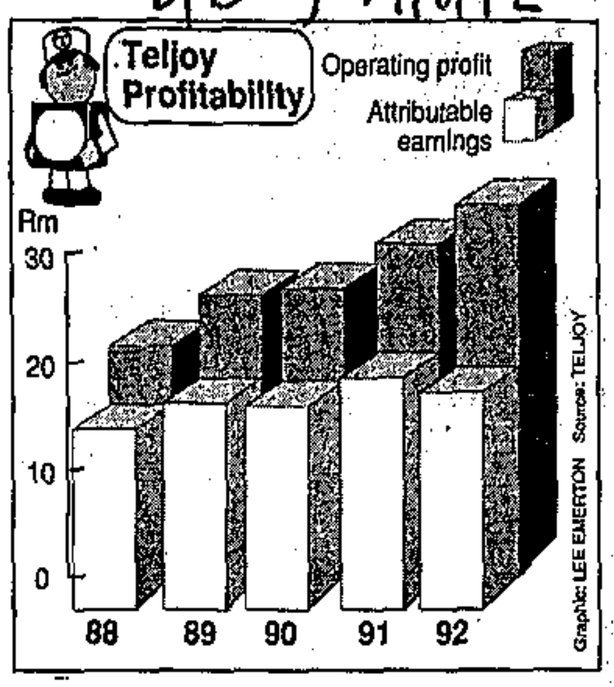
He said the group had addressed the major factors which had affected results. The loss-making Mastercare services division was restructured and tighter controls introduced. And, the large increases in interest charges and tax would not recur.

Rutstein said the core rental division had benefited from the current economic environment.

On the one hand, new installations had reached record levels. But on the other, many customers either gave up on their second sets or were forced to discontinue rentals. Nevertheless, the rental division showed a real growth in its subscriber base.

Rutstein said while violence had prevented the group from properly servicing township areas, "the risk attached to venturing out" had fostered the demand for additional TVs and VCRs.

The crime wave had boosted demand for visual security systems provided by the Teljoy Business Services (TBS) division.



Rutstein said the past year was one of mixed fortunes. While the rental division and TBS had done well, Mastercare had performed poorly, reporting a R2,7m loss. This, together with a higher interest and tax bill, resulted in the group's 5% drop in earnings a share.

Rutstein said the core rental division, which increased operating profit by 13%, would benefit from Wimbledon, the Olympic Games, and international rugby and cricket following closely on each other's heels over the next few months.

The division would also benefit from an increase in replacements and opportunities in the black sector, which currently accounted for less than 10% of domestic rental business.

Since year-end the group made the strategic acquisition of the TV and VCR rental assets and rental contracts of its competitor Empisal.

Teljoy was currently involved in setting up the infrastructure to introduce bulk rental contracts to large employers for their staff.

TBS increased its operating profits by 112%, with the hotel and casino industry accounting for over 85% of income. After completion of the Carousel Entertainment World, it was currently installing systems at the Wild Coast Sun, Sun City and Lost City. The acquisition of Provicom, which installed systems in institutional buildings, would expand the division's commercial presence.

TBS had also acquired the Master Antennae TV division of M-Net Cable & Satellite, which should enhance expansion opportunities into Africa.

Services dvision Mastercare had increased its infrastructure in anticipation of higher turnover, but this had not materialised. Negotiations were currently under way to dispose of the small appliance repair business.

The division has the exclusive right to manufacture an anti-theft device for TVs and VCRs, and this would be launched in September.

Teljoy is switched on

By Stephen Cranston STAR 17/6/92 (295)

South Africa's return to the international family has had a positive impact on the group, says Teljoy executive chairman Theo Rutstein.

He says in the annual report for the year to March that South Africans have always been leisure-oriented and that they will be treated to an explosion of international sporting, entertainment and cultural programmes.

Television viewers are likely to opt for a second or even a third set in the future.

But the recession has been so deep that many Teljoy customers have decided to forego the luxury of second sets, while others who are facing retrenchment have been forced to discontinue their rentals.

But the rental division achieved real growth in the subscriber base over the year.

The risk attached to venturing out has encouraged people to seek entertainment within the safety of their own homes, fostering the demand for additional televisions and VCRs.

An increasing number of black technicians are achieving recognised qualifications.

M-Net shares lose some of their shine

B/Day 18/6/92 (295)

MARCIA KLEIN

PAY station M-Net has enjoyed glamour status for some time and seen a sharp rise in its share price since it listed with much fanfare at 120c in August 1990.

The share has been rising strongly on market sentiment, and last year its price more than doubled from 410c in June to its high of 860c last November.

This brought its market capitalisation to more than that of its holding companies.

However, the share has recently lost some of its shine, coming down to close on the JSE yesterday at 620c.

Profits have been on the increase, but results for the year to end-March were relatively subdued compared to those reported since listing.

M-Net's attributable profit rose by 18,5% and earnings a share dropped by 9% on more shares in issue.

Since August 1990, the group has been on the expansion and acquisition trail.

It received permission to broadcast news and then decided not to, raised R254m in a rights offer, bought Information Trust Corporation, and extended its focus to Africa and Europe.

The move into Europe, possibly its most significant venture, saw it invest about R260m to join a Richemont-led consortium in a venture with FilmNet, one of the world's major pay stations.

In M-Net's latest financial results, a R4,9m share of associates' losses reflected FilmNet's results.

M-Net MD Koos Bekker said although Filmnet was "just about able to break even", a decision was made to invest aggressively in the business.

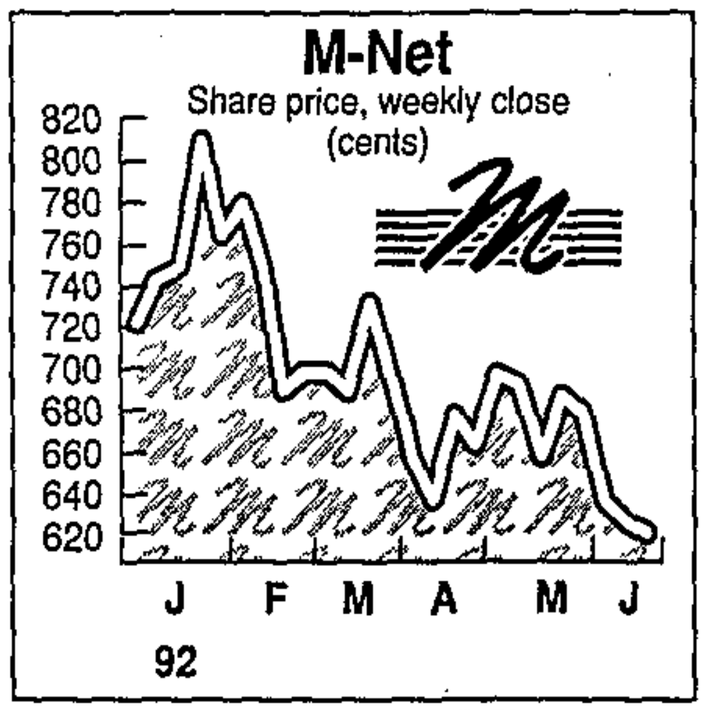
As there were high fixed costs, FilmNet had pursued an expansion policy.

Pay TV was in a take-off phase in Europe and in Africa, Bekker said. There would be some years of rapid growth, after which it would flatten out.

The SA market was beginning to settle down in this way, and M-Net was cautiously forging its way into Africa and moving aggressively into Europe.

In its moves into Africa, M-Net has concluded a deal with BBC World Services Television to transmit the world service signal to most of Africa.

It already operates in Namibia, and has signed an agreement with Kenya Television Network.



Graphic: LEE EMERTON Source: INET

The correction in its share price could reflect a sentiment that M-Net was setting its sights overseas at the expense of the local market, and that the costs of its expansions could affect short-term results.

Bekker said some of M-Net's top people were currently operating outside SA.

He said the pay station employed 1 700 people, only 200 of whom were involved in broadcasting proper.

Its technological expertise meant it was assisting in other areas with the infrastructure. This did pull some people abroad, Bekker said, but the local operation was well established.

M-Net's moves onto the continent and overseas were also a sign of M-Net concentrating on what it did best — controlling decoders, enabling broadcasters to send feeds to other countries and sending its service to other countries.

The local subscriber base currently accounted for 75% of the group's revenues.

With 710 000 subscribers, each paying R59,50 in subscription fees, M-Net was receiving R42,2m a month, or R506,4m a year, in subscription fees alone.

Turnover of R640,7m for the year was on fewer subscribers at year-end and a lower subscription rate.

Directors said that in a few years a significant portion of earnings would come from overseas.

Although its 710 000 subscribers gave the appearance that its base was close to saturation point, Bekker said M-Net was becoming more affordable.

A continued increase in local subscribers and its massive expansion overseas placed the group well to entrench its position as one of the world's top pay stations, not to mention a rand hedge share.

Price war slows down Concorde

MARCIA KLEIN

CONCORDE Travel has reduced earnings by 20% to 5,6c (7c) a share in the year to end-March as trading conditions in the tourism market worsened and airlines embarked on a price war.

The company, the only JSE-listed travel group, also announced that Luxembourg-based trading group Marvol Holdings SA would acquire a 51% controlling stake in Concorde for a cash payment of 33c a share, equivalent to about R2,4m.

Figures were not given, but turnover declined 4,3% over the previous year. Net operating income dropped 21% to R1,5m.

Directors said difficult trading conditions continued during the year.

The increase in interest was contained to 9,3% and taxation was reduced. This resulted in a 19,4% reduction in net income to R899 000. Retained income at year-end was R3,3m.

(295)

A 9% lower dividend of 2,5c (2,75c) was declared.

B/Day 19/6/92

Directors said management had been looking at diversifying on the existing base of 22 retail travel outlets to enhance earnings potential. It had created an internal wholesale division and also had some "exciting plans for the future".

The Marvol acquisition would "broaden Concorde's scope to increase international tourism to SA by establishing a network of overseas offices".

FM 19/6/92 (295)

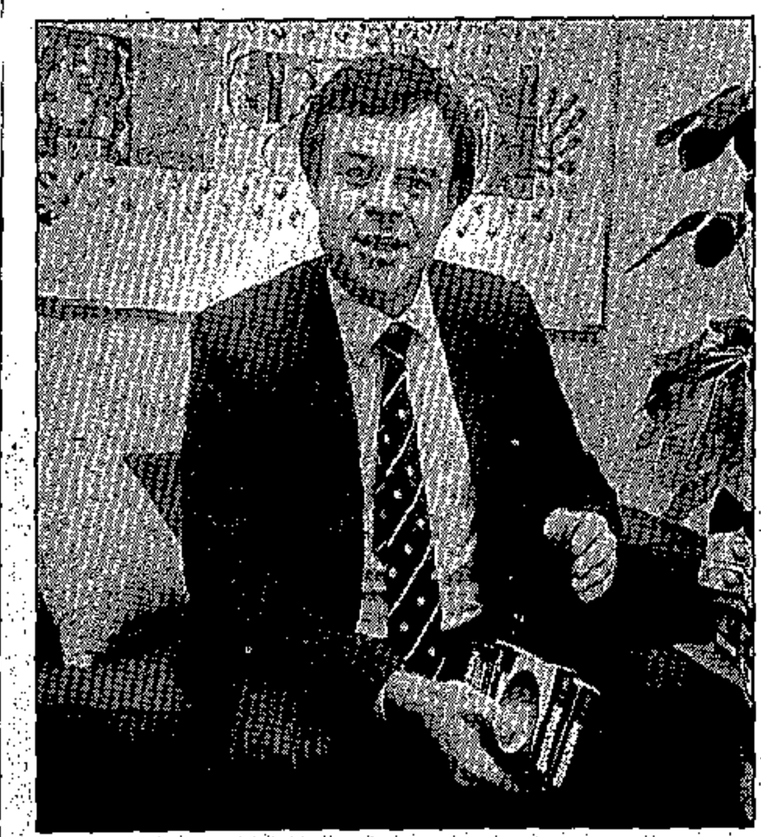
M-NET FM 19/6/92

Widening the net (295)

Keeping income growth at home steady, while making a sizeable investment overseas, shows that M-Net has not stopped its magic. But a touch of reality has entered the results to end-March, which in the long term should benefit investors by stabilising last year's runaway share price and offering a clearer view of where the group is going.

Results are still creditable, especially at the operating level, where a 50% advance in turnover and 56% rise in operating income shows the strong cash-generating capacity. Financial director Steve Pacak says with R278m spent on M-Net's investment in European pay TV group FilmNet, and R54m capital spending on new studios, computer systems and expanding satellite coverage to rural areas, increased earnings were cash-flow generated.

Reality has crept into M-Net's results with the group having to pay the full 48% tax rate — which pushed the tax bill up 121% to R30,1m — after having used up tax losses incurred in its start-up. That leaves attributable earnings up by 18%, a fair increase in this economic climate and evidence that M-Net has not yet saturated the local pay TV market.



M-Net's Bekker . . . *gaining access to European markets*

The 9% drop in EPS comes from a 13% increase in issued shares, after the R250m rights issue. This, with the strong operating performance, has strengthened the balance sheet, improving gearing from 44% at the end of the last financial year to the present 17% — and that after gearing reached a whopping 63% at the interim.

With about 75% of M-Net's revenue coming from subscriptions paid by its 710 000-strong client base — which is vaguely expected to peak somewhere between 1m and 1,5m subscribers — continued growth in the local market should remain steady for the next couple of years.

But M-Net knows a peak will be reached, and is counting on its offshore investments to start paying in coming years, despite the initial R4,9m loss it has had to absorb from its stake in the Richemont-led consortium which has invested in FilmNet.

Access to European markets is what is important, something MD Koos Bekker says M-Net can exploit with its relative maturity in relation to the development of pay TV in Europe. "We have targeted six countries in Europe, giving us access to 18m TV homes, compared to the 2,6m we have in SA," he says. Bekker says M-Net is also, cautiously, exploring opportunities throughout the African continent.

DILUTED PICTURE

Year to Mar 31	1991	1992
Turnover (Rm)	426	641
Operating income (Rm)	44,8	70,0
Attributable (Rm)	23,5	27,8
Earnings (c)	22,3	17,4
Dividends (c)	7	7

Potential for both European and African markets seems enormous, and M-Net has shown it has the ability to expand rapidly. Of the world's top 12 pay TV groups, M-Net has achieved the greatest penetration relative to the size of its market, at 27,3% significantly higher than US group HBO's 19,8%.

At 620c, the share price has come off its November high of 860c, a price fed more by glamour and hype than fundamentals. Latest results should steady the trend around present levels, with any future gains reflecting a more considered assessment of the underlying value.

Shaun Harris

Grey eases those retrenchment blues

STAR 20/6/92 (295)

GREY Advertising, forced to retrench 42 staff members in October last year after the move in-house of the OK Bazaars advertising account, made a concerted effort to find new jobs for displaced staff.

The agency announced this week it had placed 80 percent of the retrenched employees in new jobs — all but three of them during the period when they were still receiving severance pay.

Chief executive Ian Shepherd said the placement industry considered this performance excellent, considering the severity of the current recession.

"We wanted to change the industry perception that Grey is not a caring employer," said Shepherd. "We also wanted to keep morale high among remaining staff."

The retrenchment package the agency gave its staff was, it says, generous — particularly in the case of low-income-earning staff.

A senior agency staff member undertook the re-employment drive and established an in-house placement unit. It took about 1 000 working hours to place the staff. Incentives were offered to leading placement agencies to "rush" the search for jobs before employees' severance pay ran out.

Grey even transported the employees to job interviews. "We felt it was vital that our retrenched staff were able to leave our agency with their self-respect intact," said Mr Shepherd.

Bank to Momentum.

The price for control was 440c a share — a handsome premium to the JSE's rating of Momentum before the deal. Happily for the buyer, the market has rerated Momentum and pushed the shares to 480c.

RMBH has lost no time in

three of us, and I have a little more background in assurance than do the others. We

It's a turn-on for Teljoy

S/Times (Buss) 21/6/92 · (295)

TELJOY'S surveillance system at a Bophuthatswana casino allowed the management to intercept a punter feeding a slot machine with dud R2 coins — rejects from the South African Mint.

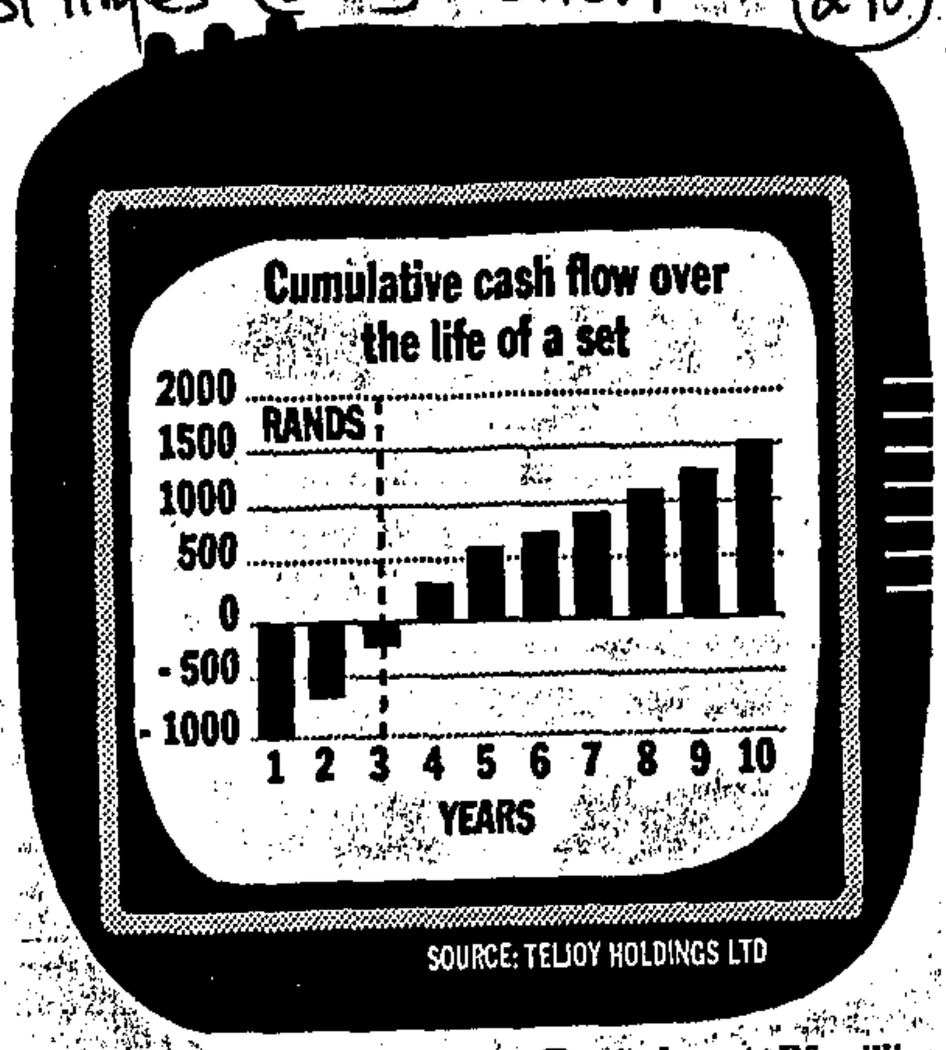
Security is part of Teljoy Business Systems (TBS), the newest arm of the TV rental company. Teljoy's other operation is servicer Mastercare.

Executive chairman Theo Rutstein and financial director Denis Kennedy bared the group's credentials at a presentation in Johannesburg this week.

TV used to be the only business. Mr Rutstein took the audience on a trip down Memory Lane, showing stills of the crush outside the Claim Street shop on the day TV was first broadcast in 1975.

Then, Teljoy was one of 10 rental companies, accounting for 2% of the total TV market. Now it is by far the major player, rentals making up a quarter of the nation's TV fleet.

Fulfilling a forecast made by Mr Rutstein three years ago, Teljoy recently bought the TV rental business of Empisal, part of the Tedelex group. I remember him clearly saying he welcomed the competition because it gave Teljoy another acquisition target.



Empisal cost R5-million, but it is worth much more to Teljoy. "It came in with a bang and we were unable to raise our rentals that year. Subsequent rises have thus been off a lower base," says Mr Rutstein. Basically, it was a thorn in the side.

Teljoy's main competition comes from retailers, so it pitches its rentals at about a 25% discount to a monthly instalment on a purchase.

Mr Kennedy described the average age of Teljoy's fleet of TV sets as the key to the rental business. In Britain, the average is five years, and when Teljoy listed, its sets averaged 45 months. Now it is 35 months.

The accompanying graph shows how the sets become cash cows from around three years of age.

"If it aged by 12 months we would bring in R50-million of free cash," says Mr Kennedy.

At the end of 10 years the sets are sold for almost the same price paid for them, thanks to inflation. He advised against alarm at the group's apparent high gearing of 102%. "When Theo first started Teljoy the gearing was 3 000%."

Of more concern is high interest rates, which is why the intention is to bring gearing down to 1989 levels of around 80%.

Mr Rutstein denied that the TV market in SA is saturated. "Every time there's a marriage, there's demand; every time there's a divorce, there's demand." Teljoy furnishes about 100 000 sets a year.

Potential for growth among black viewers is high, but a safer socio-political climate is required. One avenue is through corporates, such as the deal with TransNet.

As an employee benefit, particularly for education purposes, TransNet has arranged for Teljoy to provide its staff with sets. Employees are still responsible for payments but TransNet collects them, lowering risk.

The upside of unrest is the potential for Teljoy Business Systems to equip trains with closed-circuit TV surveillance to help protect commuters.

Mr Rutstein says SA's reentry into the world of sport will increase demand for TVs, and rental will be a preferred route for many. Rental also protects against the possibility of buying equipment that becomes technologically outdated.

Teljoy aims to improve operating margins, possibly through value-added services, such as retrenchment insurance. A mere R1 a month extra from each customer would generate R3-million a year clear profit. Net income in 1992 was R17,7-million.

TV rental comprised more than R100-million of the R173-million turnover in the year to March, TBS about R46-million and Mastercare R26-million. Mastercare was a problem child last year, chipping in a loss of almost R3-million, but Mr Rutstein says it can be sorted out and grow its slice of the estimated R300-million a year repair market. TBS is beginning to deliver the goods after high start-up costs.

There has been a lot of trade in Teljoy shares recently, none of which was initiated internally. The largest shareholder is soon-to-be-listed Servgro, with 48%.

The price has picked up lately, but Mr Rutstein believes it still offers value at 290c.

MEDIA SPOT

Tough fight for advertiser's rand

B/Day 23/6/92 295

Reports by MARCIA KLEIN

A DOWNWARD trend in media inflation over the past year is unlikely to be repeated in 1992, says BSB/Bates media director Chris Rainford.

In the latest BSB/Bates newsletter, Media Scan, Rainford said "media inflation", measured on an index basis, had dropped from 125 in 1990 to 115 in 1991, the lowest level of increase since 1988.

The competitive aspect of television had helped create a more favourable economic environment for the advertiser. Increased amount of air time, through new transmission areas and hours as well as deregulation, created a more competitive environment for the advertiser's rand.

But while cost per contact decreased, the chances of reaching a large part of a target audience via one spot had declined. In future, an advertiser would have to buy more spots at lower ratings to try and accumulate cover.

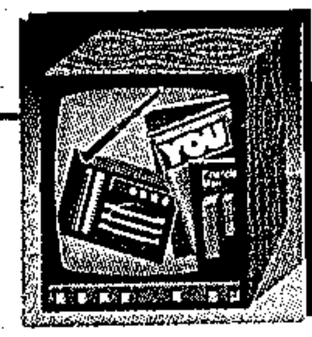
Print inflation had slowed dramatically, with the strong growth in publications like the Sunday Times and Sowetan helping to pull down the overall figures. Usual rate increases had been implemented, mainly in the dailies.

The regional radio stations showed a steep increase in rates, said Rainford.

Looking back at the previous year and at developments so far this year, Rainford expected media inflation to run at a level of at least 120 on an index basis.

Any increase in media inflation would be influenced by the uncertain political and economic situation, the worldwide recession, and falling audiences and circulation.

But a downward trend would be influenced by deregulation, privatisation, increased competition and discounting.



RESEARCH

A crisis at Saarf

(295) FM 26/6/92.

SA's highly regarded media research structure faces another crisis, brought on by indifference and a shortage of funds. The SA Advertising Research Foundation (Saarf), which is responsible for the twin pillars of media information (Amps and peoplemeters), has had to cut back its research programme this year because it has not enough funds.

In his annual address last week, Saarf chairman Denis Huskisson warned that the quality of research would be compromised if the flow of funds were not increased. "We cannot allow the credibility of Saarf to be damaged. It is one of the most valuable assets the advertising community has. Some people seem no longer to recognise this. We need to be jolted out of our complacency."

Saarf is funded by a 0,5% levy on advertising, which this year will yield nearly R8m, enabling it to run the continuing All-Media & Products Survey (covering print media, radio and black TV viewing), and the peoplemeters (which provide electronic measurement of white TV viewing).

Together, they provide advertisers with a wealth of cross-indexed information, allowing them, for example, to establish which media offer the most cost-effective way to reach specific target markets. If you're selling soap powder to housewives or BMWs to Yuppies, Amps and peoplemeter data can point you in the right direction.

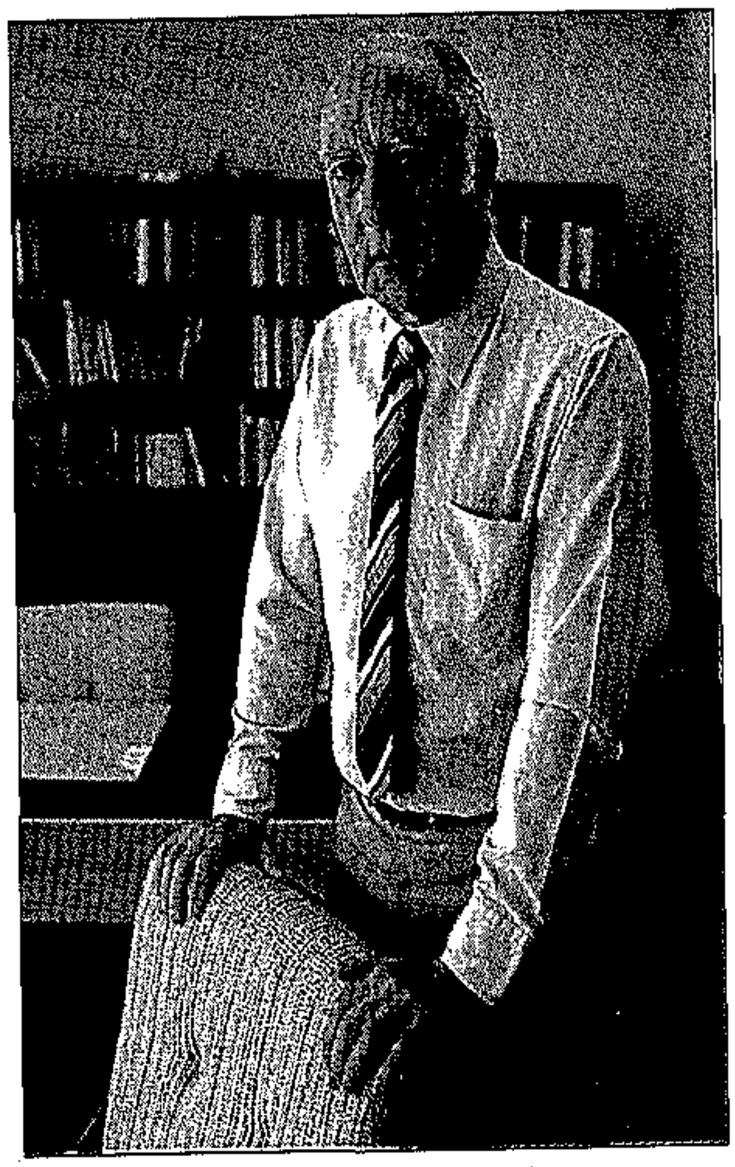
Saarf is highly regarded internationally, points out Saarf MD Gert Yssel. "The service is rare. In the UK you have separate and consequently expensive surveys for radio, outdoor, TV and print."

However, the expanding scope of Saarf has raised its funding requirements. Saarf is working on peoplemeters for black households without telephones. "We used to have four diary surveys (for radio and black TV), but this year we can pay for only one," says Yssel. "We are running two this year only because the SABC will be giving us additional funds.

"The number of surveys required is growing and there is increasing demand for larger samples and more frequent reporting."

Saarf asked for an increase in the levy two years ago but was turned down.

Saarf's other problem is internal structuring. It is now part of a two-tier research structure headed by the Media & Advertising Research & Standards Trust (Marst). Set up two years ago, Marst allocates funds to the Advertising Standards Authority (ASA) and Saarf. Though there have been benefits, Huskisson describes the formation of Marst as a step backwards. He believes the involvement and commitment of Saarf "is being diffused by an inappropriate, over-



Huskisson ... *a need to avoid complacency*

sized structure and unless we achieve a less cumbersome operating procedure, Saarf will pay the price in the longer term.

"We now have a situation where Saarf collects the industry funds on behalf of Marst, passes them on to Marst, which then passes the bulk of them back to Saarf." The legal and administrative requirements of having two boards have become a burden, and there seems to be inadequate commitment from many of the members of the Marst board. Huskisson believes the solution is to merge the two boards to avoid the "squandering of talent and money" implicit in having an unnecessary extra tier. ■

Whisky galore

With revamped advertising targeted at the younger market, Bell's has increased its share of the proprietary whisky market from 27% to 39% since the beginning of 1989, having staged a remarkable recovery after losing share in 1988.

Accordingly, Geoff Palmer, MD of Saatchi & Saatchi Klerck & Barrett (Cape), rejects the claim that J&B is catching up with Bell's. In our recent *Advertising Focus*, Clem Tholet, whose ad agency Tholet Sievers handles J&B, was reported as saying: "We expect it to overtake Bell's in a year to 18 months. The market gap has halved in the past year."

This, says Palmer, is "little more than a pipe dream. Over the past year, comparing the February-March periods, Bell's lead over J&B has grown from 14,4 to 16,2 percentage points.

"This forecast is further discredited when one compares the very healthy and consistent Bell's share growth trend over the latest reported six-month period with the performance of J&B over the same period."

Tholet Sievers concedes that its claim was exaggerated, but points out that, comparing December-January with the previous December-January period, the market gap did narrow slightly. The information available at the time of the interview showed a narrowing of the gap, though the February-March figures showed it widening again.

Annual figures from Ibis show that Bell's moved from 32,1% in 1990 to 37,7% in 1991 and 36% in 1992. J&B moved from 20% to 22% and 22,8% in the same period. ■

Comparative reassessment

The Association of Advertising Agencies (AAA) is to open discussions with the Advertising Standards Association and the Association of Marketers to reassess its stand on comparative advertising. "If there is support from these two organisations for a change we will certainly pursue this," says AAA chairman Bob Rightford.

That may be a fairly big *if*. The marketers are thought to be fairly strongly opposed to any relaxation in the rules.

This follows the opinion survey on the subject carried out recently by the *FM*'s annual *Advertising Focus 1992* supplement. Most agency executives polled believed comparative advertising should be allowed as long as comparisons are fair and factual. Support for comparative advertising was also voiced in the debate which took place during the *FM*'s "Welcome Back to World Advertising" conference.

"We are hoping for some form of consensus," says Rightford. "Comparative advertising is allowed at present, but only within the tight ASA regulations. We have to discuss whether we should lighten those regulations and police only advertising guilty of blatant plagiarism. What we really don't want is advertising which takes advantage of competitors' creative properties."

The issue will be discussed at the next joint meeting of the Association of Marketers and the AAA in August.

AAA executive vice-president Peter de Klerk adds: "The subject matter is very contentious, and there is a feeling that the existing code needs to be re-evaluated. We agreed we would go to the ASA with a view to allowing for a broader forum on the subject. It's quite obvious that there are different feelings out there from what we had five years ago."

Tony Koenderman

The 'girls' get tough on Aids

295

W/Mail 26/6 – 2/7/92.

Photo courtesy THE SUNDAY STAR

Escorts and street hookers are well aware of the dangers of contracting Aids in their work — and many now insist on using condoms, despite resistance from clients. **PHILIPPA GARSON** *reports*

DON'T expect to be met with blank stares or embarrassed denials if you stroll into an escort agency to find out what "the girls" know about Aids.

Most chatted quite openly to *The Weekly Mail* about the risks they're exposed to and the preventative measures they take.

"Of course I'll make him wear a condom, I won't do it without," said "Jo-ann", an attractive women posing at the doorway of Pretty Women, at the intersection of Bree and Van Wielligh streets, where most of Johannesburg's agencies and massage parlours are concentrated.

"I've also got a future you know. Just because I'm a hooker, it's not my only life."

In Karen's, the escorts are friendly and frank: "We're the ones that prevent Aids. We use condoms all the time — even two at a time. We know the danger of Aids. Don't think any of us wants to get it," says wide-eyed Lesley.

Many of them visit the Johannesburg City Council's Aids clinic regularly, where the Outreach programme, run by five medical professionals and counsellors, holds workshops on Aids and other sexually transmitted diseases and provides free testing, check-ups and contraceptives.

The escorts are all familiar with "Condom Man" — young councillor Herman van der Watt, who along with one or two of his colleagues pays regular visits to agencies, hotels and nightclubs, to dispatch condoms, discuss problems and answer the women's questions.

Though some escorts are vague on the workings of the disease, with explanations like "it comes from dirty penises", or "It's when the spine cells in your back go funny", they are well-versed in preventative measures, many using both condoms and spermicides with non-oxynol-9 — a substance known to kill the HIV virus and supplied at the Outreach clinic.

It's the clients, not the "sex workers", who put up a fuss about "safe sex" measures. Escorts report that several times a week they deal with stubborn men refusing to wear condoms, either because of ignorance or blatant lack of concern.

"Some guys try and take chances," says Lesley. "They think that because they're paying for it, they should have it their way. They don't get pleasure using condoms," she says.

"I get into a lot of fights about it. But I'd rather go without R200 than go without my life — there's a big difference there."

Most of the escorts, she says, have become adept in the art of persuasion. "You say things to the client like 'Please wear a condom, so that when we both walk out the door, we know we're safe'."

They also devise their own clever ways to get condoms on intoxicated, unsuspecting men who won't listen to reason.

But once the condom is on, the battle is not always over. Many will attempt to pull off the condom shortly before ejaculation, says "Kim", who goes on to give a graphic description.

The escorts seem to know their priorities. They all claim to refuse anal sex, a frequent request, and simply won't sleep with a client without a condom.

Charmaine, a pretty blond university student, relaxing next to a heater in an agency around the corner, is adamant. "If they don't want to use one, then you don't go with them. Sometimes you have to cancel the booking.

"Of course, they say they can't feel anything. But it's all a lot of nonsense. If ladies could use plastic, they would."

Charmaine says many of her clients "stink. They're drunk and filthy. They look disgusting, and they still have the cheek to look down on us".

All the women at her agency are on a permanent course of antibiotics because of the many infections intimate contact exposes them to. They're also required to donate blood every four months, a roundabout way of being tested for the virus, because "the girls are too embarrassed to go for ordinary Aids testing".

They brandish their blood donor appointment cards as proof that they're Aids free.

But the women operating on the streets are far less insistent about safe sex measures. Many, addicted to drugs like Wellconal and Mandrax, were booted out by agency bosses because of their drug habits and have grown dependent on the high turnover of "street" customers for drug money.

"The street girls are much more desperate. They won't always insist on condoms. They don't look at the seriousness of Aids. They just want the next fix and they don't think about anything else," says Kim, a Wellconal addict herself. A lesbian, Kim left an agency two years ago because of her addiction and went on to the streets to support her R900-a-day Wellconal habit.

After being raped, stabbed and thrown naked out of a car by a violent client some months ago, Kim left the streets. She now works at a massage parlour nearby.

"I'm not saying there weren't times when I didn't use condoms," she says. "And I know the girls on the streets, it's a waste of time talking to them. They're too far gone. It's desperation, you know." Kim spends much of her "working" life high, after spiking Wellconal. But she insists she's never too far gone to disregard safe sex measures.

Further down in Hillbrow, the stronghold of black prostitutes, economic necessity dictates a similar lack of vigilance. In the Little Roseneath, an infamous prostitute dive where patrons booze and jive round the clock, five young girls between 16 and 18 years old speak animatedly about their problems with "men who won't wear them", in the apartment they share for R80 a night.

"Promise" chats to *The Weekly Mail* while donning her thigh-high boots in readiness for her stint on the streets.

"Yes, we use condoms. But when you get a person who won't use them, then you take him because you want the money."

"Petunia", who charges about R30 a time, and makes "R150 upwards" a night, admits to being inconsistent. "We do often go without them. Then we go for a check-up at the clinic. We also fetch condoms from there and they tell us about Aids."

But none of the girls is able to give an explanation of the disease. They simply giggle and shrug their shoulders.

Petunia describes a common attitude among her clients: "If you give them a condom, then they'll say no, they'll do you rough on the bed and say 'it's my money'. When you tell them why they must use them, they say 'I'm not sick'."

The black client who emerges from next door, his "business" over, brazenly reinforces this attitude. "I don't use condoms. They ask me to, but I don't use bloody, fucking condoms," he says before the giggling girls march him out of the room.

Direct marketing changes

B/Day 30/6/92 (295)

DIRECT marketing would undergo dramatic changes in this decade, SA Direct Marketing Association's newly elected president Bruce Howard said.

Howard, who is MD of ClienTele Financial Services, said direct marketing had come a long way since its inception in the late 1970s. While the 1980s were a time of great change, those changes were insignificant in terms of the dramatic changes in the industry in the 1990s.

Howard said: "Yesterday's mass marketing is giving way to tomorrow's customised product."

Marketers who focused their attention on responsive relationships would have the marketing edge, he said. These marketers would become database specialists and would use the stored information to become more involved with individual consumers.

Howard believed most advertising would become "double duty", building brands as well as giving advertisers some form of response. He also expected agencies to become leaner.

MEDIA SPOT

McCann launches SA media buying company

B/Day 30/6/92. (295)

Reports by
MARCIA KLEIN

McCANN-Erickson has launched a media buying company with billings of R70m in recognition of the significant role that media placement plays in terms of adspend.

McCann-Erickson chairman Tim Bester said SA marketers were bombarded by an increasingly complex array of media options. In line with overseas trends, media independents were rapidly increasing billings locally.

In Europe, about 85% of advertising budgets was invested in media placements. Bester said more than 50% of space was bought by media independents.

In this light and in line with a worldwide McCann-Erickson initiative, the SA agency had launched Universal Media as a wholly owned subsidiary, Bester said.

Universal Media was "an independent media buying and co-ordinating company, part of an international organisation with its headquarters in Brussels".

He said "new media opportunities, the fragmentation of audiences and increasing media costs make effective media planning and buying an increasingly difficult and challenging task".

Consequently, the group had split its planning and buying functions. Universal Media MD Colette Taylor said the company would implement media plans by applying its buying and negotiating skills on behalf of clients.

The media planning function would be retained in McCann, which would develop the strategic direction.

The plan would then be fed to Universal, which would negotiate media placement.

McCann-Erickson decides where advertising should go, and "Universal Media gets it there at the best price", Taylor said.

She said the company would work independently, handling its own business as well as that of McCann.

Bester said it was difficult to find people who were good at creative and administrative services, and the new structure would strip the creative people of the management hassle.

The new company handles R60m of billings for McCann and about R10m for independent clients.

About 22 countries in the McCann network have an established Universal Media company.

Travel likely to see early benefits of new SA

B/Day 11/7/92

WITH the significant changes taking place in SA, one of the first industries to benefit should be travel, and Euro Express is aware of the need to provide the various services which visitors are expecting.

MD Loris Brunini says feedback from visitors already shows they are impressed with SA's travel agents, but he is acutely aware that the industry must strive for greater efficiency all the time.

"There are many new enthusiastic tour operators opening for business now, and this should help to ensure that SA takes its share of the worldwide travel and tourism industry."

SA's infrastructure needs some urgent work, and he says more hotels are needed in certain areas. "But seeing that government is taking steps to make tourism a priority for the future indicates that the industry's future should be positive."

On the question of deregulation of the airline industry and the introduction of many new flight operators in SA, he says this makes the agent's life much more difficult than it was only a year ago, but consumers can look forward to a highly competitive service in the future.

"It has become an arduous task to shop around among all the airlines to ensure our clients get the best deal possible, and our commissions are shrinking in some cases because clients can choose lower fares these days. But we're hoping the increased tourism business will more than compensate for these losses," he says.

On the downside, some travellers are growing to distrust the agents, although this factor is minimised at Euro Express because of its focus on the corporate client market.

"In the individual traveller market, agents can be seen in a poor light if they don't know about the latest fares being offered by airlines. For us to keep up with all the various deals on offer, however, is difficult because the airlines often advertise before alerting the agents," he says.

295

Dealing with business people makes life easier as they are more sure of their plans although, conversely, they are also more subject to last-minute changes.

Despite the increasing competition in the market, which includes corporate rate or discount offers from hotels, car hire companies and from the airlines themselves, Brunini says service is the only way in which Euro Express can stay ahead of the pack.

Travel agency gearing up for new horizons

B/Day 1/7/92 (295)

COMING of age this year, Euro Express travel agency turns 21, and it has geared up to face a number of major challenges in the years to come.

MD Loris Brunini says the agency business is not only becoming more complex with the advent of airline deregulation in SA, but is also set to play an important role as SA's tourism industry takes off.

Corporate

As one of SA's better established agencies, Euro Express caters mainly for the corporate market, looking after the needs of busy executives who demand efficient service.

Looking back, he says the industry has always been a competitive one, but today's travel industry has become far more accessible, and more commercialised. "One thing that has not changed, is the fact that clients still want personal service, and it is this factor alone which keeps agencies ticking."

LORIS BRUNINI

He goes so far as to say that Euro Express is more than a travel agency. "We could be described as travel brokers; clients utilise our services because they trust that their requests will be met, and that our consultants will recommend suitable hotels, packages and other products which will suit the client's individual needs."

But new horizons are now opening up, and Euro Express is gearing up for new opportunities in a post-apartheid SA.

"Following all the publicity which surrounded SA during sanctions, this country has become something of a curiosity for many travellers.

"As interest grows, it's vital that the agency business provides the necessary back-up and support for tourists," he says.

To offer a comprehensive service to overseas clients, Euro Express recently formed Express Safari, a specialist business providing tours around Transvaal and eastern Transvaal game reserves.

The company is already proving fairly successful.

"In line with our focus on the corporate travel market, we're providing special packages for local companies bringing groups into SA, providing two or three-day tours for their visitors, complete with German, Italian, or French-speaking tour guides."

Services

As far as its own SA-based clients are concerned, Brunini set up the London-based associate company ED Executive Travel a few years ago to provide better services for those visiting London or Europe in general.

"This followed careful monitoring of our clients needs. We found that many have subsidiaries, branches or associates in Europe, so having ED Executive Travel in London makes sense."

CORINNA BASMADJIAN

Finding staff with experience gives headaches

B/Day 11/7/92

(295)

TRAVEL is about people, and finding experienced people in this field has become a real headache over recent years. Fortunately, Euro Express has kept many of its core staff for many years.

The agency employs 20, with many years of combined travel experience, and is holding onto its staff for all it is worth.

Chief accountant and personnel manager Corinna Basmadjian, says staff turnover at the agency is low, but existing personnel are under increasing pressure as the agency grows.

"We simply cannot find enough experienced staff to take some of the load off our existing people, so life is not easy — and this is exacerbated by the fact that clients are demanding greater efficiency and service."

Agencies

To find staff over the years, Basmadjian has relied on word of mouth, but lately she has been using personnel agencies.

"We've also tried advertising, but a recent advert didn't draw a single response," she says.

Indeed, the job is not the glamour career that many believe. It is highly pressured, with a major requisite being patience.

Compared to other fields, salaries are not great, but there are some significant perks for staff.

Also on the upside, she says that deregulation of airlines, and the rapidly increasing rate of tourism to SA, is attracting a new wave of people to the industry.

Most are school leavers, however, and an agency like Euro Express, which deals mainly with corporate clients, simply cannot provide the on-the-job training which is required for these newcomers.

"Unlike many careers, a job in this industry requires several years of experience for full qualification. This is largely because the travel market is constantly changing," she says.

FM 3/7/92 (295)

TELJOY FM 3/7/92

Mixed signals

(295)

Activities: *Rental, service and repair of TVs and VCRs, and distribution of M-Net decoders, plus supply of security and communication equipment.*
Control: *Servgro has control.*
Executive chairman: *T B Rutstein.*
Capital structure: *58m ords. Market capitalisation: R174m.*
Share market: *Price: 300c. Yields: 4,5% on dividend; 10,2% on earnings; p:e ratio, 9,8; cover, 2,3. 12-month high, 285c; low, 225c. Trading volume last quarter, 200 000 shares.*

Year to March	'89	'90	'91	'92
ST debt (Rm)	7,7	25,0	24,2	22,58
LT debt (Rm)	22,2	24,5	61,1	62,3
Debt:equity ratio	0,78	1,06	1,57	1,35
Shareholders' interest	0,38	0,38	0,33	0,36
Int & leasing cover	6,7	3,3	2,8	2,4
Return on cap (%)	27,9	23,3	19,3	20,4
Turnover (Rm)	93	116	147	174
Pre-int profit (Rm)	26,7	34,9	31,6	34,8
Pre-int margin (%)	28,7	30,0	21,5	20,0
Earnings (c)	29,6	27,3	32,1	30,5
Dividends (c)	13,5	13,5	13,5	13,5
Net worth (c)	64,2	78,4	93,3	108,0

Teljoy Holdings had mixed fortunes for 1992, posting an 18,3% rise in turnover and a 5% fall in earnings. Group chairman Theo Rutstein said good performances by the rental and business services divisions absorbed much of the impact of a R2,7m pre-tax loss incurred by the group's laggard division, Mastercare, and the higher interest and tax bills.

Apart from Teljoy's maverick division, which management is confident it has rectified, the group has achieved some important turnarounds. Historically, Teljoy's uncomfortable-looking gearing has been carried by strong cash flows. The debt:equity ratio was reduced from 157% to 135% during financial 1992. Financial director Denis Kennedy wants to see gearing reduced further, not because it is unacceptable at this level but because interest cover, at 2,4, is well below the level targeted by management and needs to be improved.

Through a policy of asset management, a declining four-year trend in return on assets was reversed and, though it is still short of target, further improvement is expected. The 30% increase in the tax charge for 1992 was roughly as expected.

The rental division remained the cornerstone of the business, dominating the market and making a significant contribution to Teljoy's results. A 13% increase in operating profit was achieved on turnover growth of 12%. Pre-tax profit growth of 26% was possible due to lower capital expenditure, which resulted in interest paid falling 26% to R6,4m.

This is in line with the division's strategy of extending the age of its rental fleet from its current 34 months to 60 months to achieve a better balance between free cash flow and the cost of repairs. Such a strategy will take two to three years and, assuming no buying or selling is done over the period, could generate additional cash of R50m-R60m. During financial 1992, the lower rate of capital expenditure on the rental fleet released enough internally generated funds to finance about R41m in capex.

Teljoy Business Services, which supplies visual security systems for hotels and casinos, contributed R2m (10%) to group pre-tax profit. Turnover increased 64%, helped significantly by the opening of Sun International's Carousel, with the result that operating profit jumped 112%, easing pressure on margins.

Rutstein attributes Mastercare's difficulties to the failure to achieve anticipated growth due to operating difficulties. This was worsened by the revelation during an internal audit of "various deficiencies" amounting to R1m.

Teljoy's Rutstein ... *forecasts better earnings growth*

DATES TO REMEMBER

Last day to register for dividends:
Friday Jul 10: Boumat 6c; GDM 10,25c; Gypsum 25c; Hi-Score 10c; LTA 32,5c; PDC 1,5c; Plate Glass 85c; Scoclik 6c; Yabeng ▲20,4c.
Meetings:
Monday Jul 6: Corwil, GIC (Roodepoort); Powtech (Sandton); Sappi.
Tuesday Jul 7: ABI (Sandton); Debonair (Cape Town).
Wednesday Jul 8: Altech (Bedfordview).
Friday Jul 9: Barplats; Kanhym (S) (Bedfordview); Molyslip (Sandton); Multisource; Norvic (Alberton); Vierfontein.
All meetings are in Johannesburg unless otherwise stated.
S = Special meeting.
▲ = Net after non-resident tax.

FM 3/7/92 (295)

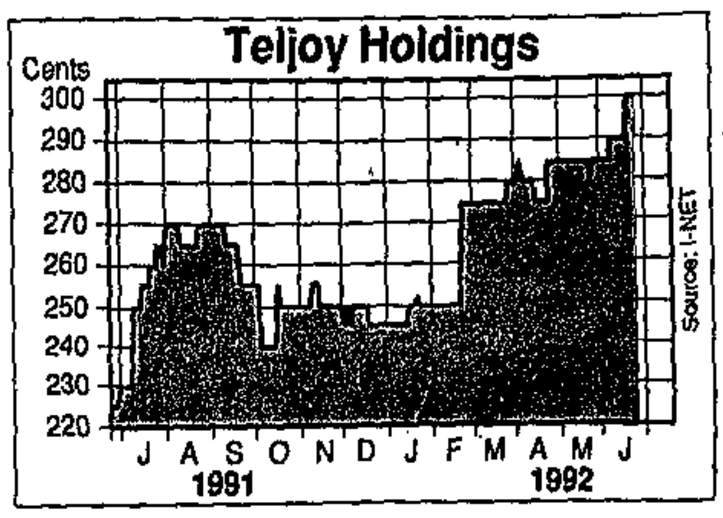
He forecasts a better year for earnings growth. The sharp increase in interest charges during 1992 is not expected to recur due to the reduction in debt, while the effective tax rate should rise only moderately.

The acquisition of Teljoy's major competitor Empisal, with effect from May 1 1992, is expected to have a marginal but positive effect on the rental division's results by increasing its presence in outlying areas. The black sector offers growth opportunities, though progress in this direction has been hampered by the violence and unrest. It accounts for less than a tenth of the domestic rental business.

Investors may be concerned about the high gearing but Kennedy insists it is not unusual for a company in the rental business and should not be compared with norms in manufacturing or retail industries. He forecasts gearing at about 75%-80% in financial 1993, though he expects this to be higher if growth is better than expected.

Sales are not likely to grow spectacularly in the short to medium term, given continuing violence, the temporary halt to township electrification and possible further retrenchments. But real growth is anticipated from the rental division as a result of SA's readmittance into the world sports arena.

At R3, the share has risen 22% since



FM 3/7/92 (295)

February, when Sankorp released 7m shares into the market in a bid to improve tradeability. Historically, the share has underperformed the JSE Industrial index and management feels the share is underpriced on a p:e of 9,8 in view of rental operations being better generators of cash than retailers. Even so, many investors may want to see evidence of improvement in earnings and dividend growth before bidding the share higher.

Marylou Greig

TV ads reach for rural areas

MARCIA KLEIN

SA's first national rural television service, aimed at advertising to more than 15-million consumers at rural trading stores, has been launched by Complete Holdings.

The company launched Africa TV to market fast-moving consumer goods to the rural areas. It will start on January 1.

Complete MD Paul Bateman said the rural market comprised about 15,4-million consumers who spent R4,5bn in 1991 on fast- B/Day 7/7/92 moving consumer goods. This was a sector which had been "frustratingly difficult to reach with advertising".

Research had shown there was a market for a cost effective, audiovisual advertising medium directed at rural black consumers in their own languages.

About 1 000 television monitors and VCRs would be installed at rural retail stores. Africa TV would include sport, drama, music and entertainment with advertising, which would run together with special point of sale promotions. (295)

Bateman said the launch had seen a promotional idea turn into a full blown media product. The TV sets would be installed in areas which could not receive normal transmissions. Taped programmes were the only available television and Africa TV was buying programmes from major television stations. Bateman said a pilot study had shown up to a 60% positive effect on store turnover.

Investors pump R20m into international fund

B/Day 7/7/92

GAVIN DU VENAGE

STANDARD Bank's International Fund had attracted R20m from about 2 800 new investors since its launch in May, the bank's fund managers said in their quarterly report released yesterday.

The fund invests specifically in blue chip companies with a large part of their business interests outside SA, or which have a major portion of their earnings sourced abroad.

MD Derick Finlayson said in the report on the five funds in the bank's stable that although the fund was only 75% invested at the quarter end, the intention was to increase exposure to international counters.

He said the fund was established to enable investors to divert their asset base beyond SA without becoming entangled in foreign exchange control laws.

The bank's other new addition, the Industrial Fund, drew in R5m from 1 000 new clients.

This fund's holding of 40% equity reflected the view that industrial shares were currently "expensive territory".

The Mutual Fund outpaced inflation and the JSE All Share Index, with one- and five-year returns of 20% and 18% respectively. Asset levels are R596m — up from the March quarter end of R552m — and liquidity levels were kept at 40%.

The Gold Fund recorded losses of 13% and 5% for the past one- and five-year periods respectively. The Extra Income Fund gave real return rates of 17% for the one- and five-year periods.

Meanwhile, unit trust investment advisers Consolidated Fund Managers warned yesterday that equity markets were drastically overvalued and may be heading for a major correction.

MD Clive Fox said while he would normally argue for long-term retention of investment in equity unit trusts, valuations were so out of line with economic reality, that unit trust investors should urgently examine various options available to them.

Latest ratings also ignored political uncertainty, and if the mood failed to improve, markets should correct downwards.

Textile tycoon buys Minelli

LINDA ENSOR

CAPE TOWN — Textile entrepreneur Johan Claasen has bought Minelli Handbags from property-owning brothers David, Irving and Jeffrey Solomon. B/Day

The business produces 2 000 handbags a day and is said to be one of the biggest manufacturers of its kind in the country. Claasen has acquired the business plus the Minelli and Cameo trade names. 7/7/92

The deal was negotiated by broker Seeff-MAG's Justic Letschert, who said the talks were protracted.

Claasen, who co-owns the 15-store fabric supply chain Starlite Textile with partner Peter Zulch, said he intended entrenching the Minelli and Cameo handbag ranges as market leaders supplying major chains.

EXECUTIVE SUITE

Servgro bullish ahead of JSE listing

MARCIA KLEIN (295)

LEISURE and services group Servgro, which is expected to list on the JSE on August 7, has forecast an 11,5% turnover growth to R903,2m in the year to end-March 1993. B/Day 8/7/92

The group, which has interests in Interleisure, Teljoy, Avis, Fedics, Interpark, Price Forbes and Nasionale Pers, said in its prospectus that operating profit would increase by 18% to R118,1m and attributable profit by 16,1% to R49,1m.

Earnings a share would rise by 10,4% to 45,6c and the dividend would increase to 18,9c a share from 16,7c.

The balance sheet at end-March shows cash of R156,9m, and gearing of 24%.

At its listing price of 500c a share, the group was on an historic PE of 12,1 times and a forecast PE of 11, with an historic dividend yield of 3,3%.

Servgro, which has an expected market capitalisation of R700m, is raising R140m to list in the beverage, hotels and leisure sector of the JSE. Leisure contributed 66% of Servgro's attributable profit, while services interests contributed 34%.

The share offer, which opens on July 13 and closes on July 29, was expected to be well received by institutions, said executive chairman Peet van der Walt.

SA has to make all-out overseas advertising effort

295

B/DAY 9/7/92

IF SA is to create the tourism boom which it hopes will generate jobs and foreign exchange, it is going to have to promote itself overseas.

SA has enjoyed a tiny fraction of the world's tourism market, mainly because of its adverse image.

Now an all-out effort will be required to make tourists think of SA as the place in which they most wish to spend their holidays, rather than as a place with political disturbances.

Flitestar MD Jan Blake says: "To produce the boom in tourism, we need really a major drive overseas as far as advertising is concerned. The government and Satour will have to play a major role. We have to bring SA to the average European and other world travellers.

"The qualities which SA has to offer are well known all over the world. We need to bring home to them that this is a safe destination, they can come here and they will not be attacked in the middle of the road.

"I am not saying it is pointless to promote SA until the violence has ended. There will still be tourists who choose SA as their destinations, but a lot of people will not come as long as SA is perceived as dangerous."

Southern Sun MD Ron Stringfellow says that promoting SA on a worldwide basis is going to be an expensive business.

"The cost of running, for example, an effective television campaign in the US is extremely high and would require huge state backing.

"While even the government now accepts that tourism is a high priority for future growth, it hasn't got the funds or the foreign currency to throw that sort of money at it," says Stringfellow.

Gradual

He suggests that promoting SA be carried out on a more gradual basis, working through the various private sector interests around the world.

He says the hotel group, along with other tourism orientated companies, attends travel and tourism trade shows.

"We go to the travel trade shows and we talk to tour operators. They in turn put SA into their brochures and those brochures go into the travel agencies."

There is a need to make the most of available funds. He suggests targeting specific markets such as the UK, Germany, Italy and France.

He says there is an urgent need to promote charter flights to SA.

There are a number of charter operators which have applied for licences to make flights into SA. However, the approvals are for two of SA's busiest months and Stringfellow would like to see such flights coming into SA all year round.

"If they receive their licences, and I expect they will, it will mean four flights a week into both Durban and Cape Town. That is eight flights with around 3 200 people each week. If they are staying for two weeks that is 6 400 people to accommodate.

"That is why going through the existing channels in the world travel industry can be the most effective route. If the tour operators can see a profit in flying people to SA they will promote it as a destination. And they can get to the end user very quickly," says Stringfellow.

SUGGESTED TAX CONCESSIONS WOULD ENCOURAGE EXPANSION

THE hotel industry is waiting with bated breath for possible tax concessions hinted at in a White Paper on tourism published in May.

It could mean reintroduction of tax incentives to induce the development of new tourism accommodation and the upgrading of existing facilities.

If government follows through, it will represent a radical departure from post-Margo policy, the thrust of which is to move away from tax concessions in favour of lowering the corporate tax rate.

Kessel Feinstein Consulting CE Delano Caras said the hotel industry was one of the first to feel the "cold winds" of the Margo recommendations when, in mid-1988, grading-linked allowances for hotels were replaced by a simple 5% straight-line annual allowance on new or improved hotel buildings.

Reintroduction of special incentives for particular industry sectors will lower their effective tax rates but make the prospect of a lower general corporate tax rate less likely. B/DAY 9/7/92

Forestall

"If meaningful tax incentives are indeed reintroduced, it will no doubt encourage the building of additional new tourist accommodation and might also forestall the conversion or demise of many existing hotels.

"The old incentive system was probably the single most important factor in the 'coming of age' of SA's hotel industry. Before then, SA hardly had any decent hotels. Now it at least has the basic infrastructure to accommodate the expected boom in tourism," says Caras.

Although some will argue that the absence of development incentives is a godsend in an industry currently trading at about 50% of its capacity, new hotels have a long lead time. If tourism does grow significantly, existing spare capacity will be absorbed more quickly than many appreciate.

"Having let the genie out of the bottle, government will have to act quickly. A number of hotel schemes on the drawing board have been frozen. Developers are wary of starting projects too early in case they lose out on any new incentives which might be in the offing.

"If government is serious about reintroducing incentives, it should give legislative form to them as soon as possible.

"If not, it should say so categorically."

Avis looks to Wizard for technological edge

B/DAY 9/7/92 (295)

THERE are times when magic is the only answer so Avis has turned to a Wizard.

The company went on line on the worldwide Avis Wizard network on July 1.

It believes this move will enhance productivity and asset management gains as well as giving it a technology lead.

Information

Wizard is an on-line, real-time information system which is regarded as state-of-the-art in travel industry computer technology. It is used to control and integrate the full range of car rental functions, from reservations to fleet management and financial accounting.

Avis MD Grenville Wilson says the link with Wizard is the culmination of a long-standing deal.

"We knew we needed advanced information systems to keep us at the leading edge of technology and innovation in an increasingly complex industry. We also realised that nothing developed on the local market could match the sophistication and reliability of Wizard. It is a 17-year-old system which has been constantly updated by a team of 150 full-time development specialists at Avis's world headquarters in New York," says Wilson.

The Wizard data centre includes two IBM 3090E computers capable of processing more than 90-million instructions a second. The system can handle up to 40 messages a second, 90 000 reservations and 1,2-million transactions a day.

It has five satellite communication lines and two fibre-optic undersea cables, a dial-up capability from anywhere in the world and more than 14 500 on-line terminals. It is also linked to all major airlines, travel agencies, tour operators, hotel chains and credit card systems.

Particulars

Its data base contains the particulars of Avis cardholders — more than 80 000 in SA alone.

"The link with Wizard will leapfrog us significantly ahead of our competitors and will open up a huge technology gap which will be virtually unbridgeable. In addition, it will boost our service levels to the highest international standards while allowing us to become the lowest-cost producer in the SA car rental industry," says Wilson.

GRENVILLE WILSON

Wilson feels the system will have a host of tangible benefits for Avis and its customers.

These include an extended reservations system with marketing options, improved fleet utilisation and control, greater billing accuracy, substantial increases in automation and productivity, effective interfaces between front and back offices, cost reduction through improved cash flow and control and a greater volume of inbound business through the interface with international airlines' reservation networks.

Africa TV aims at rural black consumers

STAR 11/7/92

295

THE launch of a video based TV service serving the often underestimated market sector of rural blacks could significantly add to the advertiser's ability to reach the black market from 1993.

The service is being introduced as a division of PHISA (Pty) Ltd within the Complete Holdings Group, publishers of a wide range of magazines serving the retail trade. Group MD of Complete Holdings is Paul Bateman who explains: "The media serving the white market is overtraded. Marketers of fast-moving consumer goods must look to the black market for growth and the rural sector is underestimated.

"Despite increasing urbanisation, an estimated 60 percent of the country's black population still live in rural areas. This section of the population represents enormous purchasing potential. In 1991 this sector spent over R4 500 million on FMCG brands at rural trading stores," says Bateman.

"This sector has been frustratingly difficult for marketers to reach with advertising. While radio and outdoor have become important media in this regard, both have inherent weaknesses and are best used as support media. Radio is a frequency product. It can deliver a message but can't show the pack. Outdoor can sell the brand, show the pack but cannot give a complete message. Both will find their power magnified if they are used as back-up media for the effective audiovisual medium of Africa TV."

The Africa TV service expands on the more limited "rural TV" RTV concept, a purely advertising-based medium which has been available up until now. Africa TV consists of TV monitors and video

INTO AFRICA: Complete Holdings MD Paul Bateman says the rural areas have great purchasing potential.

SUSAN RAMWELL

machines installed nationally, free-of-charge, at selected rural retail stores. A mixed entertainment programme will be the core attraction to viewers with just *30 percent advertising mix — the* norm for most TV channels.

CCTV's sport, drama, music and entertainment material — in the vernacular which research proves to be the best way to communicate — will draw viewers into the stores. All material flighted will be in the vernacular of the area.

The programme will be changed every two weeks and the storeowner can show the programme throughout a typical 12-hour day if desired but only need guarantee Africa TV six hours of viewing a day. To avoid any criticism of over-claiming viewership, Africa TV has engaged Ernst & Young as independent auditors for the service.

Thirty 30-second advertisements will be permitted on each videotaped programme. Based on pilot research, once 1 000 sets are out in the field (which Complete Holdings will audit and guarantee) each advertisement can be expected to be seen by 30 000 viewers every hour.

According to Paul Bateman, allowing for a significant conservative discounting of viewer potential, the service will still come in at a price of R10 per thousand reached making it a very viable alternative to existing media.

"The service was designed to enable marketers to communicate audiovisually with the vast rural market in their home languages at point of purchase."

Added value to the service however, which may mean a great deal to the marketer, is Complete Holding's offer of linked sales representative-style services. "We will be servicing Africa TV and offering a full trade marketing service at the same time — erection of point of sale material, stock audits, price audits, etc — everything a sales representative would do. We see this as an integral part of the Africa TV service."

Advertising was launched this week and switch-on date is scheduled for January 1 1993.

The regions covered by Africa TV will include Gazankulu, Kwandebele, Lebowa, Bophuthatswana, Venda, Transvaal, Free State, Kangwane, KwaZulu, QwaQwa, Transkei, Ciskei, Natal, Cape Province.

Complete Holdings Group is a well established media owner, encompassing the Retailer Group of publications which includes Trader's Friend, Safety Management, Flair, FMCG Retailer, and Pharmaceutical Retailer.

Agencies use freelance services to specialise

B/DAY 14/7/92 (295)

Reports by MARCIA KLEIN

MARKETERS and advertising agencies, feeling the pinch of the recession and the cost of offering full service operations, are making increased use of specialist services companies for media, production and creative work.

Carola Ross, who heads rendering, illustration and design shop Pinball Studio, said in an interview that the recession had severely hampered the activities of some agencies. This had opened doors to people offering cost-effective services, including casting reels, editing facilities and artistic skills on a freelance basis.

When economic growth resumed these services would be entrenched, she said.

Most agencies had curtailed their activities during the recession, but continued to focus on "providing a superior product to retain their existing clients".

As agencies had been avoiding staffing up their in-house creative teams, which involved higher overheads and stock costs, they had been using freelancers to provide the skills.

Pinball has a managed freelance team who work on a permanent basis and whose creative work is co-ordinated to match the design of the contracting agency.

Ross said although the artists worked freelance, there was "no risk" associated with buying in ad hoc services, especially to agencies with very small creative departments or none at all.

The Media Shop MD Dick Reed said agencies used to house creative, media, research and production resources. But this involved heavy overheads and also meant they were stuck with the skills they had employed. The recession had been an additional factor steering them towards using outside specialists.

While many agencies had kept their creative resources under their own roof, they had looked outside the agency for people to do work which required specialised skills.

Operating this way, agencies could find the exact resource they needed, and the work was often done more efficiently and was more cost effective.

In terms of media planning and placement, it was becoming increasingly difficult for agencies to employ people to do this specialised job, which required dedicated planners, buyers and client services people, and expensive research.

Agencies tended to prefer to concentrate on creative work and strategic planning, and did not like to clutter themselves with areas that were costly or not in their area of expertise. But outside sources were always motivated, specialised and profit driven. As they needed to keep the business, they often worked harder than staffers.

But Reed said there would always be the full-service agencies who needed to provide a complete service for the bigger clients.

Striving for a better future for YOU

STAR 14/7/92 (295)

A PROJECT into which a Germiston woman has put more than two years of her life — and from which she stands to gain precisely nothing — sometimes seems no nearer fruition than the day she first thought of it. But still she doggedly sticks to the task.

A poster on the wall of her office at the estate agency she runs in central Boksburg neatly sums up Lynne Cheshire's approach to life. It shows Lucy from the Peanuts strip saying: "I've invented something that can do the work of two men — one woman!"

It isn't that she's a red hot feminist. "I'm not, but I do like to get on with things," she says. "Once I get my teeth into something, I find it very hard to let go," adds this dynamic, public-spirited businesswoman who has held a variety of public posts in the East Rand's world of commerce and is currently special adviser to the president of the Germiston Chamber of Business.

But the project nearest Mrs Cheshire's heart is YOU — Youth Over Unemployment — a project badly bedevilled by the present political climate, but one she is determined to get off the ground sooner than later. To this end she will be travelling to Britain in the near future to discuss the matter of financing the project "at a high level".

She has previously corresponded with Margaret Thatcher on the project, and has a letter from the former British premier expressing her support and approval.

Mrs Cheshire, who is no stranger to dealings with the top echelons of the Government, as well as Inkatha and the ANC, emigrated to this country 20 years ago. In the UK she started nursing at a very young age. "There's nothing worse than regret for missed opportunities, and you see this so much in illness. I don't want to die having not achieved anything." She had a near death experience when daughter Amanda was born 13 years ago — "and that more than anything decided me I must do something positive with my life".

What is YOU? Though it would be black orientated, it was inspired by the plight of 23-year-old Rodney Thoms, who these days works at the estate agency. It all came about as a result of a letter he wrote to the Germiston City Times, complaining that since his national service straight from school, he had made 310 employment applications without success. "Can you imagine how much worse it is for blacks?" Mrs Cheshire says.

"Everywhere you look there's violence today," says the tall brunette, "and the single major factor is unemployment. Do you realise there are approximately 6,5 million people unemployed — and as we speak the figure's growing? If we get people jobs — and they're mainly young people — we've got a chance."

Mrs Cheshire has her eye on a Wadeville factory that would cost R1,5 million. In a project she sees as generating its own finance once it is off the ground, the factory would become an all-purpose HQ where workers could be trained and the project directed. "It needs commitment from business or it won't work," she says bluntly. "But we would be helping each other; we would be providing them with exactly the kind of work force they need for any given area of business."

Mrs Cheshire envisages a three-tier operation covering factory worker skills, any number of entrepreneurial skills from office cleaning to pottery, dressmaking, woodwork, garden service, and for those who are academically gifted. This is no pipe dream. She has done exhaustive studies on the project, and in the case of the academically gifted has already approached the head of the Germiston Technikon, who has given her the assurance that he would help.

"My dream," says Mrs Cheshire, "is to establish similar centres throughout the country. I know it can work. Once the first one's off the ground, it'll mushroom."

MICHAEL SHAFTO

Drive and determination . . . keep Lynne Cheshire on the path she has chosen.

Temps they are a-changing in S

STAR 15/7/92 (295)

TIME RIPE FOR TEMPS

The growing belief that professional "temps" can supply high quality, flexible service suggests this will be the chosen path for many of the "best and brightest" employees in the years ahead. ADAM GORDON reports.

THE office "temp" may once have been that person who slunk quietly into the receptionist chair, watered the flowers immaculately, never knew which phone call to put through to where, and generally made "blonde" jokes look like a standing ovation.

But temps are changing. Ask the draftsmen, engineers, computer programmers, systems analysts, sales and marketing people, accountants, auditors and middle managers who make up a burgeoning yuppie informal sector in South Africa.

They sell their skills and services by the hour through personnel agencies, just like "Kelly Girls", but would probably break your kneecaps if you called them that.

It is more likely that the skilled, graduated, self-employed agent will enter the corporate door as a "consultant" or "professional assignee".

He or she will increasingly be in a position to strike an attractive employment deal with a large company in need of flexible, cost-effective staffing solutions — particularly during the recession.

And the culture of executive temping is entrenching itself so firmly, worldwide, that indications are it will outlast the recession and become an essential pillar of corporate staffing.

The Independent of London reports that strategic thinking on the part of managers will result in all major companies using professional temps by the end of the decade.

In the British accountancy job market, economic uncertainty has led many companies to fill permanent positions on a temporary basis.

They are anxious not to return to the pain (of retrenchment) experienced over the past two years and are making a conscious decisions to match permanent staffing levels to the troughs rather than the peaks of business, using temps to make up the difference.

Syd Catton, chairman of a large South African personnel agency, says local executive temping has "grown and grown" in economically uncertain times.

Temporary workers are cheaper because, even though their hourly rate is similar to that of a permanent staffer in a similar position, they cost the employer nothing when they are not needed.

They can be engaged and shed without long-term contractual obligations or compensation.

Executive temps are also indicated for companies who take on large cyclical, seasonal contracts or project-driven employment, where they need different skills in varying amounts at different times.

For example, a company contracted to build a chemical refinery will need hundreds of planners and draftsmen at the beginning, but will not have much for them to do by the time they need artisans and engineers.

The global trend to technological sophistication and job specialisation also favours the professional assignee.

Such is the rate of change of technology that a full-time corporate "generalist" is unlikely to be skilled enough or up-to-date enough in any specific field to provide a cost-effective service.

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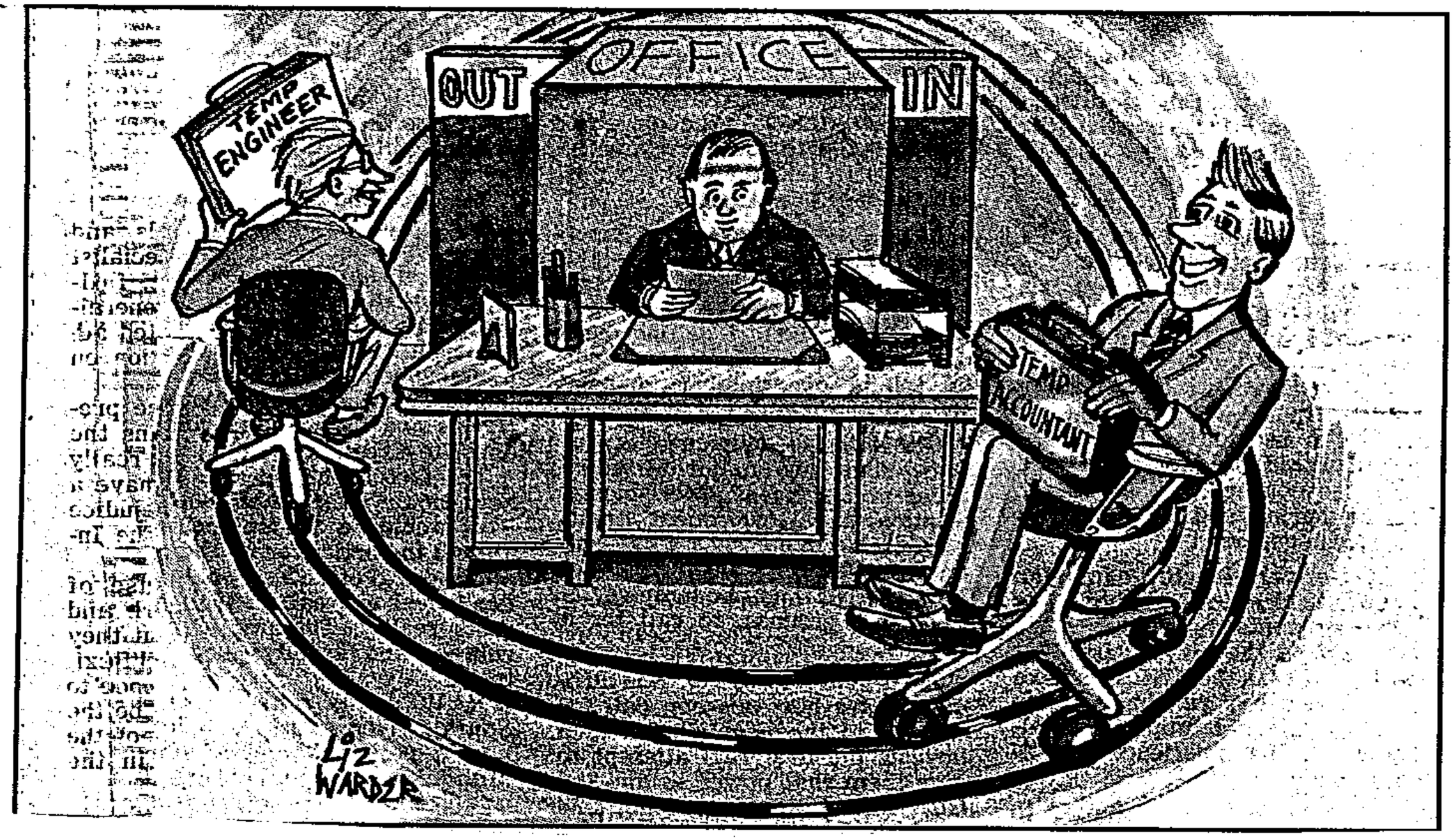
Says Mr Catton: "In corporations specialist professionals often find they spend less than 20 percent of their time doing the work they qualified for and want to do. The rest they spend going to meetings and managing other people and sometimes they turn around and find themselves in a different branch of the company.

"This doesn't happen to them if they are in a project-related, time-bound contract.

"Inevitably, corporations also treat outside specialists differently. Management meets them as equals, and will listen to their specialist advice. By contrast, full-time employees are generally identified and treated according to their position on the corporate ladder."

One objection to the professional temp remains the idea that "if they were really any good they would have a proper job". That prejudice will disappear, says The Independent.

"The increasing use of temps in project work and the growing belief that they supply high quality and flexible service adds credence to the view that this will be the chosen path for many of the 'best and brightest' in the years ahead."



FilmNet inhibits M-Net earnings

B/DAY 16/7/92 (295) (292)

MARCIA KLEIN

M-NET's R278m investment in European pay channel FilmNet and the need to finance its growth would "initially reduce earnings growth", chairman Ton Vosloo said in M-Net's annual report.

But he said the long-term effect "should be strongly positive".

The report showed that FilmNet began operating in the Netherlands in 1985. In the year to end-March 1992, M-Net's share of losses incurred by associates was R4,9m, mainly the result of losses incurred by FilmNet since acquisition in November.

Despite the earnings decline, the station had seen a steady growth in its subscriber base. At year-end FilmNet had 545 000 subscribing households in the Netherlands and Scandinavia.

Vosloo said the Filmnet operation was similar to the M-Net subscription television service in many respects, but its programme format was a 24-hour movie channel. He said the markets in which it operated had massive growth potential and there was a strong possibility of reaching a major share of the 16,5-million TV households with a high per capita income within those markets.

M-Net had a subscriber base of 695 000 at year end (now over 700 000), which meant it had a 27% penetration of the southern African colour television market.

Regulation

While there was some scope for further growth locally, attention had been focused abroad. Investment opportunities in this area would capitalise on M-Net's industry expertise and secure its long-term growth.

Vosloo said government had accepted that an independent broadcasting authority was required for the orderly regulation of broadcasting. He hoped the future regulation of the electronic media would be minimal and free of political control.

M-Net's signal had been linked to satellite, thus extending coverage to medium and smaller towns. An additional 21 centres would be commissioned during the year.

In terms of a joint venture in Namibia, nearly 5 000 subscribers had joined by year-end and negotiations for similar services were in progress in other countries.

The group's Subscriber Management Services division was developing a strategy to market the M-Net satellite service in Africa and had appointed agents in several countries.

It has been appointed by the SABC to manage satellite subscribers and has signed an agreement with the BBC to manage satellite subscribers to the BBC World Service Television.

M-Net's share has dropped from a high of 860c in November to close yesterday at 585c. Last week the share touched 560c, which was below the 575c a share rights issue price offered earlier in the year.

Inkatha unveils violence dossier

CAPE TOWN — The Inkatha Freedom Party has released a list describing 587 attacks, 376 of them fatal, on its membership since the national peace accord was signed last September.

IFP Western Cape chairman Nick Myburgh released the catalogue of attacks yesterday, saying the public needed to know the IFP was the target of a systematic programme of assassination and attack.

Myburgh also attached an analysis of the incidents, breaking down the occurrence and type according to provinces and weaponry. Most of the lethal attacks were alleged to have been carried out by ANC supporters and to have involved AK-47 rifles, hand grenades and incendiary devices. Most were recorded in the Vaal triangle and Natal. B/DAY

It is expected Inkatha's list will be handed to the UN secretary-general's special envoy, former US Secretary of State Cyrus Vance, on Thursday.

☐ A policeman was shot dead, allegedly by a colleague, during an argument at Lethlabele last Friday, a police spokesman said yesterday.

She said a second police member sustained gunshot wounds and was admitted to the H F Verwoerd Hospital in Pretoria. He was in a satisfactory condition. 21/7/92.

☐ Nine people were killed and six wounded in unrest-related incidents countrywide, police said yesterday in their unrest report for the 24 hours ending at midnight on Sunday.

Court will decide squatters' future

B/DAY 21/7/92.

KATHRYN STRACHAN

THE outcome of two court applications due to be heard in the Pretoria Supreme Court today will determine whether Zevenfontein squatters will move to two disputed sites in the North Rand area.

The Diepsloot Residents' Association and Laezonia Landowners' Association are seeking an interdict restraining the TPA from settling the Zevenfontein community at Diepsloot.

Diepsloot is one of the sites on the North Rand identified by the TPA.

In a third application later this week, lawyers representing residents living in Nietgedacht, the second area identified by the TPA, are expected to serve papers on the TPA.

But advocate Mathole Motshekga, legal adviser to the squatter community, said in a statement yesterday the TPA should honour the agreement it made to move squatters to Diepsloot and Nietgedacht, in spite of the outcome of the hearings.

He said squatters were ready to move to the sites, but in previous cases the TPA had bowed to "white racists' interests" and changed plans to relocate the community to any of the suggested sites.

The matter had become politicised, said Motshekga, and the community had resolved at a meeting last week "not to allow white racists to determine their destiny".

Should the TPA fail to honour its agreement with the squatters, they would disregard the July 31 deadline for their resettlement and reject any relocation to a transit camp.

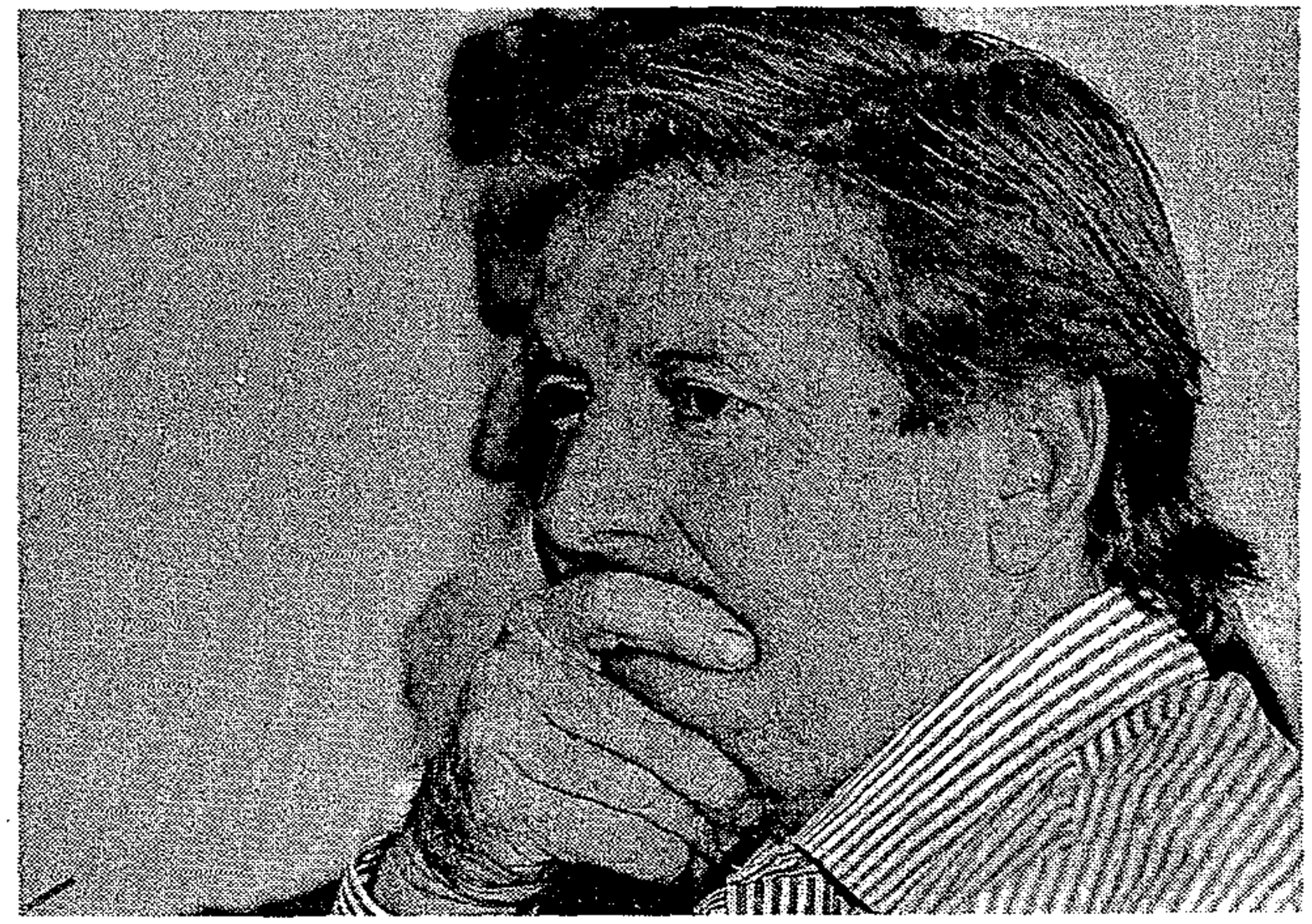
Motshekga said the squatters had rejected the alternative sites in Cosmo City and Helderfontein proposed by the white residents, because residents had been unable to make any concrete arrangements.

Meanwhile, at a meeting yesterday, representatives of the Nietgedacht Action Group said they were prepared to accommodate the Zevenfontein community in the area, but only if adequate housing and facilities were provided.

Residents said squatters were being moved from their present site in Zevenfontein because of a "shadowy deal" between the TPA and Johannesburg Consolidated Investments, which has interests in the luxury Dainfern country club on the adjacent site.

Action group chairman Norma Sharples said if JCI did not want a squatter camp on its doorstep, the responsibility for providing funds for adequate housing lay with the company.

Sharples said the action group's members would stage peaceful protests, but added there were many right wingers in the area whose actions the organisation could not control.



A Nietgedacht resident, who declined to be identified, at yesterday's meeting called by the local action group to discuss the Zevenfontein squatters. Picture: CATHERINE ROSS

Travel agent calls for streamlining

THEO RAWANA

TRAVEL agent NedTravel Holidays has called for streamlining of the tour operators' sector to reduce current oversupply on certain routes. B/DAY 21/7/92

And NedTravel Holidays MD Eric Thorne's proposal that business should be evenly distributed has been supported by the Travel Agents' Board.

Thorne said in a statement that up to 10 different tour operators currently offered holiday options to the same destinations.

Tour operators' cut-throat price war to attract business was an unhealthy long-term option for the industry. (295)

However, Thorne emphasised that he did not believe a streamlining of operations would mean fewer operators but fewer, specialised companies serving specific destinations.

Board director Bill Botha said the call made sense. "It is a sensible, valid proposal that needs consideration by the industry".

M-Net subscription levels 'put it among world leaders'

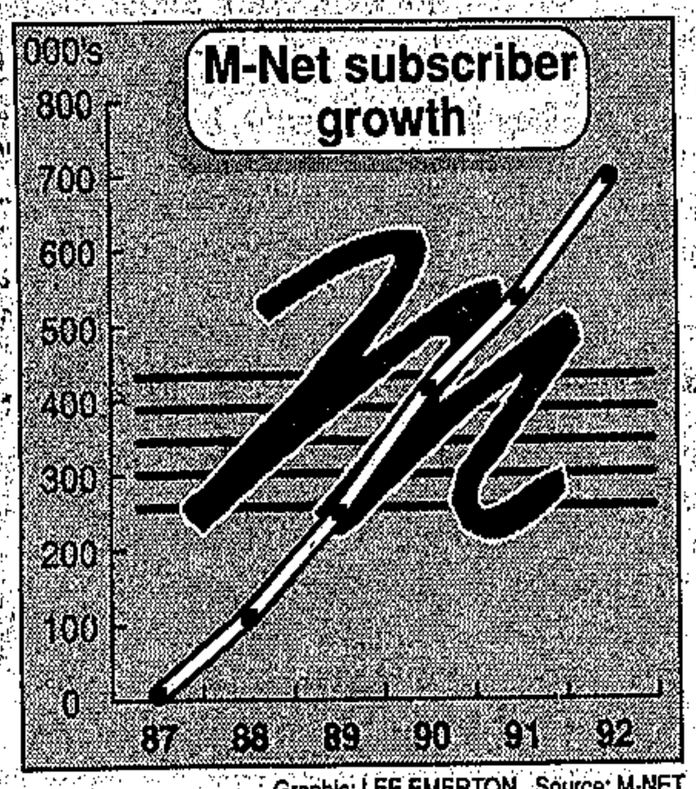
B/DAY 23/7/92 (295)

GAVIN DU VENAGE

M-NET's growing number of subscribers had reached one of the highest colour TV penetration levels in the world, chairman Ton Vosloo said in the company's annual report released yesterday.

More than 27% of colour TV homes in southern Africa had M-Net, with subscription levels at 695 000 compared with 535 000 last year.

Satellite transmissions had given access to smaller centres, and another 21 areas were scheduled for commissioning in the coming financial year, said Vosloo.



Graphic: LEE EMERTON Source: M-NET

And although the recent acquisition of FilmNet with the Richemont-led consortium saw a loss for associates of R5m, the new venture operated in a market with as many 17-million TV households, with potentially massive growth.

Nearly 5 000 of the new subscribers were in Namibia, following a joint venture established in December last year. M-Net was negotiating similar operations in other African countries.

The Subscriber Management Services (SMS) Cable & Satellite division had developed a strategy to market in Africa, and would manage satellite subscribers to the SABC's TV1, and the BBC's World Service Television in Africa.

The business and credit information division, Information Trust Corporation (ITC) had entered a partnership with the Botswana Development Corporation, providing credit information in that country, and ITC Namibia was the major supplier of information in Namibia.

To cope with the expanding subscriber base, M-Net had upgraded its mainframe, becoming one of the first sites to buy the new IBM ES9000, which could keep track of more than 1-million subscribers.

WITH AUTOPAGE, 4-WARNED IS FORE-ARMED

(295)

STAR 23/7/92

Autopage Holdings, a listed company in the Altech group, which specialises in radio paging and financial information services, was started in the Transvaal in September 1981 as Autopage Tvl.

Sixteen months after the start-up in the Transvaal, Autopage moved into Natal and the Cape.

Since then Autopage has acquired Bellboy and BP Paging and is now merging these three PWV control rooms.

This will lead to a tightly controlled, centralised operations network "superseding standards set by these three paging companies."

In the beginning, the devices were of course much less advanced than those in use now, which take in the latest alpha numeric paging technology.

By 1984 the company was already able to offer the option of a liquid crystal display pager with a four-message memory. A pager with 6000-character memory facility is now available.

This meant the user was saved the embarrasment of others being able to hear his personal "messages", and could read the message later.

In 1986 Autopage was listed on the Development Capital Market (DCM) and later on the main board of the Johannesburg Stock Exchange.

The latest release from Autopage is the 4-WARM system, which instantly links any alarm to a radio pager.

It has a small but powerful VHF transmitter, installed on a client's premises, even on sites without electricity.

Programmed to individual client needs, among other applications it monitors attempted break-ins, computer malfunctions or faulty air conditioners, and checks up on security guards.

Autopage's comprehensive paging and allied systems lead to improved customer relations for users, as well as increased productivity.

Tel (011) 725-4535

Dale Carnegie helps people grow

STAR 23/7/92 (295)

Dale Carnegie's Johannesburg franchise has increased its business over 400 percent in the past four years and it is expected to increase business further in 1992.

Franchise holder Kat de Beer started out by attending the Dale Carnegie course in 1961.

"After the course I wanted more and I was invited to assist the instructor. Later I became an instructor myself," he says.

At the time he was a marketing general manager for a major life assurance company. Instructing was a hobby which he did in his spare time.

"It is very satisfying knowing that you have made a difference in people's lives," he says.

Later, the owner of the franchise decided to leave the country and Mr de Beer was offered the opportunity of taking over.

"I had the money, but it was a painful decision. I had to give up a very senior position in commerce to take on the franchise," says Mr de Beer.

However, he did take the leap and has turned the business into an even more successful venture.

When he took over at the end of 1986 the franchise had 600 people attending courses each year. Last year 2007 people attended. Mr de Beer expects 2 500 for 1992.

He says his wide network of contacts, developed during his years in the life assurance business, helped. But the main factor in the success of the enterprise was putting into practice the lessons he learned on the Dale Carnegie courses.

"I put into practice the principles I was teaching and it worked," says Mr de Beer.

The course was developed by Dale Carnegie in 1912 and it has been continually updated to meet its clients' changing needs.

"It grows with the need. Our flagship in Johannesburg is the Executive Image Programme which grew out of just such a need. No-one willingly projects a poor image, it happens accidently, but good images are the result of specific, determined and continued application.

"The most common fact of which executives are unaware is that the image others have of them is very often a result of the image they hold of themselves.

Kat de Beer . . . from instructor to franchise holder.

"The course shows people how to improve their self-image and, as a result, the view others have of them. This is done by constantly reinforcing and acknowledging the person's positive points.

"More than 60 percent of the executives who attend this programme have been married more than once.

"It is not that they have problem with interpersonal relationships. They are too hard-pressed in the workplace, where there is one manager for every 47 workers, compared to Japan where there is one manager for every seven workers.

"Executives have a tremendous feeling of guilt because they are not spending more time with their families and the situation can only get worse.

"We teach the importance of making time," says Mr de Beer.

Delegates are encouraged to look at the attributes which have made them successful. In addition, they look at areas of weakness and develop a programme for addressing those flaws.

This blueprint is used to continue the development begun during the course.

He says companies are identifying the need for the course. Often executives are promoted up through the corporate ranks, but many lack the necessary management skills.

"The course has a number of different modules from image to team building," says Mr de Beer.

His franchise leads every other in the world in sales of the Executive Image Programme. He believes this is due to a greater awareness in South Africa of being over-managed and under-led.

"We need leaders now, and those leaders need to project an image that will cause people to believe in them. They need to believe in themselves," he says. Another popular and particularly useful course for South Africans is the Youth Programme.

"Caterpillar Africa and Total South Africa sponsor children to go on the course.

"This is part of their programme of putting back into the community what they have taken out of it.

"There are also large numbers of parents who realise the necessity of equipping their children with the basic tools to make a success of their lives.

"Children from all walks of life and of every colour and creed attend the course which is run over five Saturdays.

"On the first day they all form groups based on their language or colour. By the end of the course they have become unaware of colour. They walk away from here a united group of young people.

"The course concentrates on basic principles, confidence, self-image, the ability to communicate more effectively and to live with people with less worry and stress," says Mr de Beer.

He says companies should not send hopeless cases on the course. If they are that bad they should not be in sales.

"Send us the top sales people and we will make them better. The course is run over 12 weeks as there are no quick fix sales courses that actually work. We expect visible progress from delegates by about the fifth or sixth week. Each week delegates practice the various techniques during the session and are expected to put the methods into practice, and their results are analysed during the following session."

The general Dale Carnegie course is aimed at all who wants to develop. Mr de Beer says the only ones who won't benefit are those who think they know it all, and those who have no desire to move forward. For more details, phone (011) 331-8311

ADVERTISING EXPENDITURE FM 24/7/92

An aura of gloom

295

Those dependent on advertising expenditure for their livelihoods (media and ad agencies) are bracing themselves for a very tough six months. Continued economic recession, political uncertainty and industrial unrest have combined to turn what was expected to have been the beginning of a recovery phase into a prolongation of the downturn.

"There is a general aura of gloom," says Lindsay Smithers MD John Sinclair. "People are very pessimistic. Unless there is a major turnaround in the mood of the country I can see the second half of the year being disastrous.

"The major cause is economic, but other factors worsen public nervousness. Retail business is just not happening. People are spending less. There have been no major cuts by advertisers but people have not increased their budgets. They are spending at best up to last year's levels, and in many cases below. I think it will get worse. I am not in despair, but I am not far off it. There has been a total turnaround from the mood at the time of the referendum."

Media Shop media director John Barham has noticed a severe contraction in the past couple of months. "You have only got to pick up a magazine and you can feel the weight of advertising has dropped. I can't see it turning around until the Christmas boom, and the recovery may not be until 1993." One result is an emphasis on short-term thinking, with advertisers reluctant to commit for longer periods.

One bright spot, says Barham, is that advertisers are reinvesting the money they previously paid in value-added tax. "So automatically you should see at least 20% growth purely because of that."

There has been "an enormous downturn" in branded advertising, says Graham King, GM of *The Star*. "Retail has not been as badly hit. In classified advertising there has been a continued weakening in staff vacancies, but on the other hand motor advertising in the classifieds has picked up." King expects no improvement until next year.

There is, in addition, very little new business coming into the market, which explains the high level of interest in the Virgin Atlantic Airlines account. Another new advertiser is Guinness, which will be brewed and marketed locally by SA Breweries. Ogilvy & Mather Rightford has been appointed to do the media planning and buying, but the creative work will be done by Guinness's international agency, MAP.

"Everybody is waiting to hear about Virgin," says Mike Wellsford, MD of O&M Transvaal. He says the agency has had no client cutbacks or cancellations "but there is an enormous amount of anxiety about the next three months. May and June were very poor sales months for most of our clients. If July is the same they might want to make cuts."

The threatened general strike will only make things worse. Wellsford is concerned, too, about the SABC labour dispute, which could affect TV and radio advertising. "Some 50%-70% of our business is placed through the SABC. No company can afford to lose 50%-70% of its August sales."

There has also been very little movement of existing business. "It has been the quietest year for major changes in years," says Bernstein Loxton Golding & Klein MD Arlene Klein. "Clients don't see the need for change. No-one wants to change an agency just for the sake of it."

That said, BLGK was the beneficiary of one of the year's biggest changes when it picked up Southern Sun. All the group hotels (which include Holiday Inn and Formule 1) are now housed with one agency.

Bryan Gabriel, whose independent buying agency, Media Business, has had a record year, also attributes this to gaining business. "We won Morkels and other clients, and we are very busy," he says.

BSB Bates MD Dave Kelly reports that "a lot of money is being channelled into below-the-line advertising for instant response. At this stage we are still hitting our budgets but certain categories are going through very difficult times. They include durables, non-essentials and cars." ■

Car rental volumes 'could drop'

B/DAY 27/7/92 (295)

EDWARD WEST

CONTINUING political violence could see car rental volumes falling by more than 30% over the next few months, traditionally the start of a peak business period for auto-rental companies, Budget Rent-A-Car MD Tony Langley said at the weekend.

Langley said if violence continued the normal influx of foreign tourists wishing to take advantage of SA's summer season would dry up.

Foreign tourists accounted for about 30% of rental volumes during these months. They tended to keep away from SA during winter and car rental companies, operating at about 70% of capacity, were currently experiencing a normal trough in business activity, he said.

Car rental volumes had already dropped by about a third in real terms to 2,5-million days in 1991 from an annual average of 3,5-million days three years ago.

Langley said although the low demand was bringing prices down, industry price levels had reached their limits and many companies were considering whether to close down outlets. Budget closed one outlet last year and was considering closing more, he said.

However, Imperial Car Rental MD Carol Scott was more optimistic. She said a number of new European operators had recently shown interest in SA as a tourist destination.

Because of this optimism the company had no plans to close outlets or cancel orders for the purchase of new vehicles, she said. The group planned to spend R240m on 6 000 new cars this year.

Avis director Glen van Heerden said he was cautiously pessimistic about short-term tourism prospects in SA because of political turmoil. Foreign tourism in Botswana, Namibia and Zimbabwe was on the increase, he said.

Changes affect tax benefits of plane ownership

ANDREW KRUMM

AN AUGUST 1 amendment to the Income Tax Act — which removes some tax benefits associated with aircraft sales — would affect the incentive to own aircraft and hurt tourism in SA, said industry sources. B/DAY

Deloitte Pim Goldby associate director Craig Richardson said an amendment to the 1992 Income Tax Act would prevent the owner of an aircraft from setting off the sale of an old aircraft against the cost of a new one.

"The message is that aircraft owners planning to sell have four days to avail themselves of the tax benefits under the current Act," he said. 28/7/92

Avfin Industrial Finance director Volker von Widdern said "the motivation and justification for acquiring an aircraft now becomes that much more difficult".

The amendment would not only affect the size of the market, but hurt tourism through its impact on the air charter industry.

"The infrastructure for tourism must include an airfleet, and when you restrict the airfleet, you restrict tourism," von Widdern said.

Another aviation finance company spokesman said the amendment would have a "very dramatic" effect on an already depressed market.

"One of the biggest selling tools in this industry is the tax benefits associated with owning an aircraft.

"For an owner this often leads to a situation, where, in order to enjoy the tax benefits, he rolls over the recoupment values into a newer, larger aircraft.

The owner's inability to roll over the recoupment under the amendment would cut the market drastically in future," he said.

Even taking account of a 40% tax allowance for new aircraft, the net effect of the amendment was a significant increase in the former owner's taxable income, with an obviously negative impact on his cash flow," he said.

Travel agents wilt in heat of air war

B/DAY 28/7/92

STEPHANE BOTHMA (295)

CHEAPER air fares — although beneficial to travellers — were causing travel agents to struggle, an industry spokesman said at the weekend.

Agents had to sell many more of the cut-price tickets to generate the same level of income they derived from selling more costly tickets, often at the expense of service to customers, Rennies Travel marketing manager Kananelo Maketha said.

Maketha's statement came as a price war loomed in SA's domestic flight market between Flitestar and Comair — a war in which SAA has said it would not take part for the moment.

Maketha warned that those travel agencies which were not geared towards providing their service cost effectively would be hard pressed to maintain their standards.

Flitestar and Comair recently announced a cut of up to 45% on fares on the popular Johannesburg-Cape Town route and industry sources speculated that SAA would soon announce a cut of about 50% on its flight pricess.

However, the speculation was strongly denied by SAA spokesman Leon Els, who said that no such announcement would be made in the foreseable future.

Flitestar MD Jan Blake earlier said domestic air fare structures in SA were already too low by world standards and that such a dramatic reduction in fares by SAA would eliminate all competition.

SAA already showed a considerable loss on its domestic service and airline chief executive Gert van der Veer earlier indicated that SAA intended cutting down on domestic seat capacity.

Flitestar last week introduced a promotional fare of R638 on an off-peak flight between Johannesburg and Cape Town with effect from August 3.

At the weekend Comair pointed out that its off-peak fares on the route were still the lowest in the country at R530 return.

"This is a no-strings-attached fare, with simple preconditions: it applies to passengers booking and paying in full ten days prior to departure, senior citizens, youth, military personnel and spouses," Comair commercial director Bert van der Linden said.

Peak-time unconditional fares on Comair were R678 on all flights — 20% less than the standard economy fare offered by the other two carriers on the Johannesburg-Cape Town route, he said.

Comair would fly the route for the first time on August 3.

A Rennies Travel spokesman said travel agents were paid a certain percentage commission on selling an air ticket and although ticket prices were being lowered, the commission percentage remained the same.

"We fear that travel agents would not start pushing volume at the expense of service to customers," she said.

Collectors expected to snap up Harvards

STEPHANE BOTHMA

B/DAY 28/7/92

ARMSCOR has put up for tender 21 SAAF aircraft — including two Harvards which the company says are collectors' items.

On Sunday Armscor advertised 19 AM-3CM Bosbok aircraft, Bosbok spares and two Harvard T6s.

The Bosboks were built for the SAAF by the former Atlas Aircraft Corporation and used mainly for reconnaissance, an Armscor spokesman said yesterday. They were ideal for use in rural areas because of their short take-off and landing abilities.

The 40-year-old Harvards — used by the SAAF as training aircraft — were expected to be snapped up by foreign collectors. Tenders were expected from all over the world.

The tender deadline was set for September 14.

Skal congress major boost for Cape tourism

B/DAY 28/7/92

LINDA ENSOR

CAPE TOWN — The Cape tourism industry is to receive a boost by the arrival of about 1 800 tourist operators from all over the world who will be attending the 1992 Skal World Congress in the city in October.

Apart from the immediate economic spin-offs from the flood of visitors from 80 different countries, the Cape economy is likely to receive a further $25m tourist injection next year as a result of the congress.

"The importance of making a favourable impression on the delegates cannot be overemphasised. They are able to exert tremendous influence on tourism to SA," Skal spokesman Mike de Groot said yesterday.

Association Internationale des Skal Clubs protocol director Len Gracheffo from Canada and congress director Ian McCubbin from the UK said previous experience showed that the year following the congress the host city gained tourism worth about $25m.

Skal members are all senior personnel in travel and tourism related industries. The organisation has a membership of more than 24 000 in about 600 clubs in more than 100 countries.

About 1 820 beds have been booked in 16 Cape hotels for the six-day congress and 45 luxury coaches are being brought from other centres in SA to cope with the demand.

Cape Town was chosen to host the 1992 congress over rival bidder Istanbul.

Travel agents set up education, training body

B/DAY 30/7/92 (295)

STEPHANE BOTHMA

A TRAVEL education and training authority has been formed in a move to professionalise the industry and prevent "incompetent individuals" from servicing travellers.

Travel Education and Training Authority of SA (Tetasa) steering committee chairman Karen Long said yesterday that if the industry was to survive, travel agents had to start taking an active interest in the development and training of their staff.

Aimed at developing a SA travel diploma which would be officially recognised locally and overseas, Tetasa would be able to investigate current travel training courses and set standards under statutory powers it would derive from the Manpower Department, Long said.

"We cannot continue to allow the travelling public to be serviced by incompetent individuals.

"With the reduction of airfares, cost-effective service is going to be the key not only to survival, but to healthy growth in the years to come," she said.

The travel industry was experiencing an unprecedented skills shortage because there was no formal training, she said.

The industry's public image had suffered because of years of poor service caused by ignorance and inefficiency.

30/7/92

Tetasa would be funded by a levy on all travel agencies, wholesale operators and tour guides. This would be determined once a board had been selected by the industry.

At present no recognised qualification was required to enter the travel industry in SA. Nor was official approval required by anyone lecturing to people entering or already in the industry, Long said.

The concept of a travel industry training board was strongly supported at last year's Association of SA Travel Agents congress, she said, where it was generally agreed that the current situation could not be allowed to continue.

Groundwork has been laid over the past 10 months to identify the essential needs of the industry, Long said.

'Strikebusters' is to employ 'scabs'

Cape Times 21/8/92.

A PRETORIA-BASED company called "Strikebusters" is promising jobs to Port Elizabeth's unemployed during the two-day stayaway beginning tomorrow.

In advertisements placed in local papers under the headline "Strikes Cost Millions", the company called on businesses to "reserve your alternative workforce now and prevent production losses".

The five-week-old company said some 4 000 unemployed PE residents have made job enquiries with them.

The company has an office at a secret location in PE from where it is doing its placements telephonically, said company director Josh Louw.

Tense situation

Louw said some 15 firms had contacted him about alternative workers as the national stayaway looms.

An industrial relations observer has, however, labelled such action "dangerous strategy" which would whip up emotions in an already tense situation.

"The problem is that scab labour is usually recruited on a racial basis, where coloureds or whites are called in to fill the shoes of black workers," she said.

What "Strikebusters" was doing, she said, was to formalise a long-standing industry practice.

Political comment and newsbite by K Shiya, headlines and sub-editing by B Keane, both of 2 Herb St, New Doornfontein, Johannesburg.

FM 7/8/92 (295)

CONCORDE TRAVEL FM 7/8/92

Feeling the cuts

(295)

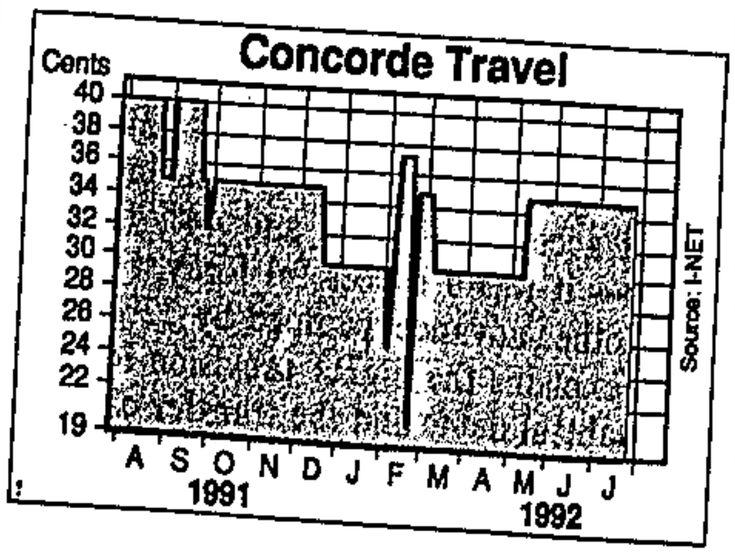
SA's only directly listed travel company, Concorde, posted lower earnings over the past two years. Companies suffering from recession have cut back on corporate and executive travel benefits.

Exchange rates offset benefits that clients may have received from fare cuts during the year and passenger figures failed to increase significantly. The reduced air fares also weakened Concorde's commission-based revenue.

Management's decision to deal mainly with corporate clients, as a means to prevent bad debt, paid off. Concorde held no debt at the end of the 1992 financial year. It still had to pay a R400 000 interest bill because of short-term delays in collecting receivables and paying airlines throughout the year.

Activities: *Corporate travel services.*
Control: *Directors 60,3%.*
Chairman: *A Rogoff; MD: A Lunz.*
Capital structure: *16m ords. Market capitalisation: R5,1m.*
Share market: *Price: 32c. Yields: 7,8% on dividend; 17,5% on earnings; p:e ratio, 5,7; cover, 2,2. 12-month high, 45c; low, 15c. Trading volume last quarter, 29 000 shares.*

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	—	0,6	—	—
Shareholders' interest	0,44	0,23	0,21	0,30
Int & leasing cover	—	9,9	10,6	—
Return on cap (%)	9,3	17,5	14,2	10,7
Turnover (% change)	21,6	97,5	6,4	(4,3)
Pre-int profit (Rm)	1,2	2,2	1,7	1,1
Earnings (c)	5,3	10,3	7,0	5,6
Dividends (c)	3,5	3,75	2,75	2,5
Net worth (c)	34	18	16	19



Until recently, Concorde sold travel mainly to local business but in May Luxembourg-based international trading company Marvol Holdings SA made an offer to Concorde shareholders to acquire 51% of their shares for 33c each (ex dividend). Financial director Norman Steingold says the change of control will allow Concorde to gain and service incoming travellers.

Chairman Alec Rogoff sees the foreign investment as an international vote of confidence and the company intends opening offices in each of the countries in which Marvol operates.

The board is to be reconstituted with the appointment of Marvol chairman Mark Voloshin as chairman. Rogoff will stay on as joint deputy chairman along with the Marvol deputy chairman Lou Wolf.

Steingold says travel is becoming cheaper and he hopes to see a trend of lower-income

FM 7/8/92 (295)

people seeking package deals to go abroad. However, for the second successive year, Concorde had to cancel tours this year. After the Gulf War, Concorde had to reroute or cancel tours planned to the unsettled Commonwealth of Independent States.

With air routes opening up and fares falling, SA's travel industry could be looking forward to a growth phase. The share is not expensive on a 5,7 p:e and is worth holding.

Kate Rushton

Servgro closes at 9% above issue price

MARCIA KLEIN (295)

IN ITS debut on the JSE, Sankorp leisure and services arm Servgro International closed on Friday at 545c — or 9% higher than its issue price.

The share reached a high of 550c and a low of 510c during the day. More than 1-million shares worth more than R7m changed hands in 151 deals.

Analysts said the share had traded at a lower level than expected some weeks ago because of the nervous, subdued market. Nevertheless, it had done well to close above the issue price of 500c.

They said volumes were fair considering most of the shares were tightly held by institutions and business associates.

They expected it to settle at a higher level over the next few weeks.

Servgro, which has interests in Interleisure, Price Forbes, Teljoy, Avis, Fedics, Interpark and Nasionale Pers, raised R140m before its listing.

S/Times 18/8/92

10/8/92

MULTISOURCE (295)

Right numbers

FM 14/8/92

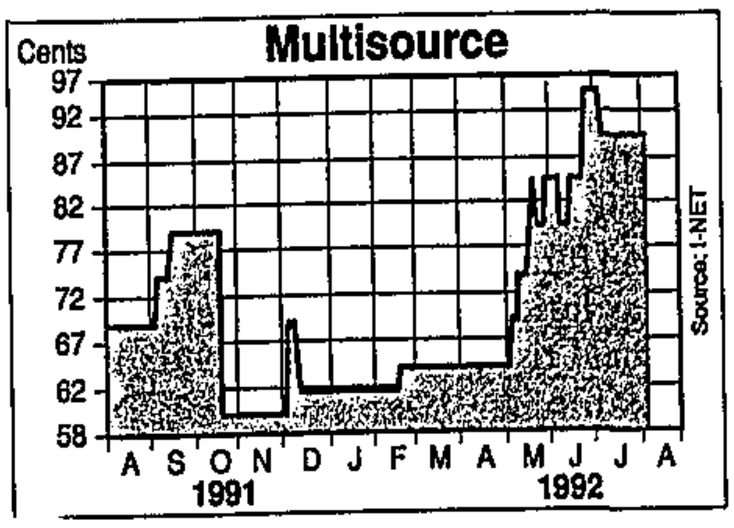
With up-to-date technology essential for success in the communications industry, Multisource, in line with its policy of asset management, wrote off fixed assets of R603 000

FM 14/8/92 (295)

Activities: *Sales, rental and servicing of radio paging and two-way radios.*
Control: *TPH 55% and directors 15%.*
Chairman: *E W Mole; CE: A N Park.*
Capital structure: *8,6m ords. Market capitalisation: R7,7m.*
Share market: *Price: 90c. Yields: 13,3% on dividend; 21% on earnings; p:e ratio, 4,8; cover, 1,6. 12-month high, 90c; low, 60c. Trading volume last quarter, 20 200 shares.*

Year to Feb 28	'89*	'90	'91	'92
ST debt (Rm)	n/a	0,06	0,81	0,26
LT debt (Rm)	n/a	0,07	0,79	0,07
Shareholders' interest	0,70	0,67	0,56	0,55
Return on cap (%)	15,6	14,0	12,3	16,8
Turnover (Rm)	12,2	14,5	15,8	19,4
Pre-int profit (Rm)	1,45	1,60	1,80	2,71
Pre-int margin (%)	11,9	11,1	11,4	14,0
Earnings (c)	18,0	20,9	15,0	18,9
Dividends (c)	—	7	8	12
Net worth (c)	70	84	91	98

* Pro forma.



in financial 1992. Stock levels were reduced by three-quarters to limit exposure to changes in technology.

Turnover rose 22,8% and operating profit 51%. The paging company benefited from net interest income of R695 000 (R422 000) and attributable earnings rose 28,6%.

Cash flow remained strong and, at year-end, there was a net cash balance of R6,8m, providing funding capacity to make an acquisition this year. CE Alan Park reckons expansion by this route will generate future sales growth. With barriers to entry in this market high and the short-term gains small, he is not concerned that competition may restrain turnover.

If trading so far this year is any indication, financial 1993 will be a good year, says Park, and last year's dividend growth will be maintained. Tradeability of the share has been a problem but is being addressed.

The share is inexpensive compared with the firm's main competitor, Autopage. Multisource has a smaller market capitalisation but profitability is comparable. The price has more than doubled in the past year and, in recent months, the share has performed well against the Industrial index. It still looks attractive. *Marylou Greig*

Saatchi Klerck quick off the mark

S/Times (Buss) 16/8/92

ANOTHER service company which is expanding its interests in Africa is Advertising agency Saatchi & Saatchi Klerck & Barrett.

Chief executive Jurie Snyman says no marketer can afford to ignore Africa.

"There is a new kind of consumer in Africa — young, an average of about 17,5 years old, and looking for economic empowerment. The freedom fighters are gone.

"There are 650-million people in Africa and the figure is expected to double by 2009. There are problems — but also opportunities," says Mr Snyman.

295

Radio

"The young consumer is committed to education. The literacy rate in Africa was 26% in 1975. It is now 48% and increasing.

"The number of radio sets increased threefold from 1980 to 1988.

"There is enormous potential in satellite television."

His company decided to move into Africa in 1990. More and more customers want service in Africa.

The company has links with Mozambique and strong ties with a firm in Zimbabwe. Saatchi has also tied in with firms in Ivory Coast, Nigeria, Ghana, Kenya, Namibia, Botswana and Zambia. It is in the final negotiation stages with firms in Angola and Malawi.

"We have tied into existing firms. Because we were first in the field, we have had the opportunity to pick the best.

"This is the first time an African advertising agency network will be run from Africa — from our Johannesburg offices.

Professions find openings

S/Times (Buss) 16/8/92 (295)

SERVICE companies are opening offices or establishing links in many African states.

They are providing legal, accounting, travel and information services.

One such firm is attorney Hofmeyr van der Merwe.

Partners Fiona Walker and Danie Erasmus say the firm is establishing informal links with professional people, such as those in law and accounting.

It is also making contacts with central banks and tax departments of African nations.

Mr Erasmus says the firm has a large corporate client base. It offers legal and other services to SA companies wishing to do business in the rest of Africa.

Miss Walker says: "We draw up documents, such as contracts, in SA and send them to the local people for them to fine tune. We draw on expertise from several different firms. They are also selected for their connections in both private and public sectors."

Hofmeyr van der Merwe has formed links with Botswana, Namibia, Zimbabwe and Kenya. High on the list for the future are Angola, Mozambique, Nigeria and Zambia.

Also in the legal field is the Lex Africa network established by attorney Werksmans.

Quality

It includes firms in Kenya, Zimbabwe, Botswana, Namibia and Swaziland.

Partner Sean Larkan says: "This will ensure that our clients who have business interests extending into Africa will have immediate access to high-quality lawyers whom we know, work with and can recommend.

"The network is non-exclusive and any member can place a client's matters in the hands of the lawyer it believes is most appropriate, even a non-member."

Standard Bank Africa banking group chief executive, Manfred Schutte, says the bank has set itself the task of expanding its operations across SA's borders.

Standard has the Union Bank in Swaziland, the Union Bank of Botswana, the Standard Bank of Namibia and the Standard Bank of Bophuthatswana. It holds a minority stake in Banco Standard Totta in Mozambique and has a representative in Angola. It is negotiating to start operations in Madagascar. High on the list of priorities is establishing operations in Zambia, Kenya and Zimbabwe.

Mr Schutte says: "It is not that the banking services in these countries are inadequate. Many of them have established international banks. However, we see a large increase in regional trade and our existing clients will be the ones involved in it. We want to be in those countries to help them."

On the auditing front Ernst & Young member firms in Africa have established Ernst & Young Africa Group. Members co-operate in the provision of audit and consultancy services to clients throughout the continent.

Deloitte Pim Goldby Management Consultants Natal managing director Guy Harris says a recent meeting of all the Deloitte consulting offices in Africa agreed to co-operate in areas such as training and marketing.

Mr Harris says there was a strong emphasis on helping both public- and private-sector clients to exploit opportunities, counter threats and build on strengths.

"For any African enterprise to compete effectively in the global village, we have to provide world-class consulting solutions."

Tourists give SA low marks for service

CHARLIE PRETZLIK

FOREIGN visitors are not impressed with standards of service in SA. An SA Tourist Board survey has found that 80% of tourists believe services are "below average".

Uncertainty about security isn't far from their minds, either. Almost a third of the 1 750 visitors surveyed during January this year said they felt unsafe in SA.

The good news is that most of these people still had a good time. "In spite of the negative comments, a higher percentage of tourists have voted their stay 'very successful' or 'successful' than in any of the previous surveys," Satour executive director Spencer Thomas said in a statement.

Tobacco ads should be banned, survey shows

STAR 29/8/92 (295)

CAPE TOWN — Most South Africans believe tobacco advertising should be banned from television, radio, billboards and cinemas, a nationwide Medical Research Council study shows.

MRC essential health research group investigator Dr Gayle Martin said the study meant South African legislators faced evidence of wide public support for even more stringent controls on tobacco than were contained in the draft Tobacco Products Control Act.

An MRC statement noted that the survey showed 75 percent of people polled supported banning tobacco sales to minors.

More than half of them supported increases in taxes on tobacco sales — a move which has been shown abroad to decrease the number of teenagers and adolescents who smoke.

"The majority of participants thought that smoking was harmful to the health of smokers as well as non-smokers, although the levels of awareness of the health hazards of smoking were notably lower among the youth."

Forty-four percent of respondents rejected controls that would prohibit tobacco companies from sponsoring sports events, while nearly 14 percent were undecided on this issue.

Martin said that despite broad political and public support, powerful lobbying from the tobacco industry prevented the passing of the Tobacco Products Control Act earlier this year.

"However, this report indicates considerable public support for introducing anti-tobacco laws and even more extensive legislation to control tobacco consumption. The indisputable evidence of the role of tobacco in disease, death and disabilty makes it the ethical duty of governments to protect the health of their people by curtailing the marketing and consumption of tobacco products."

The draft Act proposes a prohibition on sales to people under 16, health warnings on tobacco advertisements and products, and empowering the Minister of Health to regulate smoking in public places.

Martin said the survey was carried out at the beginning of the year among 2 009 people. It was based on the proportions of race, gender, age and education levels recorded in the 1989 census. — Sapa.

New tourist centre rubs a tender spot

(295)

S/Times (CM) 30/8/92

CONTROVERSY surrounds the proposed Tourist Information Centre that is to open at the Cape Town station on Tuesday.

The centre has been publicised as being run by Captour to offer tourists a "user-friendly", one-stop facility.

It will house a travel agency, booking offices for information and trips, an American Express office, a Youth Hostel Association office, an exhibition area, a foreign exchange bureau and a communications centre where tourists can use telephones, faxes and photocopiers.

A large travel agency, Travelcor, has rented an office in the new centre, as has the Home Accommodation Association of South Africa — a bureau set up by Captour and the Small Business Development Corporation to put tourists in touch with residents who let rooms.

By EVE VOSLOO

Some of Travelcor's competitors and the only other business in Cape Town offering home accommodation, Bed and Breakfast (Pty) Ltd, said this week they felt it was unfair that this office space had been made available to two companies without being put out to tender.

Private

Mr Barney Singer, managing director of Embassy Travel, said he had been surprised that a travel agent had been given space.

"Everybody should have been allowed to tender."

Mrs Jane Smith of Bed and Breakfast (Pty) Ltd said she had reservations about the only other company in the same line of business having offices in the new centre.

"It will look to tourists coming in as though the Home Accommodation Association of South Africa represents all home accommodation options when it is in fact a business."

Her company and others would be represented at the centre by advertising billboards, Mrs Smith said.

The director of Captour, former mayor Mr Gordon Oliver, said there appeared to be a misunderstanding of Captour's role. "The centre is being run by private enterprise, by a company called Tourist Rendezvous. This company is letting space there and Captour is the major tenant," he said.

The managing director of Tourist Rendezvous, Mr Stephen Kane, confirmed this.

"When the centre was being planned we sent out circulars to all Captour members telling them that space would be available to rent.

"People who jumped in quickly got the space."

Mrs Smith said her company had received a circular — on a Captour letterhead and signed by Mr Oliver — inviting members to take part in this "exciting new Captour venture".

When her partner telephoned she was told that HAASA had already been allocated an office.

Acquisition drive pays off for Imperial Group

B/DAY 31/8/92 (295)

EDWARD WEST

DIVERSIFICATION paid off for the Imperial Group in its year to end-June 1992 and attributable profit was substantially higher for the seventh year in succession at R27,66m from R21,53m in 1991.

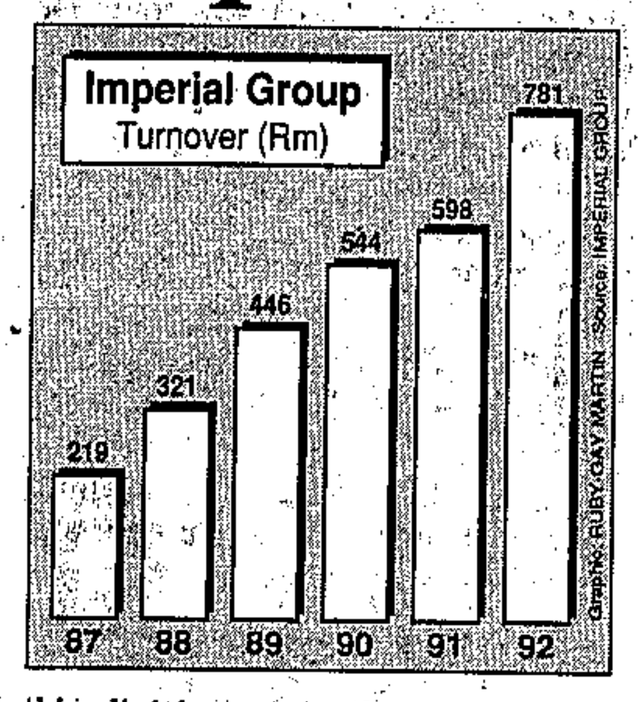
Turnover for the car rental, trucking, motor retailing and underwriting group increased by nearly a third in the 1992 financial year to R781,25m from R597,54m in 1991.

The operating margin was slightly lower at 9,3% (1991: 9,5%) and operating profit was 27,7% higher at R72,59m (R56,84m). Finance costs were higher at R10,32m (R6,22m).

Pre-tax profit was nearly a quarter up at R62,27m (R50,62m). Tax, at a full rate of 48%, increased to R29,99m (R24,85m). Earnings a share were diluted by shares issued for three acquisitions and were 19% up at 45,7c (38,3c).

A final dividend of 9c (8c) was declared, bringing the total dividend for the year to 17,5c (15c) a share.

Executive chairman Bill Lynch said the group's motor business underwriter, The Regent Insurance Company, produced the bulk of the pre-tax profit from the group's insurance, finance and property division. Contributions to pre-tax profit from this division more than doubled to R12,5m (R5,6m).



Contributions to pre-tax profit from the car rental division improved to R16,8m (R14,3m). Tempest Car Hire, which operated in the lower priced segment of the market, was acquired during the year and made a positive contribution, said Lynch.

Truck Systems made the biggest contribution to profits at R18,2m (R16,5m). Lynch said the order book remained strong in that division with more than 80% of the fleet committed to medium- to long-term contracts and leases. Long-distance haulier Quattro Carriers was acquired in this division.

Lynch said the motor division experienced tough trading conditions and did well to increase profits, albeit only marginally, to R14,7m (R14,3m). Toyota dealerships were affected by stock shortages from the Toyota strike, but this was offset to a large extent by good stock levels.

The division's results included the acquisition in September 1991 of Mercurius Motors, a Mercedes-Benz/Honda dealership on the East Rand. Automotive springs manufacturer Van Zyl Springworks was also acquired.

Imperial's acquisitiveness resulted in a substantial increase in short-term interest-bearing debt to R38,92m (R14,56m) while long-term debt fell slightly to R21,12m (R23,59m). Gearing was healthy at 41% (36%).

Lynch was positive about prospects for the current financial year. "We'll perform well under current conditions, but if the economy turns, a substantial improvement will be experienced," he said.

The earnings of Imperial Group, a pyramid company with a 65% holding in Imperial, increased to 134,2c (113,9c) a share. A final dividend of 26c was declared bringing the total dividend for the year to 51c (44,2c) a share.

Group Africa to launch first grassroots television service

295

B/DAY 11/9/92

GROUP Africa of the Amavulandlela, a company which specialises in marketing and promotional services to the mass market, will launch SA's first grassroots television service in January.

Group Africa has for the past six years been running RTV Network, which screens local interest television programmes in combination with adverts at rural trading stores.

MD Mike Boon said RTV had become a powerful marketing tool, and the introduction of the new television service, Roots, would enhance the services already offered, with high consumer involvement and high advertising impact.

For the service, Group Africa will use "roving TV cameramen who will film significant social events in rural communities", including weddings, initiations, and other traditional rites.

The events, interspersed with advertisements, will be screened locally about three weeks after filming, and the community may have the film reflighted on request.

In addition, footage highlights will be cut into normal RTV programmes, thereby reaching other rural communities.

Apart from its own actuality programmes, RTV flights SABC programmes in the vernacular.

Boon said the new network would result in "high advertising impact as a direct result of high consumer involvement at a reasonable cost per contract".

Group Africa announced it would also increase its number of television sets from 300 to 550 throughout the country early next year.

Group Africa was officially launched last year, but it has been operating for the past 10 years. In addition to RTV Network, its subsidiary companies include Marketing Food Fair Promotions, Black Reach, Market Promotion Concepts, Consumer Sampling Services and Roadshows Africa.

Each subsidiary specialises in a particular segment of the mass market, and services include promotions, sampling, roadshows, product launches and special projects.

Boon said Group Africa reached about 3,2-million consumers a month as well as hundreds of retailers and wholesalers.

Video chain dials a profit

VIDEO store chain Dial-a-Movie reported yesterday a R2,85m turnaround in attributable earnings for the year ended June 30 1992. The group said the results for the year "sparkled" after two years of consecutive losses.

Attributable earnings for the period at R1,5m represented an abrupt reversal from a loss of R1,4m in the previous year. CDAY 4/9/92 (295)

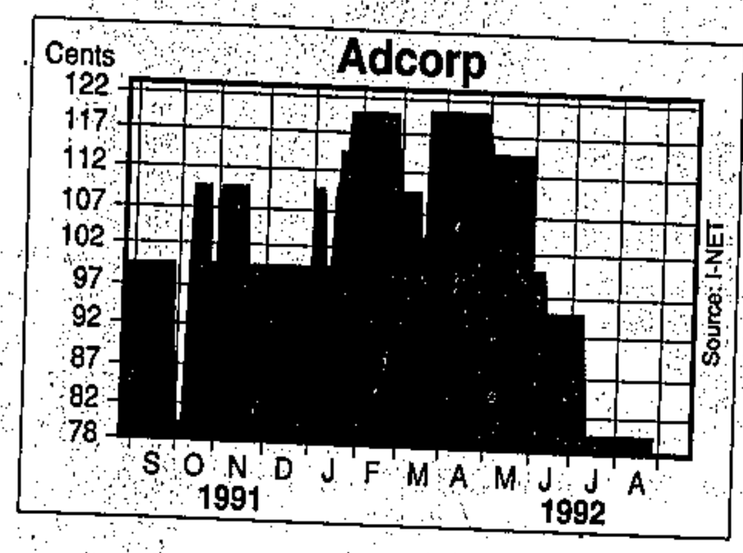
Dial-a-Movie said, barring unforeseen circumstances, it would substantially increase earnings this year. — Sapa.

manpower division was slashed from 75 to 52. The impact of recession on the mining and engineering sectors hit recruitment advertising in Johannesburg particularly hard, but coastal markets held up better.

A R1,2m convertible debenture issue helped some ratios, but liquidity clearly remains unsatisfactory. The net interest charge almost quadrupled, from R242 000 to R895 000, which Barry attributes to the payment for strategic acquisitions in recent years. Though these contributed "significantly" to 1991 results, the interest burden more than offset a slight but commendable gain in pre-tax margin. The dividend was cut in view of the less than satisfactory liquidity and "worsening trading conditions."

Adcorp sadly does not observe the reporting standards one hopes it urges on its corporate PR clients. The AGM was three weeks earlier than last year, but mid-August is still too late for a December company — especially as the preliminary report was dated March 30. And neither Barry nor MD Keith Rhodes refer to — let alone explain — the remarkable cut in effective tax rate from 33,5% to a mere 18,2%, which prevented the earnings slide from being even steeper.

Barry says any increase in earnings is



unlikely until the economy starts moving up. The aim for 1992 is "to optimise market opportunities while maintaining strong financial controls." Rhodes concurs that a "cautious" view is being taken of this year, particularly for the manpower division.

Barry confirms that though there was a distinct first-quarter pick-up in manpower advertising, it has gone into sharp decline again with the renewed political uncertainty.

Dividends and earnings have both now fallen for two years running. With the share last trading on the JSE in March, the present price is nominal. It's 30c lower than when we reviewed the 1990 report, but may still not be fully discounting the uncertainties of the immediate future.

Michael Coulson

ADCORP FM 4/9/92

Manpower problem (295)

Activities: *Market research, communications (PR and design consultancy) and recruitment and financial advertising.*
Control: *Directors 66,5%.*
Chairman: *J K B Barry; MD: J K Rhodes.*
Capital structure: *7,7m ords. Market capitalisation: R6,2m.*
Share market: *Price: 80c. Yields: 5,0% on dividend; 17,8% on earnings; p:e ratio, 5,6; cover, 3,5. 12-month high, 120c; low, 80c. Trading volume last quarter: nil.*

Year to December	'88	'89	'90	'91
ST debt (Rm)	—	—	2,0	2,9
LT debt (Rm)	—	2,2	2,6	0,6
Debt:equity ratio	—*	—*	—*	2,01
Shareholders' interest	0,19	0,09	—*	0,11
Int & leasing cover	129	n/a	10,6	3,0
Return on cap (%)	40,0	22,2	22,5	19,5
Turnover (Rm)	23,3	31,7	44,6	44,6
Pre-int profit (Rm)	1,8	2,5	2,6	2,7
Pre-int margin (%)	7,8	8,0	5,7	6,0
Earnings (c)	14,6	20,0	18,0	14,2
Dividends (c)	7	9	7	4
Net worth (c)	14	3	—*	—*

* Negative tangible net worth; 1991 NAV adjusted for conversion of convertible debentures would be 3c.

As half-time earnings were marginally up at 8,8c a share, and the 12-month total well down, the second half was terrible. EPS were only about 5,4c. Pre-tax the decline was even worse: R1,1m in the first half, R650 000 in the second, but this was cushioned by a negligible second-half tax charge.

The continuing softness of recruitment advertising appears to have been the main problem, and though Adcorp does not break down earnings of its three main divisions, this is confirmed implicitly both by chairman John Barry's remarks and by what can be inferred from the P&L account. The preliminary report said recruitment advertising volumes were 40% below the 1988 peak.

The minority interest in net profits more than doubled, from R154 000 to R354 000. The only partly owned subsidiary is 50%-owned Research Surveys (Pty), core of the research division, so it would seem its net profit rose from R308 000 to R708 000, and by extrapolation that of the rest of the group fell from R1,2m to R736 000.

Barry refers to Research Surveys maintaining "excellent growth," and the division's complement rose from 135 to 145. The communications division's staff was a virtually unchanged 91 (1990: 92); that of the

continue →

IMPHOLD FM 4/9/92

Insurance boost (295)

Imperial's impressive performance comes on the back of improved results in the insurance and car rental operations. The jump in Regent Insurance's pre-tax profit to R9,6m (1991: R3,5m) was largely behind the 23% increase in group pre-tax profit.

Results from Regent, a niche player limiting itself to motor insurance, followed a surge in premium income to R40m (R27m), as well as a rise in investment income, which more than doubled. Executive chairman Bill Lynch says the investment income consisted largely of interest receipts.

There is, however, further significance in the surge in insurance activities. With these figures, contributions from all four divisions — car rental, motors, truck systems, and insurance, finance and property — have become more balanced.

Truck systems remains the largest contributor, with pre-tax profit of R18,3m, followed by car rental's R16,8m, motors' R14,7m, and insurance, finance and property's R12,5m.

It's notable that market share in the car rental and motor divisions was gained at the expense of trading margin. For instance, in the car rental division turnover jumped 38%

BROAD BASE

Year to June 30	1991	1992
Turnover (Rm)	597	781
Operating income (Rm)	56,8	72,6
Attributable (Rm)	21,5	27,7
Earnings (c)	38,3	45,7
Dividends (c)	15	17,5

continued

FOX FM 4/9/92 (295)

Imphold's Lynch ... *no longer a motor group*

to R195m, while its pre-tax profit increased by only 18%. In fact, Lynch says this operation is now the market leader, followed by Avis. Motors' turnover surged 36% to R353m, yet pre-tax profit rose only 3%. Imperial's diversification over the past 15 years, but more particularly in the recent past, has continued to pay off. Pre-tax profit at the original core business, motors, gained only 3%, while group pre-tax profit jumped 23%.

But Lynch explains Imperial's creditable performance in the face of the slump in the motor industry by noting the group is no longer a motor group. "The market wrongly perceives us as being a motor company," he says. "We are a unique group that uses motor vehicles as the base for the range of services and products we offer."

The diversified group has a contra-cyclical element to it: for example, when a vehicle insured by Regent is involved in an accident, the customer will bring the damaged vehicle into Imperial's panel shop.

There seems to be good reason for most of Imperial's acquisitions. Lynch explains the September 1991 purchase of Mercurius Motors, a Mercedes-Benz/Honda dealership, saying: "it offered the added benefit that we acquired a good number of Mercedes-Benzes and Hondas for our rental fleet."

As Lynch expects to achieve real EPS growth again this year, the 13,8 p:e is probably a fair rating for the share. *William Gilfillan*

Rec

A quota system might be the way of the future SA

B/Day 7/9/92 (295)

WHILE it is a highly competitive, dog-eat-dog market, the majority of the personnel recruitment industry in SA is covered by a strict set of ethics and practices dictated by the Association of Personnel Service Organisations (Apso).

Apso was founded in August 1977 by Neville Mackay, then head of the Kelly Personnel group.

Mushroomed

In 15 years the organisation's membership has mushroomed from an initial six members to today's 180 member companies — representing about 80% of the industry.

Apso is also now affiliated to the International Personnel Services Association (Ipsa), which sets parameters for the industry.

"The main thrust of Apso, other than to provide guidelines for our members, is as a lobbying forum with government," says acting Apso president John Dawkins.

"We are entering a period of great threat and it is crucial that we understand what will be facing us in the future."

Many socialist countries in Europe and Scandinavia have actually legislated the personnel consulting industry, and specifically, the "temping" industry out of existence, saying that it undermines the role of government and labour unions.

The myth is also that these agencies have largely been used to get around anti-discriminatory laws. "It is extremely important to us that we dispel that myth, especially in view of the fact that we may soon be facing a new government," says Dawkins.

According to ANC head of projects Papi Muluto, the recruitment industry is secure, provided it adjusts to the social dynamics of the new SA. "Up until now the industry has been the source of white skilled workers and it must change its role to suit the placement needs of all South Africans," he says.

What that means, according to industry observers, is the likely introduction of a quota system requiring companies to hire a certain percentage of blacks in higher administrative and management positions.

"Apso is very focused on the idea of affirmative action, and not only are we putting forward a policy statement on that area in the near future, but we are becoming more proactive towards equal opportunity," says Dawkin.

"But whether or not a quota system is introduced, there will always be a tremendous demand for black office support staff," he adds.

Milestone

This year marks a major milestone for the organisation, as for the first time in 12 years Apso has been chosen to host the Ipsa international conference, at which the Ipsa president from Australia will attend, as will the president of Fres, the British equivalent of Apso.

In certain areas Apso is even more regulatory than its overseas counterparts. For instance, it is the only association in the world which has a qualifying exam. The organisation also expects all its members to adhere to a very strict code of ethics.

If there is a problem, Apso will mediate any dispute.

ruitment indu

Fighting for a slice as the pie shrinks

B/DAY 7/9/92

THE recession has meant recruitment consultancies are fighting for a share of an ever shrinking pie — and are willing to go to extraordinary lengths to obtain an income.

Industry observers say there have been situations where agencies have been charging as low as 5% (the industry norm is about 12%) and others where the agency splits its fee with the candidate and/or personnel officer.

The repercussions are far-reaching (insofar as the effect of a job not well done will show) and the effect on the industry is that it gains a shoddy reputation — to the detriment of the better and more ethical agencies.

(295)

Image

According to Brent Stephens of Personnel Management Recruiters there are two ways to tidy up the image of the industry. The first is to regulate by granting statutory powers to the Association for Personnel Service (Apso), at present a voluntary organisation.

The second route is in educating the client. Apso has an existing training wing IPSC (Institute of Personnel Service Consultants) which offers courses to to train up prospective personnel consultants and runs the accreditation exams for new consultants.

"This training body can be extended to train the clients in controlling the number of agencies allowed to work on the assignment, ensuring that they are professional with a proven track record, and not accepting 'willy nilly' every CV that floats in from anywhere," says Stephens.

Good rewards and tough competition in R1,2bn industry

B/DAY 7/9/92. (295)

RECRUITMENT consulting has grown into big business in the past 10 years. While there are no official figures, estimates peg the worth of the industry in the region of about R1,2bn annually-

It is a widely diversified market, with a range of consultancies striving to dominate niche markets ranging from the lucrative professional recruiting industry — financial, engineering, computers — through to the temporary placement market.

Fierce

Although it is a segmented market competition is fierce, especially as the low entry cost into the industry and potentially high rewards ensure a lot of "fly by nights".

The market is in a state of flux, positioned as it is in a country where there is, on the one hand, a glut of unskilled labour and, on the other, a frightening shortage of educated, skilled professionals.

Says Ladragh Cozens, MD of Cozens Personnel: "The recruitment market is in a tenuous situation. With the acute shortage of skills, finding the right person for the right job is very difficult. The situation is aggravated by the fact that younger managers and professionals are leaving the country, if not in droves, then in increasing numbers."

But at the same time, even taking into account the shortage, top-calibre professionals are struggling to find positions. While companies used to snap up good calibre CAs and other professional people, the attitude has changed to "recruit only if you have to" and many of the bigger companies are moving towards their own in-house recruitment.

As a result, salaries are not escalating as they used to and professionals who change jobs are no longer looking for big increases.

A trend is emerging for certain types of firms, such as auditing firms, to move into the market. Most auditing firms, for example, already assist clients in locating accountants, but many have now set up their own recruitment divisions.

The downside is that business has thinned for the majority of recruitment consultants — especially in financial recruiting. The number of agencies has been eroded. Association of Personnel Service Organisations (Apso) figures indicate that while there were 30 new listings last year, there were 45 departures.

"Our industry is adapting to a shrinking market," says Apso president and Kelly Personnel group MD John Dawkins. "One only has to look at the classifieds to work out how the market has shrunk in the past few years. Two years ago the employment pages alone used to be in the region of 30 to 40 pages — now we are talking barely eight pages."

Optimistic

But Dawkins is optimistic, especially in Kelly's niche area — temps. "We have seen several recessions and there is always a market for people. Granted, business is down, but there is always demand for office support staff, and there will be a tremendous demand for black office support staff in the future."

Dawkins is cagey about the future. "We are faced with a period of great change and it is very difficult to know what the personnel consulting industry will be looking at several years down the road.

"However, it is an essential industry, with an essential service to provide — we intend to continue providing it."

CSIR's global link-up benefits PC owners

(295)

DUMA GQUBULE

SOUTHERN African PC owners can now link up with the world's largest personal information and communication network, after last week's announcement by the CSIR of a joint venture agreement with US online computer services giant CompuServe.

CompuServe Africa, launched by the CSIR's information services division, will market and support the CompuServe information service throughout southern Africa. Access to the service will be provided by the CSIR's satellite link, CSIR-Net.

B/DAY 7/9/92

PC-owners with a modem and a telephone can now join CompuServe's 1,2-million members throughout the world and have access to more than 1 700 services, including news services, electronic mail, personal computing support, financial information, a reference library, education forums and entertainment — all for a flat charge of about R22 a month and satellite link costs of 78c a minute.

Job gets tougher and hours longer as market shrinks

B/DAY 7/9/92 (295)

THE business of recruitment consulting, while it can be highly rewarding, is fraught with challenges and tensions to the point where early retirement is more the rule than the exception.

"At face value it may seem like a relatively easy way to make a lot of money — overheads are low, placements can be very lucrative and to most people the work itself seems easy," says a Sandton-based consultant.

"However, it is not all milk and honey. There is a lot of negotiating, there is an awful lot of hard and soft selling, and, at the end of the day, there is no end of the day — it is a 24-hour job."

"The fact is that you don't see many older recruitment consultants around — the job is just too stressful," says a Braamfontein-based consultant.

LADRAGH COZENS

Hectic

In the financial recruitment market in particular, the job can be hectic. "Sometimes a client will give several agencies a brief to recruit a member of staff, with payment by results only. You're then in a race and you've got to try and get a candidate registered with that company under your name."

Says Cozens Personnel MD Ladragh Cozens, a relative "old timer" in the business: "At the end of the day, we are dealing with people, and with the tremendous skills shortage and depressed market and we are having trouble finding the right people for the right job."

And yet Cozens is considered one fo the survivors, having been around since 1976 — the SA "gold rush" of the recruitment industry. "When we first came into the market I was placing upwards of 30 clients monthly. Now it is down to about 10 to 12 for the really good consultants."

Temporary

Cozens' success rate is extremely high. Her service is also across the board, although her main thrust is towards temporary staff. "It certainly makes sense to use temporary staff — particularly when the company is under pressure."

"A very large part of our market is in supplying teams to handle one particular problem for a client," she says. "For instance, during the mass action one of our clients had a problem with getting his frozen chickens packaged. So one of our teams went in and packed their chickens — no problems."

She stresses however that it is the agency's very strict policy not to supply workers in lieu of other workers. "We will not ever cross picket lines."

Outdoor advertising an ideal medium for Africa

GAVIN DU VENAGE (18) (295)

OUTDOOR advertising may prove the necessary link between SA marketers and potential customers in the rest of Africa, says Outdoor Advertising Association of SA GM Tony Davidson.

Although outdoor was "small" in this country, it played a significant role in the rest of the continent. There were signboards outside stores in even the most remote areas.

Rent-a-Sign already has operations in Namibia and Botswana, and recently announced it had secured contracts for billboards at Maputo's airport and at sites within the city. B/DAY 8/9/92.

"Because you are dealing with a Third World market, signboards have an advantage over other media," Davidson said. Television services were erratic, and radios needed batteries and licences. But billboards, from a consumer's point of view, were free.

Botswana-based outdoor advertising contractor Creative People recently became the first foreign company to become a full member of SA's outdoor association.

Creative People MD Chris Mosinyi found SA clients were interested in signing contracts but hesitant to deal with a company that had no track record in SA.

Davidson said he expected further co-operation between SA and advertising companies in the region.

Rent-a-Sign marketing manager Bruce Palmer said the company was investigating markets as far afield as Kenya, Tanzania and Malawi.

McCarthy to buy Budget Rent-A-Car

EDWARD WEST 295

THE McCarthy Group was set to acquire Budget Rent-A-Car from Tollgate Holdings for an undisclosed amount, sources said yesterday. B/DAY 9/9/92

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

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

Budget MD Tony Langley said the group held a 22,5% market share. The company is the third biggest player in the R330m-a-year car rental market.

Langley believed the deal would make sense to McCarthy, as about a third of Budget's fleet was leased through McCarthy Leasing, a joint venture between Stannic and McCarthy. Last year McCarthy Leasing bought the 4 500-vehicle strong Budget Autolease from Budget for an undisclosed sum.

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

McCARTHY FM 11/9/92

295

Acquisition plans

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

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

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

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

Last week, McCarthy reported year-end

FM 11/9/92.

295

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

He points out that without the R6,5m tax under-provision, earnings would only have been marginally down on 1991. In the first half, the group showed a taxed profit of nearly R21m, rising to R45,1m by year-end after the additional tax deduction.

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

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

Shaun Harris

MEDIA

The scramble for Africa

295 FM 18/9/92.

African economies are generally impoverished and inefficient but there are pockets of wealth all over the continent. Most of them are too small and dispersed to be of much interest to SA marketers but, if anything can tap these resources, perhaps it is broadcasting.

This, at any rate, seems to be the thinking behind a new scramble for Africa embarked on by SA media, following in the footsteps of ad agencies and even PR consultancies. Now joining the commercial safari are M-Net, SABC external services and outdoor advertising contractor Rent-a-Sign.

Media owners elsewhere on the continent have also got an eye on SA manufacturers as potential advertisers, and Johannesburg-based media representative Greenberg Mattheus & Associates has signed up the national broadcasters in Zambia, Zimbabwe and Malawi. GMA so represents Swaziland, Botswana, Lesotho and some homeland broadcasters in SA.

The venture into Africa will intensify the competition between M-Net and SABC. M-Net has set up a pay-TV service, M-Net International (MNI), in several African countries while SABC external services are now going commercial on radio and TV.

But MNI is projecting a subscriber base of 155 000 within three years, which give it a clear edge. Subscribers can be reached in two ways: direct to individual homes with their own satellite dishes, and through re-broadcast deals with local broadcasters, hotels and consortia of businessmen.

M-Net projects 33 000 direct-to-home subscribers by December 1993 and 120 000 re-broadcast subscribers by August 1995. The targets are:

- ☐ Southern Africa 27 000;
- ☐ Central Africa 33 000;
- ☐ East Africa 25 000; and
- ☐ West Africa 35 000.

They will get a somewhat better service than subscribers in SA because it is a joint venture with the new BBC World Service TV. The BBC service, a news and business report network similar to that of CNN, will fill air time between midnight and 9am and 5 pm-7 pm. M-Net is responsible for the rest and will also offer its Portuguese and East-Net services.

Oxlee ... *advertising potential is limited*

But at this stage, says deputy manager for commercial sales Pete Oxlee, there is no chance of SA viewers receiving the BBC.

Clearly, MNI is unlikely to be as profitable for M-Net as its existing service because of the limited scope for advertising. "Advertising won't generate the same amount of money that it does locally," says Oxlee. "Few multinational marketers co-ordinate their advertising across the continent. Even packaging tends to be different from country to country. Until they have pan-African budgets to which every country contributes, this will be a rocky road."

Nevertheless, M-Net wants the service to look commercial right from the start, and attractive rates will be offered until there is a worthwhile viewer base. Oxlee expects that to grow quickly. "I believe we will see the base grow fairly dramatically," he says.

SABC external services' venture into pan-African marketing, now to be called Channel Africa, will start selling commercials on its radio services on October 1, and in addition is launching a daily hour-long TV programme via satellite. Executive editor Lionel Williams says there are about a dozen broadcasters considering taking the TV downlink, and after a six-month assessment period SABC will be looking at selling airtime on this service too.

TV programming will comprise African news, information and education. "We will bear the costs of the downlink. All they have to do is match the satellite pick-up. We hope it will become a commercial prospect."

Williams has modest expectations but any ad revenue at all will help offset the R31m a year which the Department of Foreign Affairs spends on the existing external radio service. There's no way of knowing how many people listen to the service, which goes out in six languages for 29 hours of broadcasting a day, but the 100 000 letters that pour in every year indicate there's a substantial audience out there.

"We estimate about 40m people throughout Africa listen to our broadcasts, most of them in southern Africa," says Williams. "But there is no major external broadcaster which is commercial anywhere in the world. This is an unknown but we feel there is potential. Africa is opening up to us and there is great interest among SA business, so it is worth trying. We haven't much to lose."

He hopes to attract advertisers of consumer products, exporters, construction companies, Transnet, and such companies as Barlows, Premier and SA Breweries.

Yet another foray into Africa has been made by Rent-a-Sign. Its associate company, Inter Africa Outdoor Advertising, has secured outdoor advertising rights at Mozambique's international airport. ■

OOPS!

It had to happen. In our table of leading PR consultancies (*FM* August 28), we omitted some companies big enough to be included. They are listed below.

MORE OF SA's BIGGEST PR CONSULTANCIES

	Total staff	No of PR professionals	No of regular clients	Offices in SA
...PR	12	5	18	CT
...onal Str Comms	10	4	12	Jhb
...ocom	8	4	13	Jhb

Advertising bursary

FM 18/9/92 295

The FM is to award a bursary for a student to study full-time at the Association of Advertising Agencies' School of Advertising. The money comes out of the proceeds of the international conference, "Welcome Back to World Advertising," held in May.

The bursary will cover fees and provide for some living expenses for three years. Though race will not be a criterion for selection, preference will be given to a suitably qualified person from a disadvantaged community who is in need of financial assistance.

Another *FM* advertising conference is planned for next May with a high-powered panel of speakers from abroad. It is intended that the conference will be an annual or biennial event.

Tony Koenderman

Cheap airfares slash travel agent income

By TERRY BETTY

TRAVEL agents are choking as airfares are cut, sending their commissions plummeting.

The cost of international and domestic fares has dropped by between 20% and 40% since the deregulation of SA aviation on July 29, 1991.

Association of Southern African Travel Agents president Laurie Wilkinson says travel agents' income has dropped by the same amount because there has been no increase in sales volumes.

S/Times (Buss) 27/9/92

Margins

International travel has been static for the past 10 years at about 500 000 passengers a year. It is estimated to be worth R3-billion now.

Rennies Travel managing director Lilian Boyle says the trade expected discounted fares to lift sales by 20% to 25%. Instead there was a 10%-to-15% decline, hammering revenue even further.

Mrs Boyle says agents' net profit margins of about 2% have nearly been squeezed to zero as they battle to keep their heads above water.

About 650 licensed operators are competing for a share of the shrinking market. A few operators have gone under and the number will increase if trading conditions do not improve.

Agents attribute declining sales to the SA and worldwide recession hitting disposable income.

American Express Travel managing director Rod Rutter says leisure package tours are the cheapest ever.

"If you include airfares and accommodation, it is cheaper to spend a week in Mombasa, Mauritius, or any of the other Indian Ocean islands than to have a holiday in SA."

But business travel has held its own.

"It is always counter-cyclical to leisure travel because when the economy is bad businessmen look for export and other offshore opportunities."

Mr Wilkinson says air travel in SA is price insensitive.

"This is not like a baked bean special being advertised in the supermarket window — people will pop in to buy a few cans."

He says businessmen and people travelling to visit family and friends do so irrespective of price.

(295)

Beer

SA has a relatively small travelling population, unlike the US where sales and revenues soared when air travel was deregulated.

Mrs Boyle says the ticket is no longer the most expensive part of a trip abroad.

"Because of the weak rand it costs about R1 000 a day to stay in London and there is little room to down-trade."

She says a small beer in Sweden costs R23. A cup of tea in London costs as much as two boxes of teabags in SA.

This calls into question the future of discounted airfares. But SA Airways and British Airways say they are happy with the sales of discounted tickets.

Meeting the human resources challenge

STAR 29/9/92

***Keeping afloat** is a big enough challenge in today's economic climate, but De Villiers and Associates is a human resources group that has structured itself to take full advantage of the changing corporate world.*

295

The Personnel Industry is faced with a recession, retrenchments, a growing unskilled market, a highly skilled unemployed market and clients who are consolidating and re-thinking their human resource budgets.

Popular media reports leave the impression that the job market is extremely tight and there is a widely held view that corporate SA has adopted a philosophy of cutting costs among highly paid employees where they have the greatest immediate impact on the bottom line.

The climate generated by these influences has produced a flood of highly trained and skilled individuals on to the job market. This highly fluid scenario presents unique challenges in the human resources sector.

One human resources group that has proved it is flexible and has the depth of resources to meet today's challenges is De Villiers and Associates.

Founded by Mr Jan de Villiers in 1957, De Villiers and Associates soon established a solid reputation and in the subsequent years the group has grown and evolved into a comprehensively structured organisation.

Today it has defined specialised divisions serving different sectors of the economy. These divisions include:

- De Villiers and Associates Financial and Commercial Assignments.
- De Villiers and Associates Executive Assignments.
- De Villiers and Associates Computer Division.
- DVA: Execsec, headed by Brian du Plessis.
- Special Services for all Technical and Industrial Assignments.
- De Villiers and Associates Engineering Division.
- De Villiers and Associates Medical Appointments.

The De Villiers & Associates team.

- De Villiers and Associates Legal Assignments.
- The Fempower Group of Companies.
- Carlton Personnel.
- Femtemp
- Sandown Staff Selection.

The strength of this structure, says De Villiers and Associates general manager, Thomas van der Linde, is that it addresses the need for a human resources consultancy across the board rather than performing merely as a generalist personnel agency.

"There is an increasing demand from clients for integrated, tailor-made services addressing the full spectrum of human resources, including: psychological services, specific training skills, advertising services, industrial relations, legal counselling services and temporary recruitment services." In the training sector for example, the group has developed a professional computer school to assist in up-grading computer skills using the very latest equipment and highly qualified training officers.

The same may be said of the group's secretarial college which is directed by highly qualified specialists.

As for the Contracting Services Division, contracting staff are recruited for short or long-term assignments in the financial, engineering, draughting, technical, commercial and marketing fields and the group has developed an exceptionally talented "pool" of skills in this context, says Mr van der Linde.

Another example of group services is the temporary staffing operations Femtemp, established in 1968. It is a leading temporary recruitment operation offering emergency recruitment services.

Conversely there is still demand for top quality permanent staff and the group is well geared in this respect; notably in terms of the success story of Carlton Personnel Placements which has been operational in the Carlton Centre establishing an enviable reputation under the management of Linda Hill.

In keeping with its integrated services philosophy, the group's support services for its various divisions mesh ideally to offer a complete human resources service under one roof.

De Villiers and Associates would welcome inquiries about its services by telephoning (011) 331 7233 or fax (011) 331 8310 or Carlton Personnel (011) 331 7171 or fax (011) 331 7176.

Hi-tech division for Teljoy

(295) STAR 29/9/92

By Leigh Hassall

Teljoy, the TV rental group, is breaking into a new market niche with the launch of its hi-tech division.

The new division, "Tomorrow TV", will offer the latest in TV technology to the top end of the market.

Teljoy executive chairman Theo Rutstein says that initially the new hi-tech TV sets offering features such as cinema quality, high definition, stereo sound and satellite transmission will be very expensive to purchase.

Rental is therefore a logical option for viewers wishing to avail themselves of the technology, he says.

"Tomorrow TV will give the customer access to the best technology available today, with the flexibility to upgrade later when prices are lower and the whole system is up and running."

Mr Rutstein envisages that very little extra capital expenditure will be required for the new division and that the only material additional costs will be marketing-related expenditure.

He expects the division to contribute to group profits almost immediately.

Adcorp gains a little ground

Business Day Reporter

ADCORP Holdings, the manpower, communications and research services group, has announced marginally improved turnover and operating profit for the six months to end-June. B/Day 30/9/92

Chairman John Barry said although the prevailing economic climate had continued to affect adversely some of the group's operations, others had gained market share, underlining the benefits of the diversification strategy implemented four years ago by the group.

Turnover improved 6% to R23,8m (R22,4m), while operating profit increased by 5% to R1,5m.

Profit attributable to ordinary shareholders was R403 000 (R681 000), largely owing to an increase in the interest bill.

Adcorp only pays a dividend at year-end.

Earnings per share were 5,2c (8,8c).

"Attention has been given to strengthening the balance sheet, and a reasonable improvement in the net current asset/liability position has been achieved in the first half," Barry said.

"The group's response to the economic climate has been to downsize certain operations, particularly in the manpower division, to tighten financial controls and reporting, and to implement the benefits of group synergy and rationalisation by locating all Johannesburg operations in Adcorp's new premises in Melville." (295)

He added that no significant improvement was expected until the country emerged from recession.

Living it up down south

(295)

C/Press 4/10/92

By MOSES MAMAILA

IMMIGRANTS from African countries, particularly Zaire and Nigeria, have invaded Johannesburg.

Many of these foreign men and women stay in luxurious five-star hotels and posh flats while in SA.

But what amazes many locals is that these people, who seem to afford everything an ordinary worker cannot, are apparently not employed, or at least, not formally.

In an attempt to trace what attracted the foreigners and how they survive, City Press conducted an investigation at a Hillbrow flat which houses mainly Zaireans and other foreigners.

Unlike most of the Zaireans there who were suspicious and declined to be interviewed, Perrie, who refused to give his surname, explained that he came to the country because there was a market for his kind of business.

"I sell things you know. All things," he said jokingly, exposing a sparkling golden tooth.

Asked how he bought his materials, which he refused to specify, he replied that he had connections.

"SA is a good place, because if you have money you can enjoy it. There is plenty of fun and much to do here," he said before being called over by a wary colleague.

Although a weekday, there were many people at home who spoke different foreign dialects.

The building is a hive of activity, with foreigners shuffling in and out with huge sealed boxes.

One thing that is evident is business – but whether legal or otherwise, few people know. Some of these foreigners are being sought by police for drug trafficking and smuggling of illegal materials like protected game hide and horns.

Police narcotics chief Capt HC du Plooy said some Nigerians and Zaireans were ivolved in a sophisticated drug smuggling network, but they were not alone in this business.

Du Plooy said the smuggling of drugs was not only confined to African immigrants, but other foreigners, including Americans, Italians and Israelis, were active in bringing drugs into the country.

Sounding a warning that the smugglers were dangerous, he said three Nigerians who were arrested last month after being found in possession of cocaine had escaped from custody.

According to Du Plooy most international drug dealers bring drugs in large quantities and sell them to local dealers.

Foreign dealers were professional and made sure they had all the right travel documents, he said, adding it was difficult to get anything on them because their operations were well planned.

Drugs were brought in on private flights and trans-Africa trucks and were smuggled from neighbouring states through the border fences, he said.

Only this week, about 200 000 mandrax tablets with a street value of about R3-million were confiscated by police, leading to the arrests of three suspects.

The nationalities of the three could not be confirmed.

Agency shows its Steyn power in tough times

STAR 8/10/92 (295)

Sandra Steyn joined the personnel industry for the challenge it represented and because the industry offered opportunities. "There seemed to be less sexual discrimination and more chances for the advancement of women in the industry," she said.

Steyn had reached what seemed to be a ceiling in the computer industry, having been a systems analyst for six years.

"It would have taken me another 20 years to even stand a chance of getting on to the board," she said.

Ten years later Steyn is managing director and owner of Brent Personnel, having worked her way up the rungs of the business.

Steyn said the present recession has affected the personnel industry as much as it has the rest of the SA economy.

"A good indication of the severity of the recesssion on the personnel industry is that during the boom years I remember there being as many as 14 pages of classified advertisements for employment vacancies in the local press. Recently the number of jobs advertised fill only two or three pages: the market has shrunk considerably," she said.

Business in the personnel industry at the moment contrasts a big pool of job applicants on the one hand with a small employment market on the other.

"However, creditable personnel agencies that have built up a sound client base over a period of years are still able to operate professionally."

Award recognises service excellence

(295)

STAR 8/10/92

Alongside its annual conference in 1989, APSO pioneered a competition for the personnel service industry, an award for a personnel consultant who provided service excellence to his or her clients.

That first year, there were 27 entries. However, the research carried out by an independent research company to decide the winner indicated there should be two competitions. The qualities that make a good consultant in the permanent placement industry are not the same as those needed by a consultant to succeed in the temporary-staff contracting industry.

So, in 1990, the competition was expanded to recognise temporary staff consultants as well. That year, the number of entries increased to 46.

The winners were Hilton Davis of Achievers Personnel (permanent) and Leonie Fischer of Quest Personnel (temporary).

This year's competition, which remains the only competition in the personnel service industry worldwide, attracted 71 entries.

The judges of this year's competition have on their panel a number of international experts as the APSO conference plays host to the International Confederation of Personnel Service Associations' (IPSA) Annual Congress.

The panel of judges consists of: Pauline Ashleigh, IPSA's Australian president; Leonard Allen, executive director of the Federation of Employment and Recruitment Services (UK) and secretary-general of the Confederation Internationale des Entreprises de Travail Temporaire (CIETT); Dani Smith, executive director of the Institute of Personnel Management (Southern Africa) and Rob McGregor of The Star, which is a major sponsor of this year's competition.

Watching over the industry

(295)

The Association of Personnel Service Organisations of South Africa (APSO) was formed in August 1977 out of The Association of Private Registry Offices, which had been in existence for about 10 years.

By 1976 personnel services in SA had undergone tremendous growth and diversification and it had become apparent that there was a need for a more representative body to safeguard all sections of the personnel service industry.

At the time representations were being made to both the Riekert and Wiehahn commissions, which were in hearing over labour legislation, to ban employment agencies and temporary staff contractors. It was through submissions made by APSO to both commissions that provision was made for the industry in both the Guidance and Placement Act 1981 and the Labour Relations Act in 1983.

After careful study of similar associations in the United States, Britain and Australia, APSO adopted a constitution and code of ethics.

To make provision for the very varied sectors of the industry separate sections were formed, each of which drew up a code of conduct for members operating in that sector of the market.

There are at present seven sections within APSO:

- Personnel selection consultants — management staff.
- Personnel selection consultants — general staff.
- Temporary staff contractors — commercial staff.
- Temporary staff contractors — industrial and technical staff.
- Search.
- Computer and electronic staff.
- Student, temporary and permanent placement.

S Times 8/10/1972

Association of Personnel Service Organisations of South Africa

Conference Preview

A Star advertising feature

In its 15 years of existence, APSO has worked towards safeguarding all sections of the personnel service industry. The association has pioneered a competition, the only such competition worldwide, for excellence in the industry, and it holds an annual conference, which this year sees some of the world's leading authorities taking part.

Conference brings world to SA

STAR 8/10/92 (295)

The programme of this year's annual conference of the Association of Personnel Service Organisations of South Africa (APSO) is probably one of the most interesting for many years, as we have the added attraction of international delegates, not only attending but forming an integral part of the conference programme.

This year, instead of having to travel overseas for a conference of such quality, we are bringing it to South Africa.

Having experienced many international conferences, I can assure every member that they will learn something invaluable from this exposure to international practice methods.

This is an opportunity that not only the owners of companies but also their consulting staff should not miss.

The programme has been specifically geared to managers on the one day and consultants on the next, and this will be an invaluable opportunity to assess international trends, both on a formal and social basis.

The panel discussions will ensure that any questions you may have will be answered by the "experts".

We also have an outstanding quality of local speakers to complement an exciting programme of extremely relevent topics over the two full days.

It is conferences such as this that will give delegates the vision and motivation to succeed through the difficult times we are currently experiencing. It will put you ahead of your competition if you attend, or leave you behind if you don't. — *APSO president John Dawkin.*

IAA CONGRESS

FM 9/10/92 (295)

Selling the concept of advertising

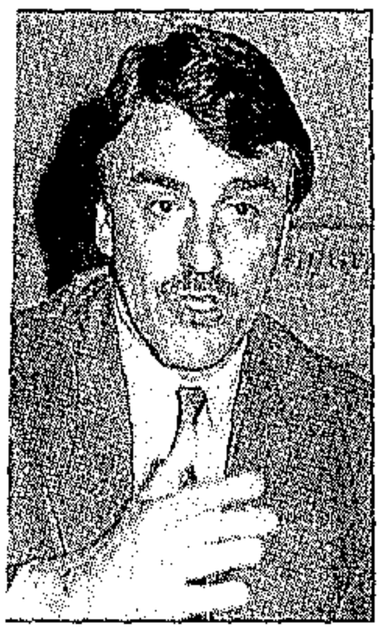
The future of advertising was the central question absorbing delegates at last week's International Advertising Association (IAA) congress in Barcelona.

The answer they gave was a qualified one. It will survive, they agree, but not in its present form and not without the profession making a considerable effort to shift public perceptions.

Worldwide negativity is advertising's most serious problem, according to outgoing IAA president Roger Neill. "It is perceived by too many consumers to be of little value. We have only ourselves to blame for this. We have been shockingly complacent as an industry."

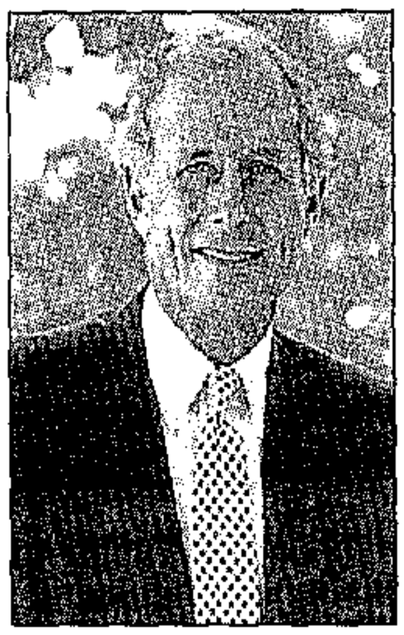
As another delegate said, advertising was seen by the public as "always misleading and dishonest about product qualities, and playing on the weaknesses of human nature. Advertising is seen as a social problem rather than a major element of a modern economy."

Rectifying this perception is the thrust of a new "campaign for advertising" created by an international team under Lintas creative head Barry Day. IAA director-general Norman Vale says its purpose is to turn around public perceptions.



Roger Neill

Norman Vale



Kenneth Robbins

"The fundamental arguments for advertising remain the same everywhere: it encourages competition and product innovation; it creates jobs, helps provide affordable media, subsidises the entertainment industry and sport, and provides the consumer with choice."

But, so far, advertising has done a poor job of advertising itself. Says Day: "Nobody anywhere is singing the praises of advertising and that is because few people know the song. As communicators we do a pretty lousy job for ourselves."

The team has prepared a package of concepts and suggested approaches in both print and TV which advertising bodies around the world can use in local implementations. Agencies would contribute their creative input on a *pro bono* basis, and media would be expected to play their part by providing free commercial time and space.

The campaign suggests two possible payoff lines: "Advertising. That's the way it works" and, considered suitable for developing economies, "Advertising. The right to choose." Last week the first ads, under the headline: "When advertising does its job, millions of people keep theirs," appeared in international news magazines.

One result of the growing hostility towards advertising has been an increase in calls for controls over it. "Barely a month seems to go by when some government or other isn't trying to ban or restrict something in our field," says Neill. "There is a great temptation for politicians and bureaucrats to create more legislation and more restrictions — because it's the easiest way to show that they've done something. Certainly they may feel there are more votes in banning and restricting advertising than in freeing it."

Whether or not the campaign works, admen will have to adapt to a rapidly changing environment. The ad agency of the future, as envisioned by Lintas chairman Kenneth Robbins, will no longer be the agent of the media, receiving commission from media in return for placing advertising. Instead, it will act as agents for the brands in its care. Professional fees will replace commission, with a bonus based on brand performance.

"Our core business will be to nourish the interpersonal relationships between brands and consumers. We will be a single source for a broad array of communications services" — though to a lesser degree it will include media buying.

Such evolution is necessitated by the changing market, creating what WPP CE Martin Sorrell sees as a conflict between "scale and sensitivity," the need to mass produce in order to keep down prices while simultaneously meeting individual needs.

"Low prices are only one of the factors that determine consumer choice and only infrequently are they the most important," Sorrell says. "Every underlying trend in Western economies shows growing consumer self-confidence. And such people refuse to behave like members of a mass market. They are looking for quality and worth, and they are looking for personal relationships.

"So we have one set of pressures saying that economies of scale can be achieved only through mass production, and another saying that people will take every opportunity they can, not only to *be* different but to be *seen* to be different." ■

ANC plan to liaise on tourism lauded

THE ANC's plans to liaise with major tourist operators on the drafting of a comprehensive tourist policy has been welcomed by American Express Travel Services MD Rod Rutter. B/DAY

He said in a statement yesterday that the move was a positive and reassuring step towards realising the tremendous potential of the travel and tourism industry.

"Our image has suffered several hard knocks recently. A peaceful, stable and democratic society is a prerequisite for attracting overseas visitors in significant numbers." 13/10/92

Travel and tourism was the largest industry in the world in terms of employment, providing jobs for one in every 15 wage-earners. In SA, there were already about 370 000 people employed in the industry.

"Tourism Minister Org Marais has also unveiled valuable new initiatives in recent months. The active and positive involvement of politicians can only benefit the industry and the economy as a whole," said Rutter.

A comprehensive strategy would be essential as SA fought back from its previous status of international polecat to win its rightful place as a leading international tourist destination.

"This cannot happen without the participation of political decision makers, so the ANC's involvement is highly welcome," Rutter said. — Sapa.

Car rental industry to reduce buying

B/Day 15/10/92 (295)

EDWARD WEST

THE car rental industry, which bought 14 255 cars or 7% of total new car sales in 1991, expects to buy fewer cars this year due to the recession and the impact of political uncertainty on tourism.

Toyota SA strategic accounts manager Tim Brownie said the group had sold 6 700 cars to car rental firms in 1991 — amounting to a 47% share of the car rental market — but only about 6 000 were expected to be sold this year.

Car rental firms, which generally renewed their fleets every nine months or 35 000km, had become an increasingly important market to the motor industry and had consisted of 16% of Toyota's car sales in 1991, he said.

A few years back Toyota had sold about half the current levels to the industry, he added.

Imperial marketing director Maureen Jackson said car rental fleets had shrunk compared with three to four years ago when the fleet peaked at 16 000 on the back of a bouyant corporate market.

She said car rental companies usually bought new vehicles from October onwards to coincide with the traditional increase in tourist numbers between October and March.

But Jackson said it would take a "very brave" company to increase its fleet in the current uncertain political environment.

Imperial took an optimistic view on tourism and intended buying 4 000 new vehicles by the end of the year.

The expectations of increased tourism could, however, easily be overturned by the volatile political situation, she said.

Budget Rent-A-Car MD Tony Langley said industry volumes, in terms of rental days, had fallen 30% over the past two years mainly due to the recession-linked decline in weekend car rentals and political uncertainty.

Industry rental days in August 1992 fell 9,4% compared with August 1991. This was 21,8% lower than the preceding year, said Langley.

He said car rental fleets had peaked between October and March with substantial defleeting in the winter months.

The industry fleet consisted of 9 685 vehicles at the end of August, substantially lower than the 11 182 at the end of January 1992 and the annual peak of 11 867 in March 1992, he added.

Toyota's Corolla and Volkswagen's CitiGolf held the lion's share of the market with Nissan and Samcor holding most of the remainder of the markets, said Brownie.

FM 16/10/92 (295)

IMPHOLD FM 16/10/92

Fairly well hedged (295)

Imphold has been busy on the acquisition trail, concluding four deals in the past year. All were financed partly by paper, issued on a 13-14 p:e. As the companies were acquired on lower p:e ratios, the deals should lift EPS, assuming no decline in performance at the new operations.

The largest and latest buy, for R30m, was the outstanding 50% of Prime Car Leasing, a leader in full maintenance car leasing.

This is indicative of Imphold's liking for vertical integration. Imphold is well placed to supply and maintain Mercedes-Benz, Honda and Toyota cars for Prime, as it owns these dealerships. It can also insure vehicles through its own insurer, Regent.

Mercurius Holdings, a Mercedes-Benz and Honda dealership, was acquired last September for R18,6m. It complements a number of operations.

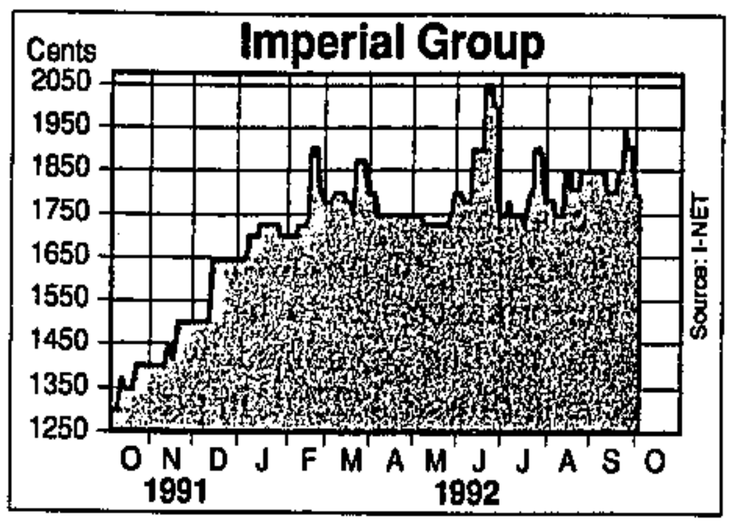
For example, the rental fleet, now the largest in SA with about 4 800 vehicles, can source Mercedes and Hondas through its own dealership. As Mercurius also retails Mercedes trucks, it can also source trucks for the transport operation.

Quattro Carriers, engaged in long-distance transport in SA and Botswana, was acquired in January for R6,8m. Chairman Bill Lynch says its fleet "complements that of Imphold's truck systems division." This division, operating 1 650 vehicles, is involved in the retailing, leasing and renting of trucks, as well as long-distance transport contracts.

In a R6,4m deal, Van Zyl's Spring Works, a manufacturer, distributor and repairer of automotive springs, was acquired in January. This business complements Imphold's maintenance operations.

Though the motor industry is facing trying times, Imphold has positioned itself well to cater for most situations; for example, it has extensive used-car operations, including rental vehicles taken off the fleet.

When Lynch says "we regard ourselves as fairly well-hedged," one can believe him. As there will probably be real EPS growth in 1993, as full benefits of the recent acquisitions are still to be realised, the historical p:e of 14,2 is fair. At present prices, there is little to choose between this one and the controlling **Imperial Group**. *William Gilfillan*



Activities: *Wide interests in transport, vehicle rental, motor trading and financial services.*
Control: *Imperial Group 75%.*
Executive chairman: *W G Lynch.*
Capital structure: *69,5m ords. Market capitalisation: R452m.*
Share market: *Price: 650c. Yields: 2,7% on dividend; 7% on earnings; p:e ratio, 14,2; cover, 2,6. 12-month high, 730c; low, 410c. Trading volume last quarter, 573 000 shares.*

Year to June 25	'89	'90	'91	'92
ST debt (Rm)	13,9	29,2	14,6	38,9
LT debt (Rm)	12,7	12,3	24,1	21,9
Debt:equity ratio	0,28	0,4	0,27	0,33
Shareholders' interest	0,40	0,4	0,44	0,44
Int & leasing cover	7,8	6,6	2,1	2,3
Return on cap (%)	19,3	21,1	23,0	22,0
Turnover (Rm)	457	545	598	781
Pre-int profit (Rm)	36,4	45,7	50,6	62,3
Pre-int margin (%)	8,2	8,4	10,5	10,7
Earnings (c)	25,1	30,2	38,3	45,7
Dividends (c)	10	12,1	15,0	17,5
Net worth (c)	91	107	134,8	181,6

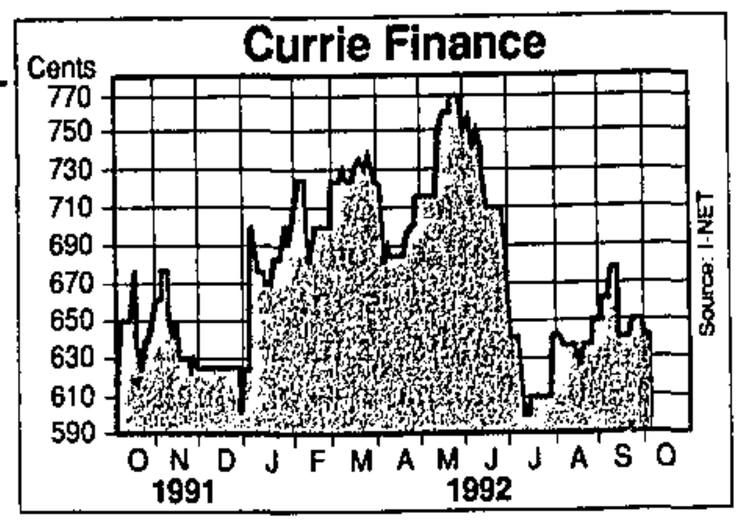
FM 23/10/92 (295)

CURFIN

Below target

Activities: *Holding company of Safcor. Other interests include leasing and property.*
Control: *Gresham Trading 31,8%.*
Executive chairman: *M H Brodie.*
Capital structure: *14m ords. Market capitalisation: R89,6m.*
Share market: *Price: 640c. Yields: 7,8% on dividend; 12,8% on earnings; p:e ratio, 7,8; cover, 1,6. 12-month high, 770c; low, 600c. Trading volume last quarter, 1,3m shares.*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	0,9	1,9	4,4	n/a
LT debt (Rm)	2,4	2,1	n/a	n/a
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,40	0,43	0,49	0,57
Int & leasing cover	17,1	24,3	22,4	133,6
Return on cap (%)	21,9	18,9	21,6	22,9
Turnover (Rm)	913	969	926	1 210
Pre-int profit (Rm)	34,8	31,7	36,6	39,7
Pre-int margin (%)	3,8	3,3	4,0	3,3
Earnings (c)	58,1	68,7	77,3	82,1
Dividends (c)	34	38	43	50
Net worth (c)	330	364	401	482



Difficult first-half trading conditions persisted for the rest of the financial year. EPS growth of 6% was less than hoped for at half-time, despite a 13% rise in operating income at Safcor *(Companies* September 25), the main earnings generator. As with Safcor, it was decided to reduce dividend cover and the payout was raised 16%. Chairman Mackie Brodie says this was possible because of the large cash holding and no gearing.

Leasing, finance, property and township development interests came under pressure, with only a slight increase (0,7%) in turnover. Nevertheless, Brodie says it performed reasonably given the state of the market.

Wholesaling investment H Canard & Co was put on track, with the establishment and stocking of a warehouse. It will move into a new showroom in early 1993. Brodie says establishment costs have been absorbed and it should contribute to earnings this year.

While no acquisitions are planned, Curfin is alert to opportunities related to core businesses. A year-end cash balance of R20m suggests that there should be no problem financing remaining commitments.

Though Brodie is reluctant to forecast earnings, Safcor is expected to show continued growth in earnings, though it's unlikely to match last year's pace.

About 67,1c of EPS of 82,1c is accounted for by the investment in Safcor, leaving 15c attributable to leasing and property. At 640c against Safcor's 790c, the share is at a tiny discount to this holding alone. The 7,8 p:e, against an average 13,1 for the industrial holding sector, seems conservative in view of this, the record and the solid balance sheet.

Marylou Greig

Challenges in travel industry

295

Sowetan 29/10/92.

■ **Blacks want a share of the cake in the field of tourism:**

THE changing face of South Africa's socio-political scene presented various challenges for the travel and tourism industry.

Crumbling sanctions and the country's gradual acceptance into the international fold would change the face of the travel business.

The inclusion of blacks as key players in this industry would become a necessity.

This scenario emerged at a training workshop held by British Airways (BA) in Johannesburg for members of African Tour (Afri-Tour), an organisation representing black South African travel agents.

BA's training manager for South Africa, Mrs Manuel de Carvalho, said the two-day workshop was held after a request from Afri-Tour for training assistance.

Afri-Tour wants to create an awareness of tourism among the underprivileged population groups. The association also plays an education role both among its members and within the community.

De Carvallo said the course aimed to provide an overview of the industry for those who had not previously had the opportunity for such exposure.

Subjects covered ranged from sales techniques, after sales services, fares and ticketing, airline geography and running a profitable business.

Chairman of Afri-Tour Mrs Busi Radebe said up to 90 percent of the South African travel business was controlled by whites.

Radebe, who is also managing director of Red Rose Travel and Tours Operators, said it was against that background that they want to redress the imbalances in the industry.

"We believe that we have an ingrained understanding of the travel needs of the black population. We plan to stimulate demand in this market in the future," she said.

Mahanyeela optimistic

■ **Hopes new beer plant will win them 20 percent of market:**

Sowetan 29/10/92.

THE new beer plant will give the National Sorghum Brewery a 20 percent share of the market, chief executive of the company Professor Mohale Mahanyale said this week.

Talking after the sod-turning ceremony, Mahanyale said the plant near Pretoria, which cost more than R1.2 billion, would create at least 2 000 jobs.

An additional 100 000 jobs would be created through the distribution chain.

The company would export beer to various African countries including Namibia, Swaziland, Lesotho, Botswana, Kenya, Ivory Coast and Zaire.

"We had fruitful discussion with Professor Johnny Kalonji, president of Zairean Chamber of Commerce, regarding the business deal.

"We are confident we will be exporting to his country," Mahanyele said.

He said they would cover the PWV areas with ease as it was centrally situated.

They would capture a sizeable share of the market "because tests have revealed that the market wants the type of beer we are going to produce".

The NSB, which increased its earnings by 23 percent in the year ended June, realised a turnover of R500 million.

About 90 percent of the 10 000 shareholders were blacks.

Challenges in travel industry

295

Sowetan 29/10/92

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ineraries can be varied or you can make your own unique one

Travel choice is wide

Sowetan 30/10/92

By Elliot Makhaya

SPECIAL PLACES Off the beaten track: (295)

LOGANS International Tour Operators offer a broad range of special places and activities not normally available to the traveller.

And this is in addition to the more popular destinations and excursions it offers. Their itineraries can be varied as required, or you can make up your own unique one.

Logans give advice on practical itineraries, flight routines and fares to save you money and maximise the enjoyment of your trip.

They have an experienced staff which can arrange all aspects of your holiday. They handle African safaris to Botswana, Zambia and Namibia.

The Okavango Delta in Botswana is one of the favourite destinations.

The vision of beauty and uniqueness takes on multiforms: to some it may mean crystal clear water, dugout canoes and exotic bird life, to others it may mean huge herds, lions and elephants and still there is a further group whose vision is that of the best fresh water fishing in Africa.

The water activities include boat rides, makoro trips, bird watching, fishing, swimming and walking. There is nothing more relaxing than gliding down narrow papyrus lined channels on a mokoro (wooden dugout) searching for rare and elusive birds.

The delta water is pure and crystal clear making the scenery all the more attractive. Game is generally not encountered at a typical water camp, although it is often present in the area.

Land activities in game areas include game drives and walking through diverse terrain offering excellent game viewing.

All camps are reached by light aircraft either from Maun or Kasane or by four wheel drive vehicles. Accommodation is authentic safari styled lodges offering rustic, comfortable facilities with good cuisine.

endour and the famous Victoria Falls

Captour's has new HQ

Sowetan 30/10/92. (295)

SA's first fully comprehensive tourist information and service centre

By Elliot Makhaya

THE final trimmings are being added in preparation for the opening of Captour's new head office and South Africa's first fully comprehensive tourist information and service centre incorporating a private company, The Rendezvous.

Both this "one-stop tourist shop" and Captour's new look reflect the gearing and development of an infrastructure that will support the expected increase in tourists to the Mother City and environs.

The new centre, situated in Adderley Street on the station complex, is ideally positioned for in-bound and outward-bound tourists.

It offers telephone and fax facilities, a travel agency, foreign exchange, coffee bar, tour and air bookings (local, regional, national and international) and curio, jewellery, wine, restaurant, accommodation and leisure information.

Stephen Caine, director of the Rendezvous, said the centre was not only a first for South Africa, but also a first by world standards.

The head office is manned by a multilingual staff, seven days a week from 8.30am to midnight.

Captour was established in 1978 as the Cape Tourism Authority to provide tourist information and effectively market the Cape in the target market to potential holiday-makers from the PWV and Durban areas.

Car rental hit by recession

(295) S/Times (BUSS) 1/11/92

THE car-rental's business has fallen to about 36% of its peak of three years ago because of a sharp decline in business travel.

But there are some encouraging signs, says Glen van Heerden, chief executive of Avis.

Rentals are increasing slowly and are about 4% higher than a year ago. But rental days have fallen by 5%.

Avis Rent A Car and Avis Lease raised revenue, met profit projections, maintained or increased market share and improved cash and asset management in the year to September

In touch

FM 6/11/92 (295)

A sophisticated electronic trading service that relays tender information between suppliers and SA's main mining groups, industrial conglomerates and semi-State companies will provide a vital bridge between big business and the informal sector.

Trade Net, which now links about 5 000 buyers at organisations such as Anglo American, JCI, Gold Fields, Transnet, Iscor and Eskom with more than 3 000 of their suppliers, is positioning itself to become a conduit for small firms to do business with the large conglomerates that dominate the SA economy.

"It is estimated that the tender business in SA is worth at least R60m a day. A significant slice of this could be opened to small businesses," says Trade Net MD Joe Brady.

He points out that many big organisations have committed themselves to helping the development of the informal sector by placing an increasing portion of their purchases with small businesses. However, it is extremely difficult for these large groups to contact the appropriate informal suppliers, says Brady. He adds that it is almost impossible for informal businesses to canvass any of the large industrial groups, mining houses or State corporations directly.

+ continue → p82.

FM 6/11/92. (295)

Computer technology, once regarded as the domain of big business, could provide the answer. Trade Net, which is owned jointly by the *Financial Mail*'s publisher, Times Media, broadcaster M-Net and ISG, the sole distributor of IBM in SA, operates what is, in effect, an electronic marketplace.

Buyers are able to use the Trade Net computer network to issue electronic information about the type and quantities of goods they want to buy. Other information, such as the closing date of the tender and where the goods need to be delivered, is also supplied by the buyer.

These electronic requests are relayed by Trade Net's central computer to SA subscribers able to supply the goods specified by the buyer. Prospective suppliers are able to use the electronic service to tender for the goods requested. They are later informed, through the network, whether their tender has been accepted.

Brady says Trade Net's potential to cut buying costs, improve the efficiency of buying departments, reduce stock holdings and streamline administration is attracting large numbers of big buying organisations and their traditional suppliers to the service. Many are already achieving significant savings and efficiency improvements, he says.

But Trade Net also offers tremendous opportunities to small businesses, says Brady. "While most buyers and suppliers use PCs to dial into the Trade Net network, there is also a fax link available for small businesses. Requests for information issued on the network by large buying organisations are automatically faxed to the appropriate subscribers. They are able to fax their responses back to the buyers or to the Trade Net head office in Randburg, where they are keyed into the computer network."

Purchasing organisations, he says, cannot distinguish between those responses that send directly to the network by computer and those first faxed to Trade Net. All the responses are delivered electronically to the buyer on the closing date specified on the call for tenders.

"Trade Net offers the informal sector an ideal entry point into the world of big business," says Brady.

The organisation has begun discussions with the SBDC and with the National Economic Initiative about the possibility of enabling the "hives" or entrepreneurial business units run by these two groups to gain access to Trade Net's network through PCs.

The Trade Net service is already handling 50 000 transactions a day, up from 15 000 in January, and Brady says demand for the service, from large and small businesses, is expected to increase substantially in the next few years.

Trade Net technical director Bruce Heath points out that one of the strengths of the service is its ability to link a broad range of businesses operating in diverse industries. "While the fax link to the Trade Net service is opening up opportunities for small businesses, we also plan to offer new facilities tailored for large organisations."

Brady ... *R60m a day*

The most important of these is linking Trade Net to a Value-Added Network service. This will enable users of the Trade Net service to transmit and receive EDI messages (electronic documents that conform to a specific set of standards) between organisations in SA and elsewhere in the world.

"Many organisations are not ready to make the large investment necessary to implement EDI but, by early next year, Trade Net will be able to accommodate those firms that want to go this route," says Heath. Other new facilities under consideration include an electronic message service for Trade Net users, updating of contract price files, the creation of an on-line data base of suppliers and products and access to various commercial databases operated by organisations such as the CSIR and SA Bureau of Standards. ■

Recession and low tourist numbers has hit industry

(295)

B/DM 9/11/92

RECESSION is the main reason for the slump in the car hire industry but there are other variables affecting it, says Budget Rent-A-Car MD Tony Langley.

One is a reduction in local tourism and the fact that international tourism is unpredictable at the moment.

Langley says there has also been a falloff in weekend rentals by blacks, who over the years have been "very good renters".

Beyond

Recession has meant car hire for personal use is increasingly beyond many budgets. Because of costs, companies have had to raise their prices and since 1989 the rates increase has been about 20% a year.

Cost factors influencing rates are primarily car prices and high interest rates, he says.

Budget has dropped its price on its leisure packages aimed at local tourism and has had a very favourable response. "It has become a gamble between volume and revenue."

As volumes drop, discounting is increasing in the corporate market as players try to hold onto their share of the market, he says. Budget's business is roughly 60% corporate and 40% leisure.

Potential

On international tourism, Langley says the potential is there but does not expect a major surge in numbers in the forseeable future, although last year showed a substantial increase.

"There was a 70% increase in 1991 and it is holding its own in 1992. But the growth we saw and that which is available is not coming in."

TONY LANGLEY

The company sells a Holiday Drive package to Budget International and packages to tour operators. The name Budget is well-known abroad and the company operates on a franchise basis. It was recently taken over by the McCarthy Group from Tollgate Holdings.

It has 50 outlets in SA and Namibia.

Beneficial

The McCarthy takeover has been very beneficial for Budget because it gives it access to a full range of cars and spares through the McCarthy network, which means a cost saving.

The other benefit is that cars can be bought and sold quickly through the McCarthy connection — which is important in a recession.

Cars are changed every 35 000km, which is usually about every nine months.

Security is a problem that has worsened in the past three years but Langley feels compulsory carrying of drivers' licences will improve the situation.

Airlines and hotels turn to tourist package deals

B/Day 9/11/92. (295)

MAJOR airlines and hotel chains are increasingly turning to package deals in a bid to attract tourists.

Locally, Flitestar has introduced its Escape plan, in terms which it has joined forces with Budget Rent-A-Car, Diners Club and the Southern Sun Hotel group to offer a wide ranging package.

MD Jan Blake says the system works on the accumulation of Starmiles calculated on every Flitestar full fare domestic flight, car rentals, hotel accommodation and Diners Club purchases.

This means travellers earn additional credits every time they make use of one of the partners in the scheme.

Also, to make its package more attractive, the scheme gives members three years to earn and redeem Starmiles, unlike other packages which restrict the credit to 12 months.

At the bottom end of the scale, rewards for Starmiles include free domestic tickets and at the top benefits include an Amazon adventure, two return economy class tickets to London, a Caribbean cruise or a camel trekking safari.

British Airways, which accounts for a large number of tourists coming into and leaving from SA, has such a plan. As a result of a deal with Kenning Car Rental, visitors receive lower car rental prices, unlimited mileage and free Automobile Association service.

If you book a British Airways Car Hire Holiday, free services include unlimited mileage, an information pack with maps, British VAT, vehicle insurance including third party, fire, theft and passenger liability excluding initial collision damage waiver.

The service can also be extended, through the airline, to other parts of the UK and to certain destinations in Europe.

Cars for hire include Peugots, Rovers, Metros, Escorts, Sierras and Montegos.

KLM includes a rented car for a week in the price of the air ticket. The offer is available in Holland as well as England and Scotland and in the UK there is no extra drop off charge. Competitive rates are also offered if the customer wishes to take the car for longer than the week.

The scheme was introduced in October and will run until March, after which its success will be reassessed. An airline spokesman says it has been very popular so far.

Business Day SURVEY

Recession and political uncertainty have taken their toll of the car rental market, which has shrunk by about 36% since the peak market conditions experienced three years ago. The industry received a brief boost when inbound international tourism increased, but violence and uncertainty stemmed the flow. ***DIANNA GAMES*** *reports.*

Avis . . . bucking poor market conditions.

Avis tries harder and meets its profit projections

THE Avis car rental and leasing group, part of the recently listed Servgro, is making headway against poor market conditions.

Group CE Glenn van Heerden says that in the financial half-year to September, Avis Rent A Car and Avis Lease raised their revenues, met their profit projections, maintained or increased market share and improved cash and asset management.

Van Heerden says the group will spend R225m on about 7 500 new cars for its fleets this year. Avis accounts for 4,2% of SA's total new car market.

He says recession has affected business travel, which in turn has affected the car rental industry, which has shrunk by about 36% of its peak size three years ago.

"However, the number of rentals is increasing slowly, and is currently about 4% higher than a year ago.

"The refocusing of Avis in recent years is now paying dividends and our concentration on our traditional market sectors has facilitated tight asset management and effective cost control," says Van Heerden.

The cost of accidents and theft to the company was reduced from R36m in 1989 to R11m in the past year.

True fleet utilisation of 68% is up five percentage points on last year and is regarded as satisfactory in current trading conditions, Van Heerden says. Realistic depreciation rates have kept its used car stocks low and ensured fair market prices.

The Avis franchise has recently been extended to Angola and the group's regional network now covers SA, Botswana, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Swaziland and Zimbabwe.

Van Heerden says the group's other operation, Avis Lease, has continued to grow strongly.

Avis's full maintenance leasing fleet in SA stands at just over 30 000 vehicles and is currently growing at 6% a year.

Value

The average value of vehicles in the fleet over the last few months is R46 000.

A spokesman says that since the 1960s, Avis has grown tremendously and now has more than 106 locations throughout southern Africa.

In SA this network covers all major airports, cities and larger towns, as well as major holiday resorts.

These include the Kruger National Park and Kalahari Gemsbok Park, Sun City and the Wild Coast Sun. At each of these resorts Avis has exclusive rights.

GLENN VAN HEERDEN

Through this network, Avis rents cars to an estimated 240 000 business executives and tourists each year, nearly 60% of whom rent from airports.

The Avis credit card gives the holder a number of benefits. These include instant credit recognition, discounted rates, accelerated check-out, international acceptability and central billing.

Other services include express terminals at major airports to speed frequent travellers on their way and a time-cutting fly-drive service known as Sky Link between Johannesburg and Durban.

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Recession and violence hit vehicle purchases

THE car rental industry expects to buy fewer cars this year because of the recession and the effects political uncertainty and violence are having on tourism.

The corporate market is growing and is dominating car rental business rental companies but the recession has taken its toll as figures showing rental days in the industry over the past five years show:

August 1988, 2 959 057 (up 37,3% on the year before);
August 1989, 3 392 206 (up 14,6%);
August 1990, 3 473 890 (up 2,4%);
August 1991, 2 717 934 (down 21,8%);
August 1992, 2 462 892 (down 9,4%).

The industry bought 14 255 cars or 7% of total new car sales in 1991.

Because car rental firms change their fleets on average within a year, they are a vital market for the motor industry. A Toyota spokesman said recently they consisted of 16% of Toyota's car sales in 1991 — 6 700 cars.

Imperial marketing director Maureen Jackson says car rental fleets have shrunk compared with three to four years ago when numbers peaked at 16 000 on the back of a buoyant corporate market.

She says Imperial replaces its vehicles every 28 000km, with the exception of Mercedes' and it has its own used car dealership — Auto Pedigree.

When it comes to the type of cars available for rental, Jackson says car rental firms have become a showcase for new cars on the market.

"If it is a new model, we have to have it in our fleet. It is a way of advertising cars, a kind of test drive experience," she says.

She says car rental companies usually buy new vehicles from October onwards to coincide with the traditional increase in tourist numbers between October and March.

Despite the volatile political situation, many companies feel optimistic about increased tourism in the coming months.

Imperial MD Carol Scott says a number of new European operators have recently shown an interest in SA as a tourist destination. The company has no plans to close outlets or cancel orders for new vehicles.

Budget Rent-A-Car MD Tony Langley says if violence continues, the normal influx of foreign tourists wishing to take advantage of SA's summer season will dry up.

He says foreign tourists account for about 30% of rental volumes during these months.

Budget closed one outlet last year and is considering closing more, Langley says.

Avis CE Glenn van Heerden says the group will spend R225m on about 7 500 new cars for its fleets this year. Avis accounts for 4,2% of SA's total new car market.

Shrunk

"The decline in business travel as a result of the recession has taken a heavy toll of the car rental industry, which has shrunk by about 36% of its peak size three years ago. However, there are some encouraging signs.

"The number of rentals is increasing slowly, and is currently about 4% higher than a year ago.

"Unfortunately, this trend is being countered by a continuing decline in rental days, which have reduced by 5% over the same period. In other words, people are renting more cars, but keeping them for a shorter time."

Van Heerden says the industry received a boost when inbound international tourism increased sharply as a result of the scrapping of sanctions and the increased number of scheduled airline flights into the country.

The flow of foreign tourists has been stemmed by political turmoil and violence, however, and with many prospective visitors adopting a wait-and-see attitude, it is not yet clear if inbound tourism wil be a significant factor this season.

Satour said recently that although it could be difficult to reach its target for tourist growth of 18% this year, the final figure should be close as numbers picked up for December.

Satour's chief director of tourism promotion Ernie Heath admits there have been cancellations but insists there is still a lot of interest in SA as a tourist destination.

Optimistic Imperial is on the growth trail

WITH growth of 3,8% last year in the face of SA's longest recession, Imperial Car Rental MD Carol Scott has good reason to be optimistic.

This year, from July to September, Imperial has already seen 2% growth.

A year ago the company bought up Tempest, which although fully autonomous, brought the company's market share up from 40% to 46%. It also brought it a greater share of the corporate and leisure market.

There are 4 850 cars in the fleet, with models up to the luxury level.

Most of the business — 90% — is corporate. "The leisure market has fallen away over the past three or four years," says Scott.

To counter this, Imperial recently introduced leisure packages which offer a fully inclusive rate, enabling the holidaymaker to better budget for general holiday costs.

"It was introduced in September last year and is going exceptionally well," says Scott.

CAROL SCOTT

On the international front, Scott says there are still plenty of foreigner holidaymakers coming into the country, with the bulk of foreign business coming from the UK and Germany.

"There is also a lot of walk-up business from international tourists. It is surprising how many people arrive in SA without arranging accommodation or transport," she says.

On the security front, thefts cost the company R2m a year on average but Scott says the situation goes through stages and the beginning of this year was particularly bad.

She welcomes the mandatory carrying of drivers' licences, saying the company has been lobbying for the past 10 years to get this passed.

However, producing a drivers' licence is not yet one of the company's requirements for hiring a car except when paying cash or by charge card.

Marketing director Maureen Jackson says SA has been "a little naive" regarding car hire requirements. "We rely on our staff, who are very good at smelling out rats," she says.

In 1990 the company had 6 000 units but this had gone down slightly since then.

Imperial has introduced several new schemes to attract business.

For instance, the speedline system is designed to obviate paperwork at rental counters and cut down on the number of people queuing. In terms of this system the paperwork is done ahead of the rental by means of vouchers containing the relevant information.

The company also offers an associate card, a discount identity card targeted at bank card users which gives them the same level of service as charge card holders.

Imperial has 72 corporate offices located all around the country, including Walvis Bay.

It also has offices in Namibia and Swaziland and is looking at opening in Botswana.

CarMaster a boon for travel agents

GALILEO's CarMaster reservation system offers travel agents a global booking and information service on 5 000 car hire outlets.

Several local companies are included in an international total of 46 car hire firms subscribing to CarMaster.

Galileo southern Africa head Buddie Ceronie says the service means travel agents have up-to-date information on subscribing firms and can quickly secure a client the most attractive deal.

All relevant information can be displayed, including availability, car types, damage waiver policies, operating hours, drop-offs, shuttle services and refuelling procedures.

Update

Even licence requirements for respective countries are provided.

The firms update information themselves, either by terminals linked to the system or by teletype messages to the database.

The activated inside link connects the travel agency directly to a car hire firm's own computer, assuring instantaneous confirmation.

"The beauty of the service is that car hire firms can actually tailor the information to suit particular needs. For instance, if a travel agency and car hire firm wish to keep certain on-line information specific to themselves, no other agency will be able to access that information," says Ceronie.

The service is a component of Galileo's travel computer systems network to which 11 000 travel agents subscribe.

Galileo is owned by Aer Lingus, Austrian Airlines, Alitalia, British Airways, KLM Royal Dutch Airlines, Sabena, Swissair, TAP Air Portugal, Olympic Airlines and Covia — a subsidiary of United Airlines.

Focus on image of advertising industry

B/Day 17/11/92

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MARCIA KLEIN

THE advertising industry's image was the main topic of discussion at the recent IAA World Advertising Congress in Barcelona.

Markinor's Nick Green, who presented a paper with Hunt Lascaris TBWA MD Reg Lascaris, said one of the highlights was a paper on the interface between editorial and advertising by the editor of Die Welt, who said the industry should go all out to correct the image problem of advertising.

At the congress, an international campaign was launched to raise awareness of advertising as a dynamic force. The campaign, which has been devised to include developed and less developed markets, was launched in Newsweek in September.

Green said that until now no one had championed advertising's cause sufficiently. He hoped the campaign would be seen in SA shortly, with the basic strategy adapted for the local market.

Unilever chairman Michael Perry said marketing was a "zillion metre hurdle", but no company's future was assured without excellence in marketing, branding and advertising. He said there was a need for international strategies with local executions.

There was also concern at the conference about the lack of emphasis on the importance of marketing. Most companies' main assets were in their brands, and until these were included in the balance sheets, this could remain a real problem.

Green said he and Lascaris spoke about Africa, where 12% of the world's population produced only 2% of world GDP and was exposed to about 2% of its advertising.

SA advertising agencies shine in London awards

B/DAY 17/11/92. (295)

MARCIA KLEIN

SA advertising stole the show at the London International Advertising Awards which were broadcast live to the US and Europe from London last night.

Nearly 10% of the awards were scooped by SA agencies. They won 10 gold statues out of about 90 winners selected from 6 000 entries from 40 countries.

Awards organiser Barbara Levy said that given the size of the SA advertising industry it was pleasing to see about 18 SA agencies achieve finalist status, and six agencies win gold statues.

Hunt Lascaris TBWA led the SA winners, taking four of the 10 statues. This was the largest haul of any individual agency worldwide. Three months ago, the agency took two golds lions and a silver award at Cannes.

The agency won two golds for its client BMW. One was in the corporate category for its Mercury ad, and the other in the automotive category for an ad called High Miler.

Its other gold awards were its Fishbowl ad for Technics in the home entertainment category, and its Little Boy print ad for Nashua in the office equipment category. The agency had 16 finalists.

Creative director John Hunt said the awards were particularly gratifying in that as with the Cannes Awards and the Loeries (where the agency excelled) , the awards were spread across the agency's creative department.

He said creative credits went to Mike Shalit and Sandy de Witt for Mercury, Matthew Bull and Tony Granger for Fishbowl and High Miler, and Stefania Ianigro and Graham Lamont for Little Boy.

Ogilvy & Mather RS-T & M won two golds. It won in the radio category for its Bambino Lisp ad for SmithKline Beecham, and it also won a gold for Radio 702 in the direct mail category. O & M had five finalists, three for print and two for radio.

The Jupiter Drawing Room won a statue for the third consecutive year. It had nine finalists, with more finalists in the print category than any other SA agency. It won the gold for TV copywriting for its Campbell ad, one of a series of three TV ads for client CSIR.

Lindsay Smithers FCB won a gold in the transport category for its Bushmen ad for Spoornet, and McCann-Erickson won a statue in the print category for Gillette Sensor.

Sherwoods Strategic Advertising took a gold award in the medical category for a Pfizer product which treats hypertension and angina, using the theme of fly fishing.

Levy said that the standard of SA advertising had been high for the past three years, particularly in TV advertising.

Next year the awards would be expanded to include packaging design and promotional advertising.

Hunt Lascaris TBWA MD Reg Lascaris said the awards were a big boost to SA, and showed SA could take on the world's best and win — if not at rugby, then at least in advertising.

Penta appoints two editors to board of directors

B/DAY 17/11/92. (243)

GAVIN DU VENAGE

PENTA Publications appointed two of its editors to the board of directors last week, and elevated several others from its managerial staff into senior positions.

Tribute editor John Qwelane and founding editor Maud Motanyane are now directors of both the magazine and Penta.

Living editor Chris Marais and Penta's former financial manager Damaris Haasbroek have also been appointed to the board, placing the company's entire senior management on a directorship level.

Leonsins believed the moves would make for more efficient functioning, involving key decision makers directly in the running of the company.

He said Penta was now positioned to take on groups dominating the local publishing industry, and would be challenging their market share.

"We believe Penta will grow to become a prominent publishing house in SA," said Leonsins.

The first editions of Living and Tribute bearing the Penta stamp appeared this month. Both trademarks were bought in June this year, but forward planning of issues meant that succeeding magazines were largely in the mould of previous management.

Business Day SURVEY

The SA Non-Listed Company Award is made to a company which, in the view of the judges, best demonstrates creativity and entrepeneurial skills in meeting business challenges. This is the seventh year of the competition, jointly sponsored by Business Day, Arthur Andersen & Co and Wits Business School. Reports by ***MARICA KLEIN, GAVIN DU VENAGE and JONO WATERS.***

Imperial ladies. From left, Karen du Croq, Jill Lambooy, Tracy Morrison and Josick Tarr.

Imperial Car Rental streaks to the front

B/DAY 17/11/92 (295)

IMPERIAL Car Rental's history is almost legend. The company, which now stands as SA's largest car rental firm, was established in Johannesburg in 1979 with one office and one motorcar, brazenly entering a market dominated by three international and well-known firms.

By 1983, it had a fleet of more than 1 000 and about 9% of the market. That year, it acquired the right to operate at state airports, and its growth continued to soar.

In 1987 the company doubled in size overnight after acquiring Hertz — one of the original big three. It was voted the best car rental company in terms of its service to the southern African travel industry in 1990 and 1991.

Now in its 13th year, ICR is SA's largest car rental company with a market share of 45%.

It operates through 81 branches in SA, Swaziland and Namibia, with an average fleet of 4 800 vehicles.

The company has been profitable since it started, and has shown a compound turnover growth of 315% and compound operating profit growth of 118%. In the year to end-June, it reported a turnover of R194m and pre-tax profit of R16,8m. It has 880 employees, and controls gross assets of R150m.

Leading

Holding company Imperial Group's annual report says: "ICR emerged clearly as the leading car rental company in SA by virtually every yardstick" in the year to end-June. While industry volumes fell by 5%, ICR's turnover rose by 38% from growth in the core business, the acquisition of Tempest Car Hire and volume growth by subsidiary Auto Pedigree. Profit before tax rose by 18%.

ICR contributed to 24,9% of Imperial's turnover and 27% to its pre-tax profit.

ICR MD Carol Scott, who was the company's first employee, attributes this staggering history to the company's ability to see the gap and "go the extra mile", something the other firms are not doing.

In addition to its almost obsessive focus on what the customer wanted, she says Imperial has grown from a rental income of R1 000 in its first month to in excess of R10m a month through "careful purchasing of vehicles, continued study of market forces and an ability to establish and attack the Achilles' heel of other players in the market".

The identification of niche markets has seen the company diversify from its daily car rental service, while still staying within its areas of expertise.

ICR has a chauffeur drive division, leisure packages, government garage services, a limousine service operating from hotels, contract rental for state departments, and fleet management for large corporations.

It has its own dealer network, Auto Pedigree, which sells cars as they come off fleet through its 15 outlets.

Prime Car Leasing, in which it holds a 50% stake, offers full maintenance leasing.

Last year the company appointed a general manager for its growing chauffeur drive division, which is largely used by businessmen, overseas guests and embassies. The company has also applied for taxi licences.

International

It established an international department to place it in the position to benefit from the interest being shown in SA as a tourist destination.

Scott says that since 1990, international tourism has held up fairly well, but the leisure market has fallen away and the corporate market is shrinking. Although the corporate business traveller sector has weakened, she says ICR has increased its share through high quality service and competitive pricing and it continues to show real growth in rentals.

Even in the car rental market, there has been trading down. "Gone are the days when car rental companies had a fleet of 100 Mercedes Benz's", she says.

But she firmly believes the car rental industry will survive because of poor public transport in SA. In addition, people rent cars when theirs are being serviced, when they are waiting for new cars which are in short supply, and when they go on holiday.

Scott says ICR is in no hurry to list, mainly because the Imperial Group is healthy and has been successful on the JSE.

The relationship with its parent gives it a higher profile, but Scott says ICR markets itself extensively, and has its own profile.

Flickering profit margins at Teljoy

B/DAY 20/11/92. (295)

MARCIA KLEIN

TELJOY Holdings' net income declined 3% to R8m (R8,3m) in the six months to end-September as most of its divisions experienced pressure on margins exerted by the poor economy and increased competition.

Turnover grew by 2% to R87,9m (R86m), but operating income dropped by 6% to R16,7m from R17,7m in the previous year. A 6% decrease in finance charges and a tax saving resulted in the 3% decrease in net income.

Earnings dropped similarly by 3% to 13,8c (14,3c) a share and the interim dividend was maintained at 4,5c a share.

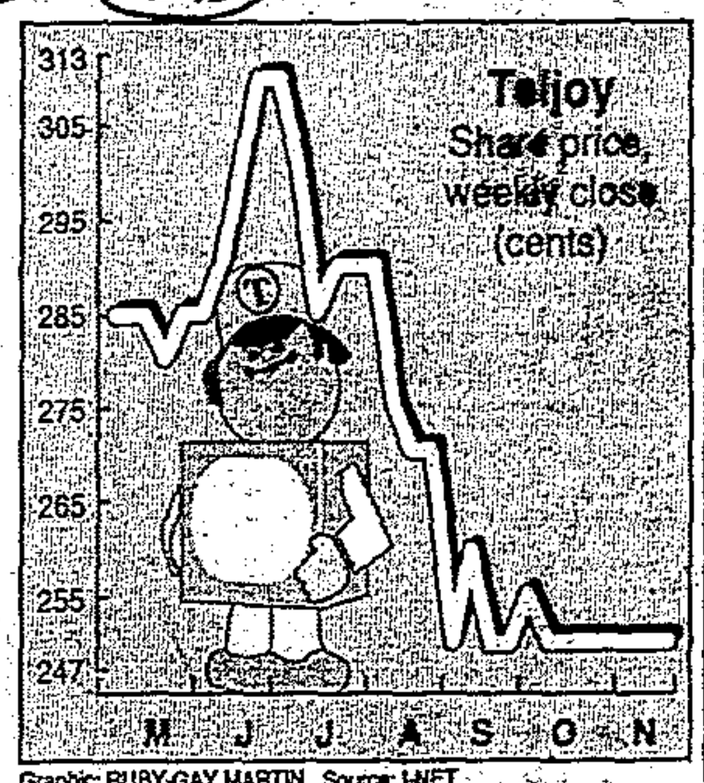
Executive chairman Theo Rutstein said the results were reasonable given difficult trading conditions.

He said the core rental business had shown real growth in its subscriber base despite declining economic conditions and imposition of tighter credit controls. The rental division reported an 11% increase in pre-tax profit.

Rutstein said competition from grey imports at the lower end of the retail market had affected operating margins. Grey imports had a failure rate of about 30% and Teljoy did not buy them, he said, yet it still had to stay within reach of the retailers' HP price.

Technical service division Mastercare, restructured last year, had shown a satisfactory performance. The group had noticed a deficit in Mastercare last year and over R1m had been written off. But the deficit had been picked up only in the second half, so Mastercare's first-half figures of the previous year were overstated.

Teljoy Business Services had completed some major contracts, including the Lost City, but had experienced pressure on turnover and margins.



Graphic: RUBY-GAY MARTIN Source: I-NET

This was largely due to other hotel groups and industrial companies deferring projects.

Rutstein said it had focused on developing high-tech visual security products, in response to increasing volatility of trading conditions.

The group's gearing was reduced to 92% from 107% in the previous year and 103% at the March year-end.

Financial director Denis Kennedy said this had been achieved despite higher capex as the rental division stocked up for winter.

The reduction of gearing had been made a priority to improve interest cover. Gearing should come down further over the rest of the year due to continued strong cash flows and tight control on capital expenditure.

BUSINESS

Entrepreneurs find allies for the formal sector

295

MEREDITH JENSEN

AN INCREASING number of black entrepreneurs are entering the formal business sector, and various organisations are helping facilitate the transition.

B/DAY 20/11/92

One such group, the International Executive Service Corps, has had success in helping these businessmen without incurring tremendous capital expenses.

A non-profit company, funded by US Aid and a number of SA companies, it has recruited retired businessmen to assist non-white businesses.

For a one-time fee of R15, those who qualify receive free advice from experts in fields ranging from accounting to marketing and promotion.

Executive director Ken van de Laar says costing appears to be one of the major problems faced by black businesses. "This is where we can help by providing information on how to prepare a business plan and structure a cash flow analysis."

Van de Laar says his company helps people evaluate their needs realistically.

In 1988 Sam Tungande set up Baltic Travel, the country's first black travel agency. From the beginning, Van de Laar's company helped Tungande keep accurate accounts of his business, and plan for the future.

The training and services have often saved businesses. Tungande says he could never have afforded the services the company provided for free.

"The problem is collateral. It is nearly impossible for a black to secure a business loan without it, and very few blacks have it.".

In addition to the Services Corps, British Airways has offered to train members of Afritour, an association of black travel agents and tour operators Tungande helped establish.

The first sessions, completed this month, were designed to teach people about the travel industry. The airline plans to continue the course next year in order to help its participants become members of the International Association of Travel Agents.

Cutbacks at Teljoy subsidiary

MARCIA KLEIN

TELJOY subsidiary Teljoy Business Services (TBS) is to refocus — and retrench a small number of employees in the process — in order to improve its performance in the coming year.

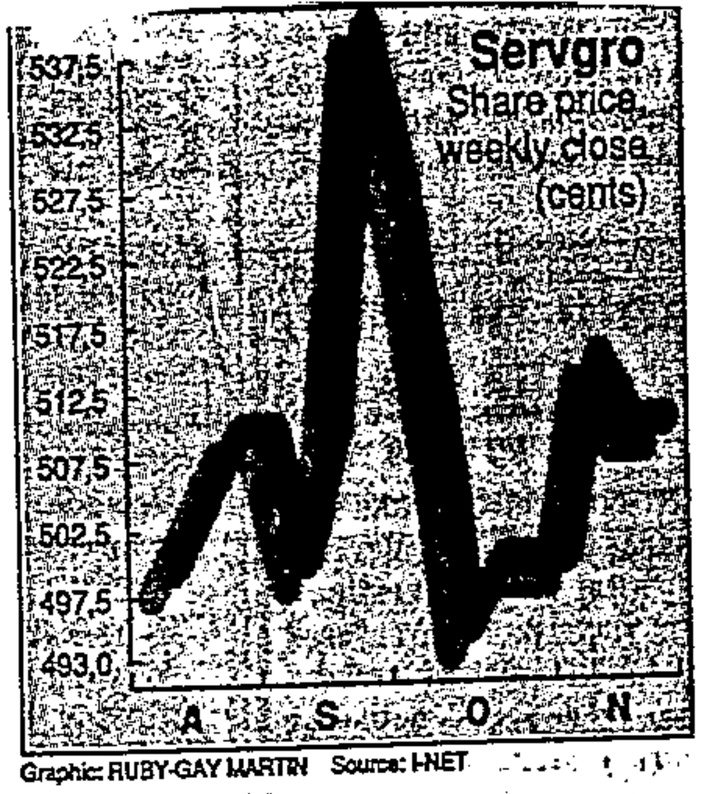
TBS specialises in providing visual security systems and audio communications for the hotel and casino industies. The group also caters for the industrial and commercial users.

Teljoy executive chairman Theo Rutstein said yesterday the group was looking into TBS's structure as its turnover levels in the six months to end-September were not as expected, and its clients were cutting back on their capex. The reorganisation would include the use of subcontractors and independent contractors, and this would lead to the retrenchment of no more than 20 staff members, he said. (295)

Teljoy was trying to set up some retrenched employees in their own businesses, and they would become contractors to the company, Rutstein said.

When the group released its results last week Rutstein said TBS had completed some major projects, including the Lost City project "and the prototype of a security system on domestic trains for Commuter Services". B/DAY 25/11/92

But capex cutbacks by its traditional clients and increased activity from competitors at the lower end of the market had placed pressure on turnover and margins.



Graphic: RUBY-GAY MARTIN Source: I-NET

Servgro on track to meet forecast

295 MARCIA KLEIN

NEWLY listed Servgro International has increased interim earnings 10% to 23,4c (21,2c) a share, and is on track to meet its prospectus forecast of a 10% earnings rise for the year to end-March.

The group — which has interests in Interleisure, Teljoy, Avis, Fedics, Interpark, Price Forbes and Naspers — reported a 13% rise in attributable profit to R24,6m (R21,7m) and declared an interim dividend of 7,5c a share.

The group's results to end-September were better than chairman Peet van der Walt had forecast.

Servgro's turnover increased 8% to R434,5m from R401,8m, and operating income rose 9% to R60,1m (R54,9m), reflecting an improvement in the operating margin. B/DAY 25/11/92

Income from associates and investments grew 11% to R6m (R5,4m), bringing profit before interest up 10% to R66,1m from R60,3m in the previous year.

After a reduction in the interest bill to R6,4m (R7,5m) and an increase in taxation, profit after tax was 8% higher at R38,6m (R35,8m).

Van der Walt said results were off a high base in the previous year, when earnings grew 19,5%.

☐ To Page 2

Servgro

B/DAY 25/11/92.

295 ☐ From Page 1

Although the various companies had adapted well to the political and economic environment, there was room for further cost containment and reductions, and better management of working capital.

Unlisted companies had performed well, but listed Interleisure and Teljoy had produced marginally lower results than the previous year on the back of lower consumer spending.

However, in the quarter since Interleisure reported to end-June, cinema audiences had increased with the opening of new cinemas, Sunday films and a growth in attendances.

Naspers, from which Servgro received only dividend income, was expected to maintain its high level of earnings recorded in the previous year, Van der Walt said.

In November, Price Forbes reached agreement with Safren and Willis Corroon to buy the Willis Faber Enthoven Insurance Broking Group. Van der Walt said the newly acquired company was not expected to make any significant contribution to profits this year, but benefits would be felt in the next year.

Although he did not expect trading conditions to improve over the next six months, Van der Walt said the 10% growth in earnings would be achieved on the group's enlarged capital base.

Servgro would also "keep on the lookout for acquisitions", he said.

The share, listed on August 7, closed yesterday at 510c, after reaching a high of 550c soon after listing and a low of 500c earlier this month.

Battered Advtech remains positive

B/DAY 30/11/92

DUMA GQUBULE

EDUCATION and training group Advtech reported sharply lower profits for the half year to end-August.

Attributable earnings fell to just R38 000 from R554 000 on a R1,1m decline in turnover to R10,8m (R11,9m).

Executive chairman Brian Buckham said Advtech's performance had been adversely affected by unfavourable economic conditions, particularly in certain key areas in which the group's divisions operated.

He did not expect operating income to improve during the year, but was positive about the future.

The confidence came from the group's assured contract revenue base, which was forecast to exceed R20m by the end of the year. The group had invested significant resources in the development of new business areas, expected to contribute to performance in coming years.

The group's balance sheet remained strong with minimal long-term debt and an unchanged debt to equity ratio of 11%.

Marketers 'must stay in touch with audience'

B/Day 1/12/92. (295)

GAVIN DU VENAGE

MARKETERS like to think their audience is far more sophisticated than it is, says Markinor chairman Nick Green.

Spelling out guidelines for Third World marketing, Green said that within a few years the average South African would be black, 15 years old, fairly unsophisticated and talking "a kind of English".

"On the other hand," said Green, "we marketers and advertisers will be 40-plus, more sophisticated and perhaps a little out of touch with what is happening, unless we remember a few key points."

The first of 12 elements Green laid down concerned brand value. The less sophisticated an audience, he said, the greater the value of a name.

Brands had become a language — for instance, in some markets there was no such thing as vodka — it was Smirnoff.

Then came the exploitation of aspirations. Ads showing blacks and whites mixing in up-market situations touched on something many hankered for.

As an example, Peter Stuyvesant, the best selling cigarette in the middle socio-economic groups, used exotic travel destinations in its advertising.

Green also advised:

- Use simple language, and avoid word-play. English is a common language of communication, but not everybody's mother tongue;
- Visuals and pictures can overcome nuances and language difficulties;
- Use role model endorsement. "You do not need long copy or explanations. The associations and visual elements do it all for you if you use a Brenda Fassie as a spokesman";
- Use sports sponsorships. Research has shown that sport is high on the list of SA priorities;
- Use music, which is a powerful common interest in the youthful metropolitan market. Coke's use of Mango Groove had grabbed an instant youth vote for their product;
- Appeal to the emotions. Unsophisticated markets are less analytical and more emotional, and are less likely to react to dull and boring advertising;
- "Grab the educational sponge." Advertising works well when it teaches people how to use a product, or how to behave socially;
- Beware of change. The Castle Lager label switch created a tremendous negative effect for SA Breweries, said Green;
- Consider the use of media. Television, radio and print are obvious vehicles, but new avenues, such as home videos and taxi-tapes, should be considered;
- Finally, never ignore word-of-mouth recommendation or criticism, which could affect the progress of a product or service. This was especially true in the townships where the extended family and good neighbourliness really did exist, said Green.

Companies 'secretive'

GAVIN DU VENAGE

SA's only corporate investment publication, CSI Letter, was gaining ground in the business community, editor Myra Alperson said last week. B/Day

SA companies were too secretive about their social investment programmes, and the CSI Letter had been started, in part, to create a forum of information sharing, said Alperson.

The fourth issue of this bi-monthly Innes Labour Brief publication appeared earlier this month, looking at issues such as the basics of social investment policies and some of the latest activities of various companies. 1/12/92.

Alperson worked for a research foundation in New York and co-authored a book on corporate social investment before moving to SA and the Innes Labour Brief last year.

SA companies could both learn from and contribute to the international CSI experience, Alperson said. As the country was once again on the investment map, it was important for local business to make their contributions known.

Advertiser

IMPERIAL GROUP IS A LISTINGS BOOM WINNER

S/Times (BUSS) 6/12/92

By DON ROBERTSON

Sunday Times

TOP 100

NUMBER 9

1987: R10 000 1992: R59 412

A CONTINUING policy of expansion from within and acquisitions in the core business has placed Imperial Group in tenth position in the Top 100.

Imperial Group turned out to be the top performer among a large number of independently owned family businesses which came to the market in the listings boom of 1986-87.

The group pyramid structure was formed in July 1989 when Imperial Group became the holding company of Imphold. Two years later, the founders of the group, the Abelkop and Wilder families, sold their stakes to management and institutions, making Imperial Group a truly public company with no controlling shareholder structure.

SPREAD

The average annual simple return for the five years is 98,82%. Turnover rocketed from R321,3-million in 1988 to R781,2-million in the year to June last. Pre-tax income increased from R15,9-million to R62,7-million.

After finance costs, which have been well contained at R10,3-million in spite of the capital-intensive nature of the group's vehicle-renting activities, attributable profits rose to R27,6-million from R8,5-million.

The balance sheet is equally good, shareholders' funds rising to R117,4-million in June 1992 from R30,6-million in 1988. Interest-bearing debt now tops R60-million, or 41% of shareholder's funds, up from R10,7-million (36%). Net assets have soared to R232,4-million from R51,8-million.

All this has allowed an increased in dividends from 6,2c a share, covered 2,4 times, in 1988 to 17,5c, covered 2,6 times. In the same time, the net asset value has climbed to 181,6c a share from 54,5c.

The group is a broadly based industrial holding company involved in car rental, motor retailing, transport and trucking, insurance, finance and property.

Bill Lynch, chairman of Imphold and managing director of Imperial Group, says: "We have an excellent spread of activities, all of which have a strong and continuous management team".

Acquisitions in the past year by Imphold included Mercurius Holdings for R18,6-million. Mercurius has three Honda and Mercedes-Benz outlets.

Quattro Carriers, engaged in long-distance transport, was bought for R6,8-million and Van Zyl's Springs for R6,4-million. They were all paid for in Imphold shares, which were either placed with institutions or retained by the sellers of the businesses.

Mercurius expanded the motor division from a pure Toyota franchise to Mercedes-Benz and Honda. Quattro is a long-distance haulier and Van Zyl's makes automotive springs.

These aquisitions, although consolidated for only part of the year, contributed 30% to turnover.

STRONG

Mr Lynch says that without them, turnover would have increased by about the inflation rate.

Since the end of the financial year, Imphold bought the remaining 30% of Prime Car Leasing from Nedfin Bank for R30-million, inclusive of loan accounts of R22,7-million. The deal was also settled with the issue of shares.

These acquisitions contributed to group debt rising from R38-million in 1991 to R60-million last year. But interest cover remained strong at seven times operating income.

In recent years, the company has undergone major changes in its direction and management control.

In 1989, shareholders in Imperial Group were offered one share in Imphold free of charge for every share held. Imphold came to the market at 175c in July of that year when Imperial Group was trading at 520c. This left Imperial Group with about 65% of operating company Imphold.

Another change in management of Imperial Group took place in mid-1991. In May 3,3-million shares in Imperial Group were sold to financial institutions from previous owners, the Abelkop and Wilder families.

MORALE

Mr Lynch bought 2,7-million shares. The transactions, done at a price of R12,50, gave Mr Lynch 23% of the company, the institutions holding most of the balance.

Mr Lynch says results in the first four months of the current year are satisfactory.

"We can expect another pleasing set of results for 1993. The business is in good shape, morale is good and we seem to be able to escape the mood of gloom around us."

Mr Lynch says the motor division had sufficient stock during the mid-year Toyota strike and that at the end, some was still available.

"Overall, the division plans for a year of improved performance."

Volumes in the car-rental division have fallen, partly because of the decline in tourism caused by violence in SA.

Imperial Car Rental, including Tempest Car Hire, is now the largest car-rental company in SA with a market share of about 45%.

MODEST

"We expect lower interest rates to impact favourably on the division and profits to be at least maintained," he says.

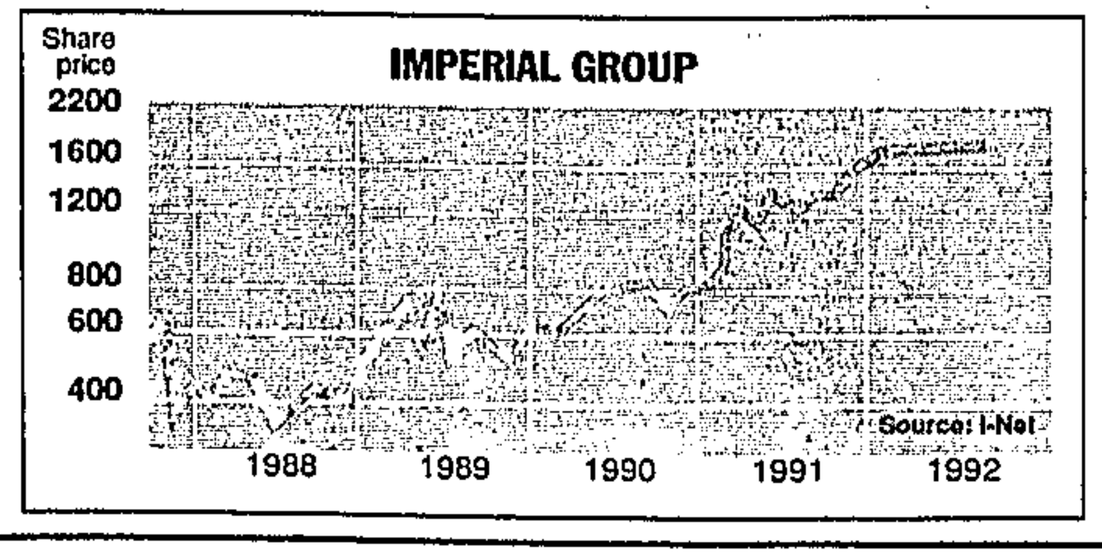
The truck divsion has a large and dedicated system in operation. Many vehicles are on long-term contracts. About 80% of the 1 650 trucks are commited to fixed contracts.

"The division should have another good year."

Regent Insurance was bought in 1987 and has focused itself on the short-term business, operating with a modest infrastructure and low overheads.

The five panel-beating shops housed in this division are good profit contributors. The property portfolio of R35-milion is a steady contributor.

"The division is expecting to make further progress," says Mr Lynch.



BILL LYNCH: Far from being in a rut in straitened times, Imperial marches imperially on

TOP 100 RANKED BY

Sex for sale ... whether it is out of desperation or desire ...

Using your body to pay

w/Mail 11/12 - 17/12/92. (295)

Sex is a business for some and the rent boys are selling their bodies to survive. By **ALEX DODD**

THERE are a lot of lonely men out there craving to touch a torso. And their need sometimes leads them to the urinals where respite is within reach; to the street corner late at night; to the smoke-filled club packed with gyrating pelvises and into Johannesburg's nocturnal playground where their desires will be satisfied — at a price.

These are the customers of men who, in the polite daylight hours, could be termed male prostitutes. On the job, in the shadows of the taxi terminus or skirting the dance floor, they're known as rent boys. They're doing a job, like everyone else — to survive. Only their anatomy is their product and they don't get danger pay: there's no shooing away of the tenacious spectre of Aids.

"Regulars here can tell who's rent and who's not," say a couple leaning against the bar in a popular downtown gay club with a markedly heterogenous clientele. There are daytime clerks and post office personnel soaked in Old Spice aftershave, secretaries who wear stillettos and minis to the office and stonewash jeans to the club, media/model types with chic haircuts and designer viscose shirts and reps with open necked shirts and the *de rigueur* gold chains.

Newcomers to the club would have difficulty discerning the rent boys from the cruisers, but faithful clubbers are up on who's for sale and who's just there for a rave.

"Most of the rent boys are really butch — you know: the studded belts, the tight-fitting jeans, the bulging muscle types," says one man. "They'll tell you exactly what they're prepared to do and how much it will cost before going anywhere."

Prices are assigned on a fairly arbitrary basis. Fellatio and hand jobs go for around R50 to R80, while penetration either way costs R100 and up. But nothing's fixed and the price varies according to how desperate the seller may be.

If there's milk and bread in the fridge of his Hillbrow bedsit, or enough to buy the odd Castle, then the price may be less negotiable. But if he's really desperate for the next shot or sniff of something noxious and mind-altering, then buyers might get what they want for a song. "The black guys seem to charge less because they're doing it for survival. But the white guys who are often doing it for drugs ask more."

The market has many specialist corners. At the bottom end is the "rough trade", generally young white toughs who operate in Johannesburg's station area. These cater for sado-masochists and for gay clients turned on by the element of danger.

Then there is the mainstream street and bar trade, involving rent boys of all races and all ages, but generally below their mid-30s. "They're mainly coloureds, blacks and lower-class whites, usually Afrikaans," said one clubber. He added that they were usually on the streets from around 11pm to midnight and only entered the clubs when the night is well on its way.

At the top end of the market is the high-class escort trade, which caters largely for business executives, many of them married, who are regular customers and who book in advance. Here

Secret life of a family man

By ALEX DODD

WILLEM and Vusi had made an unfortunate mistake last week — one that would cost them around R50 each. Both men were looking for a pick-up, someone who would use their bodies for a couple of hours and dig into his wallet afterwards. They ended up with each other.

They both thought the other was buying. Both were selling. They were entangled on a bench in front of the club and they agreed to speak to us.

Willem, who is in his early 30s, looks like a merchant seaman, with his sun-blond hair, tanned torso and tattooed, outsize biceps. He says his wife of 10 years doesn't know where he goes at night when the four kids and Willem's father are tucked into bed in their two-bedroomed house in the southern suburbs.

She doesn't know that he's providing sexual services for other men or what he does to bring home R400 a week — R1 000 in a good week.

And she doesn't know that there's a side to her macho husband that gets really turned on when a customer puts his hand in his pants.

Renting himself is a form of torture for Willem, but not because he's physically repulsed. It's easier to say that being a rent boy is just a job than to admit that he is attracted to men; it's less of a contradiction and easier for him to handle.

He's supposed to be a man, who is tough and mean on the streets and goes home to his wife and keep her and the kids safe and sound.

"But with my woman it's different. I love her. With her I'm a man," he says, adding: "You should meet my father. He's a real champion."

A few moments later he unzips his pants to show off his penis with demonstrative joy. A while back Willem cut incisions in himself with a razor blade and sewed in beads for added pleasure. He takes the same kind of pride in his accessories as a teenage girl showing off a new pair of earrings.

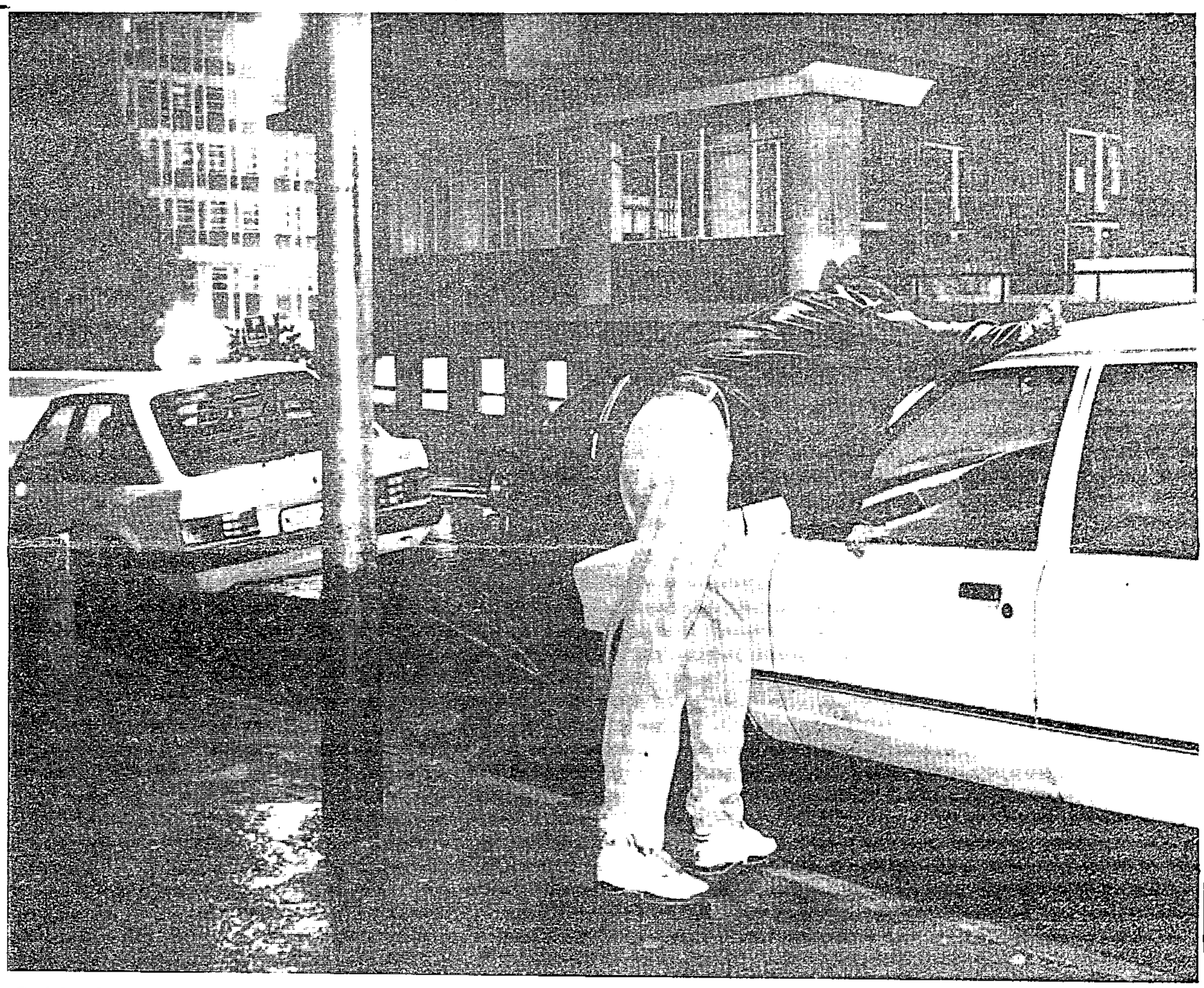
"Do you like my tattoos?" he asks, pumping up his chest and arm muscles and caressing them as he speaks. This delight in his body and its appeal to other men drives him crazy — that irreconcilable part of himself that defies everything the coach drilled home during rugby practice, everything the corporal shouted at him in the army.

'I'm here because I need the bucks. I've got a family to support'

"I'm here because I need the bucks. I've got a family to support," he says. "I'm not gay. I'll f—k if I have to, but I don't get f—ked. Here, feel my nipples, you can pinch them, *druk* (pull) them do what you like with them, I feel nothing."

But when it happens, he can't help reacting, he wants more — and that's when his soliloquy begins.

"Hey man, we're the lost generation. I have to live. Nobody's going



Cruising the streets ... A rent boy negotiates the price with a prospective client in Braamfontein Photo: GUY ADAMS

You'll see me tomorrow on the street and you won't give me 50 cents. You won't know me. I've got to sell myself. Do you think I'm happy? Do you think I enjoy this? Hey, why me *bra*?"

Tears start to stream down his cheeks.

"What am I going to say when my small kid asks me 'what do you do, Dad'? What am I going to tell him, hey? I've sold myself to give my son something. I don't know what I'm doing."

'I've sold myself to give my son something. I don't know what I'm doing'

As he speaks Vusi is stroking Willem's leg, trying to comfort him. Male intimacy doesn't trouble Vusi — he knows he is gay and it's no problem.

His first homosexual experience happened a few years ago when he was still at school in Upington. His teacher always used to praise him in class, tell him he was a good boy and different from all the others. One afternoon his teacher asked to see

first time. He liked it and still enjoys sex, even when he's renting.

Sometimes he doesn't even charge, because he says he's getting something out of it too.

"I must dress and eat. But I don't always expect money. If someone gives me cash I appreciate it, but if he doesn't, I understand."

He says he hasn't had any unpleasant experiences renting, no violence or abuse — "*Niks sleg*". He always rents to white men. "There have been no black or coloured men in my life."

After Vusi completed his matric, he came to Johannesburg in search of work.

"I wanted to work in a bank. That's all I wanted to do. For two years now I've looked for bank work."

Vusi's story is similar to those of many other men who, in a depressed economy and tight job market, have been unable to find employment and

tive to begging or crime.

One night during his third month in Johannesburg he was at a gay club when a man approached him and asked him how much. He thought "Why not?" and has been renting ever since.

He prefers to go home for the night with his clients, rather than servicing one and hitting the pavements straight afterwards.

"Sometimes," he reflects, "I feel a bit sad when I leave."

He never takes men home to the flat near Joubert Park which he shares with two young women from his home town. They don't even know he's gay, let alone that he's a prostitute.

What about condoms and Aids?

"I'm scared of Aids, so when I pick someone up I try to make sure they don't look thin and old. If he looks cool, I'll agree to sex without a condom."

And if he doesn't "look cool", what then? "Then I ask him to wear one, but if he doesn't want to I say

The medium is the message ... From the film Safer Sex: A Lovers' Guide

Teaching the erotic lesson of safe sex

Safe sex is great sex — that's the message of a new erotic educational video. But the censors are not so sure about it.

SHAUN DE WAAL *reports on the controversy*

THE censors are busy scratching their heads over a pair of new videos, trying to establish whether the explicit demonstrations of safer sex practices are undesirable.

In a society where sex education can be duller than mowing the lawn, the idea that teaching people about safer sex can be erotic in itself is something startlingly new. A ruling is expected from the Directorate of Publications early next week.

Safer Sex: A Lovers' Guide and *Safer Sex for Gay Men and Men Who Have Sex with Men*, produced by Cape Town's Reel Communications, take the viewer on a step-by-step guide to safer sex.

The videos have already created a stir, with a Sunday newspaper reporting that Gavin van den Bergh, well known for his television roles, was involved in a seemingly sordid "sex movie". It was not made clear in the article that he presents the programme rather than participating in the sex scenes.

There have also been rumbings from state Aids groups about the erotic content of the videos, although the filmmakers made a point of consulting organisations like the Aids Foundation and the Aids Support and Education Trust (Aset) as well as experts like the University of Cape Town's Professor Gordon Isaacs and the University of Stellenbosch's Professor Deon Joubert. Some companies — like condom-makers Durex — were equivocal and indecisive when approached for support or sponsorship, though others, like Benetton, were helpful.

The hour-long tapes are intentionally erotic: they aim to dispel the notion that safer sex is less enjoyable than unsafe sex. In some sectors of South African society, there is resistance to taking precautions like the use of condoms. The videos attempt to show that safer sex can be just as pleasurable as dangerous "flesh-on-flesh" contact.

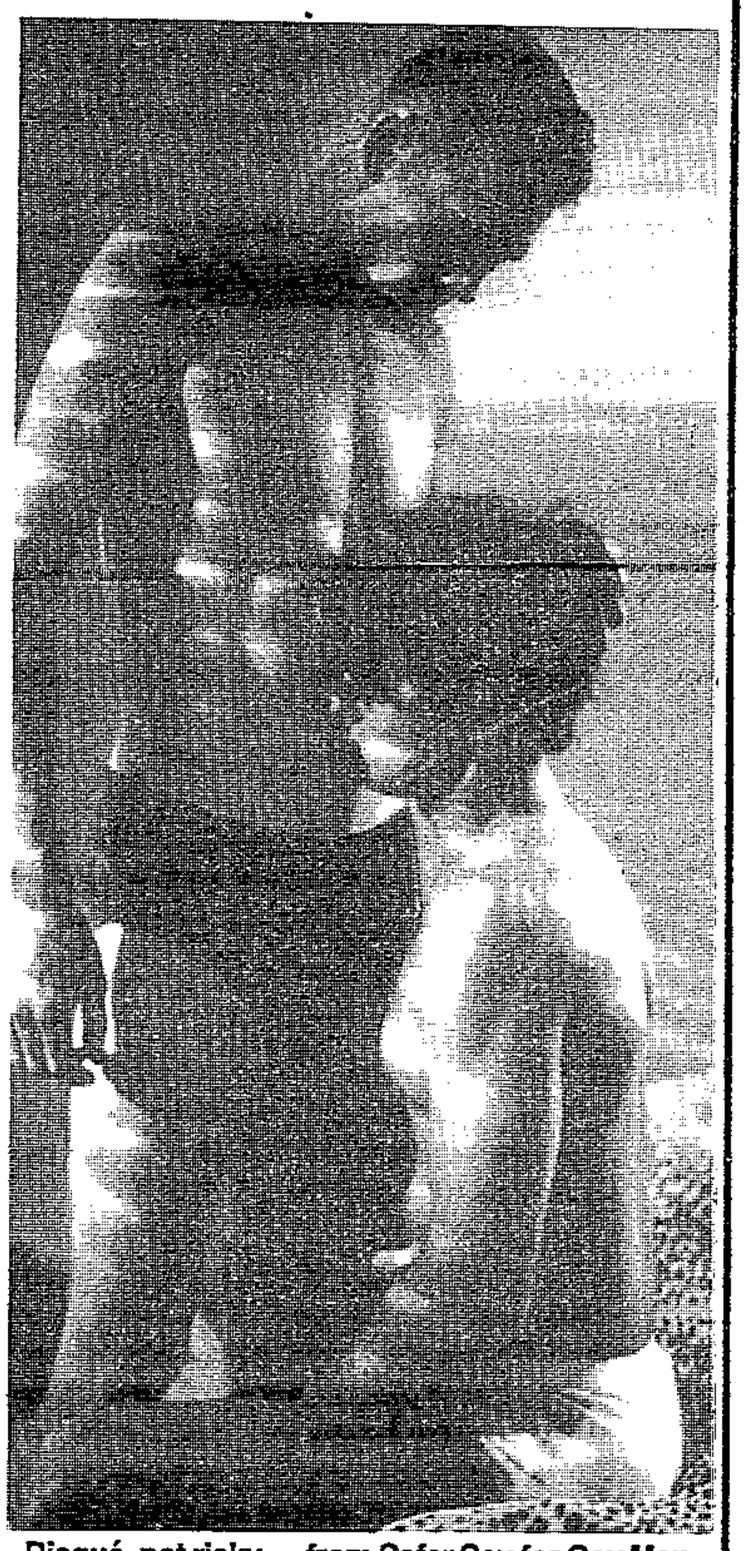
"We have taken an erotic, explicit and sexual approach as opposed to the clinical, purely rational and largely boring approach which our department of health, the government and many others have opted for," director Jeff van Reenen told *The Weekly Mail*.

"International research has shown that sex education is most successfully approached on a sexual and emotional level rather than on an intellectual and traditionally staid 'old schoolmaster' level."

The videos "try and convince people that safer sex is great sex".

This is in line with overseas trends. In the United States, Aids activists found that pornography was a quick, accessible, fun way to disseminate safer sex information.

Similar films have been made in Germany and Holland, ranging from what is simply pornography with condoms to more didactic modes that nonetheless incorporate a strong erotic element.



Risqué, not risky ... from Safer Sex for Gay Men

Men are presented by Van den Bergh and Dr Andrew Clarke, who give extensive, detailed and clear instruction on safer sex practices. The love scenes, which include masturbation, fellatio and vaginal and anal sex, feature people such as actor Robert Findlayson and Benetton model André Levember.

These scenes are interspersed with voice-over mini-narratives and documentary interviews with people on the street about their attitudes to safer sex.

The sex scenes are sensual and well-made; sex is shown as an activity of mutual consent, joint pleasure and shared affection — plus concern about each other's health, and the obligation to be responsible when it comes to Aids prevention.

Genitals are cleverly hidden by careful lighting and positioning of the actors, though it is quite clear what the performers are doing. The only times sexual organs are explicitly shown are when the use of condoms — and, in a first for South Africa, that of the "female" condom, Femidom — is demonstrated.

Advertisements for the videos and a note at the start of the films warn potential viewers that if they are offended by nudity and graphic sex scenes they should not buy or watch them. When the very issue of porno-

the rent

W/mail 11/12-17/12/92 (295)

the minimum asking price is R500 — and that's before sex is even discussed. The rent is almost exclusively white, educated and respectable-looking, and the emphasis is on the ability to entertain, as much as on sexual services.

The consensus seems to be that the majority of men that rent themselves claim to be straight men who divide their worlds to earn a living. A lot of them are servicing other men in order to support their wives and pay their children's school fees. They claim that being on the job is pure pragmatism, they have no gay tendency and no one in their day-to-day lives knows about their night-time foibles.

Somehow the ambiguity of human emotional and sexual make-up seems to belie this cardboard cut-out scenario.

"One of my friends was straight when he started renting, but now he wants a serious gay relationship," says one guy, arm in arm with his lover. "You wouldn't believe the hot property that pays."

The stereotyped desperate old men sneaking around in raincoats are a very small segment of the market. A lot of attractive young men go on the occasional rent mission for a kick.

"It's fun. You can get what you want without inhibition that way."

One clubber mentions that taxi drivers are big customers. "They get bored and horny sitting around waiting all night."

The venues are as varied and undetermined as prices and clientele. They go to their flats, use cars, or find an alleyway in deserted, night-time Braamfontein, the prime rent territory. Hotels are rarer in the downtown scene.

On the question of condoms, most responses were vague. "Some of these guys are not the types who have a big respect for life in the first place," was one comment.

Rent boys live in the fast lane, but it's a sad world when the freeway turns into a hospital corridor.

Adventures on the high seas

By MUNGO POORE: Durban

THE full story of a harrowing chase from the French port of Cherbourg across the Atlantic Ocean to Durban was told by Greenpeace campaigners who were forced to dock in Durban last weekend after their chase boat ran short of fuel.

The Greenpeace operation, which involved tailing a Japanese plutonium ship, was described by the organisation as its largest and most successful endeavours in many years

At one stage the ship, the Akutsuki Maru, switched off its navigation lights — which is illegal in terms of maritime law — in deep fog at night off Cape Point in attempts to throw off the Greenpeace ship.

"With three ships in 10km radius and in such weather, the actions of the Japanese captain where completely irresponsible. This is especially true considering an accident off the Cape coast this last week," said Greenpeace campaign leader, Barbara van den Hoek.

Van den Hoek (32) arrived in Durban aboard the Greenpeace ship, the Smit New York. She is an experienced sailor and spent many years as a merchant ship operator, and now she works as the director for all Greenpeace shipping operations.

Van den Hoek described how she and her four other Greenpeace campaigners shadowed the ship along with the crew of their chartered ocean going tug.

"We spent a month waiting for the Maru to leave Cherbourg harbour. When it did, French commandos boarded the other Greenpeace ships waiting for the Maru. We managed to outrun the French rubber dinghies.

"We were then rammed by another Japanese ship, but we did more damage to them than they did to us."

Van den Hoek said the Maru had headed off at full speed, about 40 knots, to try and outrun the Greenpeace activists. "Fortunately they experienced engine problems and we kept them in sight."

"The next trick they tried was to switch off their navigation lights, come close to their escort ship, the Shikishima, and then split up to try and make us follow the wrong ship.

"It was a very dangerous thing for a ship like that to do and they tried twice, the second time off Cape Town only five days ago."

The ploy had failed as the Greenpeace boat had a sophisticated radar system.

She claimed the Japanese intended to make at least six shipments of plutonium around the Cape every year from now on.

She added that the Americans would not let the Japanese pass through the Panama Canal, as they felt the plutonium containers did not meet the necessary safety requirements.

Some do it for fun, most do it for money

Although not as prevalent as the rent boy business, there is still a market for lesbian prostitutes.

By **ROSALEE TELELA**

THE no-man's land of love and sex becomes even more invisible when lesbian women embark on a path of renting themselves out to other women.

It is a small and closed world of love, sex and money. Some of the lesbian prostitutes are involved in it for the fun of it, but most seem to view their involvement as a financial necessity. Close relationships can and do develop between prostitutes and clients, making the venture more safe, financially stable and intimate.

Tina (27) is a lesbian prostitute out of financial necessity. "But I also enjoy doing it. Even if it is for the money."

She comes from a well-to-do family who disinherited her when they found out she was a lesbian about a year ago.

Tina had never worked in her life. "I never needed to. I had everything I needed. Of course I got bored at times, but the knowledge that I had money was the best cure," she said.

How did she get involved in the industry? "I would not call it an industry. It is a very exclusive circle and difficult to get into," she said.

She herself only knows one other lesbian prostitute and the existence of others is heard on the grapevine.

"One day a friend of mine mentioned that she sometimes worked as a lesbian prostitute. I was quite shocked to hear her talking about it so casually," she said.

But being hard up for money and tired of hanging around gay clubs every evening with friends who were obliged to buy her drinks, she began to think that "it was actually not such a bad idea. I enjoy being with women and I really needed the money, so why not make a living out of it?"

Because of her good looks, she added, she had been approached by women before but had always declined.

She "found it disgusting that they actually offered me money to go to bed with them. Maybe I wouldn't have minded so much if they had been young and good-looking, but most of them were old and ugly, and I thought it was perverse."

She has since changed her opinion. "I have discovered that many of the older types are quite nice, and they pay better than most of the younger women," she added.

Asked what kind of service she offers, Tina said: "Most times I go to clubs or have dinner with them first to give them a chance to get to know me better and to have some fun together.

"Afterwards we go to their places. It is very rare that we book a hotel room. It would be quite strange if two women went up to a room and emerged a few hours later with rosy cheeks."

She charges according to time spent: a straight sex session would be about R150 to R200. A session involving dinner, going to clubs and having sex would come up to about R400. When kinky or sadomasochist sex is involved "naturally the price goes up — to about R500," she said.

"I know a lot about my clients as most come back often. I have even made friends with some of them," she added.

Asked if she also caters for African and coloured customers, she said that every now and then a coloured women would approach her but this "happens very seldom".

'I don't think I will ever regret my choice, as I made it voluntarily and I've never had a bad experience'

She has never had a black customer: "I guess it is very difficult for them (black women) to just 'rent' a white woman for the night.

"Personally I would not mind sleeping with a black woman. There's hardly any difference apart from her colour," she added.

For Caroline (23) the road down this avenue was quite different. "I was never rich. Neither were my parents." Her parents never had a problem with her sexuality. "For them, it was a matter of choice. Although they could not understand it, they were accepting."

Originally a secretary in a computer firm, she was approached by a number of women, and felt "maybe I could capitalise on that. I began accepting offers of sex from strange women. As long as they promised to pay for it, I had it made.

"I don't think I will ever regret my choice, as I made it voluntarily and I've never had a bad experience."

The Aids risk does not appear to bother Caroline. "I believe women sleeping only with women are in a much lower risk group than straight couples or gay men."

The actual service she offers differs from client to client: some like kinky sex, such as bondage, using a dildo or, in one case, having bedtime stories read before sex.

Her price catalogue is more or less the same as Tina's.

"I charge according to time spent with the client. Sometimes I'm very cheap, but only to regular clients when they don't have enough money," she said.

No 'innovator' chosen for 1992

B/DAY 15/2/92

Reports by MARCIA KLEIN

SA CONSUMERS were being bombarded with more than 1 200 messages a day, double the number of 15 years ago, Media Director's Circle (MDC) chairman John Montgomery said last week.

Although this indicated that new ways had to be found to reach consumers, no one had risen to the challenge, he said. Because of this, MDC had not chosen a media owner or individual for the Media Innovator of 1992 award.

This was unfortunate, as innovation was the life blood of the industry, he said. "In our opinion there has never been a better opportunity for creative media thinking than in this past year."

One of the reasons for the lack of innovation was that most media types were dominated by monopolies, making media "more expensive, less targeted, less flexible and more complacent".

The industry had to "continue to demand free enterprise in media ... and encourage competitors to enter media environments dominated by too few contractors", Montgomery said.

The National Association of Broadcasters had made proposals to lead broadcasting regulations "out of the dark ages", but these had not progressed because of political inertia.

Free enterprise and commercial broadcasting principles were in everyone's interest, particularly that of marketers who funded 80% of broadcasting.

Agencies also had a role to play, as conventional media strategies had become inadequate.

Promise

Montgomery said CCV, which had the ideal opportunity to position itself as the television station of the future SA, had not capitalised on the new political climate.

In addition, TV1's promise of better, brighter programming and innovative sales packages had not materialised.

"Instead, we are faced with a fall in prime time and total white, coloured and Asian TV viewership."

Recently announced programme, channel and rate structures had moved radio backwards, Montgomery said, and outdoor, cinema and print groups had also not provided enough new media opportunities.

NEWS IN BRIEF

Ad of the month

OGILVY & Mather RS-T & M, Cape has won the Association of Advertising Agencies' (AAA's) October ad of the month award for radio for its Prince Charles ad for Car Magazine, and in the outdoor category for its Crash Test ad for VW SA.

Cape-based agency The White House won in the magazine category for its No Flies ad for Opel, and it won the AAA and Newspaper Press Union's newspaper award for its You're Looking at Them ad for Woolworths. Hunt Lascaris TBWA won the TV ad of the month for its Fiji ad for the SA Optometric Association.

Reckitt account

DARCY, Masius, Benton & Bowles has been appointed to handle a substantial part of the Reckitt's Household account. This year the agency won the Plascon, Tabletop, Schweppes, TV1 and Reckitt accounts.

Partnership

PARTNERSHIP has been appointed to

Eurospace Africa's billings hit R140m

295

B/DAY 15/2/92

MEDIA company Eurospace Africa has been awarded the handling of media planning and buying for Smith and Nephew's Atrixo and Labello brands, bringing its billings to nearly R140m since it opened its doors two months ago.

Eurospace Africa is a joint venture by local directors Franco Barocas and Lyndall Campher and Eurospace International, a partnership of TBWA and French company Carat.

Eurospace Africa deputy MD Campher said that in addition to the original R100m in billings acquired from Hunt Lascaris TBWA, the company had acquired more than R38m of media planning, buying and co-ordination, including a deal with Media Graphics.

She said the first year's target of R200m would be met ahead of expectations.

Barocas said the company was the fourth largest media spender in SA.

But he added that "panic and hysteria" in SA over the entry of French company Carat was groundless. In France, Carat could buy media space in bulk at discounted prices and then sell it to advertisers. But this was not the case in SA.

Campher said the joint venture gave the local company access to Carat's research and its international buying muscle, which was useful for SA businesses looking for international media deals.

WNA top for Topic

20/12/92

S/Times (Buss)

A YOUNG, aggressive, Cape-based advertising agency has won a major advertising contract competing against some of the top names in SA.

WNA International has just been awarded the R1,5-million Topic Stores account, previously handled by Ogilvy & Mather, one of the country's largest ad agencies.

The Topic Stores group is a fast-expanding national retailer, with 119 outlets, selling clothing on a six-month revolving credit basis to the middle and lower income groups. It has opened 20 new stores in the past 18-months.

Although WNA has a core client base of international pharmaceutical companies, the company plans to actively acquire other consumer advertising accounts.

295

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London gold

KLERKSDORP

SARB accommodatio
Treasury bill tender
Basic call of discoun
Three-month banker
Three-month NCDs
Three-year RSA stoc
Prime overdraft rate
All-in yield of finest

SECONDARY MARK

Long-term RSA stocks
Long-term Escom stoc

Best se

Pharm and Medical
Banks and Financial Se
Copper
Transportation
Other

Overall

FM 25/12/92 (295)

DIAL-A-MOVIE FM 25/12/92. (295)

Getting the picture

Like all good things in life, the era of the long-playing record must come to an end. The birth of the compact disc has forced LPs off the shelves, but, as with many new ventures, someone is coining it.

Activities: *Has a chain of mostly franchised video and compact disc stores.*
Control: *Directors 23,6%.*
Chairman: *B A Cunningham.*
Capital structure: *9,1m ords. Market capitalisation: R1,8m.*
Share market: *Price: 20c. Yields: 20% on dividend; 65% on earnings; p:e ratio, 1,5; cover, 3,3. 12-month high, 20c; low, 6c. Trading volume last quarter, 1 200 shares.*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	1,3	0,9	0,8	0,7
LT debt (Rm)	0,6	0,5	1,3	1,0
Debt:equity ratio	0,50	0,47	1,22	0,58
Shareholders' interest	0,47	0,42	0,28	0,29
Int & leasing cover	8,1	—	—	3,8
Return on cap (%)	17,4	—	—	14,4
Turnover (Rm)	12,7	15,0	13,8	20,5
Pre-int profit (Rm)	1,4	(0,03)	(0,4)	1,4
Pre-int margin (%)	10,7	—	—	6,9
Earnings (c)	7	(9)	(7)	13
Dividends (c)	3	—	—	4
Net worth (c)	42	33	19	32

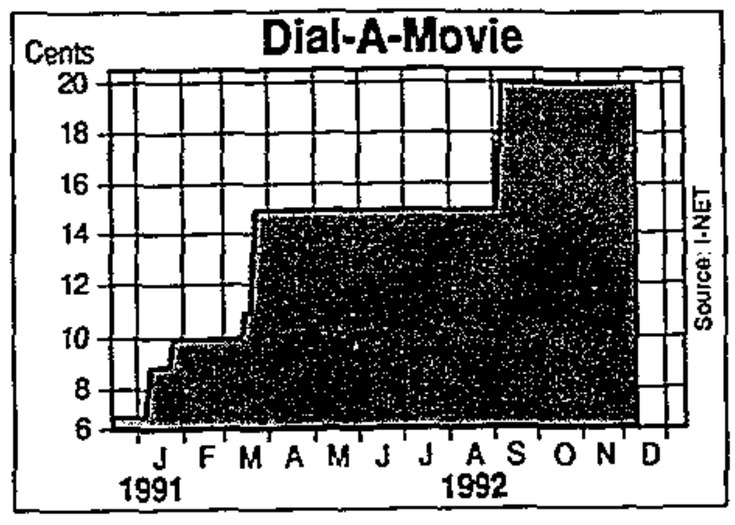
Dial-a-Movie is in this fortunate position and the timing could not have been better. After two years of losses, emanating from the consumer electronics chain Top Tec, which was closed in June, Dial-a-Movie was deep in the red. Also, the video hire business that had been the backbone of the company at its listing was not paying its dues. A gamble which began in July 1989, when the first Top CD store opened in Pretoria, paid off. Seventeen stores later and with earnings at their best in 15 years, Dial-a-Movie found its niche market in 1992. It now focuses solely on the music and video retailing franchise business.

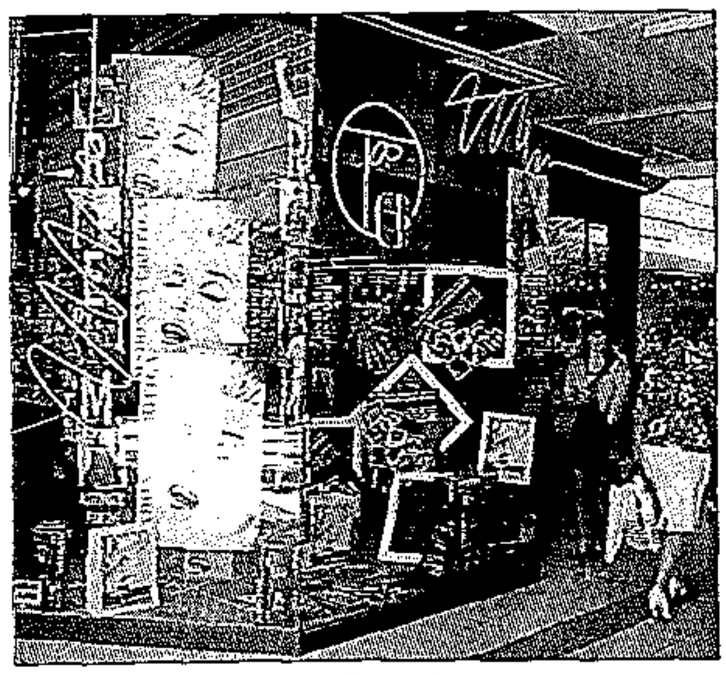
After partly financing the franchising expansion over the past year, borrowings were reduced as planned and liquidity continued to improve. Supplier discounts were optimised, with average creditors remaining well below 30 days. Debt:equity remains high but it more than halved last year even though consumer spending was depressed and several Dial-a-Movie franchises were cancelled.

CE Brian Cunningham forecasts turnover will double in financial 1993. Top CD is expected to generate two-thirds of budgeted profits and Dial-a-Movie a quarter, with the remainder coming from interest received and other items.

Creditors will be much higher due to increased volumes, but Cunningham is confident the group will maintain credit payment terms while continuing to reduce borrowings. He expects debtors to rise by about three-quarters, but believes bad debts will be kept at reasonable levels. "If we only have a few punctures on the way, you can bank on our EPS more than doubling," is his seemingly optimistic view.

The share has been one of the JSE's top 30 performers of the year, having started at 7c and ended at about 20c. It still trades at less than half the 45c listing price and offers a p:e of only 1,5. With a discount to NAV of 37,5% it looks under-priced. *Kate Rushton*

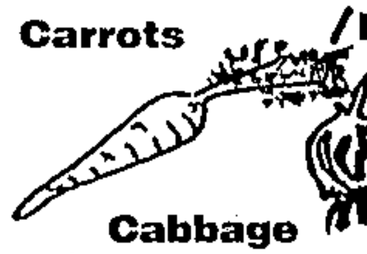




Dial-A-Movie's Top CD stores ... *striking the right note*

ROSEMARY:

Carrots



Onions / Eggplant

Beans

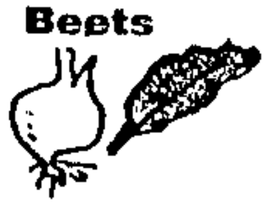
THYME / DILL:

Cabbage

Fennel

TANSY:

Beets



Garlic

SUMMER SAVORY:

Beans

Mielies /

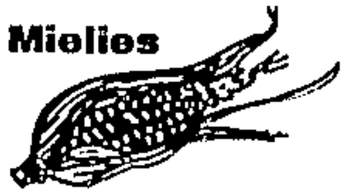
Cucumber

PIGWEED:

Pumpkin + Mielies

NASTURTIUM:

Peanuts + Mielies



BORAGE:

Squash + (+ Nasturtium)

BASIL / MINT:

Tomato + Parsley

SERVICES SECTOR → OTHER

1993

Lawyers' warning on releases

295

PRETORIA. — The early release of 7 500 prisoners would lead to further disrespect for the law, the Association of Law Societies (ALS) warned yesterday.

ALS president Mr Mervyn Smith expressed "serious concern" about the move, saying it would "bring about further lack of respect of the courts and the law in our country where crime and violence are principal problems".

Mr Smith was reacting to Minister of Correctional Services Mr Adriaan Vlok's announcement on Wednesday about the release of common law prisoners from January 18 due to overcrowded jails.

Children

The ANC said in Johannesburg yesterday the announcement by Mr Vlok was not enough.

"Releases to ease overcrowding should be accompanied by extra measures that urgently address the notorious prison conditions.

"The perception that the already horrific crime rate would increase could largely be countered if the thousands of children who are imprisoned and those awaiting-trial prisoners — altogether totalling about 30 000 people — enjoyed priority for release," it said.

The DP yesterday described the intended releases as regrettable, saying it was a quick-fix solution which made a mockery of attempts to curb the spiralling crime rate.

"The DP intends to monitor all releases carefully and trusts that administrative errors of the past will not be repeated," DP spokesman Mr M Rajab said.

The CP yesterday attacked the government's decision concerning the releases, saying the country had been shocked by the announcement and that the explanation of overcrowded jails was unacceptable.

CP spokesman Mr D du Plessis, MP for Roodeplaat, said South Africa was "plagued" by crime and it was senseless to arrest, charge, convict and imprison criminals if they were released before completing their sentences.

Lawyers for Human Rights have cautiously welcomed Mr Vlok's announcement, and called on the government to address the problem of the large number of awaiting-trial prisoners.

CT 8/1/93

Lawlessness

Mr Andries Nel, head of the LHR's penal reform project, said both the overcrowding of prisons and the detention for long periods of those awaiting trial constituted violations of human rights.

HNP leader Mr Jaap Marais said the intended releases would only lead to an escalation of violence and lawlessness.

Accusing the government of "reform mania", he said it made a mockery of the administration of criminal law and would only increase the frustration already experienced by law enforcers. — Own Correspondent, Sapa

● Jail releases 'will raise crime rate' — Page 5

BBC bonus 'to continue'

B/Day 12/1/93

12/1/93

GAVIN DU VENAGE

M-NET subscribers enjoying free access to BBC World Service Television (BBC-WTV) would probably continue to do so indefinitely, the pay channel's CEO Paul Edwards said yesterday. (295)

PWV area subscribers can pick up BBC-WTV by adjusting their decoders.

Edwards said M-Net would not be asking people to pay for BBC-WTV, as M-Net was not able to provide the service to all subscribers. The BBC programmes can be watched during the hours M-Net closes down its own programming — between 2am and 11am.

M-Net has been carrying the BBC-WTV signal to other parts of Africa, and although it has SA rights, it has been hampered by technical limitations. Only 10 hotels in Johannesburg and Pretoria have bought the BBC service which M-Net conveys via two standby transmitters.

As these transmitters could be needed at a moment's notice should one of the regular transmitters break down, it was not possible to sell the service to a wider audience, Edwards said.

Beware of these sharks

■ They prey on people who have been retrenched:

By Nico Pienaar
Cobra Group Human Resources Executive

Waiting for work when times are hard.

SDuvelen 15/1/93 (295)

IN these days of economic depression and high unemployment, some people are making a killing. These are bogus industrial relations consultants who are taking both individuals and companies for a ride.

I have been in industrial relations for over 13 years and this problem has never been so bad as it is today. These conmen are like "ambulance chasers".

They step in and offer to help when an individual or company is at its weakest.

Often the fly-by-night operators have no qualifications at all but they know enough to take advantage of other people's ignorance.

A typical ploy is for a "consultant" to offer his services to an individual who has been retrenched without compensation, or who thinks he has been unfairly sacked.

He moves in when the individual is most vulnerable.

After being retrenched or sacked, anyone would be emotionally disturbed and feeling very low and unsure of one's self.

Says the consultant: "Let's nail the employer. I'll take up your case for 50 percent of what we can get."

The individual gratefully accepts. After all, he thinks, 50 percent is better than nothing.

The consultant then goes to the company and says: "You owe Mr Jones salary for three months in lieu of notice. If you don't pay up now, I'll take you to court." He warns the company that this action will cost them a fortune in legal fees.

In many cases, the company doesn't know what is right or wrong and pays up. The consultant gets half for doing practically nothing.

Small companies are the most common target. Larger companies often have their own in-house human resources personnel.

It should be stressed that the individual is a victim too. This is because he or she frequently doesn't get the full compensation entitlement. All he is worried about is his 50 percent.

These sharks are preying on the weakest victims. Usually they go for the middle income group - secretaries, clerks, junior management and other people who still do not have a union to represent them.

The sham consultants are doing serious damage to the personnel profession in the broadest sense and the industrial relations profession in particular.

This is why I firmly support the campaign by the South African Board for Personnel Practice (SABPP) for companies and individuals to seek only the advice of members of the Board.

Membership of the SABPP should also be a prerequisite for companies who are seeking staff for human resource management and personnel management positions.

Models form union to cut out 'imports'

S/Times (Cape Metro) 17/1/93. (295)

By DIANA STREAK

MILITANT models are forming a union to protect their interests, particularly against a flood of foreign models who, they say, have taken the bulk of their work.

Sources in the industry claim that "almost 200" foreign models have arrived in the past few months to do assignments that would have gone to local models.

Foreign models, who earn up to R2 000 a day, frequent Cape Town restaurants — where they may be served by disillusioned locals who have resorted to waitressing to make ends meet.

A group of concerned models were working to form a union that should be "up and running in about three months", a spokesman said.

The Department of Home Affairs confirmed it was investigating reports about foreign models being employed without work permits and said it was concerned if locals were being deprived of employment.

A department spokesman warned that agency bosses were responsible for ensuring models had work permits and said they could be fined R20 000 or sentenced to five years' imprisonment if found to be contravening the law.

A quota system has been proposed to limit the number of foreign models each agency can hire each season.

The proposal was "receiving due consideration" although it would not be "without its problems", the department spokesman said.

The battleground for work has been Cape Town, where increasing numbers of foreign models have arrived in the past few months to do photographic shoots for the lucrative German catalogue season, which runs from November to March.

Although many are here legitimately, a growing number have arrived with tourist visas and stayed on to work.

However, it is not only the locals who are suffering. Some models brought out by an agency found the work they had expected did not materialise.

One model said the agency that brought him out had refused to give him his return air ticket until it "recouped the money" invested in him.

He changed agents and saved enough money to buy another ticket. Only a few of the models brought out had made money and most had had to spend their own, the model said.

"The problem was that one agency invested in an unusually high number of foreign models and then the other agents did the same to compete so there were too many," the model said.

Mrs Desre Nobbs, executive secretary of the Consultative Committee, a body formed to protect locals, said that in 1990 six work permits had been issued to foreign models. In 1991 this rose to 24 and in 1992 the figure soared to more than 80.

However, people in the industry say there are hundreds of models working illegally in South Africa.

"We are very concerned because the clients in the industry who were happy before to use South Africans are now star-struck and insist on using foreign models," Mrs Nobbs said.

Some of the applications from foreign models cited previous work experience as "surfer in California, waitress or bodybuilder".

"From this year we want a proper curriculum vitae showing modelling experience."

The proposed quota system has not been finalised but has been welcomed by most agencies.

"I think it's a fantastic idea," said Network managing director Megan Kruger.

"Our industry should be protected like any other. You can't just walk into New York or London and work."

Mrs Nobbs said nothing had been resolved but from this month there should be some form of control.

"All our missions and consulates overseas have received a directive to watch out for applications which must be referred back to the Consultative Committee.

"Models have not got around to organising themselves and registering a union because their careers are fairly short and there is a lack of continuity."

Mrs Nobbs said the model agencies were responsible for the problems because they had "vested interests".

"The more clients they can supply with foreign models the better it is for their bank accounts."

Model boss Sharon Mulligan said that if the government did not allow a quota system everyone would lose out "because the overseas clients will bring in their own girls and won't use any locals".

Cathy Steed of Steed Model Management in Cape Town said most of the models coming to South Africa were inferior to the locals. They came just to collect "tear sheets" for their portfolios because they were not getting work where they came from.

"Agents are making a fortune by bringing in overseas models and don't really care about the local girls."

Rod Zane of Outlaws said locals needed to be protected but the models his agency brought in were superior and were needed to "upgrade local standards".

Recruitment agents upbeat over ad figures

(295)

B/Day 27/1/93.

TRACY SCHNEIDER and JOHN DLUDLU

A MAJOR economic indicator — recruitment advertising — had shown an uptick in the past few months, industry sources said recently.

MSL MD Mike Hardaker saw the slight increase as positive, especially since this industry was perceived to lead economic activity by a number of months.

Human and Mundels Recruitment Advertising Agency owner Helen Human said: "The economy is moving into a change cycle and companies are looking for heavyweight people adept enough to lead this phase."

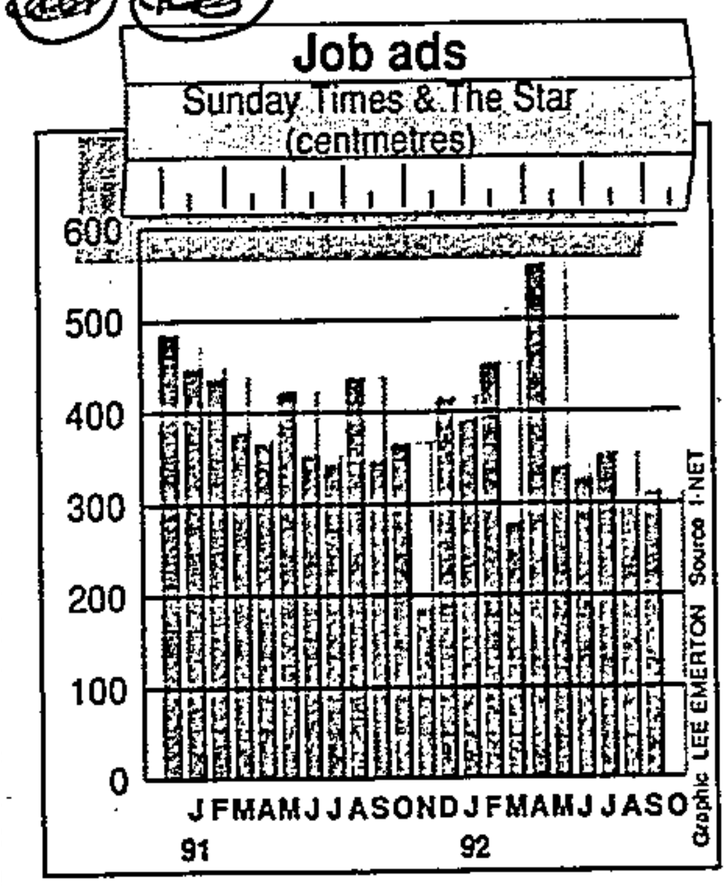
Recruitment advertising booked in the Sunday Times and The Star showed a sharp fall to below 200 column centimetres for December 1991. This figure rose to 550 column centimetres for March 1992.

Latest available figures showed column centimetres booked for August, September and October 1992 around the 300cm mark.

However, industry sources said reorganisation and reviewing within companies early this year had led to an increase in management vacancies and subsequent recruitment advertising, and they expected this trend to be sustained.

Renwick Management Services MD John Sherratt said the increase in recruitment advertising was normal for this time of year, since year-end requirements were often rolled through to January. Sherratt said many companies also entered 1993 with a "refreshed, optimistic view".

"The industry is in survival mode and has stopped waiting for the economy to move out of a recession. We must make our own future and can do so only with good people," he said.



Right Agency MD Jack Bensch said the increase was "cyclical" and did not reflect a lack of available skills. "There is an abundance of qualified people in SA."

Altolevel MD Paul Brand said that while he did not think there had been a flight of skills, the situation in the appointments advertising industry reflected the difficulty inherent in recruiting "good candidates".

"Companies look after good people, which is why it seems as if they're not available," he said.

"There are many highly qualified people around. It is only a certain category of people that are in high demand — highly specialised management services."

Committed to customer care

***Evolution** has played a major role in the success of Clarke Nissan, whose quality vehicles have developed into award winners in the '90s.*

STAR. 27/11/93. (295)

Customer satisfaction is an overworked phrase in the modern advertising idiom. Yet in its simplest, purest interpretation that is precisely what Clarke Nissan strives for — and achieves.

The company proceeds from the premise that a car is no longer merely a form of transportation, but an investment. As such it cannot be sold like a mere commodity.

It has to be a quality product to begin with. But it also has to have quality back-up and support. And that's what Clarke Nissan is all about in the '90s.

This is no accident. It is the result of many years of evolution as it were, from the early days of Datsun. For example the Maxima was Car of the Year last year.

But pause to look at the history for a moment. Clarke Nissan was originally founded as John B Clarke, the first established filling station in Johannesburg — a fascinating bit of Africana.

Today, John B Clarke, or Clarke Nissan as most of us know it, is one of the most flourishing motor organisations in the country and a dynamic member of the McCarthy Group.

Indeed over the decades, Clarke Nissan has matured and is now a well rounded operation serving both the private and corporate markets.

As for customer care, Clarke Nissan managing director Richard Wilkins puts it this way: "At Clarke Nissan, customer care is not just a catchphrase but something to which we are deeply committed.

"You'll feel that commitment the moment you walk into any one of our seven outlets in Johannesburg. We believe in building long-term relationships with our customers, so you'll always enjoy prompt service, reliability, professionalism and even in these inflationary times, outstanding value for money.

"At Clark Nissan the attitudes of our staff reflect integrity, pride, courtesy and efficiency in the service we provide. We do things right — first time.

"We also believe that employees are best motivated in an environment which offers them recognition and the opportunity for development, and you, our valued customer, reap the benefits." In essence, therefore, says Wilkins, Clark Nissan has a "how can we help you" approach.

"Courtesy vehicles run every morning from our service depots to the various central business areas. Workshop booking can be made in advance with our special 'While you Wait' service, suitable for minor tune-ups and service needs.

"Moreover, our fleet of parts delivery vehicles covers the entire Reef within a planned area network designed to deliver parts and accessories at the right time to the right place.

"And, of course, as a member of the McCarthy Group the company is able to draw on a wealth of knowledge and motor industry expertise and to pass on those benefits to clients.

"Our staff are willing and competent to discuss any issues concerning transport management, vehicle selection and running costs."

"In this context the modern fleet motoring scene has become extremely sophisticated involving a host of factors to determine the best package for a particular individual from a tax point of view and Clarke Nissan is well geared to meet today's demands.

"There was a time when dealing with a fleet meant negotiating with a single individual. Today, such is the complexity of the tax laws applying to company cars and car allowance schemes that it has become necessary to tailor make a package for every individual member of such a scheme to suit his or her particular financial circumstances.

"To cater for the needs of this market Clarke Nissan has a corporate fleet manager with dedicated fleet management personnel at every branch.

"They are highly trained in the various packages available and have access to the in-depth knowledge of Stannic with whom we have close links ...

"The key to today's fleet management is affordability and the associated method of acquisition. We have come up with some innovative packages, which, in fact, make corporate motoring entirely affordable, notwithstanding the rapid increase in motoring costs." For example, says Wilkins, one of Clarke Nissan's packages on an Uno involves free maintenance including tyres over 60 000 km or 36 months for a deposit of R2 863 with a guaranteed residual value of 65 percent for R699 a month.

The beauty of this kind of package is that Wesbank are happy to underwrite it knowing there is equity in the car at the end of the agreement, while the motorist and his company know exactly what fixed costs are involved for the next three years.

CLARKE NISSAN

We are different. And it shows

More than a catchword . . . Clarke Nissan managing director Richard Wilkins says customer care is something to which his firm is totally committed.

"The fact is that a motorist with company backing can lease a car without too much fuss. Indeed we are extremely flexible and have become very inventive with our packages to ensure that we meet individual company motoring needs.

"In fact we offer Full Maintenance Leases, with or without residual value and will gladly quote on a maintenance contract on any one of our range of vehicles.

"On the floor of each Clarke Nissan dealership is a financial institution that can provide immediate advice and help you package a financial plan best suited to your specific requirements.

"The all-important decision is on the best method of acquiring a vehicle and that needs sound advice whether you are a fleet owner, a private buyer or whether you will be buying a new or used vehicle.

"On the other hand we realise that it has become increasingly difficult for South Africans to afford new cars and we have consequently paid a great deal of attention to our used car division.

"Here buyers will find vehicles that have undergone the most careful scrutiny and stringent pre-delivery checks and for which the buyer will receive an excellent guarantee," says Wilkins.

Part of the reason for the company's success is of course the Nissan range itself.

This has undergone a radical rethink in recent years and has emerged with vastly improved models from the superb Sentra 140 which is in the running for the Car of the Year award, to the stunning Nissan 300 ZX, which many pundits regard as being in every way the equal of the famous European Marques. And then of course there is the excellent Nissan range of commercial vehicles such as the 1400 and the very popular 1 tonner range.

There is no doubt that the current Nissan range is a market beater. The figures say it all in that Nissan Sentra sales in 1992 improved by 66 percent.

However, the needs of the market today are all embracing. Superlative vehicles are not sufficient in themselves to win market share. Neither is good back-up alone.

"Good vehicles and good back-up are complementary to one another and totally interdependent if they are to succeed," says Mr Wilkins. Thus Clarke Nissan has a holistic approach to its market.

Everything has to be top quality from the well-appointed showrooms with their excellent customer facilities (videos, modern sales aids), to the workshops where the latest equipment is applied and the best possible trained personnel are at the service of their customers.

"Also we have built up a clear corporate identity both visually and in terms of our reputation. We like to do it properly and while nobody could claim for a moment that they didn't miss a catch every now and then, by and large we get it right," Wilkins said.

Making sure that it is right is Louise Mar, Clarke Nissan's customer liaison officer.

Her job is to stay in touch with clients to discover whether they have any niggling problems with service, their vehicles, their treatment and various other criteria.

Any dissatisfaction is logged and measured according to a scientifically based Customer Care Index or CCI and action taken where appropriate or necessary, the overall objective being to stay close to customers and make Clarke Nissan accessible to them in turn.

It hardly comes as a surprise to hear from Wilkins therefore that Clarke Nissan has never missed inclusion in Nissan's "Gold Award" dealer programme which analyses various facets of every department (sales, parts, workshop etc.) and rates them on a scale of 100. Clarke Nissan consistently scores in the high '90s.

Two years ago Nissan of Japan initiated an international customer satisfaction competition between SA dealers and those of Germany and Clarke Nissan emerged one of the winning SA dealers.

Indeed every day and in every way, Clarke Nissan demonstrates repeatedly that it lives by its advertising credo —"We are different and it shows."

For further information, please telephone (011) 331-5651.

Fierce debate on independents

B/Day 9/2/93. (295)

Reports by MARCIA KLEIN

THE role of media independents has been debated fiercely over the past few months.

Agencies that have opted not to open independent media businesses have criticised them, while those that have, have strongly defended their establishment.

Agencies opposed to media independents say they cannot function as true independents as they rely on the billings and infrastructure of their parent agencies to function.

In addition, opponents point to the recent liquidation of the Media Business, and say The Media Shop is the only true media independent which has flourished.

However, most of the newly formed media independents have stood by their decisions to form offshoot companies from the main agencies.

Media Initiative Africa MD Bryan Butler said the idea that media independents were not truly independent could be correct in the case of agencies simply transplanting their media departments and giving them another name.

But media independents had many advantages, and he believed the "advertising department store of yesteryear is making way for the supermarket and the specialist of today".

In the past, clients would spend 80% of their time on the creative product and 20% on media, while media accounted for 80% of their investment, Butler said.

He said the independent media groups had highlighted the importance of media's role.

They were finding new and innovative ways of improving their product and service.

The creative agencies were being forced to concentrate their media know-how on the media strategy without having to worry about "time-consuming detail". This meant media independents could handle all media requirements after the media strategy was in place.

Manufacturers with several products on the market could use different creative approaches, but could have a co-ordinated use of media.

Butler said media groups would have to be strong to stand alone without reliance on the business just "being there", and this could be only a good sign for the industry.

FM 19/2/93 (295)

TRAVEL AGENTS (295)

Singing the blues

FM 19/2/93.

Over the past two years domestic airline flights have been deregulated and the restrictions on international routes eased. That's been great news for travellers — they can fly almost anywhere for less than they could two years ago — but travel agents take a different view. It turns out that the people who are supposed to find you the lowest fares are not so happy about the low fares now available.

Passengers have had their pick of bargains. For a while it was possible to jet to London for under R2 000, half the normal fare. Qantas has dropped its fare by R2 300 since it resumed its flights to SA early last year. The battle between SA Airways, Flitestar and Comair on the Johannesburg-Cape Town route has forced down fares and increased the number of flights.

Reduced fares mean reduced commissions and travel agents have to work much harder for their income because there are more airlines — 43 compared with 27 two years ago — now serving SA. There's also much more competition for those commissions because deregulation of the travel-agent business has encouraged 100 new agents to set up shop since 1989. (The minimum sales level was dropped, so agents no longer had to prove that they could sell a minimum number of air tickets every year.)

Association of SA Travel Agents president Laurie Wilkinson blames falling profits on cut-rate fares (agents sell 80% of all airline tickets) and, with the recession well into its fourth year, the size of the cake hasn't increased much.

Alan Lunn, MD of the quoted Concorde Travel, says agents are against discount fares and describes them as a panic reaction by airlines trying to fill their planes.

British Airways' SA manager Malcolm Freeman says only a small percentage of seats are sold at a discount. He cannot find tears for travel agents. "We hear that, at most, one a month goes to the wall, which indicates it's a sound industry. Passenger volumes are up (BA's were up 11% last year). They must increase their service levels and cut costs. The good guys are doing that, and they're doing well."

Airlines pay agents a 9% commission but Lunn says "it can be negotiated." Williamsworld Travel MD Bob Williams agrees but adds that there are opportunities in the market for agents to maximise their commission. It makes business sense to him to punt the airlines that give the best commission. One, which he won't identify, pays 15%. "That enables agents to offer passengers a 4% discount and leaves them two percentage points better off than they would be selling tickets for airlines that stick to the regulation 9%.

"No agent should complain if he gives away his commission to compete with a bucket shop. He should rather tell his clients that if they want to buy from bucket shops they should do so, but they must take the risks."

Airlines selling tickets directly to the public also reduce profits for agents. Wilkinson believes this is wrong. "They tell passengers about only their options, whereas travel agents give realistic cost-saving advice about all the options available on the market." Lunn adds that the airlines sell only tickets and don't help passengers with getting visas and arranging car hire and hotel accommodation.

The scene isn't as hectic as painted, says Bill Botha, director of the Travel Agents' Board, which registers all agencies. There are 830 agents now, 100 more than in 1989. The board gets eight to 10 applications a month from people who want to become agents. Only seven agencies were liquidated last year, "not through lack of business, but because of financial problems; their overheads were too high and their controls too lax."

Some momma-and-poppa operations closed last year, he says, not because they went bankrupt, but simply because they weren't making as much as they thought they should. ■

Travel agents ... *working harder for less money*

Car leasing industry booming

EDWARD WEST (295)

THE full maintenance leasing industry would buy vehicles worth more than R1bn this year, and would have about 50 000 vehicles operating under the scheme by the end of 1994, Fleet Lease Contracts chairman David Owens said.

He said in spite of a decline in the overall vehicle market, the industry's market share had exceeded expectations in 1992.

The industry last year expected growth of about 10%, bringing the number of vehicles on full maintenance leasing to about 18 000. However, said Owens, the figure rose to 25 000 last year.

Fleetlease Contracts and Avis Lease held fleets of nearly 7 500 vehicles each, while Prime Car and McCarthy had fleets of about 4 000 each, said Owens. There were also a number of smaller leasing operators, including some vehicle manufacturers. B/DAY 24/2/93.

Owens attributed industry growth to problems fleet operators faced with controlling their transport issues.

"These issues included the removal of depreciating assets from the balance sheet, higher acquisition costs and operation, lower profits, pressure to focus on core business or a belief that an outside company specialising in full maintenance leasing contracts had skills to do the job more efficiently," he said.

Fleetlease Contracts was targeting vehicle replacement and acquisition worth about R360m in 1993, up from R230m in 1992, he added.

STAR 25/2/93

Imperial on growth path

295

The Imperial Group expects to maintain its strong growth trend after attributable profit for the six months to December climbed 44 percent to R17,7 million.

The group, whose sole asset is a 65 percent holding in motor rental and service company Imphold, is paying an interim dividend of 10,4c, up from 8,5c.

Earnings a share were 20 percent higher at 26c from 21,6c and Imperial says earnings for the full year should continue to show growth despite the depressed market.

Executive chairman Bill Lynch says the balanced portfolio of the group's integrated businesses gave the momentum for growth. — Sapa.

IMPHOLD FM 5/3/93

295

Against the tide

Imphold makes swimming against the tide look easy. Operating income and turnover are up nearly a third in the six months to December. Attributable income is up two-fifths but an increase in issued equity to finance acquisitions dilutes the rise in EPS to just over a fifth.

MOTORING ON

Six months to	Dec 25 '91	Jun 25 '92	Dec 25 '92
Turnover (Rm)	374,7	406,6	496,3
Operating income (Rm)	32,1	40,5	42,0
Attributable (Rm)	12,3	15,3	17,7
Earnings (c)	21,6	24,1	26,0
Dividends (c)	8,5	9	10,4

This is no mean feat considering that most earnings are derived from motor-related activities. Strategy is to build a vertically inte-

cont →

FM 5/3/93 **FOX**

295

grated business, now having four divisions: car rental; motor dealerships; truck systems; and insurance, finance & property. This allows hedging of divisional performance; for example, an accident claim at motor insurer Regent Insurance could be partly offset by gains from panel beating.

Cautious capital allocation is another hedge. Says chairman Bill Lynch: "Capital goes to areas where we are confident of returns." In the truck systems division about 85% of trucks are committed to medium-to-long-term contracts.

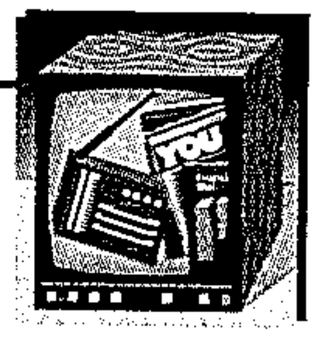
The spread of businesses dampens cyclicality; over half gross profits in the motor division comes from parts & services, less than a tenth of profits from new car sales. In an economic upturn this will see-saw in favour of new car sales as demand from businesses and individuals rises.

Lynch says earnings growth is split equally between organic growth and acquisitions. Prices have been under pressure and volumes hit across the board. SA's total car rental fleet has shrunk considerably, compounding pressure on prices.

Following this week's cautionary notice, an announcement on an acquisition will be made soon. Previous acquisitions have been paid for by the issue of shares. Total interest-bearing debt is modest, at just over a third of shareholders' funds.

Between mid-December and mid-January the share price surged from 625c to R10,25. It has since held around R10, putting it on a p:e ratio of 20 and dividend yield of 1,9%. The rating is on the expensive side, confirming the market's appreciation of Imphold's quality earnings.

Louise Randell



ADVERTISING AGENCIES

See-through invoicing

FM 5/3/93 · (295)

In a ground-breaking agreement reached with advertisers, most ad agencies are to provide total transparency in their media invoicing to clients. Every detail will be declared, including the official advertising rate, the discount received (if any) and the agency fee or commission.

Though the details have not yet been formalised, the deal has been agreed between the industry bodies representing the two sides, the Association of Advertising Agencies (AAA) and the Association of Marketers (Asom), and is a clear sign that the strained relations between the two bodies are on the mend, according to AAA executive vice-president Peter de Klerk.

"This will contribute a great deal towards ending the misconceptions and tensions between us," says De Klerk. "The invoice will show any bulk discounts or special deals negotiated with the media by the agency, so that the client can see that these have been passed on." There will also be a statement by the medium involved that there are no hidden discounts not reflected on the invoice.

This may also ensure that French-style media broking will not be introduced into SA. In France, companies such as Carat pioneered a system of buying media space and time in bulk and at heavy discounts. This is then sold to clients at a different price, and without disclosing the original discounts — which allowed considerable abuse of the system.

The agreement was thrashed out as a resolution to the dispute over net rate cards which caused a serious rift between the AAA and Asom more than a year ago. Asom argued that media should quote net rate cards — which do not include the 16,5% commission rebated to agencies.

Though the change seemed a superficial one, it would have made a subtle but important difference to the relative bargaining power of agencies. For instead of the standard commission being the normal starting point in negotiating rates, it could have become the exception. Agencies feared the end result would have been a reduction in their income.

The new proposal not only provides a solution to this dispute, it may help to defuse disputes over every aspect of agency charges, though at this stage there does not appear to be any intention to replicate the arrangement to cover production charges. "The essence of the problem seems to be that there are advertisers out there who feel the dealings taking place are not always as open as they would like," says De Klerk.

Asom executive director Derrick Dickens described the agreement as a compromise. "We agreed not to push our demand for net rate cards because many agencies are complaining that they are under economic pressure," he says. "We are not happy with French-style media brokers who negotiate bulk discounts and then don't pass the discounts on to clients. We are going out of our way to help the agencies."

The market of the bottom

A common assumption in advertising is that "reach" — the number of people in your target market exposed to your ad — is all-important. But when you get to the bottom of it — as Grey Advertising did when researching the disposable nappy market for Carlton Paper Corp's product, Cumfies — this is not necessarily true.

Cumfies is strategically positioned in the value sector at the bottom end of the market, literally and figuratively, to fend off lower quality opposition products.

Disposables account for only 10% of all nappy changes, but many mothers use them upon occasion as a convenience. It is a highly competitive segment, occupied, among others, by house brands, small independents and a range of imported low-cost nappies.

"We felt the client either had to go at it aggressively or be cut up by the opposition," says Grey Advertising media director Paul Wilkins. "You're got to stay active in a dynamic market, so the thought was born that we needed to do something other than the normal. Any idiot can spend R1m on TV plus R500 000 on production.

"We had only R125 000 to spend. So we came up with an aggressive marketing plan. It is short-term, with low production costs. We didn't shoot with a full crew and we did some of the production ourselves."

A 15-second ad was produced, which ran with high frequency for two weeks. "It was essential that it be done cheaply," says Grey's creative director, Chris Marrington. "The brand could not afford R1,5m."

Explains Wilkins: "We didn't need a high reach, but we needed frequency against a small sector of that market to improve consumption. The strategy involved spending R75 000 to get 41 spots. All were chosen because they were cheap — which was because they were in off-peak time slots.

"There was not a spot there over nine ratings (ie reaching more than 9% of the market). The secret was that we don't believe reach is of paramount importance. We would sooner buy 160 ratings cheaply than 110 expensive ones. What was important was that the ad was seen effectively — anywhere between two and four times.

"The schedule had 45% overall reach of the target market and three-plus reach of 24%.

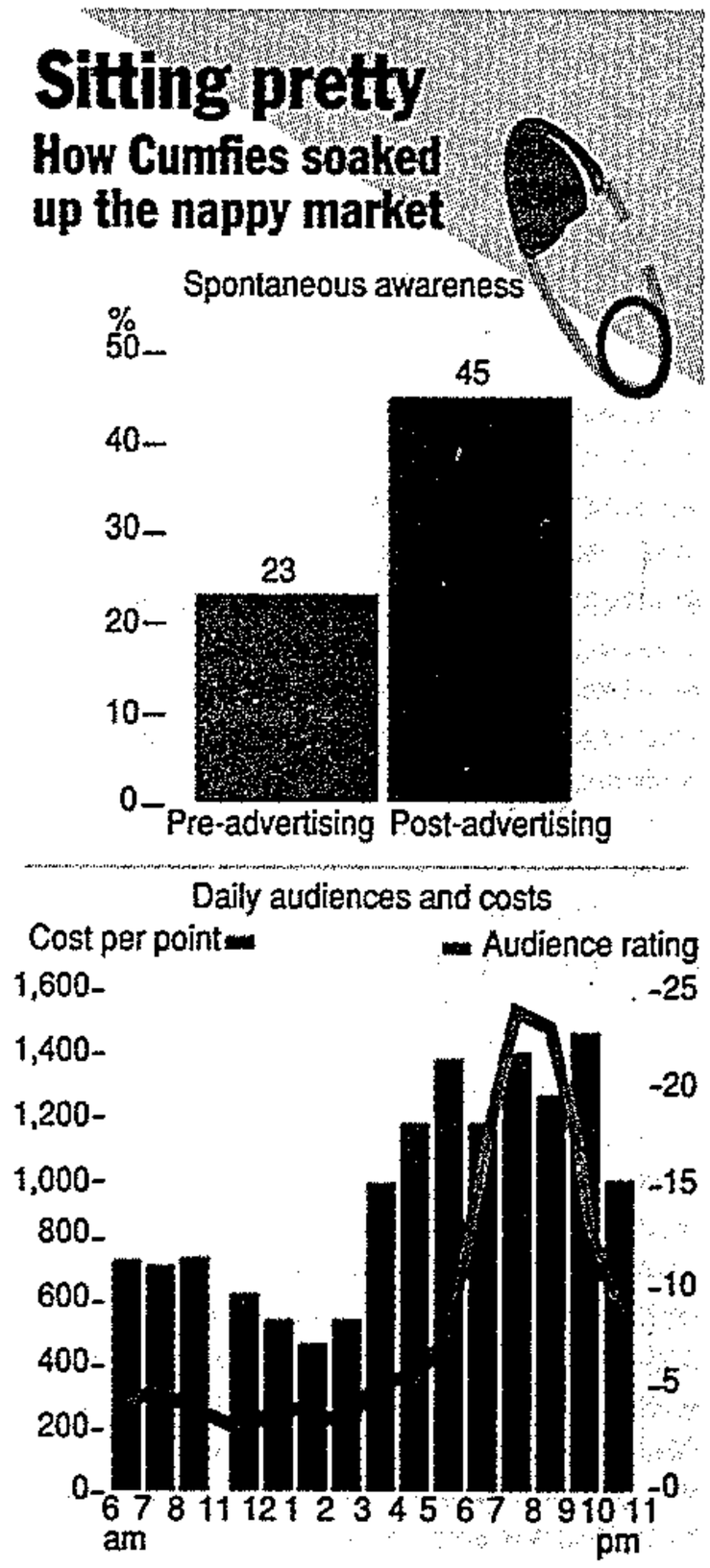
"That meant 45% saw it at least once and 24% saw our ad three or more times.

"We were buying TV at R500-R600 per rating, against an average price on TV of R1 100-R1 200. The quality of the programme doesn't matter. If it is a very good programme, then the ads are a nuisance.

"Our target audience (mothers with young children) watch TV all the time, so it doesn't matter when you buy. We bought all the cheap ratings. Clients like to see their ads in prime time, but consumers don't remember when they saw an ad."

The results, for such a cheap campaign, were spectacular. Ex-factory sales were up 27% after the campaign — in a month (January) when the market is traditionally depressed. Awareness among mothers with babies was also exceptionally high (see graph). Adds Wilkins: "It was interesting that spontaneous awareness matched the reach. The three-plus level also matched the percentage who could accurately identify the contents of the commercial."

Tony Koenderman



DIAL-A-MOVIE FM 5/3/93.

Top performer

(295)

A week before Dial-A-Movie announced results for the six months to December — with its earnings trebled — 60 900 shares changed hands and pushed the share to a new high of R1. Its ninefold price increase in the past 12 months makes it the best performer on the JSE for the period.

The share could be bought for just 20c in December 1992, and for 7c in December 1991. Last year it hardly traded at all, but one or more investors took a prescient — and rewarding — view on the stock immediately

FM 5/3/93 (295)

ahead of the results.

Focused on the music and video retailing business, the company depends on the success of its franchisees for growth. The video rental arm Dial-A-Movie, the basis of the listing in 1987, now provides only a quarter of profits, while disc franchisee Top-CD generates 63%.

A rights issue is possible. Executive chairman Brian Cunningham says the group intends slowing its expansion programme for a few months to bed down the growth which has taken place. During this period, further upgrading of point of sale systems and electronic data communication is planned for Top-CD and Dial-A-Movie chains. Expansion will start again in the second half of this year, possibly including offshore growth.

Cunningham forecast profit would double in the past six months, but is more hesitant about a prediction for the second half. He merely says earnings will be "highly satisfactory."

Kate Rushton

Advertising code under review

B/Day 5/3/93 (295)

KELVIN BROWN

THE Advertising Standards Authority (ASA) would reconsider its position on comparative advertising following a forum discussion by the industry on the issue, ASA executive director Deline Beukes said yesterday.

Industry bodies and other interested parties attended an ASA forum yesterday to consider advantages and disadvantages of comparative advertising to determine if it was necessary to relax ASA's code of conduct on the issue.

ASA is the advertising industry's self-regulatory body.

From the forum it emerged that ASA's position on comparative advertising needed to be reviewed and looked at in much more detail, Media Council chairman Kobus van Rooyen, who chaired the forum, said.

Beukes said the forum had been organised to give the advertising industry the opportunity to voice its opinion.

An increasing number of media reports had indicated the industry had a more liberal view towards comparative advertising than reflected in its code of conduct, Beukes said.

ASA's current code of conduct prohibited advertising which made direct comparisons with competitive products or competitors and which directly or indirectly identified the product or competitor.

ASA's code was drawn up by its member bodies which included advertisers, marketers and the media.

Beukes said ASA's management committee would hold a meeting on Tuesday and this was likely to result in the circulation of proposals for a revision of the code to member bodies. Members would vote on the proposal at the ASA annual general meeting on May 7.

Trio held over oilfields jobs scam

9/3/93 (295)

By Bronwyn Wilkinson and John Miller

Police have arrested three men in connection with a job scam involving more than R1 million which has left 41 South African businessmen destitute and stranded in the Persian Gulf state of Bahrain.

Witwatersrand police spokesman Captain Eugene Opperman said the men had replied to advertisements in newspapers placed by a Kempton Park company, Offshore International Corporation (Japan), offering jobs on Kuwaiti oilfields for $98 000 (R310 000) a year.

The recruits were interviewed at the company's offices in Esterpark, Kempton Park. Some of those who were accepted sold up their personal belongings and took out loans to pay a "deposit" of $12 000 (R38 000) each, Opperman said.

The deposit was to ensure each applicant stayed in Kuwait for the full year of his contract.

The first of 41 successful applicants left South Africa on February 27 for Bangkok.

There they were met by a British subject, one Jerry O'Connor, who told them to fork out another $5 000 (R16 000) each before he could transfer them to Kuwait and their jobs.

According to Colin Skelton, of Alberton, the men were told they would get an air ticket to Bahrain once this second outlay had been paid.

They were told they would be met in Bahrain by a "sponsor" and, after three months on the oilfields, would be repaid all the money they had paid in.

On Tuesday last week, the men left Bangkok for Bahrain.

Their sponsor never showed up. Speaking from Bahrain yesterday, Skelton said that after 14 hours at the airport, the men realised they had been conned.

According to Opperman, only 12 managed to scrape together enough money to get back to South Africa. They arrived on Sunday.

Opperman said three men were arrested on Sunday night. Their homes and offices were searched and several documents seized.

He urged anyone with information to contact Major Willie Pieterse or Sergeant Christo Snyman of the Commercial Crime Unit at (011) 497-7517 during office hours.

Warning sounded on comparative advertising

(295) B/DAY 9/3/93.

KELVIN BROWN

THE Advertising Standards Authority (ASA) needed to be proactive to maintain self-regulation and to prevent comparative advertising issues from falling into the hands of lawyers, mercantile law lecturer Erick Smith said.

Speaking at last week's ASA forum on comparative advertising, he said courts were moving towards putting consumer interest first and were likely to rule that ASA's code on comparative advertising was not in the public interest.

Most forum speakers were against a radical change of ASA's current code on comparative advertising.

Association of Advertising Agencies executive vice-president Peter de Klerk supported some form of comparative advertising, but said parameters needed to be discussed to prevent it being used to discredit, denigrate or lower a brand.

Research done in the US, which had allowed comparative advertising since 1972, found it to be less believable, more likely to cause brand mis-identification and no more effective as a means of persuasion, De Klerk said. In certain circumstances comparative advertising was useful as a short term tactical weapon.

Unilever marketing director Derek Dickson said comparative advertising provided limited information which was frequently selective and biased. "Comparative advertising deceives the consumer by pretending to make honest comparisons that would help the consumer make a more informed choice."

He believed it was in the interest of the public and advertising to maintain the current code. Comparative advertising was costly to the consumer, the public and advertisers. It worked in the short term until the competitor responded. The result was increased media and legal costs which had to be recouped through higher prices.

Forum delegates expressed concern that most of the speakers argued for the maintenance of ASA's present code. SBBW MD Elliot Schwartz was given the opportunity to speak on why the code needed to be reviewed.

Schwartz said the kind of information that was forbidden by banning overtly comparative advertising was freely and legally available from many sources. By preventing advertisers from giving this information they were pre-emptively presumed guilty of dishonesty.

Current regulations forced advertisers to treat consumers like idiots, he said. The argument that regulations were there to protect the less sophisticated members of society was patronising. It was in everybody's interest to deregulate advertising, especially as SA moved back into the international business arena.

MEDIA SPOT

Status quo gone forever expert

(295)

B/DAY 9/3/93.

Reports by
MARCIA KLEIN

DEBATES in the local advertising industry over whether media companies are truly independent or merely spin-offs of main agencies are missing the point, says Eurospace International chairman Martin Denny.

What was relevant, he said, was whether these companies could act as specialists, adding value to media investment.

Denny said many SA ad agencies were expecting the status quo to reign, but this would not happen in the media industry any more than it would in politics.

Eurospace, which is jointly owned by TBWA and Carat, recently entered SA with Eurospace Africa, which has links with agency Hunt Lascaris TBWA.

Denny said no company had a bottomless purse. Good agencies were continuing to invest in the creative product, and media departments were suffering from a lack of resources.

The challenge of media departments was becoming more strenuous in an increasingly complex market.

Media independents were ensuring creative and media departments were being placed in a structure where both could deliver. Media was now a more important and complicated business than a few years ago, and specialist media companies were equipped to handle these changes.

Media companies dependent on main agencies for business had a legitimate role to play, but would not survive if they were merely spin-off media departments, he said, as they needed business outside the agency network.

Eurospace's investment in SA was an opportunity to get in on the ground floor.

SA's media industry was not dissimilar to that of Europe 10 years ago, when the change in the industry was driven by consumer aspirations, deregulation and massive changes in technology.

In Europe, there were no satellite stations in 1981. Last year there were 96 and a further 30 were forecast over the next two years. Radio stations had grown sixfold since 1981.

The prospect of deregulation in SA meant things could change quickly here, Denny said.

He found puzzling the view that SA was unique, as there was change and deregulation in many other countries, and he expected developments in media to follow the pattern of those in Europe.

Denny believed Eurospace Africa and other media companies should not define themselves in a narrow context, but should look at becoming fully fledged media businesses. Their areas of expertise could include sponsorship development, research, planning and buying.

Grand Prix brings hotels and car-hire boom

RAY HARTLEY

JOHANNESBURG hotels and car rental agencies were fully booked with floods of foreign visitors in town for Sunday's Formula One Grand Prix at Kyalami, industry spokesmen said yesterday.

Avis MD Grenville Wilson said his cars were all booked and the car rental industry could expect to do business worth about R5m during the Grand Prix period.

Motor Racing Enterprises has said about R120m in foreign exchange was earned by SA businesses as a spinoff from last year's Grand Prix. The earnings fully justified government's decision to support the event with a R17m grant, MRE said.

Wilson said the 650-strong foreign media contingent was responsible for many of the bookings. "I just hope there's no fire (in the parking lot). Last year, we lost a few cars there," he said.

Hotel spokesmen said many hotels were fully booked with foreign drivers, engineers and media related to the Grand Prix.

295

One Sandton hotel said 200 of its 300 guests were international visitors here for the Grand Prix. B/DAY 11/3/93.

Meanwhile, Kyalami's pit lane was a hive of activity yesterday, as engineers began assembling Grand Prix cars in preparation for Friday's practice session.

Attention centred on the adjoining McClaren and Williams pits where arch rivals Ayrton Senna and Alain Prost have parked their cars ahead of the big race.

● See Back Page

'American is behind racket of Gulf jobs'

STAR 12/3/93. 295

Star Line

JUNE BEARZI

A suave American national, Gerry O'Connor, masterminded a jobs-in-the-Gulf racket which raked in more than R1 million and left 42 South Africans stranded and penniless in Bahrain.

This allegation has been made by one of the stranded men, Robert Jones, who spoke to Star Line from the Baisan Hotel in Bahrain yesterday.

The South Africans were instructed to fly to Kuwait via Bangkok and Bahrain, but never reached their destination because a courier failed to meet them in Bahrain.

The promoters of the money-making scam, Offshore Hosoya Corporation (Japan), used a fake Bangkok address and the name of a large Tokyo fireworks manufacturer to entice the South Africans to hand over cash for jobs in Kuwait.

Jones, of Vryheid in Natal, said he had signed up with the operation at its Kempton Park offices in December. "I raised a second bond on my home and sold many valuables to grab what appeared to be a once-in-a-lifetime opportunity to gather a R320 000 nest egg within a year."

Jones, the father of two young children, said he handed over R12 000 to the Kempton Park agents and another R15 000 in Bangkok.

"It was clear from my dealings with several of the men working in the scheme that O'Connor was considered the 'Mr Big'.

"I was told after handing the money over in Bangkok that we would be catching a flight to Bahrain where we would be met by another agent who would take us to our jobs in Kuwait. After a 15-hour wait in Bahrain we realised we had been conned and I saw my money going down the drain."

Jones said 16 of the men had already left for South Africa.

Flitestar has offered to fly the remaining 26 stranded men home on Sunday.

Group applies to set up Jo'burg TV station

B/DAY 15/3/93 295

ADRIAN HADLAND

A GROUP of businessmen had applied to establish a regional TV station in the Johannesburg area, it was announced at the weekend.

Local Area Television Channel 10 hoped to broadcast business, educational and entertainment programmes within a 20km radius of Johannesburg, consortium member and Digital Arts MD Ron Major said.

A Home Affairs Department spokesman said the 400-page application had been received last week and would be referred to the SABC for comment and recommendation, as required by the Broadcasting Act.

As current Home Affairs Minister Louis Pienaar was being replaced by Danie Schutte from April 1, the application for TV rights would have to wait for the new Minister's decision, the spokesman said.

"We are 100% confident that sooner or later a licence will be granted for community-oriented TV stations," Major said. "When it does happen, we will be on air the same day."

The station would be free to viewers and supported by advertising. Transmission infrastructure, with the exception of a transmitter, was already in place, he said.

To pick up the station's broadcasts, viewers would be able to use the same high-gain antennae as needed for M-Net and Bop TV, Major said.

The consortium, which includes a number of Johannesburg-based TV and video production companies, had applied for a temporary licence valid for September this year, Major said.

The group's broadcasting manager Gavin Kennedy said the new station would provide a valuable community service by focusing on culture, education and general entertainment.

STAR 16/3

Russians also fooled in job scam

By June Bearzi
Star Line

295

The Bangkok-based syndicate which netted R1 million from 42 South Africans alone had also targeted Russians eager to snap up jobs on rigs in the oil-rich Persian Gulf.

This came to light during further investigations by Star Line into a scam which now appears to have made several million rands for its mastermind, Gerry O'Connor, and his henchmen.

Star Line has now learnt that three agents manning the Kempton Park offices of Offshore Hosoya Corporation (Japan) had also received faxed documents in which Russians accepted employment. They, like the South Africans, were offered R300 000-a-year jobs.

One of the South African victims of the scam, who does not wish to be named, said: "Russians, like the South Africans, would be easy targets because of the bad state of that country's economy."

South Africans who signed up for the scheme paid between R20 000 and R30 000 to secure work on oil rigs.

It would appear that the Russians, too, would have had to pay an initial fee and a further "character premium" to illustrate their "good faith". The South Africans were led to believe they would earn this money back within the first month on the rigs.

Star Line has learnt that another 33 South Africans had each paid R6 000 to the Kempton Park recruitment officers and were to leave for Bangkok later this month.

However, the group stranded in Bahrain blew the whistle on the scheme before the men could depart.

Malcolm Ferguson of the South African Department of Foreign Affairs said money deposited in a local bank account as well as R60 000 brought into the country by one of the scheme's recruitment officers had been frozen.

● The conned men were flown home by Flitestar.

Jan Blake, managing director of Trek Airways, which operates the airline, said Flitestar felt it had a duty to help South Africans in trouble in countries where there was no embassy representation.

Star 16/3/93

Teljoy subsidiary TBS to be split in two

By Stephen Cranston

Teljoy Business Services (TBS), a subsidiary of Teljoy Holdings, will be split into two separate businesses with effect from April 1.

About 30 staff will be retrenched, although the majority will be encouraged to start their own sub-contracting and dealer businesses.

The TBS core business, comprising the supply, installation and servicing of TV, video and audio equipment for the hotel and leisure industries, will move into the Teljoy rental division.

Specialist personnel will continue to serve major clients through Teljoy and Mastercare outlets.

(295)

The manufacturing arm, Provicom Industries, will concentrate on the supply of audio, security and closed circuit TV systems as a separate company.

The change will allow the two to focus on their core business.

IMPHOLD FM 19/3/93. (295)

Cradle to the grave

An unusual business mix has helped Imphold maintain real growth

Despite four years of an economy in recession, Imphold stands out as one of the few companies in the industrial sector that has consistently produced real earnings growth. An enviable track record of successful acquisitions in the motor, transport and travel-related industries has helped to double attributable income since 1989.

Executive chairman Bill Lynch is confident the pattern of real growth can be sustained. Recent interim results add credence to his confidence: operating margins were steady at 8,4% on a one-third rise in turnover and despite substantial dilution, EPS and DPS each rose by about a fifth.

The market rates the share highly, confirming widespread confidence in the quality of group earnings. Stockbrokers' analysts contend the share is well worth blue chip status.

At first glance, the dynamic earnings performance is baffling, given that the significant operations are in car rental and motor dealerships — sectors hard hit by recession, as shown in prices and volumes. According to Lynch, car rental volumes have shrunk to four-fifths of what they were in the last peak year in 1989.

The key to Imphold's success, he says, is "cradle-to-the-grave service and sticking to what the group knows best." Group businesses include motor service and repairs, insurance and truck haulage. All are firmly motor-related. The insurance operation is focused only on short-term motor insurance, where it has expertise.

The business mix promotes interdependence, providing a complete service for the consumer. When Imphold sells a new car it can offer a range of related services: insurance; panel beating; car hire; service and repairs; and eventual sale of the same vehicle. Vertical integration means the first transaction opens up opportunities for follow-on transactions.

It's difficult to classify Imphold in investment terms. Lynch is adamant that it is not a conglomerate. It has a modular structure, which can easily be extended within its motor-related sector.

But, as recent acquisitions show, the motor-related sector is wide-ranging. Mercurius has added Mercedes-Benz and Honda franchises to existing motor dealerships; Quattro (long-distance transportation) complements truck operations; Springbok Atlas (luxury coach transportation) adds a tourism dimension; and Van Zyl's Springs makes, distributes and repairs automotive springs for the after-sales market.

Acquisitions have until now been financed by issue of new equity; the asset base has more than doubled since 1989 and the net debt:equity ratio has remained low. The acquisition philosophy, says Lynch, is to buy on a p:e lower than that of the group. This avoids earnings dilution.

It is difficult to quantify the effect of acquisitions on earnings growth, because of the large number made in a comparatively short time. But Lynch contends that earnings growth has been achieved equally from acquisitions and existing operations.

Imphold, up to now, has made light of recession and is gaining the reputation of being recession-proof. But can it sustain this, assuming a recovery doesn't happen for another two years or so? Lynch is confident that EPS growth in 1993, adjusting for dilution, can equal or better that of 1992; EPS this year should be 55c or more, compared to 45,7c in 1992.

The recent cautionary announcement concerning another major acquisition is likely to involve further issue of new equity, going by the pattern of previous financing of acquisitions. If additional debt has to be raised, it is not expected to affect gearing levels materially.

Lynch expects to achieve R1bn turnover, an increase of a third, in 1993. And yet he describes Imphold as "a teenager with plenty of growing to do."

Wholly owned Regent Insurance has premium income of about R50m — less than 2% of SA's R2,5bn motor insurance premium income. Imperial Motors has turnover of R350m, compared to R3,5bn turnover from McCarthy's motor business — the growth of a black middle class would increase the number of car owners. Recently acquired Springbok Atlas has "major growth potential," says Lynch, though this depends on an upturn in tourism.

Growth potential is undeniable, but realising it will hinge on an upturn in the economy and a drop in political violence — problems not expected to be resolved soon. Management expects that all divisions will achieve real growth this year, aided by acquisitions, a continuing strong performance from Regent Insurance and a steady performance in the other divisions.

Contributions from the four divisions to pre-tax profit have changed dramatically

Continued on page 34

Imphold's Lynch ... *not a conglomerate*

CRUISING AHEAD

Market value & ratings

Price: 1 000c. **PE:** 20. **NAV:** 261,2c. **Div Yield:** 1,9. **12 month Hi/Low:** 1 025c/560c. **Market Cap:** R647m.

Income statements

Year to end June 25	'89	'90	'91	'92
Turnover (Rm)	447	545	598	781
Operating inc (Rm)	38,8	50,1	56,8	72,6
Net interest paid (Rm)	5,0	7,6	6,2	10,3
Pre-tax profit (Rm)	33,8	42,5	50,6	62,3
Attributable (Rm)	14,0	16,9	21,5	27,7
EPS (c)	25,0	30,2	38,3	45,7
DPS (c)	10,2*	12,1	15,0	17,5
CFPS** (c)	33,6	44,1	53,5	66,1

* Notional. ** Gross cash flow divided by average number of ordinary shares.

Interim ratios†

Operating margin: 9,1. **Debt:equity:** 0,36. **Effective tax rate:** 46,7. **Div cover:** 2,6.

† Based on 12-month earnings to December 25 1992 interims.

LOOKING BACK

The *FM* is now 34 years old and in this new feature we will recall major stories in the corresponding (at first, fortnightly) issue of 34 years ago.

On March 26 1959 an *FM* leader castigated then Finance Minister Eben Dönges's Budget, saying that by his stated guiding principle of stimulating economic growth and business expansion, it was an "obvious failure". At a time when there was everything to be said for holding costs down and widening the local market, SA was offered a Budget that cut into purchasing power, raised transport costs and impaired the competitive ability of industry in both home and export markets.

Plus ca change ...?

Continued from page 31

since 1989. Insurance contributed a fifth of pre-tax profit in 1992 from a negligible level in 1989; car rental's near one-third contribution to profit in 1989 fell to about a quarter in 1992.

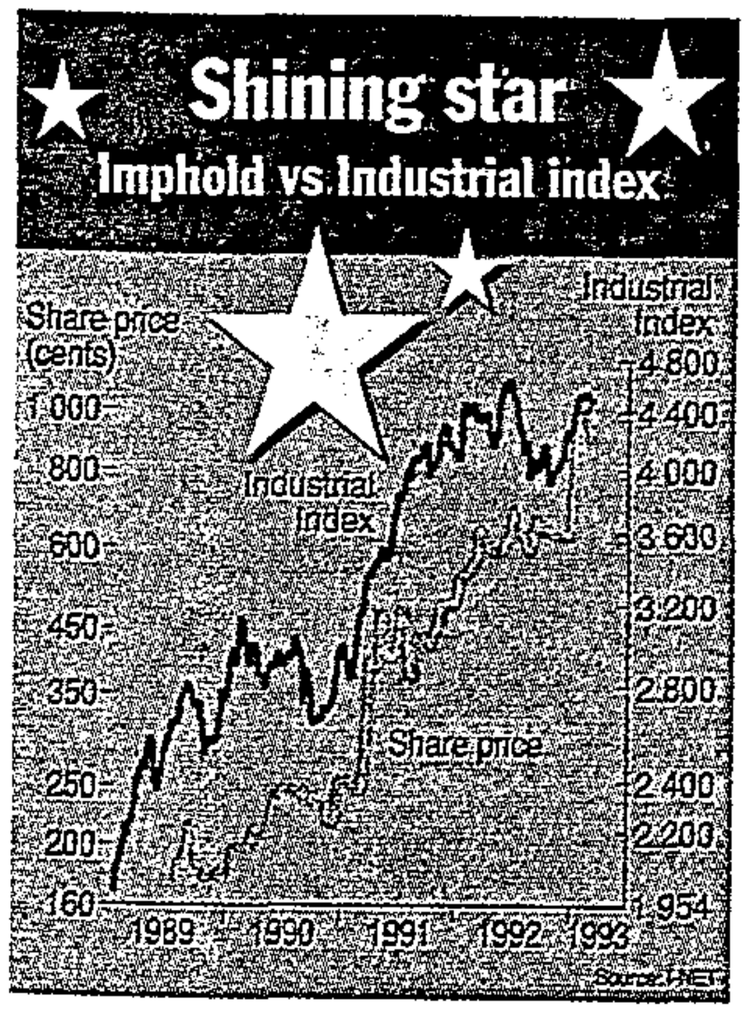
The insurance, finance and property division mainly comprises Regent Insurance. Finance and property are not intended to be commercial profit generators. Regent has complemented panelbeating operations since 1989 and has become a major contributor to profitability with substantial growth potential, according to Lynch. Its niche market is insuring hire purchase vehicles.

The insurance division's 125% growth in pre-tax profit in 1992 — admittedly off a low base — is expected to fall over the next few years but will continue to drive group earnings growth. This division has the highest pre-tax margins of the four divisions: more than 20% in 1992.

The motors division is the largest in turnover (R353m in 1992) but not in pre-tax income, due to low industry profit margins. Since 1989, pre-tax margins have tended to be just over 5%, but the slump in demand for new cars pushed margins down to 4,2% in 1992.

Wholly owned Imperial Motors now has nine Toyota dealerships out of a total of 320 in SA and there is room for expansion, according to Lynch. The latest was a dealership in Strijdom Park, Randburg. Despite the Toyota strike in the early part of the financial year, Imperial improved interim earnings thanks to cost controls and further improvements are expected to flow from the launch of the new Toyota Camry. Earnings by Mercurius Motors, the Mercedes/Honda dealership, were spurred by the launch of the new Honda Ballade and Van Zyl's Spring Works produced satisfactory results.

Imperial Car Rental has suffered from intense competition. Margins fell from 10,1% in 1991 to 8,6% in 1992, though this is partly to do with the change in profit contributions from the different parts of the division.



As the largest car rental firm in SA, it has a fleet of about 4 500 cars and claims a 45% market share; this was increased at the interim stage due to improved customer service. Turnover was up nearly 40% in 1992, due to the acquisition of Tempest car hire (economical car rental), otherwise volumes were flat. Imperial's two major competitors, Budget and Avis, have maintained pressure on prices.

Car rental would obviously benefit from an increase in tourism but this is not likely to happen in 1993. Imperial Car Rental is skewed towards the corporate market; only about a sixth of total sales come from the leisure market.

The recent acquisition of the remaining 50% of Prime Car Leasing is proving to be successful, according to the interim statement. Its principal business is providing full maintenance rental facilities on motor vehicles. This market has grown substantially over the last few years, offering as it does an alternative to outright purchase.

Auto Pedigree's used car sales have also benefited from the depressed demand for new cars. Sales stock consists of one-year-old cars with less than 30 000 km on the clock. "We take a big hit on depreciation on a new car and then sell it," says Lynch. Auto Pedigree is planning on expanding the number of its outlets to increase the volume of sales of its rental cars.

The truck systems division increased turnover by about 7,5% in 1992. Over the year, pre-tax margins remained the same. The December 1992 interims were pressured by over-capacity in the casual hire market and the slump in the sale of new trucks, which fell to a third of the average going volumes in the Eighties.

Dedicated transport (delivery contracts providing vehicles, drivers and full service), aided by the Quattro acquisition, is expected to perform satisfactorily in the 1993 financial year; major contracts include Metal Box and Nampak. Full-maintenance leasing is also expected to perform well.

There are three obvious benefits of providing a matrix of different motor-related services. The first is a smoother earnings path; the counter-cyclical businesses help to balance the recession-hit cyclical ones. Another advantage of "sticking to the business we know best," says Lynch, is the mass of relevant expertise and opportunities for rationalisation. Lastly, the broader the service, the higher potential turnover per client.

Imphold's commercial strategy helps earnings stability. In the trucks system division, 85% of all trucks are committed to short- to medium-term contracts. The insurance business, parts and service operations, property income, full-maintenance contracts (Prime Car and Flexifleet Truck Leasing) also provide some earnings stability.

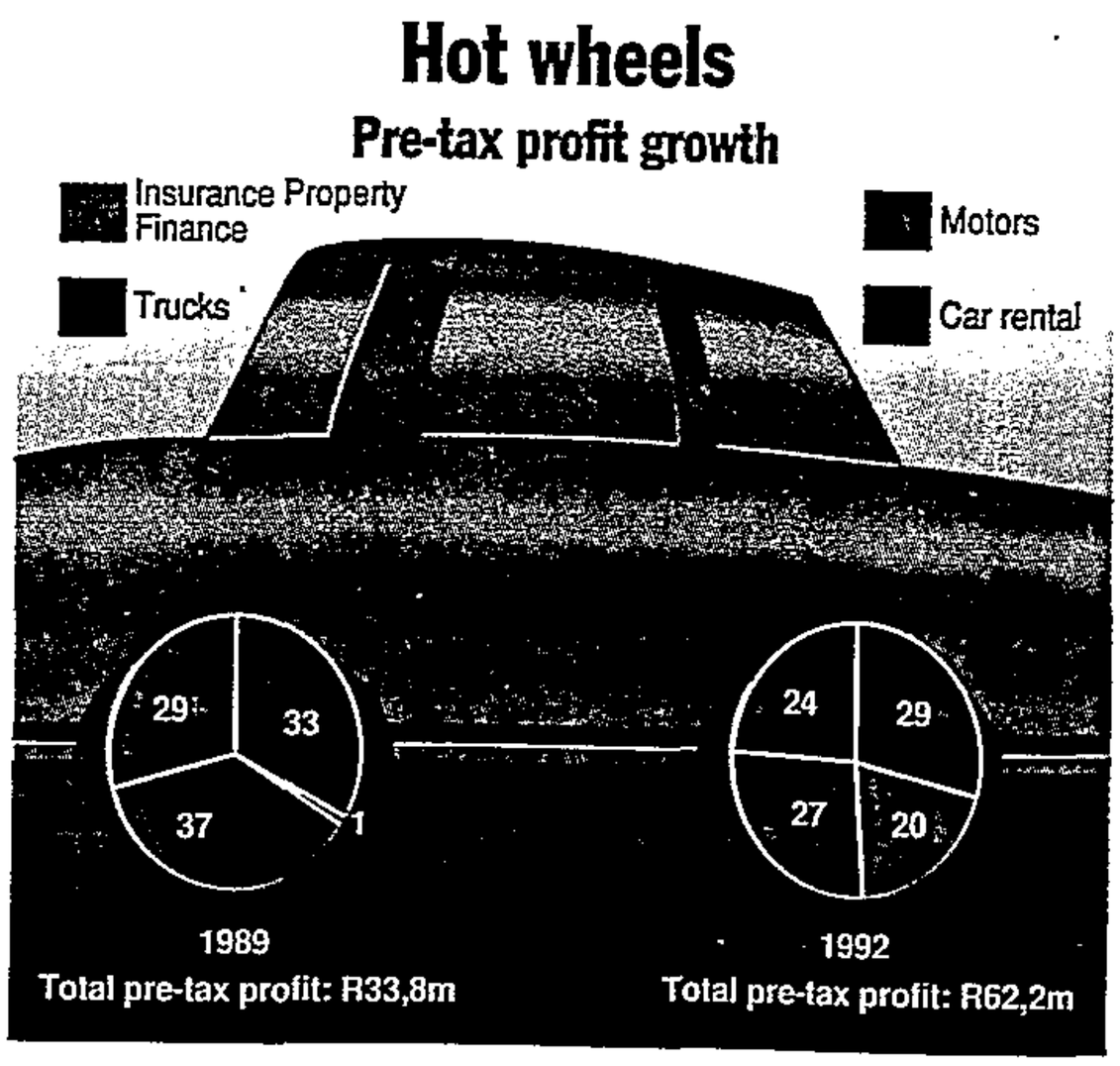
The balance sheet is strong, with gearing of about 0,36. But Imphold has an off-balance-sheet joint finance company with Nedbank, which buys about 50% of rental cars. A recent change in accounting standards, effective from January 1 1993, means the 1994 annual report will bring this financing on to the balance sheet.

This change will increase short-term liabilities and current assets. Finance director Abdul Mahomed expects assets and liabilities will increase by about R68m — equal to existing total interest-bearing debt of R68m. The additional interest incurred (using a 13% interest rate) is expected to be about R9m. This will increase gearing to marginally over 0,50, according to Lynch, but it may be modified by further share issues. Interest cover will fall from eight times, but is expected to remain respectable at around four times.

The increase in the interest charge is not expected to affect earnings, because Imphold is already paying an interest and depreciation charge for the vehicles to Nedbank in the form of a rental charge.

The price leaped from around 650c in December 1992 to more than R10 in March 1993, re-rating the share to 20 times earnings. Over the past five years compound growth in EPS has been 36%.

The share may look expensive compared to the JSE Industrial index — but then resilience to recession, self-generative sales from the group's business mix, future growth potential and sound financial management deserve a premium. A caveat must be that any policy of growth by frequent acquisition is not without risk. That has been demonstrated all too often in the past. *Louise Randell*



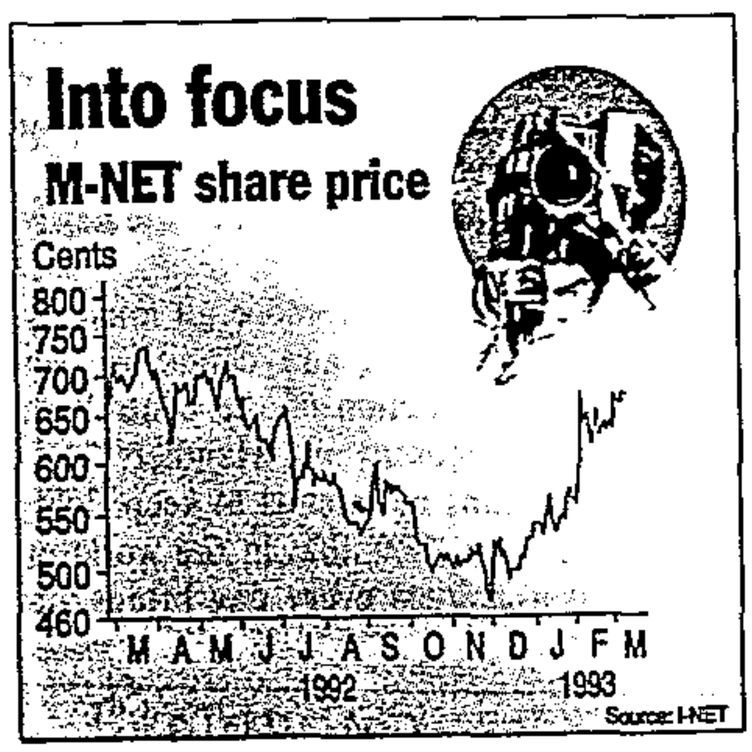
M-NET FM 19/3/93.

295

Adjusting the strategy

M-Net's disposal of Information Trust Corp (ITC) could represent a shift in strategy towards expanding pay-TV activities in Africa and preparing for a hoped-for new venture into cellular telephony. If the latter comes off, M-Net's investment in cellular telephones, as part of a consortium, could be as much as R125m over the next two years.

Chairman Ton Vosloo is adamant on two points. The sale of ITC to private US information group Trans Union has nothing to do with losses from M-Net's investment in European pay-TV group FilmNet, which, on projections at the interim stage could be as high as R25m for financial 1992. Vosloo says, however, he hopes the decline in attributable earnings will be less than the market is expecting.



Secondly, M-Net received substantially less than the speculated R40m for ITC, which it bought for R21m at the end of 1990. This was confirmed by M-Net financial executive Steve Pacak, who says an agreement with TU precludes disclosure of further financial details now.

M-Net won't be losing ITC chairman Paul Edwards. He joined M-Net shortly after the acquisition, and as head of subscriber services has become a key figure in M-Net's drive into Africa.

Vosloo says M-Net bought ITC when it seemed logical to diversify into information services. "That was in the dark days of P W Botha, when our investment opportunities outside SA were limited."

Decks cleared

Shortly afterwards, political restraints eased, and M-Net began to spread operations into Africa, as well as picking up what is now a 45%-holding in FilmNet.

Pacak says while M-Net received good returns from ITC, it was never an integral part of the business, contributing about 5% of turnover and 6%-7% of profits.

Now ITC is to be sold — there are still some loose ends to tie up, but it's almost certain the deal will go through — Vosloo says the decks are cleared for M-Net to focus on cellular telephony. "Much depends on whether we get an appropriate licence," he adds. Government announced last month two licences would be granted, one expected to go to Telkom.

Whether the licence (if granted) is "appropriate" will largely determine costs. But the consortium, so far comprising M-Net and Cable & Wireless Plc, could be looking at capital costs of R400m over the next two years. M-Net's share could be as high as R125m, though Pacak says funding mechanisms are still to be determined.

This raises the likelihood of another rights issue. M-Net funded its initial R278m FilmNet investment largely through a rights issue in January 1992.

Pacak says M-Net won't get involved in making cellular telephones — rather the group sees its contribution coming from its marketing and customer service strengths. Of course, M-Net's 800 000-strong client base will be a valuable asset.

All of which could explain the strong performance of M-Net's share price since late last year. It has appreciated by 44% since the end of November, the biggest boost coming on government's announcement early in February that licences were to be granted. It seems some investors expect M-Net will be a recipient.

Shaun Harris

ELLERINE FM 19/3/93

Second wind

What is it that Eric Ellerine has that every other furniture magnate wants? Well, the last half-year results for Ellerine Holdings for a start. On the face of it, they are so good as to be almost unbelievable.

Unfortunately, comparisons sometimes have little purpose other than to highlight the unusual. And that's what has happened this time. The first six months of 1992's results were horrendous because Ellerine was hit by a series of apparently interminable strikes, picketing and comprehensive, union co-ordinated, action. EPS fell 32% to 255c and the dividend declined 32% to 85c.

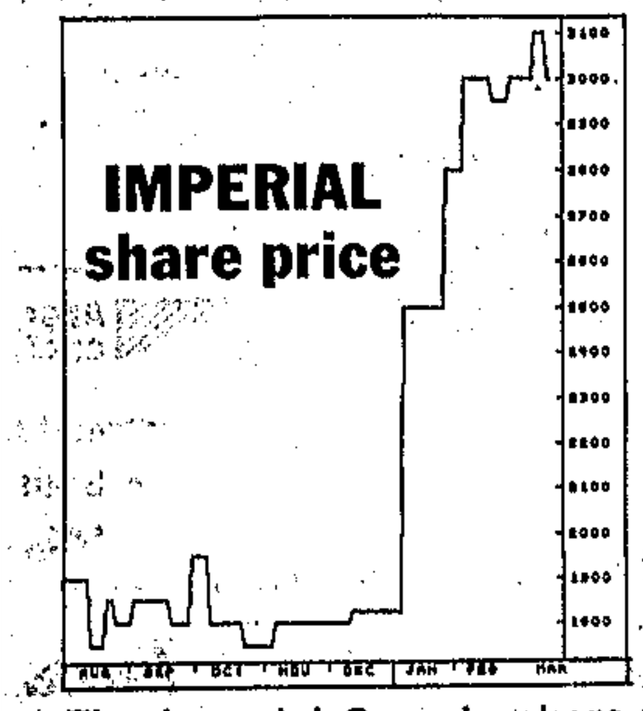
It is against that unflattering result that Ellerine's latest result must be examined. Turnover to February has risen to R409m, but that's only 31% better than in 1991. Operating profit has risen to R57m but that, in turn, implies an operating margin of only 13,9% — 1991's margin was 16,6%.

Still, it would be churlish to derogate from

Star 19/3/93

Imperial pays R88,5-m for Tanker Services

295



The Imperial Group's share price has rocketed since the beginning of the year.

By Derek Tommey

The highly prosperous and growth-minded Imperial Group has bought Tanker Services, the country's market leader in tank truck transportation, for R88,5 million.

Imperial is paying R55,6 million for shareholders' interests and R32,9 million for loan accounts.

Bill Lynch, Imperial's chief executive says that the purchase will strengthen the group's truck system division which will become a well-diversifed and integrated transport company.

"Tanker Services runs a superb fleet of several hundred tank trucks and trailers, has excellent refurbishment facilities and depot premises, an impressive customer list and a depth of management resources," he said.

"It will bring a new dimension of sophistication to Imperial's transport interests,"

Tanker Services was bought by its management from Darling and Hodgson in 1986. The management was supported by FirstCorp and Standard Merchant Bank in what was then one of the largest leveraged management buy-outs seen in the country.

The successful management team under Phil Erasmus is staying with the group.

Imperial paid for the acquisition by issuing 8,86 million new Imphold shares at R10 each. The management vendors retained 1,3 million and the balance is being placed with institutions.

If the acqusition had been in place last year it would have boosted Imphold earnings by 14 percent a share and its net asset value by 34 percent. Imperial has been one of the success stories of recent years - a success accentuated by the poor performance of most other motor companies.

It is in car rentals, motor sales, trucking, car repairs and has its own short-term insurance company.

In the six months ended December its taxed earnings rose 42,6 percent to R20,54 million. But earnings a share rose by only 20 percent to 26c owing to the enlarged share capital following the acuqisition of the minority stake in PrimeCar Leasing.

Since then Imperial has been engaged in a number of other take-overs. It acquired Springbok Atlas Safaris for R7,4 million, Garden Route Tours for R4,7 million and has taken out the minority shareholders in its trucks division at a cost of R24,5 million.

Lynch says that although the group is structured to perform well in a recession, it is poised to take full advantage of any improvement in the economy.

He added that the Budget was extremely benficial to Imperial as it paid almost a full tax rate.

Imperial buys Tanker Services for R88,5m

B/DAY 19/3/93

EDWARD WEST

FAST-growing Imperial Group today announced the R88,5m acquisition of tank truck transport company Tanker Services.

The purchase price included R55,6m for shareholder interests and R32,9m for the company's loan account.

Imperial CE Bill Lynch said Tanker Services would diversify and strengthen Imperial's Truck Systems division.

"Tanker Services runs a fleet of several hundred tank trucks and trailers, has good refurbishment facilities and depot premises, an impressive customer list and depth of management."

(295)

Imperial funded the acquisition by issuing 8,86-million new Imphold shares at a price equal to yesterday's untraded share price on the JSE of R10. Management vendors retained 1,3-million of these. The balance was placed with institutions.

The acquisition would have boosted Im-

☐ To Page 2

Imperial

B/DAY 19/3/93

(295)

☐ From Page 1

perial Holdings' earnings a share by 14% to 57c from 50,1c and net asset value by 34% to 303,7c from 226,8c had it been in place for the 12 months to end-December 1992.

Included in the deal were Tanker Services' companies Sani-Tech which supplied portable chemical toilets for hire and Fiberform Plastics which manufactured glass reinforced plastic products and fibreglass modular buildings, Lynch said.

The deal followed Imperial's R7,25m acquisition in December of tour operators Springbok Atlas Safaris from the Tollgate liquidators, the merger of Garden Route Tours with Springbok Atlas at a cost of R4,7m and the taking out of the minority shareholders in Imperial's trucks division for R24,5m. Three months earlier, Imperial bought out Prime Car Leasing from Nedfin Bank in a R30m deal. Other acquisitions in 1992 included Tempest Car Hire, Quattro Carriers, Mercurius Motors and Van Zyl Springworks.

A group spokesman said the acquisition did not overextend resources.

At the interim stage in December Imperial was confident that growth — after seven years of 37% annual compound earnings growth — would remain intact.

Tanker Services was bought from Darling & Hodgson in 1986 by its management, supported and funded by FirstCorp and Standard Merchant bank.

Cutbacks at car rental agencies

DIRK VAN EEDEN

CAR rental volumes dropped by more than a third in the past three years, forcing agencies to keep prices and fleet volumes down, industry sources said yesterday.

(295)

Budget Cars MD Tony Langley said rental days fell to 2 459 779 in 1992, a 4,5% drop from 1991. Rental days in 1991 fell 21,3% from 1990. Had it not been for a slight increase in foreign tourism over the three years, the decline would have been more severe, he added.

In January 1992, the industry had 11 182 cars, with 63,1% utilisation. By December 1992 it had 11 159, with 54,3% utilisation.

Avis MD Grenville Wilson said the declining market forced agencies to become more competitive. In 1992 average revenue from a rental day was R113,95, only R1,02 higher than in 1991. Foreign tourist rentals made up 30% of the summer market and 15% of the winter market. However, violence hampered tourism and car rentals, he said.

B/DAY 22/3/93

Budget 'not a good news story' for advertising

MARCIA KLEIN

LAST week's Budget had offered little good news for the advertising industry, agency spokesmen said.

Advertising executives said the main area of concern was the 40% VAT rate increase from 10% to 14%.

Advertising budgets were already tight, and many clients would not increase their budgets to accommodate the VAT increase. It could merely be absorbed into existing budgets, diluting the amounts available for advertising and marketing, they said.

Bernstein Loxton Golding & Klein financial director Brenda Stang said the Budget had no "good news story" for the advertising industry. Most agencies would not benefit substantially from the lower company tax rate as they were director owned and would be affected by the new secondary tax on profit distribution.

The Budget would be inflationary, because of the fuel price and VAT increase, and this would have a substantial cost impact "on all our suppliers and clients".

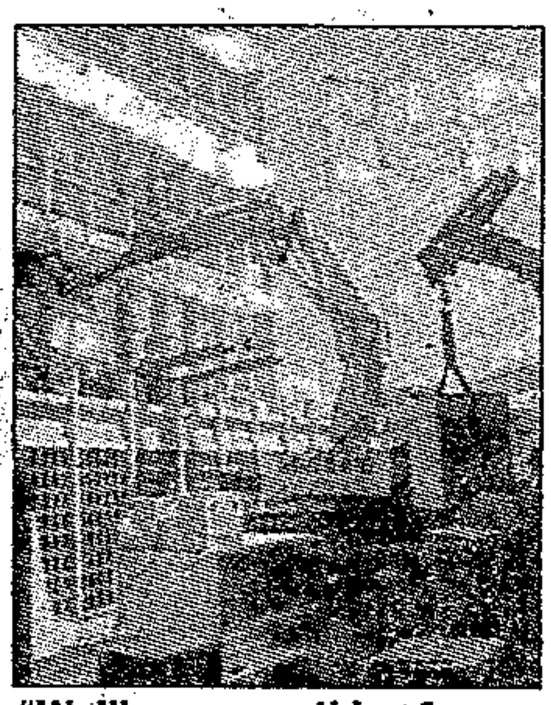
Stang said the advertising industry could expect a recessionary year, with costs rising disproportionately to revenue.

B/Day 23/3/93 (295)

A firm that will always deliver the goods

(295)

STAR 24/3/93.



"We'll move anything from elephants in crates to steam turbines," says Paul Humphrys, general manager Rent-A-Rig.

SIXTEEN YEARS AGO Rent-A-Rig made its debut on the South African transport scene. Today the company has an unrivalled reputation for literally "delivering the goods".

Going on the premise that specialisation is the route to maximum efficiency, Rent-A-Rig has remained focused strictly on its core business.

Consequently, the degree of expertise built up by its riggers and the manpower otherwise involved in the company is without doubt among the best in the industry. There is, in fact, no alternative to experience!

This is recognised by the market at large and Rent-A-Rig includes among its clients, such blue chip companies as Metal Box/Nampak and Eskom.

The company's capability extends even to such delicate items as medical equipment and computers. In terms of the latter, Rent-A-Rig has come up with a unique innovation — a specialised insulated computer container with a sprung floor.

The company operates its own transport fleet —unlike much of the opposition — thus ensuring rapid reaction to orders, thoroughly reliable deliveries and a degree of flexibility that is hard to match.

A particular speciality is complete turnkey factory removals — an aspect of the rigging market that can clearly only be handled by the leaders in the field.

The company thrives on challenges. A recent project that presented more than its fair share of challenges involved off-loading, transportation and manoeuvring an extremely fragile, expensive and heavy piece of medical equipment through a small opening into a copper shielded room.

Specialisation is the name of the game for Rent-a-Rig and the company's tight focus has seen it grow into one of the major players in the transport industry.

The magnetic resonance imaging unit, imported from Holland, contained liquid helium at 270 deg C. This made the metal incredibly sensitive and meant it could not be jolted or shocked.

Weighing nearly three tons, it was a difficult job to off-load and give this piece of equipment a totally smooth ride from Cape Town harbour to Louis Liepoldt Hospital in Bellville.

There were some nail-biting moments, said general manager Paul Humphrys. "Firstly we had to get permission to off-load the consignment directly from the ship on to our vehicle. Then a window and wall had to be removed from the first floor of the hospital to provide access.

"Clearance was extremely tight, and the window ledge had to be specifically reinforced to take the weight. To give a really smooth ride we reconstructed a special sleeper cage and manoeuvred the equipment on steel runners.

"The room in which the MRI was to be installed also presented problems because it was fully lined with copper to exclude any radio waves. To move the heavy equipment across the copper finished floor, a construction of boards and steel runners was used to distribute the mass evenly and minimise the chance of damage.

"The operation took a team of four of our riggers, two of whom have more than 14 years' experience in the business — 12 hours to complete, but it all went off without a hitch."

For further information, kindly telephone (011) 397-2243.

Scared of eating out? Haute cuisine is just a phone call away...

FW/Mail 26/3 - 1/4/93. (295)

Recent attacks on restaurants have made diners more security conscious. They're still eating restaurant food — but in their own homes. **ARTHUR GOLDSTUCK** *investigates meal delivery services*

AT 8.17pm on Wednesday, one of six hotlines rings in an office in central Randburg. The caller has an urgent need, and Gordon Macmillan prompts her with detailed questions. He punches the answers into a computer, and it spits out a print-out. While Macmillan makes another quick call, the printout is grabbed by David Ernstzen, a 23-year-old Wits University physical education student.

Ernstzen picks up a thermal carrier bag and dashes out to his car. After one stop on the way, he pulls up outside a dark house in a quiet, leafy suburb of Randburg. He rings a bell at the gate, and after a minute a man looms out of the darkness. He refuses to open the gate, and Ernstzen hands the thermal bag over the wall. The man removes the contents and hands the bag back, along with a prearranged amount of cash.

At exactly 8.55pm, Ernstzen steps back into the office — of Eats-In, Johannesburg's first dial-a-meal courier service. He had just delivered a fillet steak, a "Jawbreaker" hamburger and two portions of spare ribs. Ernstzen is part of a new breed of service provider, which first merely took advantage of a gap in the market but is suddenly an essential route for many suburbanites anxious to avoid the violence plaguing their favourite restaurants.

Eats-In, launched in September last year, has three Witwatersrand branches — in Randburg, Sandton and Nor[illegible] — which together give "diners-[illegible] of more than two dozen restaurants.

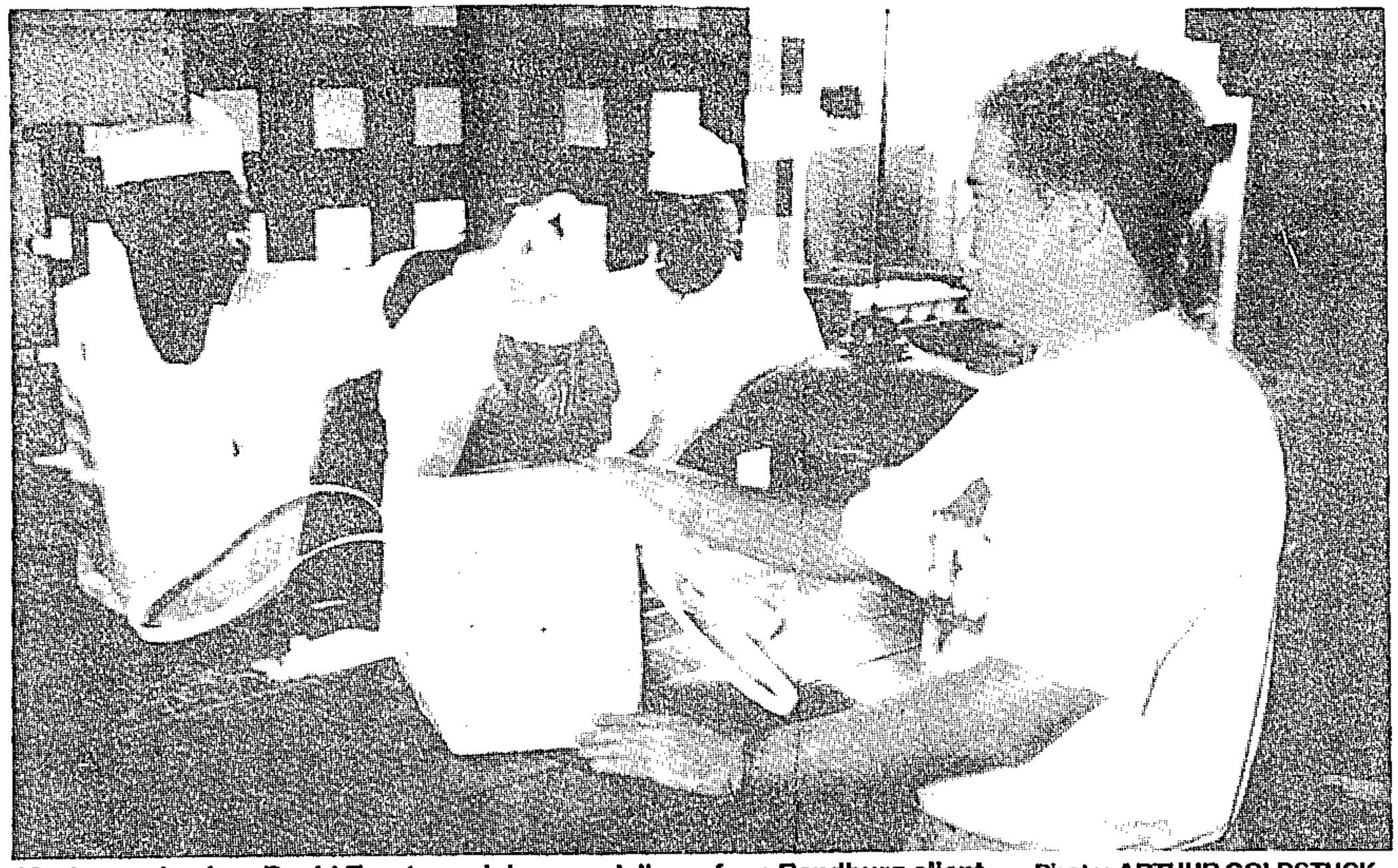
In Cape Town, where an outfit called Mr Delivery pioneered the concept in May last year, the main branch in Sea Point brings 16 restaurants to the doors of anyone living on the Atlantic seaboard between Mouille Point and Camps Bay, while a Table View franchise has nine restaurants on offer for the Milnerton and Bloubergstrand area.

Like many innovative concepts, Mr Delivery was born out of desperation. Laurence Levin had been out of work for five months when he heard about the concept of cuisine delivery in California.

Tremendous scepticism and thousands of customers later, the concept was brought to Johannesburg by Peter Horwitz, owner of several restaurant franchises.

It was an idea whose time had come, with moments to spare.

"People don't want to leave their houses any more," says David Flaks, who now owns the Eats-In operation. "Security is a major issue. One person told us last week, straight after a woman was raped in a restaurant near here, that Eats-In was the way she wanted to eat out from now on. It's not just the attacks on restaurants as such — there is tremendous fear of being hijacked on the way to or back from a restaurant."



Meals on wheels ... David Ernstzen picks up a delivery for a Randburg client **Photo: ARTHUR GOLDSTUCK**

In Sandton especially, the high-wall syndrome has turned Eats-In into one of those emergency numbers people keep at the phone. And even then, suspicion reigns.

"We've had a lot of people who will not open gates for our drivers, even though they all wear T-shirts carrying our logo, and the delivery is expected at a precise time," says Flaks. "But I don't blame them. If you look at the latest statistics, Sandton now has the highest rate of muggings and burglaries in the country."

Because the couriers use their own cars, they do not make identifiable targets of themselves — an essential component of Eats-In's security consciousness. They also take full account of customers' security precautions: some ask the courier to hoot twice before ringing the bell, for instance.

Other requests are more devious, says Flaks. "We had a case where a woman had a dinner party on. She was crying on the phone: she'd just burnt her food, and the guests were there. Could she order 10 curries, delivered in bulk? But please, don't deliver through the front door, there's a side entrance, and her husband must never know."

The service is also a job-spinner. The three branches of Eats-In have about 70 couriers on their books. Mr Delivery has a staff of 40 couriers for its main branch in Cape Town.

"Six people are on duty every night, with four on standby in case we get really busy," says Levine. "And the only reason they're willing to stay at home on standby is that they're making a lot of money."

The cost of a meal is the same as one would pay in a restaurant, but a nominal delivery fee is added on, which goes to the driver along with any tip a customer may want to give. The company makes its profit from commissions paid by the restaurants.

The big test for Mr Delivery came in December, when Levine's detractors told him restaurants would be too busy catering for holiday crowds to bother about his delivery service.

"In fact, turnover doubled," he says. "I've now got about 3 000 regular customers. Some order three or four times a week, and we know each other by name. It's become very personal."

Both Mr Delivery and Eats-In are preparing for a boom this winter, when cold weather will drive even more people back into their homes at night. And both are constantly looking for new ways to expand their services. Eats-In is about to launch a large-scale catering-by-courier service, providing staff lunches or executive meals in partnership with a large catering concern.

At the other end of the scale, Mr Delivery has launched a "snakaway" service, which offers Aylesbury ice-cream, canned cooldrinks and cigarettes with your meal and the driver will even pick up your newspaper along the way.

Stormy passage for Penrose

MARCIA KLEIN

PENROSE Holdings' losses grew in the 18 months to end-December on the back of internal disruptions and intensified competition in a contracting financial printing market. B/DAY 31/3/93.

The printing services company reported a loss of 4,2c a share compared with earnings of 7,4c a share for the 12 months to end-June 1991.

In October, when the company published its second interim report for the 12 months to end-June, it had losses of 2c a share.

Although turnover increased significantly to R43,7m (R29,6m), Penrose showed an operating loss of R852 000 against operating income of R2,2m in the previous period.

Directors said the period was marked by disruptions after the change in control and a management restructure.

In August 1991, a consortium of Nasionale Pers (Naspers), Tollgate Holdings and Hoskens Consolidated took control of Penrose from directors.

Executive chairman Jackie Meckler said after Tollgate's liquidation, Naspers had the major share of the company with a holding of about 29%. The remaining controlling shares were now held by various pension funds.

Control of the group was "loose", and Penrose was looking at the situation.

Management restructure and change in control had led to a change of directorate and the appointment of new MD Jerry Thompson. "A dispute arose in connection with the above appointment and this resulted in its termination and has given rise to a contingent liability". He has not yet been replaced.

Meckler said difficulties were compounded by the liquidation of Tollgate, but this should have no material effect on Penrose's operations.

Borrowings were substantially reduced following a R2m rights issue, and finance costs of R633 000 in the previous period were reversed to income of R120 000.

Penrose showed a loss of R792 000 (income of R1,1m) after tax, and did not declare a dividend.

Mackler said the events of the period were now in the past.

Adcorp feels pinch, passes its dividend

295

B/DAY 31/3/93.

MARCIA KLEIN

ADCORP Holdings, feeling the effects of a significant decline in recruitment advertising volumes, reduced its earnings by 43,7% to 8c (14,2c) a share in the year to end-December, and passed its dividend for the first time since listing in 1987.

The group, whose main interests are in recruitment advertising, communications and research, increased turnover 14,1% to R50,9m from R44,6m in the previous year.

But operating profit was reduced by 3,8% to R2,6m (R2,7m). An increase in its interest bill to R958 000 (R894 000) and a significant increase in taxation to R433 000 (R321 000) resulted in a 19,3% decline in profit after tax to R1,2m (R1,4m).

Chairman John Barry said that at the December 1991 year-end, Adcorp had forecast little change in earnings but continuing violence and uncertainty had resulted in a worse than forecast second half.

The manpower division, which is involved in recruitment advertising, was severely affected by the lack of business confidence. Barry said major operating subsidiaries Admark and Altolevel had maintained good market share, but operated at substantially lower volumes. This had resulted in the downsizing of a number of the manpower division's operations.

He said that in 1991, recruitment advertising was running at 40% of the volume achieved in 1988, which was a peak year. In 1992, volumes were even lower than those of 1991.

The 43,4% decline in attributable profit to R617 000 (R1,1m) followed a significant increase in profit attributable to minorities to R549 000 from R364 000. This reflected its 50% holding in Research Surveys, which had a good year.

Barry said the diversification into research had paid off, with sound performances being recorded by Research Surveys and The Qualitative Consultancy. In the communication division, TWS Communications had fared well.

He said the cost of financing the investment in Research Surveys continued to depress the results. "In that light, and with the need to improve liquidity on the balance sheet, the board has decided not to declare a dividend."

The move of the Johannesburg operations from five locations into one facility had caused disruptions and affected results in the last quarter, but Barry said the benefits were already in evidence.

He said there would be little change in market conditions in the current year. All companies in the group had taken "a cautious approach" to budgeting, and the group was on target for the first quarter.

Legal advice just a phone call away

SUSAN RUSSELL

A TELEPHONE service, offering subscribers a full range of advice on legal matters seven days a week, will come into operation on April 1.

Legal Line MD Abrie du Preez said the service would be operated by qualified and experienced legal advisers with at least a B Proc or LLB qualification.

Du Preez said the new service would greatly help to alleviate less serious problems, while cases requiring legal process would be referred to attorneys.

Many people, he said, were uncertain about their rights and obligations because they were reluctant to ask for advice or thought they could not afford to obtain legal advice.

"Legal Line will not represent clients, nor will it act on their behalf," said Du Preez. "That is the task of the attorneys and lawyers.

"However, we will help people by giving them professional legal advice so they know what their rights are and where they can get legal representation."

Du Preez said local and international research showed that on average eight out of 10 typical inquiries could be solved telephonically.

"Legal Line is not insurance against the cost of legal action.

"It is an affordable personal legal advice service informing you about your rights and options." B/DAY 31/3/93

Typical inquiries ranged from problems with contracts with domestic servants, inadequate or incomplete craftsmanship, problems with bank charges, guarantees on goods bought, recovery of excess payments on insurance claims and even problems with neighbours' barking dogs.

Du Preez said the service was available to subscribers.

Prestasi Brokers has already subscribed on behalf of its 150 000 clients.

Business as usual as cops meet call-girls

295

W/Mail 8/4 - 15/4/93

Johannesburg's red light district was the scene of a massive paramilitary operation last week — not a clampdown on prostitution, but a Police Board tour of escort agencies and massage parlours. **ALEX DODD** *and* **JACQUIE GOLDING** *report*

POLICE top brass, escorted by a large Internal Stability Unit contingent using armoured vehicles, rubbed shoulders with prostitutes during a bizarre Police Board tour of Johannesburg's red light district last Thursday night.

And at least one civilian member of the board expressed shock at the "paramilitary" nature of the operation, coupled with the apparent familiarity between police and escort agency proprietors.

Weekly Mail reporters witnessed senior policemen in plain clothes ogling topless waitresses over their drinks at the Romance Escort Agency in Claim Street, while armed ISU members stood guard at the door. Two ISU members said such visits were regular occurrences.

Said the Police Board member, who asked not to be named: "The invitation came from the Witwatersrand Police 'to join us for an evening to make you aware of the complexity of policing in the Witwatersrand'."

This board member was later sipping cocktails with the generals as women in G-strings inspired an escort agency regular to strip down to his yellow underpants. "I still can't see how the whole evening exposed the complexity of policing in the Witwatersrand," the board member said.

The Police Board is a Peace Accord structure made up of 11 civilians and 11 policemen, set up to explore ways in which police and community relations can be improved. In the past its members have been on excursions to ISU training grounds and township patrol missions.

This was an evening with a difference. It began with "an interesting briefing on policing (the changing face of crime, demographics, squatter community problems) in the Witwatersrand region by Lieutenant General Koos Calitz".

The group was then taken on a tour of several nightclubs, escort agencies and massage parlours in Johannesburg's red light district with members of the Witwatersrand narcotics branch acting as guides. The entrances to each of the tour's stopovers were guarded by 20 or more heavily armed and uniformed ISU members who followed the two minibuses from one establishment to the next in armoured Inyala combat vehicles.

"I'm sure it looked weird from the outside," the Police Board member commented. "It felt weird from the inside.

"The whole time I was wondering to what extent the utilisation of manpower for that evening was justified and what impression this high-profile, paramilitary-looking operation had on the general public," the board member said. "I felt totally out of place. The whole thing was completely interventionist and unacceptable. There seemed to be little consideration for the sensitivities of civilians."

The board member was also shocked by what came across as an "easy relationship" between the vice squad members and the proprieters of the clubs. "Our guides from the narcotics branch seemed to be on good terms with most of the owners. There was no problem with getting official access to the clubs," the board member said.

In one club the board members were served drinks by waitresses in see-through tights and bunny girl aprons while watching recorded snippets of women gyrating across a TV screen. Another escort performed a floor show to the booming sound of: "Anything you want you got it ... Anything you need you got it ... Anything at all you got it ... Babeeee ..."

Interviewed by *Weekly Mail* reporters, one of the ISU bodyguards said the operation "was nothing new. We have to do it once every couple of months. We are never told what they are doing inside. Those guys are top brass — we're just doing our jobs."

"This is so boring," added another guard, dangling his R4 rifle lamely. "I hate it when I have to come on guard duty."

The manageress of Romance escort agency in Claim Street, mistaking the *Weekly Mail* reporters for colleagues, reassured them that there was no reason to feel threatened by the police presence — they could continue with their business as usual.

"They're just here for a good time — men are men," she said. "A captain in the vice squad is good friends with Micky (Bakos), the owner," she said, smiling nonchalantly, and added, "that's why we never get busted."

Although the manageress of Karin's escort agency two blocks up confirmed that police visits to local escort agencies were a regular occurrence, she seemed less confident of a close relationship between police and the owner of her club.

She said: "We won't get raided tonight because they're showing the main *ouens* how the whores operate." Then, as an afterthought, she added 'that she found one policeman's bandy legs "so cute".

● Major Eugene Opperman replies: "This tour was conducted on the instructions of the minister of law and order. The SAP occasionally takes prominent people on tours of Johannesburg to inform them about the typical socio-economic problems and give such persons an insight into the complexity of policing in the Witwatersrand. Such tours are not unique to South Africa. To ensure the safety of these people, police escorts are provided.

"It is sometimes necessary for policemen to visit escort agencies in their official capacity and it follows that they get to know the owners. It may appear as if an 'easy relationship' exists, but both police and agency owners know exactly where they stand in relation to policing activities."

ADCORP HOLDINGS (295)
FM 9/4/93

No place for orphans

Professional services group Adcorp stands alone. Without comparable stock against which to rate it, analysts and investors must decide whether its 44% decline in EPS for the December year-end can be justified.

Track record is the best indicator of profit stability. The last four of the company's six listed years (three spent on the DCM) have seen EPS and dividends decline, with the worst performance in financial 1992. The dividend was passed. It should be noted, though, that a R1,2m rights issue in 1991 diluted EPS. Otherwise an increase would have been recorded.

The manpower division proved to be the weak link last year. Chairman John Barry says the division's staff was cut 10%. Research and communication divisions performed "well" with the former capitalising on the need for research-based decisions.

D

FOUR HARD YEARS

Year to Dec 31	1991	1992
Turnover (Rm)	44,6	50,9
Operating income (Rm)	2,7	2,6
Attributable (R000)	1 090	617
Earnings (c)	14,2	8,0
Dividends (c)	4	nil

FM 9/4/93. (295)

The balance sheet has weakened considerably following the group's R5m diversification since mid-1989. Adcorp bought PR practice TWS Communication, corporate design company JSA Design and financial advertising agency Adplan International. In 1990, a 50% stake in Research Surveys was added to the group. Senbank acquired a 15,25% stake in Adcorp in 1991 through the rights issue. Quite simply, Adcorp went on an acquisition spree without ensuring its ability to generate the necessary cash. When the going got tough, the company had no alternative but to borrow heavily.

The advertising recruitment business might be one of the first to benefit from an upturn in the economy. Volumes are already starting to rise for this service-based company. But shareholders are not likely to get a dividend until a reasonable level of profitability has been reached.

Only 1 000 shares have traded since October. At 90c, and on a p:e of 8,5, the stock is only 20c down from when the *FM* reviewed the company's 1990 report. This is not an investment for widows and orphans.

Kate Rushton

Commercial sex is a hot potato

South 10/4-14/4/93. (295)

By Edwina Booysen

LEGALISING prostitution will ensure that commercial sex workers cease to be invisible members of society, simply serving the needs of men, a senior ANC health policy committee member believes.

The debate on legalising prostitution is a hot potato few womens' organisations are prepared to handle.

The organisation which has come furthest in the debate is the ANC Women's League — but their PWV regional conference last year was unable to reach finality and referred the matter to branches.

"This illustrates how conservative many ANC members are, despite their commitment to the broad political objectives of the organisation," commented Ms Anne Hilton, member of the ANC's PWV regional health committee.

There are two key issues in the debate on the legalisation of prostitution.

Firstly, it must be decided whether women have the right to sell sexual favours, and secondly, how to ensure the health and safety of women in the industry.

The call to legalise commercial sex is based on the need for sex workers to join health and women's groups and to have access to regular health checks without fear of prosecution under the Immorality Act.

This would assist sex workers to develop strategies which would empower them to demand that clients use condoms to protect the sex workers from sexually transmitted diseases, particularly Aids.

Speaking in her personal capacity, Ms Rhoda Kadalie, gender co-ordinator at the University of the Western Cape, agreed commercial sex should be decriminalised.

"One has to look at the socio-economic factors contributing to sex workers being in the profession.

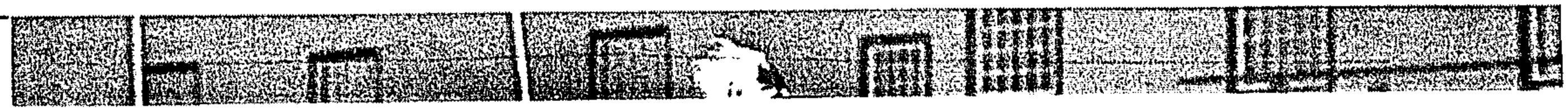
"Although there are women who choose that kind of work because it is 'easy money', there are those who are forced into it because of their circumstances and do it to survive.

The National Institute for Crime Prevention and the Rehabilitation of Offenders (Nicro) deputy national director of social services, Mr Vernie Petersen, said the organisation had not discussed the issue.

He believes the health and age of sex workers should be controlled.

"The authorities should be careful not to create openings for paedophiles. Youngsters need to be protected at all costs. I think legalising commercial sex will lead to a drop in sexually related assaults and attacks," Petersen said.

Cost of



'Sex workers' want legalised prostitution

295

W/Mail 8/4-15/4/93.

By GAYE DAVIS: Cape Town

SONYA wouldn't mind her work becoming legal. "It would keep the cops off me," she says, casting a wary eye along rain-soaked Loop Street. "The cops are the worst."

Her beat traverses dingy, downtown streets Cape Town councillor Dr John Sonnenberg has mooted should form part of a legal red-light zone, like Amsterdam's Canal Street or Hamburg's Reeperbahn.

He made the suggestion at a meeting of angry Sea Point ratepayers who were complaining bitterly about the proliferation of escort agencies and massage parlours in the suburb.

For Sonnenberg, decriminalising prostitution would make "eminent sense": the number of cases of sexually transmitted disease treated at city municipal clinics during the year ending June 1992 were up by 20 percent — one reason Cape Town's medical officer of health has backed his call.

By demarcating a legal red-light area, sex workers would be able to undergo regular health checks and could be certified as disease-free. Aids education would be easier and more effective. The police, adds Sonnenberg, could focus instead on combating the rampant increase in "real crime".

Sonnenberg's call has raised serious questions about the nature and implications of a legal, controlled sex industry.

"Women working in this way shouldn't be criminalised and marginalised as they have been," says Nike Turner, a University of Cape Town sociology graduate who has been working with women like Sonya in a safe-sex campaign in Cape Town for the past year. "But where is this call coming from, what motivates it and what kind of control is being asked for?

"Is it just aimed at cleaning up the suburbs, or empowering sex workers in a real sense? Is it just about providing men with a pool of 'clean' women to use? Is it a question of the state becoming the pimp?"

Turner firmly believes prostitution should be decriminalised. Prostitutes are extremely vulnerable to all kinds of abuse, she stresses, and have little opportunity for redress. "They get raped, but the attitude is that prostitutes can't be raped because they sell sex. They get robbed, but while the police would be there in a flash if a shopkeeper had goods stolen, there's nothing a prostitute can do if a man takes back his money after having sex with her. We also hear of policemen who say they won't fine women if they agree to have sex with them."

Legalising prostitution would help address these injustices, says Turner. But she's concerned about just what "control" would involve. "A lot of the women I've worked with are in control of their own lives. They're not all powerless victims. Legalisation could put the state and police in charge. That's not the solution."

Dr Malcolm Steinberg, head of the Medical Research Council's national Aids project, also urges caution: "Legalising prostitution should not be approached piecemeal. It's a positive step, but should be thought through carefully.

"Let's say you legalise it in one area and set an age limit of 18 years. The kids would continue to operate outside, and there'd probably be harsher laws in effect to prevent this. So you'd need to step up social programmes for them.

"From the point of view of HIV and Aids, there's no way you can prevent its spread or control it in a situation where people are operating underground. You just can't reach them."

Turner would like to see a centre established where women could come not only for condoms, KY jelly, health checks and counselling, but a wide range of advice.

"It would be the kind of place where a girl could come and find out about going back to school, getting training for a different kind of job, or where to report an assault.

"Drops in the levels of HIV incidence in places like Amsterdam have less to do with legalising prostitution than the kind of intervention that goes with it. In Holland, there's no moralising. They say, do your work, but here's the knowledge you need to do it well and to take care of yourself."

Four top agencies lead income stakes

B/Day 20/4/93 (295)

KELVIN BROWN

OGILVY & Mather RST & M, Lindsay Smithers, Young & Rubicam and BSB/Bates remain the top four income earners, according to Finance Week's annual listing of the country's top 20 advertising agencies.

Finance Week rankings were based on the assumption that all income was earned on a standard commission basis of 16,5%.

The two biggest agency groups, Ogilvy & Mather and Lindsay Smithers, recorded impressive growth.

Ogilvy & Mather increased its billings to R372,1m from R324,6m the year before.

Lindsay Smithers billings rose to R278,4m from R230,3m in 1991.

Best performers in terms of growth in earnings were The White House, D'Arcy Masius Benton & Bowles (DMB & B), Hunt Lascaris TBWA and J Walter Thompson.

The White House increased its income by 85,7%.

It gained Eskom as a major account and lost no accounts in the first quarter of this year with billings increasing by R3m. The agency moved up to 17th position from 21st the previous year.

DMB & B grew by 82%, moving up the rankings from eighth to fifth position. It gained Volkskas and SA Optometrists as major accounts and achieved R5m in billings in the first three months of this year.

Hunt Lascaris increased its income by 35,1%, gaining R21,2m in extra billings in the first quarter of this year.

It won 10 new accounts this year, including Anglo American Corporate, Steers, NCD, Edgars Club and Electronic Yellow Pages, worth R21,2m.

J Walter Thompson moved up the rankings to 12th position from 14th with a 31,3% growth in earnings.

Grey Advertising and Barker McCormac lost the most income, with earnings falling by 49% and 20,9% respectively.

Grey Advertising dropped to 11th place from 5th. However, it lost no accounts in the first three months of this year and gained several new accounts, increasing its billings by R1,5m.

Barker McCormac also lost no accounts in the first quarter and took on several new clients.

Media Graphics was a new entry to the rankings, slotting in at 15 with billings of R50,9m.

Wilsenach and Wilson Keller, among the top 20 agencies last year, fell out of this year's list.

Dial-a-Movie on the move

(295)

S/Times

(Buss Times)

18/4/93

TALK has it that video and compact disc franchise company Dial-a-Movie is set to gain a "big brother" through a rights issue, to be announced in the next few weeks.

It is believed that a financial institution with foreign banking interests will obtain a 30% stake in the retailer by underwriting the issue.

The move, it is said, will pave the way for international expansion of Dial-a-Movie's Top CD chain.

Executive chairman Brian Cunningham will not comment, but the possibility of a rights issue and foreign venture was alluded to when interim results were announced recently.

Dial-a-Movie was one of the JSE's top performers in the first quarter of this year, when its share price rose 355%.

The counter, now trading at 100c, moved from 15c in July last year to peak at 110c.

The rise followed an announcement that earnings for the six months to December had almost trebled from 5c to 14c a share in spite of a market plagued by price-cutting.

The group's fortunes have changed since it began a major thrust into the CD market in 1989 and rid itself of the losing consumer electronic Top Tec chains at the end of 1990.

The CD business is expected to make up two-thirds of profits in the current year to June — when, according to Cunningham, attributable earnings could be up by more than double.

There are now 20 Top CD franchises and one more will open in Cape Town in May.

After this the group will consolidate its position until September, when it will again embark on an expansion drive.

Few consumers give the thumbs-down to TV ads

(295)

B/DM 13/4/93

KELVIN BROWN

VERY few consumers actively disapproved of TV advertising, a Gallup poll carried out by Markinor in November showed.

Respondents in urban areas gave advertising a strong vote of approval with 51% of whites and 47% of blacks saying they approved a lot. A further 34% of whites and 22% of blacks approved a little.

People between the age of 16 and 34 years tended to approve more strongly of advertising than those over 35 years. Education and income also had an effect on the level of approval. The higher the education and income, the stronger the approval of advertising.

Unfortunately for advertisers, 42% of whites and 19% of blacks said they would not buy a product if the ad irritated or annoyed them. Only 10% of whites and 4% of blacks claimed this had happened frequently.

White consumers found washing powder and fabric softener adverts the most annoying (12%). The main culprits were ads for Omo and Sunlight Fabric Softener followed by Morkels and Spar adverts.

No brand was mentioned by more than 2% of black respondents as being a "switch-off".

More bad news for advertisers was that 59% of whites and 54% of blacks had never felt a TV ad motivated them enough to buy a product.

Interestingly, the culprits in the "switch-off" category were also the winners in the "turn-on" category. At least 5% of white respondents decided to buy a washing powder or fabric softener after seeing it advertised.

Chicken Licken's S'Dumo burger ad (6%), followed by Coca Cola (5%), Omo (3%), Omo Micro (3%) and Surf (2%) were voted the most persuasive TV ads among black respondents.

MARCIA KLEIN reports a Bernstein, Loxton Golding & Klein's (BLG & K) Media Bulletin says there is evidence of a positive correlation between TV adspend and maintaining or increasing market share.

The bulletin comments on a UK survey by John Billet Consultancy of market share of 127 brands of fast moving consumer goods measured against TV adspend.

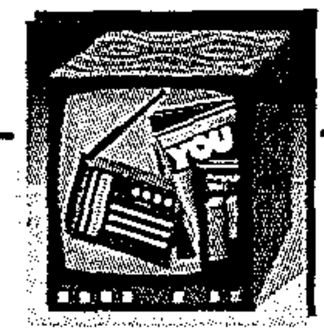
The survey showed that TV advertising had not become less relevant following a deep recession, with extensive price cutting, development of own brands and other techniques to tempt the consumer.

But the survey did show that other influencing factors of market share, like social change, could be growing in importance.

Highest performing brands in terms of market share had increased total adspend by 7% in the first half of last year compared with the previous year, and their average market share rose by 1,1%.

The lowest performing brands had reduced total adspend by 8% and their average market share dropped by 1,6%.

BLG & K said the averages contained wide brand-by-brand variations, and the findings indicated that the relationship between TV adspend and market share had to be seen in the overall marketing context.



is (295) FM 23/4/93

subsidiary to expand its business considerably, the existing clients complement the market sectors that we have been trading in for many years."

The investment has boosted the enlarged group's grossed-up billings to R15m. Leading clients include Total, L'Oreal, Roussel, McCarthy Group and Vital Health Foods. ■

Some like it hot

The hot competition between electronic media for viewers is shown in the advertising expenditure figures for 1992. The biggest increases were recorded by M-Net (the biggest advertiser of 1992) and SABC. As measured by Adindex, the pay-TV station's measured adspend increased more than five-fold, from R13m in 1991 to R71m last year. However, it must be noted that M-Net actually spent far less than this, since most of its advertising is on its own broadcasts and is not paid for.

The same caveat applies to SABC, which recorded the second biggest growth rate and moved up to sixth biggest advertiser. Second biggest spender was Lever Brothers, followed by SA Breweries.

For the first time in many years, the country's three big supermarket chains, Pick 'n Pay, OK and Checkers (now Shoprite/Checkers) are not the biggest advertisers. Their increases were the smallest of the top 20. Pick 'n Pay has fallen to fourth, OK to fifth and Shoprite/Checkers to ninth.

Tony Koenderman

Think small

Small agencies are much in the news at present. Two snippets:

☐ Somewhat overlooked in the traumatic events at Grey Advertising in the past year has been its specialist medical advertising company, Grey Health & Medical. The agency has now joined the international Grey Healthcare Group and has adopted that name.

Grey Healthcare operates from 188 offices in 11 countries. Locally, it may benefit from an established client base of international pharmaceutical companies and a "lead agency" system which selects one of the group agencies to take the lead on each project and to co-ordinate the participation of other agencies; and

☐ After its most successful trading year since the business was started in 1976, Sandton-based advertising and public relations consultancy Clews & Co has now expanded by taking a substantial interest in the Cape Town agency Admix.

"We foresee a lot of potential in the Cape area," says MD Nick Clews. "Apart from providing the infrastructure to enable this

Creative flair keeps agency in the hunt

Star 24/4/93.

WHAT started as a business from the boot of a car in a parking lot has today mushroomed into one of South Africa's foremost advertising agencies. MANDY JEAN WOODS reports.

IF YOU stay in the middle of the road, you are likely to get run over from both directions. That's a saying often repeated within the offices of advertising agency Hunt Lascaris TBWA.

Nothing about this agency — or its staff — is middle of the road. It has just been named international ad agency of the year by the advertising and marketing magazine Advertising Age.

In the first four months of this year alone the agency has gained no fewer than 10 new accounts worth in excess of R21 million. Its creative streak (it is a regular winner of international and local awards) is in no small part a reflection of the skills of the agency's founders.

Reg Lascaris, John Hunt and Jenny Groenewald were the three founding partners of the company, which started business in 1983. They made their first sales out of the boot of a car in the parking lot of the Rosebank Hotel.

Group managing director Lascaris (44) is the agency's front man. "He loves being in the limelight," one colleague noted, "and he is good at it."

Educated in Europe and South Africa, he started his career in advertising 20 years ago as a junior account executive at Grey Advertising, and was deputy managing director at Kuper Hands before he left to start his own agency in 1983.

He is described as charming, smart and "the kind of person who is friends with his enemies". In the mid-1980s he co-authored the best-selling *Third World Destiny*, a futuristic book which broke down apartheid paradigms and predicted trends in the new South Africa. More recently, he co-authored *Communicating in the Third World*, a "how-to" communication guide for South Africa and Third World countries in general.

Despite his busy schedule, he finds time to serve the broader community, and is the National Peace Committee's marketing committee vice-chairman.

Newly married John Hunt (38) is the agency's creative brain. As the creative director he ultimately has control over creative thrust, although he strongly affirms that the end product is the result of team effort.

JENNY GROENEWALD: Fierce determination.

REG LASCARIS: Loves the limelight.

JOHN HUNT: The creative brain.

Hunt is more of an an introvert, preferring to take a back seat when he can. He is an avid reader and says he finds writing relaxing. Even when writing as a hobby, Hunt has achieved success. He has written four plays, three of which have been staged in South Africa, and one, *Vid Alex*, about censorship in South Africa, won him the playwright of the year award in 1988/89. He has just completed a new play about violence in South Africa.

Born in Zimbabwe and educated in England and South Africa, his winning streak began with a TV drama he wrote, *Sabrina*, which won a bronze award at the New York Film Festival. He also wrote a satire on the advertising industry, *Joker in the Pack*, published in the US in 1983. "It sold at least half a dozen copies worldwide," he notes wryly.

Groenewald is "forty-something", was born in Bloemfontein and attended the Johannesburg College of Art. She won her first international awards at the age of 25. She met Hunt while they worked together at De Villiers and Co, where they won numerous international and local awards.

She is described by colleagues as extrovert, "a very determined person who has voluntarily grown into being the person who tirelessly maintains standards.

"She is always working, questioning whether what we are doing is right," a colleague says.

Groenewald, as the creative head of Hunt Lascaris TBWA FMC (a division of the main agency which handles retail goods), was responsible for producing one of South Africa's most controversial ads, the latest corporate ad for Steers.

● See Page 16

SA advertising behind the times — Loerie judge

(295)

B/Day 27/4/93.

KELVIN BROWN

MOST SA advertising was slightly old-fashioned and behind British standards, international Loerie judge Chris Palmer said yesterday.

He was basing his assessment on entries he helped judge in the above-the-line advertising section of the 1993 Association of Marketers Loerie awards. Winners will be announced on June 11 at the Sun City Superbowl.

Palmer was a founding partner of Simons Denton Clemmow & Johnson, the top scoring agency in the Campaign Agency Report in Britain for the past three years. Clients include British Telecom, Nike and Virgin Atlantic Airlines.

It was understandable that advertising in SA was out of date with the latest international developments given the many years SA had been isolated from the rest of the world, Palmer said. "When one steps off the conveyor belt one tends to fall behind."

However, SA's good ads could stand up to the best in the world, Palmer said. "In some cases it was even better than the best in the rest of the world."

The standard of TV and radio advertising was better than that of print and posters. Posters were not used as extensively in SA as they were in Britain which "appeared to affect the quality of poster advertising in SA".

Palmer was particuarly impressed with the way information was put across in a non-visual form on all types of advertising. "It was very sophisticated and has given me some ideas that I hope to use in Britain."

However, he said the ideas in local ads did not always match up with production techniques, thus harming the effectiveness of the ads.

Voiceovers on some ads used a tone of voice "unsuited to the regular people they were addressing".

He was particularly impressed with the standard of judging. "Judges seemed very fair, honest and considered other opinions."

Palmer has served on several advertising award committees. He has been a Designers & Art Directors Association judge since 1989 and has served on the judging panels at the Campaign Posters awards and the Scottish Advertising awards.

Meanwhile, the Loerie committee was considering several changes in an effort to improve the Loeries and update their image for the '90s, Loerie committee chairman Ivan May said yesterday.

The most fundamental change being considered was reviewing the strategy of giving the Loerie account to a different agency every year.

Other changes under consideration were promoting the Loeries after the event and changing the 15-year-old corporate identity of the awards.

"The committee believes that certain core values of the Loerie brand should not be altered and have therefore decided to rethink the practice of changing agencies every year," May said. When changing agencies there was the risk of eroding the brand. Marketers changed agencies only if they were not happy with what the agency was doing.

A special subcommittee had been appointed to look into the issue and to make recommendations to the main committee.

There were strong arguments for maintaining the status quo, May said. The agency has been changed every year to keep the interest in the Loeries alive and to be fair to the industry. An agency benefited from having the account because of the credibility of the Loeries. "It gives the agency panache and looks good on its CV."

Following the findings of a survey last year the committee had decided to make several changes.

Minor awards would be cut out of this year's ceremony in an effort to reduce the length of the preceedings. Minor awards would be announced at the award ceremony but would be collected after the event.

This year the Loeries would continue to be promoted after the award ceremony in June, May said. "Any marketer knows how important post-purchase marketing is to the brand."

The committee had a duty to winners to promote the award's stature.

A tracking study, much less elaborate than the original survey conducted last year, would be implemented later this year. The data collected from the study would be important to determine how the Loeries could be improved in the future.

Award-winning work published in guide

B/Day 27/4/93.

KELVIN BROWN (295)

SA's first comprehensive visual compendium of above-the-line advertising agency work was launched at the weekend.

The book was the outcome of discussions within the local advertising industry, which sought a reference guide of award-winning work and other campaigns, editor Gisele Wertheim Aymes said.

The Agency Book, designed and published by the Jupiter Drawing Room, sported 198 pages of work by SA's top 40 agencies. It was intended to promote the local advertising industry abroad and to act as a reference guide for students and marketers, Aymes said.

About 1 800 copies would be distributed to SA's leading marketers. Others would be sent to SA embassies and Institute of Marketing Managment and Association of Marketers' branch offices abroad. Copies would also be made available to selected educational institutions in SA.

The work published in The Agency Book reflected that advertising in SA had developed despite many years of isolation from mainstream global advertising. "We should not be relegated to the ranks of some kind of backward Third World state."

It would be published every second year. The next issue would be broadened to include below-the-line advertising, design and production, Aymes said.

Top award 'puts Hunt Lascaris among giants'

(295)

B/Day 27/4/93.

GAVIN DU VENAGE

SA's advertising industry had been accepted among the ranks of the international industry giants, Hunt Lascaris creative director John Hunt said last week after his agency won a major award.

Last week the US-based Advertising Age declared Hunt Lascaris its international agency of the year, an award that is closely followed by the overseas media and marketing industry.

The agency had to submit a portfolio of 12 advertisements spread across three categories: radio, print and television. There were 78 competitors from 28 countries.

Hunt said that the award had lifted SA above its image of a violence-ridden banana republic and reflected not only on the agency itself but on SA's economy.

Overseas media and marketing analysts recognised that a First World advertising industry could only exist in a strong First World economy, underpinned by product diversity and multinational corporations, Hunt said.

The award showed that SA had a sound business framework and a media infrastructure with the capacity to carry sophisticated advertising — important considerations for potential investors, he said.

Hunt said that the judges were surprised at the level of technical skill used in making ads. Initially they had thought the creativity was South African but that production was carried out overseas.

Hunt said the judges had shown a great deal of confidence in SA in making the award, particularly as it came so soon after Chris Hani's murder. "It's like giving (the award) to a Serbian agency," he said.

Since the award was announced, the agency had been flooded with inquiries from all over the world. He said queries went beyond advertising, and extended to questions about the local marketing and media industries.

TRACY SCHNEIDER reports that locally produced Hunt Lascaris advertisements are now being flighted overseas following the company's success.

BMW subsidiaries in France, Belgium, Cyprus and Australia are running the car maker's SA advertsincluding the award-winning Mouse ad, Mercury corporate commercial and logo in a wheatfield.

"BMW subsidiaries themselves requested permission to run the commercials. It's satisfying that work from the tip of Africa is now being shown in so many countries," Hunt said.

Autopage has another good year

295

DUMA GQUBULE

AUTOPAGE, the radio paging group in the Altech stable, ended another successful year, increasing attributable earnings by 16% to R6,7m for the year ended February 1993.

This was equivalent to earnings of 24c (20,7c) a share. The dividend, pegged at 8c a share for the previous three years to bring the company in line with Altech's policy of a three times covered payout, was raised to 9c a share.

Newly appointed chairman Craig Venter said the group had good growth in all businesses. B/Day

Telerate (UK) had exercised its right to buy Autopage's interest in the SA business. The proceeds of R5,6m were received after the financial year-end.

Autopage's turnover was up 8,6% to R39,8m and would have been about 20% higher with a full year contribution from Telerate, Venter said. 29/4/93.

Operating income rose 18% to R12m (R10,2m). Attributable income came to R6,7m (R5,8m) and net asset value increased 45% to 50,5c (34,8c) a share.

Venter said product development and diversification had resulted in the expansion of its Paging, 4-Warn and Vehicle Tracking product portfolios.

The company had spent the past year preparing for Global Speciale Mobile telecommunications technology and expected to play a major role in providing services to the cellular telephony market.

Zodwa strikes clean gold

■ ENTREPRENEUR OF THE YEAR Graduate sweeps up the opposition:

Sowetan 30/4/93. (295)

WHEN ZODWA TSHABALALA bought a sophisticated cleaning machine from a salesman after a demonstration, she did not realise that it was the first step towards starting her own business.

The machine cost R5 000 and she wanted it to pay for itself.

"I paid cash for it and I decided that it should pay me back my money.

"Then I started cleaning friends' apartments in my spare time," said Tshabalala, who was then a projects co-ordinator for the South Africa Students Internship Foundation.

Sasif is an organisation which equips black graduates with skills to market themselves better for jobs.

Tshabalala's part-time cleaning business soon gained momentum.

"I found that there was a need for this type of service, to the extent that I was able to get someone else to help me."

Things started happening for Tshabalala. Six months later her company, the Brush and Broom Cleaning Services, secured a big contract.

She saw an advertisement in *Sowetan* in which the newspaper invited applications from black companies which could offer cleaning services for its offices. She promptly made an application.

After waiting for about four months, Tshabalala secured the contract and employed three more people.

She presently employs four people - three men and a woman. The money she makes from her newly clinched contract with *Sowetan* now comprises 75 percent of her monthly income.

Tshabalala did not turn her back on her other customers. The company still provides cleaning services for places like Barnato Hall, a student residence at Wits University's West Campus.

Providing cleaning services for private homes contributes 25 percent of her monthly income of about R6 000.

The business that Tshabalala has decided to venture into is highly physical in nature and for a university graduate it appears an odd move - but she is not worried.

"I know this business is not going to make me rich overnight but, if handled properly, it is worthwhile," she said.

She feels much more in control of the situation at the moment and is negotiating additional contracts.

As experts say, an act of starting a business itself is a sign of entrepreneurship. Although technically, argue experts, everybody can be an entrepreneur, some people's entrepreneurial spirit is higher. Perhaps this applies to the Swaziland-educated Tshabalala.

Zodwa Tshabalala ... things are happening

Setting new standards for travel agencies

295

S/Times [C/Metro]

TWO former Armscor employees have opened a travel service which aims to generate tourism through the development of their own special projects. 2/5/93.

Italm — the name is derived from the company's dedication to international tourism, advertising and marketing — was setup by Koos van den Berg and Andre de Jager.

"International tourism is the fastest growing industry in the world," accoding to Mr van den Berg, "and in South Africa, that potential is relatively unexploited."

"My background provided me with a very good data base to sell South Africa to foreign trade missions and governments."

So far, these approaches have resulted in trips to South Africa from the Russian Trade Mission, the Paris Chamber of Commerce and trade delegations from some of the Arab countries.

READY FOR TAKEOFF ... Andre de Jager, marketing consultant Debbie Rossouw and Koos van den Berg in the foyer of their agency

Where Italm differs sharply from other agencies is its ability to research areas of business interest for overseas investors and to introduce local businessmen to overseas partners.

"If an overseas investor comes here looking at a particular type of business we can not only identify a company for him, but we can also introduce him to the relevant person in that company," said Mr van den Berg.

"Our communication network is excellent and we can handle all types of promotional work through our printing and advertising side. But what sets us apart from the average travel agency is our willingness to look at a proposition, research it, and promote it through our contacts. The travel bookings follow much later," he said.

SA franchising 'needs strict policing'

B/DAY 6/5/93. (295)

TRACY SCHNEIDER

STRICTER regulation of the local franchise market was needed to shelter South Africans from technically unsound or fly-by-night franchise schemes.

Webber Wentzel partner Lawrence Reyburn said South Africans who linked up with franchise chains that were not well organised and soundly managed found themselves "wide open to abuse".

"Widespread overseas franchise interest in SA has made it important to improve the status of franchising in this country. Ground rules need to be established which are clear, comprehensive and fair to the franchisor and franchisee," said Reyburn.

SA Franchise Association (Safa) executive director Jack Barber said self-regulation of the industry would prevent the need for strict legislation.

In the US, operators had to submit detailed prospectuses to federal and state authorities before setting up business.

Safa had received numerous calls from franchisees who had "been burnt" by chancers, in some cases losing up to R30 000 each.

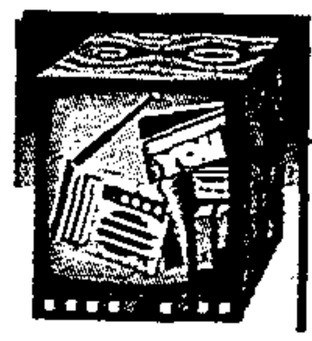
"There is nothing we can do if the franchisor is not a member of Safa. We have strict membership screening and a code of conduct and warn people to be wary of schemes that are not registered with the association," said Barber.

Safa was looking to submit a code of conduct to the Business Practices Committee.

Business Practices Committee chairman Louise Tager said she would welcome the move: "If a code is approved, it also applies to non-members of the self-regulatory body, and contravention amounts to a harmful business practice."

Reyburn said many US franchisors had shown keen interest in SA. However, many of them were hesitant to enter SA because of the unregulated industry with its patchy reputation.

Reyburn said the local franchise industry had enormous growth potential, with franchise business in the US generating 36% of all retail trade compared to SA's 6%.



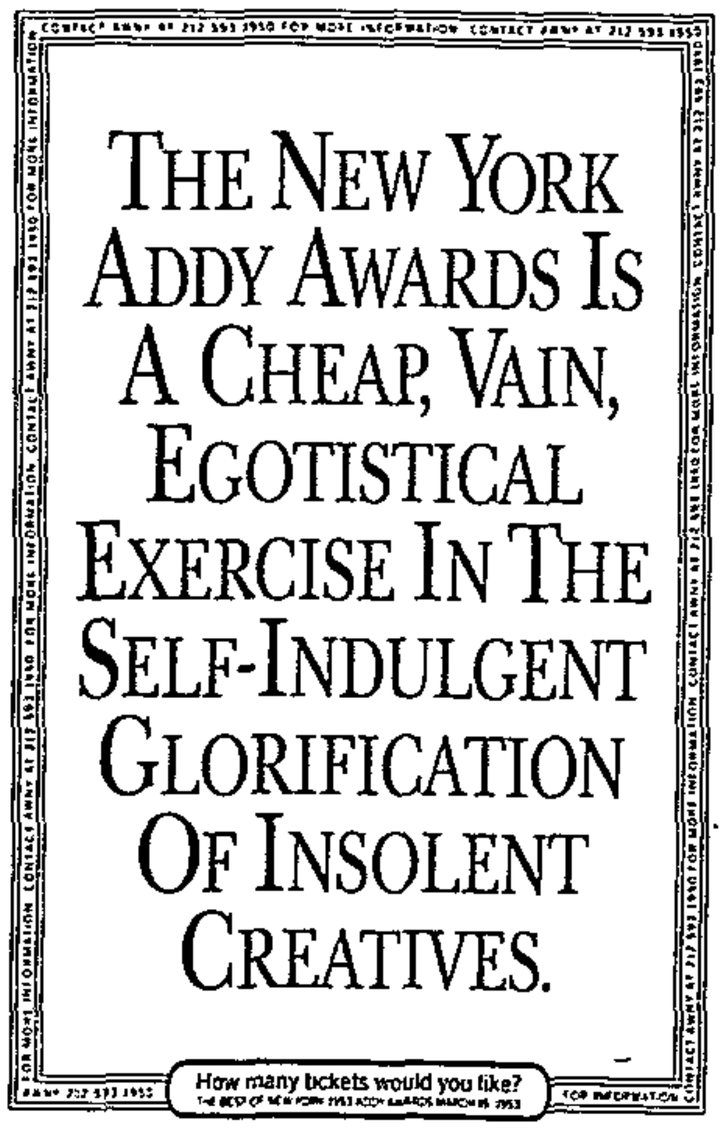
AWARDS

The branding of the Loeries

FM 7/5/93 · (295)

After last year's barrage of criticism, a radically different approach has been taken this year to marketing the Loerie Awards, the ad industry's annual creative splurge on June 11. The key aspect of the strategy has been to treat the Loeries as a brand, says Nedbank senior marketing manager Ivan May, who heads the Loerie committee.

The first thing May did — last year — was to commission some research on how the product was perceived and the complaints that the target market had about it. "If you want to promote a brand, you have got to know what your consumer wants, and you have to have a proper strategy," says May. "You can't promote a brand without the basics in place."



Ad for the Addies ... *should Loeries follow suit?*

The research established a number of very satisfying things. One was that the Loeries are regarded unquestionably as the pre-eminent awards forum in the country. Another was that the vociferous minority calling for the ceremony to be a cheaper function than the lavish Sun City bash was just that — a minority. Most people in the industry, says May, want the glitter, the networking opportunities and the sense of occasion that the Sun City extravaganza provides. "The stature of Loeries depends on the recognition the creative people give it."

The branding strategy, carried to its logical conclusion, involved a much more focused approach to advertising. The prime target market is not the public at large, but the relatively small marketing and advertising community. So instead of television and outdoor advertising there is a print campaign placed only in relevant publications.

Though the media strategy seems right, the creative side has had some negative feedback. It's somewhat serious — certainly a far cry from the irreverent approach used for the New York Addy awards.

A major concentration has been on public relations, directed essentially at the specialist marketing press, which has been the conduit for most of the criticism in the past.

"We have tried to keep our eye on the ball and do what we always tell our clients to do," says May. "We have tried to go for as many different tools of marketing as possible. This year the big emphasis has been on media relations. I believe, whether it's positive or negative, the role of the media is absolutely critical to our success."

Other elements in the programme include post-purchase marketing (ensuring that people feel satisfied with their product and their awards after the event), tracking studies in subsequent months to establish how people feel about it, and a new look at the corporate identity design elements.

As for the ceremony itself, "we are working very hard to ensure that it won't be a tedious evening. Entertainment will be less obtrusive, more for background. The Loeries will be the hero of the evening, not the entertainment."

Has the strategy worked so far? The Loeries has attracted a record entry of 1 700, so perhaps the answer is yes. May feels upbeat. "It is not easy. There are many people with different opinions. But I feel good about it."

FM 7/5/93 · (295)

Beyond compare

SA advertising is slowly moving towards a more liberal approach to comparative advertising. Five options for its future regulation are to be presented to members of the Advertising Standards Authority at its AGM on May 7. They range from maintaining the *status quo* through to adopting the US model of allowing unfettered comparisons and denigration.

Between the two extremes are options of varying liberality. One would allow advertisers to identify competitive products by name, logo and trade mark. Another would allow you to identify competitors by implication only.

For the intermediate options, says ASA executive director Delene Beukes, "we have taken into account the 10-point EC code to ensure that comparisons are fair."

The 23 member bodies of the ASA will then take the choices back to their memberships in order to agree on their recommendations. The arguments for and against each option are explained in depth, with examples of how they would affect advertising. Beukes says a vast amount of research has gone into the exercise, with visits to similar bodies in London and at European Community headquarters.

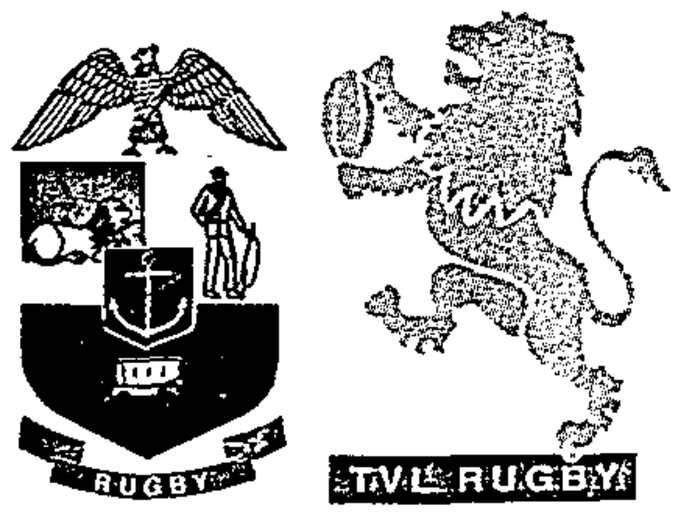
The argument over comparative advertising has gained in intensity over the past year, particularly in the light of proposed changes to the Trade Marks Act, and a Bill of Rights which is likely to guarantee fundamental freedoms. The most vociferous opponents have been members of the Association of Marketers. Within the ad agency world, a majority appears to be in favour of removing restrictions on comparative advertising.

According to the Centre for Advertising Services in the US, "comparative advertising is an effective approach — when used within the framework of its strengths and limitations." A summary of its research has been circulated locally by McCann-Erickson. Among other conclusions:

- ☐ Comparison advertising tends to be somewhat stronger in the ability to register brand names. But it doesn't do much to build brand image;
- ☐ Comparisons should be avoided by dominant category leaders, but considered for new or minor brands; and
- ☐ Don't use comparisons that sharply offend users of other brands.

Tony Koenderman

LIONISED



Though many things about rugby officialdom in SA seem still to belong in the pre-Cambrian era, the Transvaal Rugby Union has at least updated its dowdy old emblem.

Designer Jeremy Sampson has replaced the depiction of a Voortrekker and other dated symbols with a gold lion holding a rugby ball. The reaction of the British Lions is not known.

Star 12/5/93

Innovative concept in car wash franchising

295

AMONG the franchise opportunities approved by NedEnterprise and which show promise for growth, is top European car cleaning system, Kleindienst and the Euro-Line range of car care products now being franchised, under license, by Cosy Care.

Cosy Care's Ernst Budweg reports that he currently has 800 franchisee applications for the system which, depending on which machinery packages one buys, costs between R130 000 and R180 000 to establish.

An interesting departure from the usual franchisee package is that no royalties are charged. Instead a fixed management and service charge which covers training, is based on the size of the operation but not linked in any way to turnover.

Says Budweg: "The use of car wash outlets has increased steadily in recent years, despite the recession."

Prostitution: arrests

*7. Mr M J ELLIS asked the Minister of Law and Order:

(1) How many women were arrested for prostitution during the course of 1992;

(2) whether these women were tested for sexually transmitted diseases; if not, why not; if so, how many of them were found to be HIV-positive? B766E

The MINISTER OF LAW AND ORDER:

(1) 1 789

(2) No.

The South African Police has no authority to subject women to such tests.

*8. Mr E K MOORCROFT—Agriculture. [Question standing over.]

Drivers' licences: self-governing territories

*9. Mr P G SOAL asked the Minister of Transport:

Whether, with reference to the reply to Question No 9 on 17 June 1992, any discussions have taken place in regard to the issuing of drivers' licences in (a) KwaNdebele and (b) other self-governing territories; if not, why not; if so, what was the outcome of these discussions? B771E

The MINISTER OF TRANSPORT:

(a) and (b) Yes, discussions took place with the Commissioners-General of all the self-governing territories with regard to the issuing of drivers' licences. The SA Police, Department of Home Affairs and Provincial Administrations were also involved in the discussions.

From the discussions it was clear that as a result of the provisions of the Self-Governing Territories Constitution Act, 1971, the Department of Transport has no authority in respect of the issuing of licences in the territories which possess the necessary legislative authority in regard thereto. All self-governing territories, with the exception of KwaZulu, exercise legislative authority in respect of the issuing of drivers' licences.

Therefore the matter is being addressed in a twofold manner. Further discussions with the Cabinet of each of the relevant self-governing territories on a bilateral basis are being initiated. These discussions are to be followed by a multilateral meeting of all the territories involved. In the meantime, all information in respect of the alleged misconduct in self-governing territories is brought to the attention of the SA Police for their investigation in conjunction with the police in these territories. In order to investigate the allegations in respect of all the territories in an effective manner, the SA Police is forming a specific task group for this purpose.

Pilatus company: contract for PC 7-MK II aircraft

*10. Mr P J GROENEWALD asked the Minister of Defence:†

(1) Whether any (a) persons, (b) companies and/or (c) other organizations received any (i) remuneration and/or (ii) commission arising from the granting of a contract to the Pilatus company for the supply of a number of PC 7-MK II aircraft to the South African Air Force; if not, why not; if so, (aa) for what services, (bb) what are the names of the persons, companies and/or other organizations concerned and (cc) what amounts are involved, in each case;

(2) whether he will make a statement on the matter? B651E

The MINISTER OF DEFENCE:

The contract was concluded between the company, Pilatus, and Armscor. According to Armscor no remuneration or commission was paid to any other persons, company or organization as far is known.

Forged identity documents

*11. Dr W J SNYMAN asked the Minister of Home Affairs:†

(1) Whether any cases of the use of forged identity documents in the Republic were brought to his or his Department's attention recently; if so, what is the estimated extent of this;

(2) whether he will make a statement on the matter? B774E

The MINISTER OF HOME AFFAIRS:

(1) and (2) Malpractices such as for example the submitting of forged documentation in order to acquire identity documents, the forging of identity documents and the using of forged identity documents do in fact occur. An amendment of the Identification Act, 1986, to introduce more stringent measures for the better safeguarding of the integrity of the identity document, was consequently enacted by Parliament earlier this session.

Aforementioned malpractices come to the Department's attention sporadically as a result of investigations by the SA Police and internal investigations by the Department. For the hon member's attention I may mention that the Department furnished 104 and 120 sworn statements, respectively, to the SA Police during March and April 1993 in respect of confirmed instances of forged identity documents as a result of investigations by the Police regarding such identity documents.

It can also be mentioned that the Department is at present investigating 100 instances where identity documents have been acquired by means of the submission of forged documentation.

The Department regards each such case as serious and will leave no stone unturned to bring offenders to justice.

Attorneys: appearance in Supreme Court

*12. Mr D J DALLING asked the Minister of Justice:

(1) Whether, with reference to his announcement in Parliament on or about 23 April 1993 in regard to the appointment of a commission of inquiry into attorneys' rights of appearance in the Supreme Courts, the terms of reference of this commission have been finalised; if not, why not; if so, what are the terms of reference;

(2) whether the chairman of this commission has been appointed; if not, why not; if so, what is the name of the person so appointed;

(3) whether he will make a statement on the matter? B775E

The MINISTER OF JUSTICE:

(1) Yes. A copy of the terms of reference is attached.

(2) No. The hon Chief Justice of South Africa has agreed to mediate between the legal professions on the question of a joint recommendation for a chairman. As soon as this question has been settled I shall be in a position to approach the State President for the appointment of the Commission. The Commission will then be requested to complete its task in the shortest possible time.

(3) A statement is not necessary.

TERMS OF REFERENCE

COMMISSION OF INQUIRY INTO THE GRANTING OF WIDER POWERS TO ATTORNEYS AND RELATED MATTERS

To inquire into, report on and, where appropriate, make recommendations in regard to—

1. whether, in principle, it is desirable, feasible and in the public interest that certain attorneys in private practice be accorded the right to discharge all or some of the functions of an advocate, including the right of appearance in court, in any proceedings in the Supreme Court of South Africa (hereinafter referred to for convenience as "audience rights");

2. irrespective of the conclusions reached and recommendations made in regard to paragraph 1 above, and on the assumption that the principle is to be accepted that certain attorneys in private practice are to be accorded audience rights, the practical implementation of the principle and in particular—

   2.1 the academic qualifications to be required of an attorney in order that he may be accorded audience rights;

   2.2 whether an attorney wishing to be accorded audience rights should be required to pass an examination in

cont

A popular option for lazy owners

B/DAY 13/5/93, (295)

FOR lazy computer owners, third party maintenance (TPM) agreements are becoming a popular solution.

Hence the fast growth in demand for TPM worldwide — and now in SA. According to Technicare MD Fanie Marais, more companies are choosing maintenance agreements rather than having to phone a myriad of equipment suppliers when a PC or printer goes on the blink.

"Because many companies have sourced their equipment from a wide range of suppliers, some of which have perhaps since closed their doors, it's become cost-effective to have a single source of maintenance," he says.

Technicare has formed strategic alliances with companies like ISM, Spartan and Sage, for which it provides maintenance to a wide range of users including Sanlam, Waltons, Rennies, Morkels, Simba and the Finance Department.

He says printers, which have mechanical parts, provide the single biggest headache, followed by older PCs which are sourced from various assemblers.

"We service up to 300 different items for companies wanting to concentrate on their own business rather than hassling about a broken computer."

To cut down on costs, the company now handles local area networks, and minicomputer maintenance through remote diagnostics. This reduces downtime, as well as service calls, because faults can be fixed from a central point.

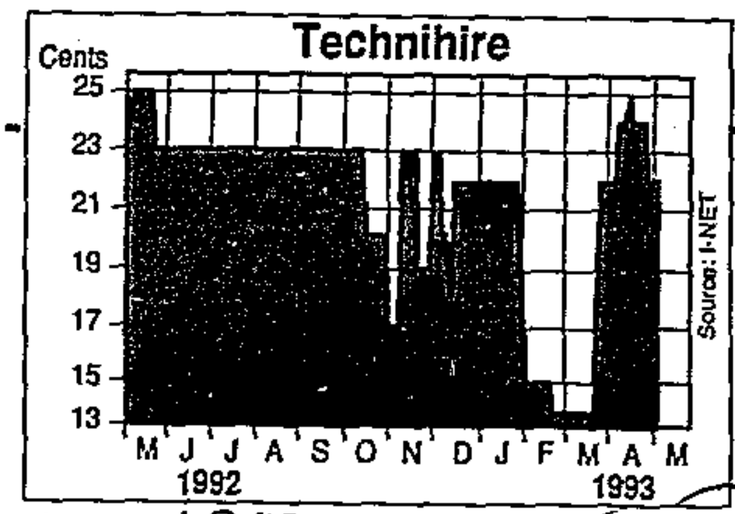
TECHNIHIRE (295)

Fewer humans needed

Activities: *Hires out personnel including draftsmen, artisans, administrators and professionals: collects debts.* FM 14/5/93.
Control: *Nobra 60%.*
Chairman: *P Foriel-Destezet; CE: J Eliasov.*
Capital structure: *12,7m ords. Market capitalisation: R2,8m.*
Share market: *Price: 22c. Yields: 14,5% on dividend; 37% on earnings; p:e ratio, 2,7; cover, 2,5. 12-month high, 30c; low, 15c. Trading volume last quarter, 123 600 shares.*

Year to Dec 31	†'90	*'91	'92
ST debt (Rm)	1,5	0,26	0,59
LT debt (Rm)	—	0,05	—
Debt:equity ratio	0,63	n/a	n/a
Shareholders' interest	0,76	0,52	0,56
Int & leasing cover	40,6	99,3	n/a
Turnover (Rm)	6,8	6,6	7,8
Pre-int profit (Rm)	2,6	0,9	1,8
Pre-int margin (%)	38,1	13,9	23,0
Earnings (c)	10,7	8,4	8,1
Dividends (c)	3	nil	3,2
Net worth (c)	17,6	8,4	8,1

† 14 months 1/2/89-31/3/90 (first year of operations).
* Nine months to December 31 1991.



FM 14/5/93 (295)

Results since 1990, the first year of the current listing, are complicated by two year-end changes. However, pro forma annualised 1991 results, also provided, enable some comparisons to be made. The results are surprisingly good given recessionary pressures on the human resources industry.

Turnover increased by a sixth and pre-tax profit by nearly a half: operating margins rose from 18,2% to 23%. But there are few clues why the group did so well in a year CE Jack Eliasov calls very difficult. EPS increased by 112%, largely due to a cut in effective tax charge from 59% to 42%. The change in corporate tax is expected to benefit Technihire in 1993: STC will modify this but it's not clear to what extent, says Eliasov.

Technihire has two divisions: labour broking and debt collecting. Labour broking, bringing in about two-thirds of turnover, comprises professional technical staff but also the clerical and mining industries. The group intends to enter the office support market in the medium term. Competition is intense, says Eliasov, characterised by a plethora of small players and one or two large ones.

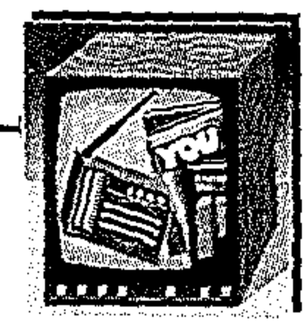
Predictably, the debt collecting market is busy, and accounts for the remainder of turnover. Clients include large chain stores, supermarkets and some medical accounts.

Technihire is financially strong, with net cash. Says Eliasov: "We're open to making acquisitions if the opportunity arises — it hasn't yet." French company Ecco bought 60% of Technihire in January 1992 but, according to Eliasov, the change of ownership hasn't dramatically affected operations.

Prospects are constrained by continuing pressure on the employment market. Says Eliasov: "There have been no trends in the past two years: every month has a history of its own." The earnings growth of 1992 is unlikely to be repeated this year.

A p:e rating of 2,7 reflects low confidence in the human resources market, as does the generous dividend yield. The share price will respond to an uptick in the economy.

Louise Randell



ADVERTISING CONFERENCE FM 14/5/93.

How to catch the upswing

(295)

Marketers no longer doubt that advertising can be effective. But in the 150 years since Volney B Palmer invented the ad agency in America, the secret of precisely *how* advertising works remains obscure.

But researchers are getting closer to finding the keys. Two of the world's leading experts in this field addressed the *FM* international advertising conference, "Catch the Upswing," last week. Gordon Brown, chairman of Millward Brown International, points out however that there is a big difference between advertising that conveys new information about brands and advertising about strong existing brands with nothing new to say.

Kennedy, Brown, Murphy ... *advertising effectiveness and strong branding are inseparable*

Quite simply, if you've got new information that people find relevant and interesting, creativity is not that important. You merely have to tell people about your newer, better mousetrap and if they want to catch mice, they will consider buying. But once that information has been conveyed to the marketplace, it is no longer new.

This is when you turn to what Brown calls theme advertising. "There has been a puzzle about how theme advertising works — and unless we understand this properly, we are in grave danger of failing to understand the relevance of creativity," he says.

The traditional view of advertising is that the mental *processing* of advertising takes place at the time when the ad is seen. You see the ad and — if the advertising is good — immediately gain a better perception of the brand. But based on numerous tracking studies in Britain over the past 16 years, Brown finds that the actual process is very different. Opinions about the brand are formed only when you try it out, he says.

"What continuous theme advertising actually does is to build high levels of consciousness of either advertising claims or of audio-visual images which are emotive. Repetition builds consciousness of the mental connections established by advertising. It *isn't* about *persuasion*. Persuasion is achieved via new arguments. The old assumptions are appropriate only for advertising which communicates new information."

A complementary theory was propounded by Claude Bonnange, the French founding partner of TBWA, who described his WSP (winning strategic process). Bonnange argues that advertising works at two levels which must be reconciled:

- ☐ Building and modifying brand attitudes;
- ☐ Influencing product behaviour.

Attitudes are measured by top-of-mind awareness and behaviour by share of market. The two should be in synch. If your advertising achieves high awareness but this is not translated into appropriate behaviour (such as sales), clearly there is something wrong with your advertising.

Similarly, low awareness combined with high sales indicates the advertising performance is not matching that of the product. The perfect ratio between share of mind and share of market, he says, should be 1:1.

Brand building was a core theme of the conference. British Airways GM Derek Dear described the branding programme which has helped keep that airline profitable during a period when many world airlines found themselves in trouble. Neil Kennedy, vice-president of BSB Europe, one of the biggest ad agencies in Europe, and a leading authority on retail advertising, spoke about the British supermarket image war still being waged between Sainsbury's and Tesco.

For many modern companies, intangible assets such as brands are of far greater value than tangible assets. In fact, says Interbrand chairman John Murphy, 80% and more of the value paid in recent years for companies such as Wilson-Rowntree and Pillsbury has been paid for brands whose values are not reflected on balance sheets.

"Brands and trademarks are viewed as important assets by companies which 20 years ago might not even have acknowledged that they owned brands," he says. "Companies such as Nestlé, BSN, Philip Morris, Grand Metropolitan, Unilever and Proctor & Gamble pay huge sums for branded goods businesses with modest tangible assets because they recognise that they own brands which are potent, valuable and rare, providing confidence as to future cash flows."

Another topical issue discussed at the conference was that of media specialisation. Europe has led the way internationally in the attention paid to media planning and buying, and in the development of independent media buying specialists, and a leading European exponent, Simon Lloyd, warns against mistakes that can be avoided. "Don't be as short-sighted as we have been. Nor as greedy," says Lloyd, who is chairman of Optimedia Europe, the largest media specialist network in Europe.

"The mistakes stem from the simple fact that full-service agencies have never accorded media the importance that they deserve. This led the best professionals to become independent. Fierce competition led to rate discounting, which convinced advertisers that media expertise means nothing more

cont-D

Dear, Bonnange, Lloyd ... *finding the winning strategic process*

 FM 14/5/93. (295)

than increasing the discount.

"The end result is that media becomes a commodity, to be traded like any other. Planning and buying expertise is replaced increasingly by pure trading. No-one wins — not the agency, the media owner, nor the advertiser."

The conference ended on an upbeat note, with three speakers (a client, a media owner and an ad agency MD) each discoursing on how his company proposes to catch the upswing. Toyota Marketing MD Brand Pretorius says that visionary marketing management is a critical success factor in SA. Marketers, he adds, must pursue a positive vision, accept the inevitability of change and make a disproportionate investment in marketing research.

"A satisfied customer base is the best predictor of long-term marketing success," he says. "You must concentrate on your customers, not your competitors. We must force ourselves to focus on long-term marketing objectives, and for this we need an integrated approach, with no crisis marketing."

Caxton joint MD Noel Coburn says it is unwise to depend on finding an upswing and riding it. "Our philosophy is to stay in business over the long term and use strategies through the ups and downs." To do this, Caxton/CTP has invested heavily in capital goods (R130m in three years and another R40m this year), in staff training and in continuous product development.

But, says BSB/Bates MD Dave Kelly, finding the areas of opportunity will require a major mindshift — acceptance that SA is part of Africa and not the First World. "The market is growing away from us in Sandton. If you have a vision and drive towards it you can stay positive. SA business is geared to markets that grow. Many of those markets won't grow again. So to catch the upswing you will have to do better than the opposition."

Tony Koenderman

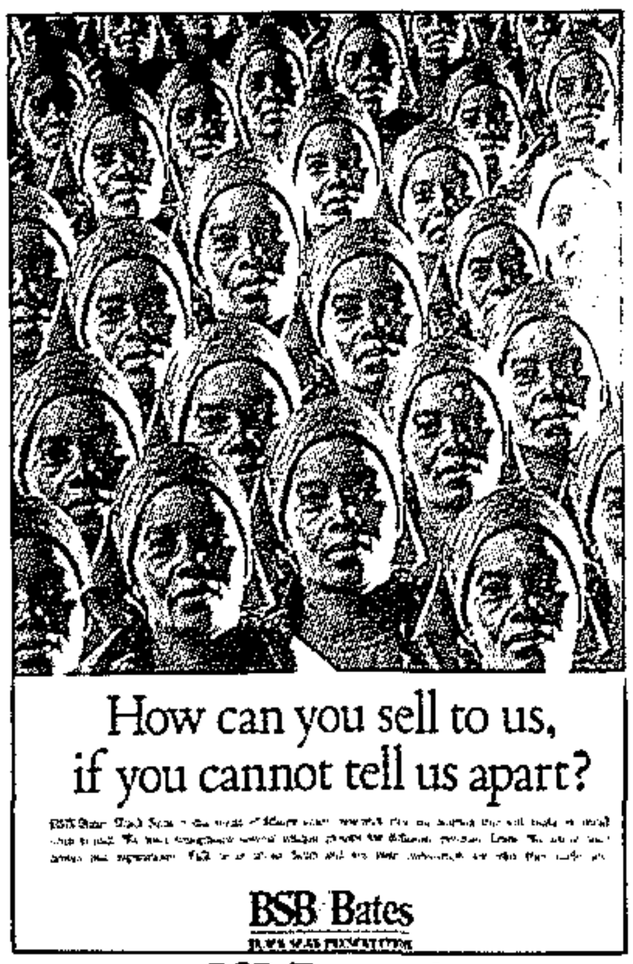
AD AGENCY OF THE YEAR AWARDS

Presentations to the winners of the *FM* Advertising Awards were made at a black-tie dinner in Sandton last week. The Ad Agency of the Year overall winner was Hunt Lascaris TBWA.

Seen below are: *FM* Editor Nigel Bruce with Grey Advertising MD Ian Shepherd (Advertising Achiever of the Year), Martin Sherwood, MD of Sherwood Strategic Advertising (Small Agency of the Year), Steve Pearce, MD of NSOP Advertising (Emerging Agency), Gerrie Heyneke, MD of The White House (Medium-sized Agency winner) and product manager Joni Heimerl accepting the award on behalf of the Advertiser of the Year, Colgate-Palmolive.

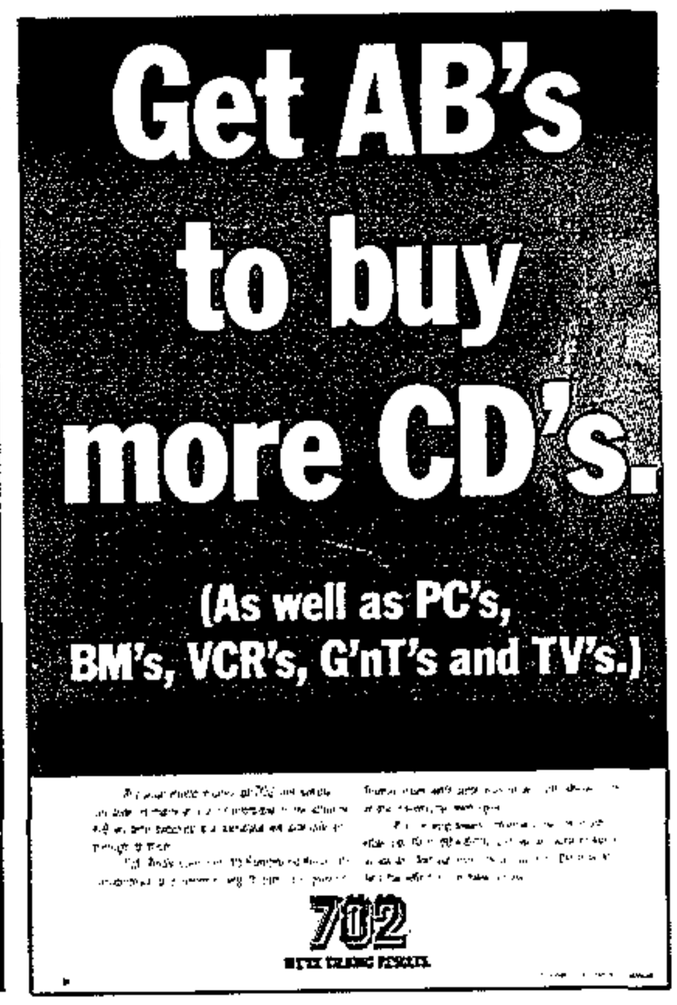
Also shown are the ads that won the Backpat Award for best house ads: BSB/Bates and Radio 702. Runners-up were Young & Rubicam and J Walter Thompson in the agency category, and TV1 in the media owner category.

The awards were announced in *Advertising Focus 1993*, our annual ad industry survey.



BSB/Bates ad

Shepherd (left) and Bruce



Radio 702 ad

Sherwood

Pearce

Heyneke

Heimerl

Servgro exceeds earnings forecast

B/DAY 26/5/93. (295)

MARCIA KLEIN

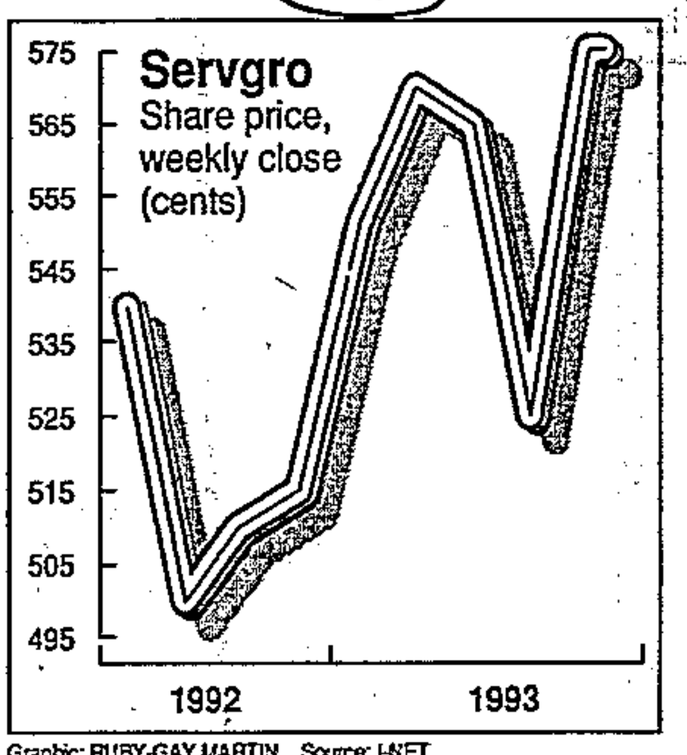
LEISURE and services group Servgro International (Servgro) exceeded forecasts in its August 1992 prospectus by reporting a 20% rise in attributable profit to R50,8m (R42,3m) in the 12 months to end-March.

Servgro, whose interests include Interleisure, Teljoy, Avis, Interpark, Fedics, Price Forbes and Nasionale Pers (Naspers), increased earnings by 14% to 47,2c (41,3c) a share on additional shares in issue.

In its prospectus, the group had forecast a 10% rise in earnings a share. Executive chairman Peet van der Walt said the results, which reflected the first year-end since Servgro was listed in August, were achieved despite the secondary tax on companies (STC). Excluding STC, earnings would have grown by 16% to 48c a share.

A final dividend of 11,5c a share was declared to bring the full-year dividend up by 14% to 19c (16,7c) a share. Servgro had forecast a 13% higher dividend.

Van der Walt said that since the listing, there had been no real growth in many of the group's operations. Markets were competitive and margins were under pressure.



Graphic: RUBY-GAY MARTIN Source: I-NET

But the group increased turnover by 14% to R921,4m (R810,9m) and operating profit by 18% to R117,8m (R100,2m). It improved its margin to 12,8% (12,4%).

He said Servgro was able to lift earnings largely through effective cost and asset control and management efficiencies.

He said Avis, Price Forbes and Fedics

☐ To Page 2

Servgro

B/DAY 26/5/93. (295)

☐ From Page 1

reported good results; Teljoy and Interpark maintained earnings; while Interleisure showed a decline.

Price Forbes, which bought the Willis Faber Enthoven insurance broking group during the year, had strengthened its operations offshore and showed a good improvement in profit for the year, he said.

Despite a 20% rise in cinema attendances, Interleisure's earnings had declined with lower earnings from its film production and sport wholesale divisions.

Avis reported improved profitability despite a volume decline in the industry. Fedics also showed strong growth. Protea Hotels was affected by the decline in tourism, but remained profitable. Interpark increased profitability on the back of a strong performance by toll road plazas and a slowdown in business in the CBDs.

Teljoy's core business maintained earnings and its Mastercare division's profitability was restored. Naspers, from which Servgro takes into account only dividends received, reduced its earnings because of higher tax.

During the year, Teljoy's business services division and Interleisure's food and sport divisions were rationalised.

Van der Walt said the group had not been able to find any suitable acquisitions. It had looked at a foreign operation, but its decision to buy was affected by the Reserve Bank's decision not to encourage offshore funding.

It was intended to bring Sankorp's 75% holding in Servgro down to about 40% over time. In the past year there had been no acquisitions, so its share could not be diluted. However, the group was looking at some acquisitions in the new year, he said.

Although the coming year would be difficult, the group would show steady growth in earnings and dividends.

The share, which was issued at 500c, closed untraded yesterday at 575c.

Teljoy justifies directors' forecast

295

B/DAY 24/5/93.

MARCIA KLEIN

TV RENTAL company Teljoy maintained its earnings at 30,6c (30,5c) a share in the year to end-March. Results are in line with directors' expectations at the interim stage and reflect a slight improvement in the second half.

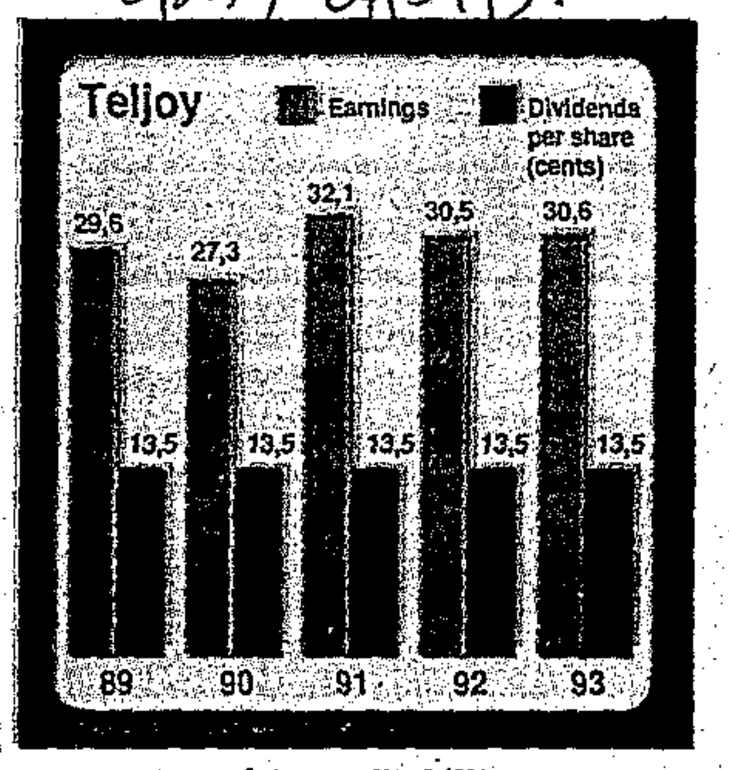
Turnover rose by 1,8% to R176,8m from R173,7m, but operating profit dropped by 7,5% from R34,8m to R32,2m. Cash control and ageing of the rental fleet resulted in a gearing reduction to below 80% from 103%, and net financing costs declined by 27% to R9,5m (R13,1m). Interest cover was increased to 3,4 (2,7) times.

Net income before tax rose by 4,3% to R22,7m (R21,7m). But a 21,9% rise in taxation, largely because of the absorption of secondary tax on companies, resulted in a marginal rise in net income before extraordinary items to R17,8m (R17,7m). Executive chairman Theo Rutstein said that excluding secondary tax on companies, earnings would have increased by 3,9% to 31,7c a share.

An extraordinary loss of nearly R10m reflected a R6,1m provision for various closure costs in subsidiary Teljoy Business Services (TBS) and a R3,7m write-off for trademarks and goodwill.

A final dividend of 9c a share was declared, with the full year dividend maintained at 13,5c a share.

Rutstein said the core rental division remained the major contributor, increasing turnover by 8,2% and pre-tax profit by 5,4%. Technical services division Mastercare returned to profitability.



TBS underwent a significant rationalisation and stopped operating as a separate division. TBS's rental and service activities were incorporated into Teljoy's rental and Mastercare divisions, and the project installation division, TBS head office and branch structure were closed.

Rutstein said the group was a strong cash generator and profitable. The balance sheet had been cleaned up, ratios improved and market share was being maintained. Teljoy was expected to show nominal growth in the coming year.

The group had announced its entry into the cellular phone market, but this would not affect results until financial 1995.

There were also growth possibilities in terms of education and franchise opportunities in Mastercare.

Teljoy aims at cellular phone service

Star 24/5/93

By Leigh Roberts

TV rental group Teljoy is looking for growth opportunities from a share of the estimated R5 billion a year cellular phone service.

Executive chairman Theo Rutstein says Teljoy is positioned to become one of the five or six licensed service providers in what is likely to be a highly profitable industry.

He says the business of service provider, which buys the air time and sells it to the end-user, is complementary to the group's rental business.

As well as being a service provider, Teljoy will rent out the necessary equipment and supply telephones and cards to community users.

Rutstein says the new market will have an impact on group results only in financial 1995, when the cellular network is up and running.

The group announced results for the year to March 1993 at the weekend.

Taxed earnings were static at R17,8 million (R17,7 million), with lower discretionary consumer spending and higher bad-debt provision affecting trade.

An extrardinary loss of R9,9 million further eroded earnings.

On an earnings-a-share basis, 30,6c was achieved (30,5c last year).

The final dividend has been maintained at 9c, leaving the total unchanged at 13,5c.

Operating profit fell 7,5 percent to R32,2 million (R34,8 million) on a two percent increase in turnover to R176,8 million.

Rutstein says there was a small increase in the number of rental contracts, but margins were under pressure.

Current economic conditions had affected consumers' ability to pay, necessitating an additional R1,5 million in bad-debt provision and the write-off of more than R5 million.

Earnings were buoyed by a 27 percent lower interest charge at R9,5 million as long-term borrowings were reduced by R16 million.

295

Tax bill

STC added R1 million to the tax bill of R4,9 million (R4 million), with the group bearing tax at the higher rate of 48 percent. There was no deferred tax write-back.

The extraordinary loss of close to R10 million arose from the restructure and partial closure of Teljoy Business Services.

The activities of this operation have been injected into the main divisions of the group, with the loss-making installation business being shut down.

Nearly R4 million of the extraordinary loss arose from the write-down of goodwill and trademarks in "a balance sheet clean-up".

Previous loss-making division Mastercare turned a small profit, and Rutstein says they are looking at opportunities in this area. The group is investigating franchising as a growth option.

Gearing improved to 79,2 percent from 102 percent as borrowings were reduced to R54 million (R62 million) thanks to strong cash generation.

Rutstein says gearing of 100 to 200 percent is acceptable for a rental company.

Capital expenditure of R39 million went on upgrading the rental fleet. The average age of the fleet is just under four years, with the goal being five years.

Teljoy has no major competitors in the TV rental field, with competition coming from the retail sector.

chologists say colour has a huge ... us happy or gloomy, and willing or not to buy a product. Each colour has a distinctive psychological effect and when properly used, can make a difference in your home. — Daily Express.

Innovative twosome ... Louis Gavin (left) and Julian Ovsiowitz bring a new approach to advertisisng strategies.

Product before prizes

Star 25/5/93. (295)

NOT ONE, BUT TWO
Hard times are forcing consumers and producers to demand two for the price of one from their advertising budgets. **PHANGISILE MTSHALI** reports on new marketing trends.

CONSUMERS are becoming wiser and they can no longer be hoodwinked into buying products through incentives, say Julian Ovsiowitz and Louis Gavin directors of a Sandton advertising agency.

Recessionary times are forcing advertising to be subjected to a couple of its own classic one-liners: "Two for the price of one" and "Buy one, get one free".

The innovative twosome say it is time for dual logic marketing to satisfy the client while grabbing and retaining the consumer's attention.

"It is no longer enough to say: 'Buy this product and win a trip overseas'," says Ovsiowitz, the company's MD.

"We are saying buy this product because it's good for you, plus you stand to win a trip overseas."

Ovsiowitz says senior managers of many companies are now demanding two-for-the-price-of-one synergy in every business sphere including marketing. They want advertising that builds the brand and sells the product; campaigns that reach the public and the trade.

"Our approach puts the brand before the prize whereas typical below-the-line advertisements make the prize the hero of the communication," he says. "We promote the brand's qualities and catch the consumer's eye with lucrative prizes."

His company's "thru-the-line advertising" approach is aimed at satisfying clients and consumers who are increasingly demanding value for money. It borrows the best from both sides of the invisible line in the advertising world. They call it brand incentive.

Above-the-line advertisements tend to shift perceptions about the product by emphasising its qualities through marketing awareness. Below-the-line strategies are often sales incentive programmes. They attempt to change behaviour by offering incentives to lure the consumer into buying a particular product.

The agency's new thinking paid off recently when they walked off with winners in two categories in the prestigious Sales, Promotion and Design Awards (Spada) held in Johannesburg.

Their dual logic approach brings the South African advertising industry in line with international advertising and marketing trends.

Top French advertiser Claude Bonnange says 30 years ago consumers used to go for middle of range priced products but these recessionary years have produced smarter and more critical consumers.

"They are now either buying most expensive or least expensive products," he says. "Should they discover that there is not much difference between high and low cost product they will abandon the high cost one and the producer will lose sales."

Consumers have become lucid and know exactly what they want, Bonnange says.

Star 26/5/93

Servgro beats own forecast

By Stephen Cranston

Servgro, Sankorp's leisure and services subsidiary, has reported a 14 percent increase in earnings per share to 47,2c in the year to March, well ahead of the 10 percent increase predicted in last year's listings prospectus.

The dividend has been increased by 14 percent to 19c.

The results were achieved despite a lower contribution from Interleisure, and almost unchanged contributions from Teljoy and Interpark.

Strong improvements were achieved by Avis, Price Forbes and Fedics.

Chairman Peet van der Walt says the results were achieved through a combination of cost and asset control and improved management efficiency.

Rationalisation during the year included the slimming down of Teljoy Business Services, the closure of some of Interleisure's sports wholesale operations and the focus of the food division on three core brands, Squires, Mike's Kitchen and RJ's.

Interleisure's working capital was reduced from R62 million at its year-end last June to R35 million in March. Rights to screen Disney films were also acquired.

Developments included the acquisition of Willis Faber Enthoven and the establishment of PFV London, which should be profitable in 1994.

Price Forbes processed R3 billion worth of policies during the year.

Fedics saw good organic growth and served 336 million meals during the year.

New in-flight kitchens were built in Johannesburg and Durban and there was a major retail outlet development at Jan Smuts Airport.

Avis's operational efficiency was improved by the Wizard computer system.

Servgro's turnover increased by 14 percent to R921,4 million and its operating margin improved from 12,4 to 12,8 percent. Gearing improved from 23 to 19 percent.

Van der Walt expects economic conditions to remain difficult in the current year as consumer spending will be depressed and tourism is unlikely to improve before 1995.

But earnings and dividends should improve because of recent rationalisation and developments.

Gold bounces up again

Gold appears to have settled in a tight trading range of between $373 and $380 an ounce.

After falling to a low of $374 in early European trading yesterday the metal bounced back in late afternoon trading in London and New York.

On New York's Commodity Exchange yesterday it jumped $4,60 to $378,50, which was $1 up on London's close.

In Hong Kong this morning it opened at $379,05. Star 26/5/93

Gold's latest rise was in part spurred by the renewed fall of the US dollar to record lows against the Japanese yen, but analysts believe it is set for a brief period of consolidation.

"Most of the big buying has been done in the present run," a European trader said. "Now the market is in the hands of smaller investors."

Analysts expect the upswing will resume and say the market is in the same bullish mood as before, but opinion differs on how far prices could fall.

Dealers see $372 as the level gold will rebound from. But technical analysts are less optimistic, citing $363. — Sapa-Reuter-AP.

Brenner Mills doubles up

Star 26/5/93

Maize-miller Brenner Mills doubled taxed profit to R7,5 million in the year to February.

Chairman A Brenner says turnover increased by 29 percent over the previous year.

Improved margins and overhead control resulted further in a doubling of earnings a share to 32,8c.

Cash resources at the end of the period amounted to R13,1 million (R6,2 million).

Brenmill has declared a final dividend of 10c a share, pushing the total for the year 10c higher to 18c. — Sapa.

TELJOY FM 28/5/93.

Rent-a-phone?

(295)

TV rental & servicing and surveillance systems group Teljoy has returned steady year-end results. And, since year-end, it has announced its entry into cellular telephones. Group turnover improved a marginal 2% but operating profit fell, the margin narrowing from 20% to 18,2%. EPS, after the STC charge, was virtually unchanged at 30,6c.

Teljoy bit the bullet with an extraordinary charge of nearly R10m: R6,1m on a provi-

FM 28/5/93.

(295)

sion for closure costs of the Teljoy Business Services (TBS) Project Installation Division and another R3,7m written off intangible assets (trademarks and goodwill).

The core rental division (TV & video) remained the major contributor to profits.

PRETTY PICTURE

Year to	Mar 31 '92	Mar 31 '93
Turnover (Rm)	173,7	176,8
Operating income (Rm)	34,8	32,2
Attributable (Rm)	17,7	17,8
Earnings (c)	30,5	30,6
Dividends (c)	13,5	13,5

Focused on the domestic market, it is suffering from "pressure from lower disposable income and grey imports", says executive chairman Theo Rutstein. This is illustrated by the 28% rise in bad debt provisions.

Service & repair division Mastercare overcame operational problems and returned to profitability. Rental and service activities of the terminated TBS were incorporated in the other divisions.

Stronger emphasis on cash control, largely through the planned ageing of rental TVs, benefited the balance sheet. Interest-bearing debt to equity fell to about 80% from over 100%. MD Denis Kennedy believes interest cover is more important than gearing, particularly for rental companies which traditionally operate with high gearing. Interest cover improved from 2,7 to 3,4: the intention is to increase this to about five.

After three years of renewing the approximately 250 000 TVs, average age is now about four years; the renewal rate will fall significantly in 1994. Capex on these units fell by 6,2% to R38,4m and was funded by strong internal cash flow. Gearing is expected to remain at similar levels.

Rutstein believes cellular phones will eventually account for the greater part of profits, but is reluctant to make predictions. He believes the telephone market is valued at around R8,7bn. Telkom estimates that by 1997, assuming no growth, 60% of this will be provided by cellular phones.

Rutstein estimates that there will be between five and seven "service providers" — the operational link between the network operator and user. Both M-Net and Telkom have approached Teljoy in this respect. Investment in this area won't significantly affect cash flow: similarly, it's not expected to benefit earnings till 1995.

Based on prevailing conditions, Teljoy expects only nominal growth in earnings for 1994. On a p:e of 8,5 and a reasonable yield of 5,2%, share price growth potential looks interesting given the high growth prospects for cellular phones.

Louise Randell

DIAGONAL STREET

Servgro paves way to money-spinning stake

S/Times [Buss] 30/5/93

295

By Julie Walker

SERVGRO outstripped both its and my expectations in its maiden year on the JSE.

Listed last June, its portfolio of investments includes two listed companies, Teljoy and Interleisure. It has stakes in five unlisted companies — Avis, Interpark, Fedics, Price Forbes and 22% of Nasionale Pers.

Servgro executive chairman Peet van der Walt presented the group's results to the Investment Analysts Society in Johannesburg this week.

Guess

Consensus on the performance is that Servgro provides an avenue through which to invest in established money-spinners Price Forbes, Nasionale Pers, Fedics and Avis.

Regrettably secretive with the percentage breakdown in profit contributions from its components, Mr van der Walt preferred to flash a vague block chart showing the major performers. At a guess, Price Forbes is tops with what looks like a fifth of the R50,8-million attributable profit. (Mr van der Walt says my estimate is wrong, but cannot disclose the correct figure.)

Interleisure looks to be second and Teljoy and Avis joint third. Nasionale Pers is an investment and was not displayed.

But a clue was given: it earned R71-million in its latest year, covered the dividend 11 times and Servgro dividend-accounted its 22%. That comes to a little more than R1-million. Servgro did not disclose what it paid for the investment, bought from the Federale Volksbeleggings pension fund and Sanlam last year.

In the year to March 1993, Servgro turnover rose 14% to R921-million and a hard-won increase in operating margin meant 18% higher pre-interest income.

After deducting secondary tax, earnings a share were 14% up at 47,2c — a little lower than they would have been under the previous tax formula. The dividend was raised by the same amount to 19c, yielding 3,3% at 575c.

Not only my eyebrows were raised by the performance of Servgro's share price in the few days before the prospectus-beating results came out. It jumped from 510c to 575c in a week, including a rise of 25c to 575c on a single trade of 1 000 shares.

Servgro said after the presentation that the price had fallen just as readily on trade of only 4 000 shares earlier in the year.

The share is not readily tradeable in any event. Sankorp holds 75% of the 110-million shares in issue, although this percentage could fall as scrip acquisitions are made.

Mr van der Walt saw nothing of size worth buying in the year under review, other than insurance broker Willis Faber Enthoven.

Cinema

He outlined Servgro's business, saying it served 366-million meals, parked 4,75-million cars, showed movies to 16-million patrons, handled R3-billion of insurance premiums, serviced 300 000 television sets and hired out 230 000 cars in the year to March.

Cinema attendance grew by 20%, mainly from Sunday shows, so it is surprising that Interleisure's earnings fell.

They did so probably because of low margins. Outside Johannesburg's northern suburbs, cinema-going falls when ticket prices are lifted. But Ster Kinekor did not increase them last year.

Interleisure incurred costs in establishing 29 Ster Kinekor screens, but the film studios were underused and sports results were disappointing.

Teljoy earned the same as in the previous year, but its business services unit was closed.

Mr van der Walt said a "big figure" was written off in closure costs and goodwill.

Teljoy hoped to provide a cellular telephone service this year.

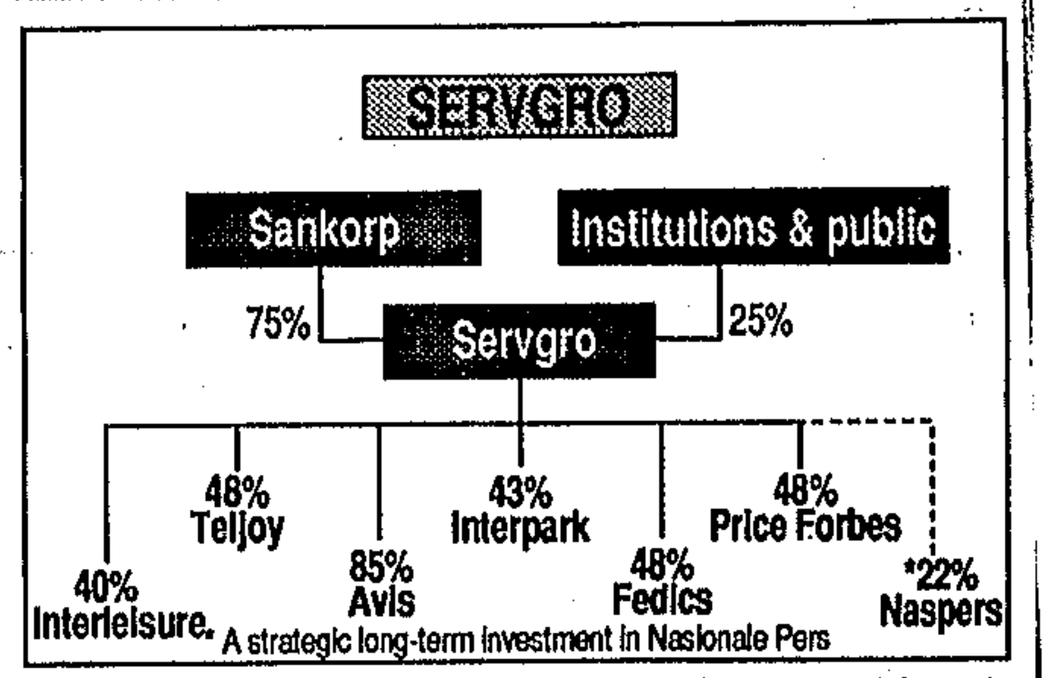
Servgro director and Price Forbes chief Paul Heinamann said his group's short-term operations were mature and growth was sought outside South Africa. Consulting actuary Alexander Forbes showed big growth in a rising market and volumes at Medicaid increased.

Mr Heinamann warned that many insurers who had dabbled in medical insurance would face problems in two years' time.

Mr van der Walt said Nasionale Pers was ready for the new South Africa, especially through its newspaper for blacks, City Press, whose circulation had increased.

On group prospects, he said the first six months of the current year would be marked by difficult economic and political conditions, but strong brands, a high market share and controls over assets and costs should boost earnings.

I must confess to having had my doubts about Servgro, which I described as a re-hash of the old Fedvolks. So far, I have been proved wrong. But I am not alone in wishing Servgro would be a little more forthcoming about where the bucks are made.



Levy increase opposed

(295) Buss. day 11/6/93

MARCIA KLEIN

THE SA Advertising Research Foundation's proposed research levy increase is being opposed by marketers.

Sales House marketing director Penny Lloyd says she and other members of the Association of Marketers (Asom) have rejected the proposed 50% increase.

Until now, all media excluding free sheets and the trade and technical press had paid a levy of 0,5%. The foundation said the R10m expected to be raised from the 0,5% levy this year would not cover research projects.

Lloyd said since 1976, proceeds from the levy had risen from R350 000 to R10m. The levy should be used for researching AMPs figures, and not for research projects which did not necessarily benefit marketers.

Lloyd said marketers funded the levy and should be entitled to inspect the foundation's books. The foundation's income had risen because of inflation, and media rates had increased "on a daily basis".

Asom Transvaal region chairman Geoff Garbett said other media groups had also expressed their concern.

CharterWay hailed as future model for vehicle hiring

Buss. day 3/6/93

MERCEDES-Benz SA is studying a new concept in vehicle management, which includes features not incorporated in usual vehicle hiring and leasing contracts.

Developed by Mercedes-Benz Germany and other units within the Daimler-Benz group, the CharterWay concept is being hailed as the future model for fleet rental and leasing of commercial vehicles, bodies and trailers.

Public relations officer Neville Roome says MBSA management is currently evaluating the system with regard to its existing full maintenance rental packages and extra benefits for the SA transport industry.

CharterWay provides various fleet management solutions that include renting and leasing services, systems for handling goods, storing, financing and others.

New features include an availability guarantee, whereby a replacement vehicle is provided when any leased/rented vehicle is off the road for repairs and maintenance.

The certainty of always having medium and heavy commercial vehicles in good technical condition safeguards against any missing link in the customer's transport chain.

(295)

Paramount

MBSA management board member Adolf Moosbauer says the profitability of fleet owner operations has become paramount for MBSA, which has taken a number of initiatives to assist them.

These include various professional courses covering technical, service and parts topics and driver training.

"We also operate a 24-hour emergency service for parts to help operators avoid costly vehicle 'off-road' situations."

Business Day SURVEY

Claims that leasing is becoming an expensive option have given rise to talk that some customers may return to running their own fleet operations. Transporters suspect they are subsidising price hikes. Leasing and rental sources say they can contain costs better than private operators. ***LYNN CARLISLE*** *reports.*

Newcomer Isuzu Truck Rental is bidding for a slice of the FML action.

Delta launches new services in bid for more market share

Buss. day 3/6/93

IN A drive for a greater share of the fleet operators' market and to attract car scheme motorists, Delta Motor Corporation has launched a number of support systems and services for its trucks and cars.

The company is in the final stages of developing a formal customer care programme, has restarted a truck training programme for fleet operators and dealer staff, introduced a full-cover insurance scheme and has established a truck rental joint venture.

Delta sales and marketing director John Cuming says the truck training programme is based largely on the contents of a new technical manual the Isuzu truck consultants' book.

Developed as a service to fleet operators, the manual contains useful information on truck technology, the RTQS and other legislation.

It explains truck performance parameters and how they are calculated and reviews various finance and purchase options, says Cuming.

He says a computer-based programme that takes the mystery out of truck performance predictions is a feature of the training module.

The programme also holds details of kilometres of real trucking routes with detailed profiles of hills, bends, compulsory stops and traffic patterns to aid fleet management.

295

Insurance

Also available is the fully comprehensive insurance policy Motor-Plus which Delta claims incorporates many features not normally found in motor policies.

Launched through Delta's dealer network, the policy is for new cars and bakkies and certain used cars. It offers a range of discounts for owners meeting certain conditions and is underwritten by Aegis Insurance.

JOHN CUMING

Being the first local vehicle manufacturer to have joined forces with an independent company — Nedfin Fleetrent Holdings — resulted in Delta's 1992 launch of Isuzu Truck Rental, which provides long-term rental contracts and full maintenance leasing.

Rationale for this, says Cuming, is that long-term rental has been growing steadily since 1990 and currently accounts for only about a third of its potential, which should peak in about five years.

Buss. day 3/6/93

Cheapest option is not necessarily the most effective

LURED by a growing variety of full maintenance leasing options and diverse monthly rates, some companies are ending up with less practical and cost-effective packages.

While all schemes may have their place, some are better suited to companies with more demanding fleet requirements.

Imperial Truck Systems Rental executive director Stuart Reeves says distinction can be made between the services and products provided by professional FML specialists and those by banks and motor manufacturers.

Schemes that provide maintenance and vehicle replacement back-up in their FML packages tend to cost more, as such a comprehensive and one-stop service provides added benefits. (295)

He says most banks and motor manufacturers use FML more as a tool to help sell other primary products. Hence, monthly rates for their less-encompassing lease packages are lower.

With the specialist FML company providing a one-stop service, it tends to charge more for providing more: the vehicle, finance, maintenance, vehicle replacement and managed maintenance schemes.

"Because of the nature of their operations, banks basically offer a FML finance package and send the customer to a third party for vehicle repairs. Understandably, they do not run workshops.

"While motor manufacturers use a bank to finance their schemes, they may either send a FML customer to one of their dealers or contract an independent workshop to maintain or repair the vehicle," he says.

Reeves says many fail to distinguish between the different schemes before signing a contract, which may not be tailored to meet their needs.

Wrong choices are believed to have prompted some customers to tar all FML operations with the same brush and to consider returning to running their fleets in-house.

But Reeves believes this may prove yet another costly mistake, particularly if a dissatisfied company has to stretch its financial resources to buy new vehicles and spares and set up a workshop.

"Also, the phasing in of the RTQS will place greater onus on vehicle operators to meet new and stringent road operating requirements that include a certificate of fitness every six months and an operator's permit."

Comprehensive FML operators cover this to ensure customers are running their vehicles legally.

DAVID OWENS

Fleetlease switches on new R4,5m system

FLEETLEASE Contracts has switched on its new R4,5m LeaseMan computer system for vehicle management, signalling its confidence in full maintenance leasing (FML).

Fleetlease Contracts MD David Owens says the highly advanced system is designed to reduce labour costs while maintaining a high level of accuracy on expensive items such as vehicles.

The system, which can handle more than 60 000 vehicles through an infinite number of customers and manage the administration of 14 organisations, allows indefinite flexibility to tailor products to customers' total needs.

A major feature is its ability to capture the smallest of customer needs and ensure performance to a set standard.

Owens gives the example of a client who specifies that on a smaller work vehicle he requires just an immobiliser and a low-cost radio. This is captured on the customer profile.

He says the computer then monitors and ensures that all the client's quotes and orders are adhered to.

On the other hand, the client may not wish to extend the service life of his bakkie beyond 160 000km.

"Here the computer will monitor the vehicle's mileage and post an automatic alert 90 days before the 160 000km is reached, irrespective of whether the FML contract was originally planned to run 24 or 48 months."

Owens cautions that while it is easy to offer tailored services, in practice as business grows original good intentions are lost.

"It is only by harnessing the power of the latest technology through skilled, customer-orientated personnel that such a commitment can be constantly adhered to ... a level of excellence that the transport manager needs when controlling such necessary and emotive resources as motor vehicles."

He says the commissioning of LeaseMan forms part of a thrust which will see the introduction of other new products and services.

Companies seek specialist help with transport

B/DAY 3/6/93

(295)

SAKKIE VAN DER MERWE

FACED by mounting complexities and higher operating costs, more organisations are reviewing their fleet policies and consulting specialists to assist them in improving transport management.

Avis Lease & Fleet Management national sales and marketing manager Sakkie van der Merwe says fleet management is a complex science, particularly as every organisation's fleet needs differ.

"For this reason more companies are seeking expert advice and assistance, with many turning to full maintenance leasing (FML) as an alternative to running their fleets."

He says many factors must be considered when reviewing a fleet policy based on cost effectiveness and productivity, including:

- How many units should comprise company vehicles?;
- Are there alternative ways of ensuring transport without the additional holding costs?;
- Are all vehicles productively utilised?;
- How does owning a vehicle affect the structure of the balance sheet?;
- How should vehicles be financed and what are the tax implications?;
- In the event of having its own workshops, how should they be structured to the company's advantage?;
- What is the total cost of administering its own fleet inclusive of management time, office space, salaries/wages and off-road time?;
- Is the company's current vehicle policy effective or should it be reviewed?

Van der Merwe says the starting point in any fleet management should be a comprehensive fleet audit carried out by a specialist organisation.

Although the most well-known product in the fleet management stable is FML, other innovations and new technology have emerged since Avis introduced FML 12 years ago.

He says advice on and a choice of financial options can only be made after completing a full fleet audit and assessing tax implications. The most popular options are through a company's bankers; through the FML company; using company funds; operational leases; allowance leases — for staff on company allowances; financial leases; sale and leasebacks.

Rent-A-Truck MD Beau Papenfus says whether FLM or another method of debt financing is favoured will depend on the patterns of cash outflows for each financing method.

Several methods may be used to compare the alternatives. One is the net present cost of differential cash flows relative to the purchase and borrow and buy alternatives, which would indicate that FML is slightly more expensive than cash purchase or instalment.

"However, the method of acquisition of a vehicle or fleet will vary from company to company and the decision maker will consider factors such as the company's financial structure, choice of available methods of financing and the importance of certain aspects such as company image, property rights and risk."

Papenfus says the decision to enter into a FML agreement rests on whether the operating advantages exceed the financial disadvantages.

Bankfin GM (industrial finance) Martin Croucamp says a company may obtain information from a financial institution to assist management or buy software packages which provide information on the most effective fleet management techniques or seek assistance from specialists when buying transport.

Budget deals a triple blow to companies

BUSS. DAY 3/6/93

COMPANIES with fleets and individuals on car allowance schemes have been dealt a triple blow by the 1993 Budget imposing substantial increases in fuel tax, VAT and PAYE.

Fleetlease Contracts MD David Owens says this applies particularly to businesses that operate inefficient transport schemes.

Higher vehicle operating costs raise the need to obtain greater efficiencies in transport management, he says.

Faced with costs running out of control, many companies have walked away from the problem by paying their employees a car allowance and leaving them to handle it.

"Budgetary changes make the allowance route an expensive option, particularly as the past year has shown that rarely is it an economic solution for either party, as the allowance vehicles move into their third and fourth years of operation."

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For example, the employee who has down-graded his car on allowance and generated cash for other purposes is now faced with a 35% PAYE deduction on the allowance.

"This will remove any chunks of cash available and may force the employee to subsidise the vehicle until he can obtain a cash refund, which assumes that he keeps accurate records to support any claim."

Of greater significance is the cost of repairs, which also attracts 14% VAT and in the employees' hands is an added cost, whereas the company car would constitute a legitimate input tax, says Owens.

Compared with the allowance scheme, full maintenance leasing (FML) has benefits for the company and individual, as the vehicle is operated at the lowest costs by skilled people supported by extensive systems.

"Day-to-day control is between the driver and the FML company, as are invoices pertaining to the vehicle. A one-line entry per vehicle covers the company's total monthly cost excluding fuel for that vehicle."

He says that while identifying the 14% VAT element on operating costs, which the company can reclaim as an input tax, the FML supplier will charge VAT on the monthly rental only.

This means instead of VAT being paid on the total price of the vehicle, it is only paid on the monthly rental cost.

The return of high residual values for FML companies on their well maintained vehicles also substantially reduces VAT while contributing to cash flow."

Prime products on first wave of a new era

B/DAY 3/6/93. (295)

A NEW era in vehicle leasing has arrived with the introduction of a compatible range of fully integrated and cost-effective fleet management skills and products to complement full maintenance leasing (FML).

The range helps contain increasing running costs.

The prolonged recession has not been conducive to exceptional growth in FML, but this service is holding its volumes and remains the core business of car leasing specialists.

Prime Car Leasing, a member of the Imperial Group, is a front runner with a new portfolio of 11 pro-services and products. MD Nigel Webb says: "They form part of a totally integrated system which relieves the fleet owner of fleet management problems."

To be effective, Prime realised the new range needed to draw from its comprehensive data bases and in-house expertise. The range comprises:

- FML, which enables a customer to fix its vehicle costs with a rental system inclusive of finance, depreciation and maintenance costs including tyres;
- Operating leases, allowing a fleet client to acquire vehicles of its choice without capital outlay and with the further benefit of off-balance sheet financing — a product exclusive of maintenance costs;

Vetting

- Managed maintenance systems where all maintenance and repair costs go through the Prime pre-authorisation, vetting and inspection process with the specific aim of reducing costs to a fair and reasonable level;
- Maintenance plans whereby all maintenance costs for a vehicle are covered for a fixed monthly rental, with no maintenance risk for customers;
- Used vehicle leasing where, being part of Imperial Car Rental, customers have access to quality used cars at lower rentals than the equivalent new vehicle;
- Purchasing of new vehicles where Prime's buying specialists are able to locate new vehicles nationwide;
- Disposal of used cars where Prime uses its established network to secure best resale prices;
- Comprehensive insurance for fleet management users with a package that includes free replacement cars in case of accidents;
- Emergency assistance with 24-hour breakdown service and medical emergency through Prime's corporate AA membership;
- Replacement cars where association with Imperial enables it to provide replacement vehicles at low premiums in the event of mechanical breakdown;
- A fleet management consultancy service to assist in formulation of vehicle policies and give guidance on fringe benefits tax issues.

NIGEL WEBB

"With this range, including a special fuel card introduced in recent months, we can satisfy all fleet needs," says Webb.

He says Prime's comprehensive data and control mechanisms are unmatched by even larger corporates which tend not to maintain comprehensive asset management and costing records in the longer term.

For example, take the managed maintenance system introduced last August, he says. Supported by extensive and fully automated data on all costing and service/repair records, it not only relieves the fleet owner of such problems,but its application has reduced fleet costs by more than a third in some cases.

"Although we are on good terms with all those franchised dealers that look after our vehicles, we always access the history of every vehicle before making any payments."

Inspect

This not only ensures the repair or maintenance was due, but that all charges are in line with those quoted for Prime vehicles.

"And while we do not downplay the skills of the dealer workshop, our technical maintenance controllers also inspect any major repair item to see what needs doing, that the job is good and the cost right."

Limited finances mean fewer sales of company cars

Buss. day 3/6/93 (295)

VEHICLE financing problems will continue to have a negative impact on new car and truck sales, most of which are purchased by companies whose fleet management funds have shrunk.

Faced by tighter controls on spending, many have resorted to rebuilding commercial vehicles to eke out a few more years' service from them before they are replaced.

Cash-strapped companies are also becoming more choosy and professional in the way they acquire and run fleets.

New purchases have been discouraged by higher vehicle prices and VAT, petrol price hikes, perks tax and interest rates.

Naamsa president and Toyota SA chairman Bert Wessels says that due mainly to the weakening rand and inflation, brought about by the local content programme, vehicle prices escalated by 35% in real terms over the past 11 years — in nominal terms 700% compared with 500% for consumer goods.

Wesbank chief manager (corporate finance) Dave Segor says the big issue today is funding and this revolves around business confidence, which is low.

Reluctance to invest more in vehicles has seen fleets becoming older, while individuals are similarly not replacing cars as often as in the past.

Avis Lease & Fleet Management national sales and marketing manager Sakkie van der Merwe says other trends emerging in company fleets are a buying down to smaller vehicles and in some instances investing in good and low-kilometre used vehicles.

Shrunk

Wessels says in the past 10 years the market has shrunk from an annual 450 000 of all vehicles to less than 300 000.

Tighter cash restraints, says Segor, have aroused increasing interest in car allowance schemes, which help employers to clean up their balance sheets.

Segor says even the municipalities are taking a harder look at their fleets, car allowances and using other fleet management options.

New road regulations positive for business

Buss. day 3/6/93 (295)

IMPLEMENTATION of the Road Transport Quality System (RTQS) will drive more private transport operators into the hands of full maintenance leasing (FML) and long-term fleet rental operators.

Rent-A-Bakkie chairman Don Dick says increasing administrative burdens will force private vehicle fleet operators to seek a measure of relief from the added responsibilities of the RTQS regulations.

"Companies whose core business is not transport and who do not have good internal controls and a professionally managed fleet are better advised to get out of the transport industry and focus on their business," he says.

"The RTQS has far more stringent requirements than the previous Road Act and the onus falls on companies to ensure they adhere to the new system."

Dick, who is also chairman of the Truck Rental Association of SA (TRAOSA), says a worrying aspect of the transport industry is the age of the national commercial vehicle fleet, which now exceeds 10 years.

"Many companies are hanging in there and extending the lives of vehicles well beyond economic sense, and a number have changed their depreciation policies accordingly. The problems will come at replacement time when the costs of heavy commercials, many priced above R500 000, are not catered for."

He says there is going to be a day of reckoning.

In this situation FML and rental are viable options to reduce strain on cash flow and the burden of administration.

"The new laws will create growth opportunities for professional operators in the truck hire industry.

Complete

"The industry will have to provide a more complete transport service than merely truck hire. Truck rental companies will have to work far closer with customers to ensure that the new laws are adhered to."

Dick says the truck rental industry is gaining in status among road transport legislators and has received growing recognition as a separate special interest group.

It has also gained a greater voice since it affiliated to the Road Freight Association in 1990.

Comprising about 50 operators and 149 outlets countrywide, it represents 90% of wheels in the truck hire industry. Its turnover exceeds R350m a year.

He says truck rental is a different animal to FML. With rental the risks lie firmly with the rental company, whose responsibility it is to ensure vehicles and drivers comply with the RRTQS.

TRAOSA has been heavily involved in the implementation of the RTQS, as well as an important lobbying voice. The RTQS will benefit truck rental.

"Few companies can afford to have excess fleet capacity and rental is the perfect option to fill the gap at times of peak demand."

During the phasing in of the RTQS, operators could be subjected to three sets of regulations — depending on whether operator cards have been issued or vehicles are still subject to the 300km exemption or, in the case of vehicles registered in the TBVC states, where the permit system still applies.

"Despite the complications, TROASA has welcomed the RTQS from the safety aspect and because it levels the playing fields between private and public transport operators."

DON DICK

Industry looks forward to tougher road legislation

Buss. day 3/6/93

(295)

TOUGHER legislation that is simpler to enforce should ensure better control of vehicles on the road and reduce fleet operating costs.

A leading truck manufacturer and a risk management specialist say vehicle overloading and driver irresponsibility have been allowed to go relatively unchecked for years.

They say vehicle authorities and companies are now pinning their hopes on the Road Transport Quality System (RTQS) to help enforce a safer, more responsible attitude among road users.

Stricter

The RTQS, to be phased in under certain sections of the Road Traffic Act over the next five years, goes beyond laying down stricter measures on vehicle roadworthiness and overladen vehicles.

"It also calls for better driving practices and addresses the problems of forged and invalid licences and unlicenced drivers and vehicles," says PFV Insurance Brokers company Corporate Risk Management's (CRM) Alan Harvey.

He says companies with motor fleets should take a more responsible attitude to the situation on roads.

Moreover, they should not be motivated solely by new and tougher legislation and policing.

Toyota SA GM (truck product strategy) Barry Moore says many truck operators have ended up with rigs that are heavier and more powerful than needed to meet minimum loading specifications.

Because implementation of loading legislation has been slack for years, many truck operators have exceeded payload restrictions, he says.

Realising this, truck manufacturers have felt obliged to build their rigs to exceed legislated safe axle load specifications, particularly so that their rigs do not get a bad name should they fail under the extra, albeit illegal, strain of overloads.

"As a result, SA has ended up with a grossly overspecified vehicle population. This has increased commercial vehicle production costs which have had to be passed on to truck buyers."

But the authorities are serious about clamping down on widespread overloading, says Moore, and new laws on overloading are expected to be finalised late this year.

Confiscate

"Legislation will allow a magistrate to confiscate the truck and payload of any serious offender on the third conviction."

CRM's Harvey says as about 50 different sections and regulations are involved, consultants such as CRM can guide companies with motor fleets through the legislative process.

"We can assist by providing tailor-made documents that identify the applicable sections of the Road Transportation Act and other regulations still to be promulgated."

If properly enforced, the RTQS should not only reduce motor vehicle losses, which cost SA R16m a day, but could help to reduce the rising cost of insurance and save lives.

Although most traffic departments are stretched when it comes to policing traffic offenders in terms of moving violations, this could improve gradually.

Harvey says that to encourage companies with motor fleets and individuals to take a more responsible attitude to the situation on the roads, motor insurers should play a greater role by offering incentives on motor insurance policies.

Incentives would include lower premiums based on a company's degree of compliance with the law and safe practices, along with recording fewer accidents and less claims.

Important as it is, insurance should be just part of the broader package to control accident costs.

Training

In the US, for example, the talk is about accident control programmes, which encompasses everything from accident assessment — such as claims, premiums, repairs and excesses — to driver training courses.

In SA, about 90,2% of all road accidents can be attributed to driver error, while overladen and unroadworthy vehicles are not only major contributors to many accidents but are major causes of damage to road surfaces.

Mercedes commercial vehicles board member Adolf Moosbauer.

Mercedes-Benz offers consultancy programme

Buss. day 3/6/93

FLEET operators throughout Africa are being offered an innovative transport consultancy programme by Mercedes-Benz SA to reduce total costs in any specific operation.

Mercedes board member (commercial vehicles) Adolf Moosbauer says the Mercedes-Benz customer advisory system (MBCAS) is based on a model developed in Germany.

It comprises two categories — one on management information, the other on vehicle information — making up a package comprising a portable laptop computer and screen, an integrated ink-jet printer with continuous frictional paper drive and other features.

The management information system has been introduced and consists of software programmes on an economic calculation system (Ecca), on finance leasing, a quotation system and optimum replacement point.

Ecca provides the transport operator with detailed operating costs for a specific Mercedes commercial vehicle or for a fleet of these vehicles.

It covers total operating costs, cost per kilometre, break-even point, cost per quantity transported and per ton/km, as well as comparative costs per unit transported.

"Initial results from Ecca assist the customer in selecting the most economical vehicle for any specific type of operation. It also helps to ascertain the revenue-earning capability of each fleet vehicle running under specific conditions."

It supplies various ratios such as the costs per ton, per day, per trip, per year and over a contract period.

Software

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The vehicle information category is based on software programmes which will soon be launched to coincide with developments in Germany.

Programmes cover vehicle performance, vehicle selection, a sales manual and mass distribution.

Moosbauer says MBCAS is the result of a wealth of research and experience in the European transport industry, with minor adaptations made to suit local conditions.

"It is an important addition to our extensive range of back-up services," says Moosbauer.

Defined policies go long way to save costs

Fleet 31/5/97

Fleet costs can be controlled early attention and replacement, utilisation and maintenance, says Delotte & Touche Management Consultants. Important issues include purchasing for the job at the right price, selecting a vehicle for maintenance, option to match the transaction and fleet cost management. Good Dave Fortes says sultant Dave Fortes says fleet cost principal constraints with creating approaches to regulate and maximise cost efficiencies.

Guidelines

To acquire or dispose of a vehicle, management ongoing parameters are to be taken of vehicles are controlled. When purchasing a new and replacement, vehicle must be taken of account the cost of price escalation of replacement as opposed to refurbishment and value of the existing trade-in decreasing Also crucial with exist-ing vehicles are costs relat-ed to repairs, mounting fuel consumption, downtime and the need for standby vehicles. Fleet size may depend largely on how well vehicle use is managed, a lack of attention much effort is mean that maintenance capital and up in vehicles that tied should be disposed of.

Attention

As maintenance is a major fleet cost component in any fleet operation, close attention should be paid to service intervals — particularly if carried out by an in-house workshop.

Here a programme should be based on supplier quality of preventative recommendations and the maintenance by drivers and crew, Fortes says clearly defined performance measures should be established, such as the number of repairs within a given time and the workshop turnaround time.

A common oversight is failure to guard against over-servicing.

VAT has prompted a move towards leases

Buss Day 8/6/93

THE choice between a vehicle lease and rental package has become more complicated since the introduction of VAT.

Toyota marketing's national fleet sales manager Len Botha says this accounts for the swing from rentals to leases.

Lifecycle

Before the introduction of VAT, rentals were generally cheaper, in monthly repayment and overall amount. But fleet owners are moving to lease packages despite rentals still having the apparent edge.

The answer can be found by looking at what happens to the package throughout its lifecycle.

In rental packages, a number of cost factors have become more relevant. The residual value of the vehicle now qualifies for VAT, whether it is sold or traded in at the end of the deal.

"That on its own may nullify any benefit seen at the start of the deal, in a marginally cheaper monthly repayment, over a lease package that does not have the same disadvantage.

"In addition, if the VAT rate should change, the increment will be immediate on the monthly repayments — which would not happen with the lease package."

However, Botha says each fleet operator may be in a different situation with regard to tax rebates, the size and mixture of the fleet and the company's present short- to long-term cash-flow needs.

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Access

As a result, it is important that fleet managers have access to as much information as possible before deciding on vehicle acquisition.

Affordability is the main factor that has promoted creative ways of buying, hiring or leasing vehicles in packages supplied by the financial institutions and dealer groups.

He says every package contains different features and options and the fleet manager must completely understand their strengths and weaknesses before choosing that which is best for his needs.

LEN BOTHA

Residual value system helps lower repayments

BDay 3/6/93

LINKING a residual value-based plan to a basic full maintenance leasing programme (FML) is a feature which may appeal to companies and individuals who do not want to buy a new vehicle and opt to run one on a FML contract instead.

Residual value is a system whereby a FML company places financial value on the vehicle at the end of a lease period, commonly 36 or 48 months.

BMW Finanz, which operates FML schemes with and without a residual value benefit, illustrates what is involved.

If a residual value is set at 55% that is what the company considers the vehicle's value will be at the end of the lease contract period.

As a result, monthly payments are based not on writing off the whole purchase price of the vehicle, but on only 45% of it in that time.

BMW Finanz MD Michael Kempa says such a lease has the beneficial effect of lowering monthly repayments and giving a boost to the customer's cash flow.

Guaranteed

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It is important, he says, to ensure that there is either a guaranteed buy-back agreement at the residual value, or the residual value agreed on is in line with expected market values.

"If at the end of the agreement you cannot get the agreed residual value for the vehicle, you must pay in the difference."

He says that in the same way that FML is not well understood as really being a long-term contract rental by another name, the phrase "residual value" is misleading.

"It should in fact be 'residual value obligation'," says Kempa.

Maintenance leasing remains viable option

Buss. day 31/6/93

(295)

INDUSTRY leaders dismiss claims in transportation circles that the full maintenance industry is losing popularity because leasing is becoming an expensive fleet option.

This has given rise to predictions that some customers who switched to rental or leasing agreements may return to running their own fleet operations, believing this will cost less in the long run.

Transporters are reported to suspect fleet management specialist products and services are passing on too much of the price hikes when purchasing vehicles, fuel and in maintenance.

While admitting no business can escape the ravages of inflation, leasing and rental industry sources say they are better able to contain costs than private operators.

They say private fleets cannot match the bulk purchasing power, economies of scale and expertise of major vehicle management specialists.

SA Vehicle Renting & Leasing Association (Savrala) spokesmen defend leasing and renting options as a more cost-effective way of financing and managing fleets of passenger and commercial vehicles.

For this reason these options continue to grow in popularity.

Savrala chairman of full maintenance leasing (FML) David Hyman says as companies tend to watch their bottom lines more carefully, FML is sometimes incorrectly regarded as expensive because cost comparisons are not done on a proper basis.

This stems mainly from comparing historical costs — sometimes on vehicles of up to five years — with fixed cost motoring for the next three or four years.

Optimistic

People were probably also expecting local FML to reach the same percentage of new vehicle sales as experienced in the UK.

"These expectations were simply too optimistic as the state of maturity of the two markets is different. Also, too many new entrants have become involved in FML and the state of the economy simply does not allow enough growth for all participants. This has led to some disappointment."

Savrala national president and Prime Car Lease MD Nigel Webb says there is a growing realisation by companies that they should stick to their core business and pass their fleet management to specialists.

Both agree that FML still offers exceptional benefits in terms of off-balance sheet financing, fixed costs motoring for companies and tight administrative controls.

Hyman, who is also MD of Avis Lease & Fleet Management, says extra stimulus could also stem later from claims that some companies and employees are burning their fingers with ill-conceived allowance schemes.

They are still locked into the allowance system for a year or two until loans are repaid and in-house agreements fall due for renewal or review.

Absa group's Bankfin GM (industrial finance) Martin Croucamp says FML will expand as affordability necessitates that companies and individuals acquire the use of a vehicle instead of buying it.

"FML ensures correct use of the vehicle and proper control over expenditure. Through FML they are merely paying for use," he says.

Another factor is that in times of tight profitability most FML companies offer customers the option to sell their entire existing fleet and rent it back for the remainder of the useful life of vehicles.

Corresponding injection of funds into their businesses can be used to expand or support their core business.

Rent-A-Truck MD Beau Papenfus says higher costs of vehicles, maintenance and repairs have compelled companies not only to look at original acquisition methods, but also the quality of management controls in containing escalations.

As a result, there has been substantial growth in FML, where the customer pays only for use of the vehicle, leaving acquisition, administration and risks to the leasing specialist, says Papenfus.

Flexible

This is supported by FML companies becoming more flexible in offering other fleet management options to operate alongside FML.

Despite some continued growth in FML, leasing companies, meanwhile, are edging towards greater flexibility — including a fuller fleet management service — to counter a lack of growth in traditional markets.

"These help them to manage fleets even more effectively," says Hyman.

FM 4/6/93

(295)

AUTOPAGE

Dialling good numbers

Activities: *Supplies radio paging equipment, security systems and financial information services.*
Control: *Altech 71%.*
Chairman: *C G Venter; CE: W N L Moon.*
Capital structure: *27,9m ords. Market capitalisation: R57m.*
Share market: *Price: 205c. Yields: 4,4% on dividend; 11,7% on earnings; p:e ratio, 8,5; cover, 2,7. 12-month high, 230c; low, 120c. Trading volume last quarter, 765 000 shares.*

Year to Feb 28	'90	'91	'92	'93
ST debt (Rm)	1,8	0,56	0,66	nil
LT debt (Rm)	1,5	2,2	1,7	1,1
Debt:equity ratio	0,63	nil	nil	nil
Shareholders' interest	0,28	0,37	0,42	0,50
Int & leasing cover	9,4	21,1	n/a	n/a
Return on cap (%)	44,6	40,8	36,9	37,4
Turnover (Rm)	26,0	30,1	36,7	39,8
Pre-int profit (Rm)	8,1	9,5	10,2	12,0
Pre-int margin (%)	31,0	31,6	27,8	30,2
Earnings (c)	16,4	17,3	20,7	24,0
Dividends (c)	8	8	8	9
Net worth (c)	19	31	42	58

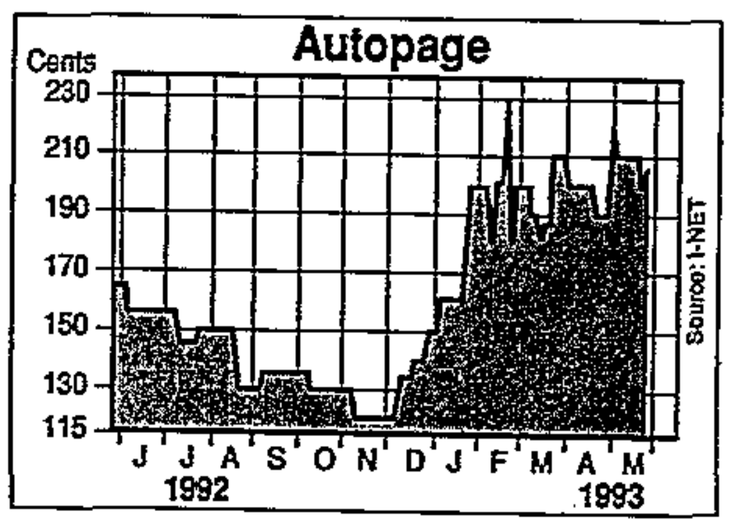
Autopage is sending out all the right signals. Last year it increased attributable earnings by 16,2% on an 8,6% rise in turnover and the share appreciated by a third.

In addition, the cash balance received a post-year-end R5,6m boost. Telerate (UK) exercised its right to buy back the SA business which had been acquired by Autopage. Had this been done at the beginning of the financial year, effects on the income statement and balance sheet would have been minimal; earnings would have been cut by 7% and NAV would have risen 14%.

New man at the helm Craig Venter says improved asset management strengthened the balance sheet. Short-term debt was cleared and long-term borrowings cut to R1,1m (1992: R1,7m).

A 1c dividend hike might not please shareholders who had to settle for a stagnant 8c for three years as earnings rose steadily. The board argues that this was to bring cover in line with parent Altech's and build up cash resources to make acquisitions possible.

Increased product development and diversification resulted in the expansion of Paging, 4-Warn and Vehicle Tracking portfolios. 4-Warn is a new facility which enables users of Autopage pagers to keep a silent 24-hour watch on equipment, processes and premises by remote control. Vehicle Tracking Systems gives fleet operators the opportunity to keep track of trucks.



Through Altech, Autopage has strong alliances with major suppliers of cellular telephone equipment. Venter expects significant long-term returns from this sector. The acquisition of businesses complementary to existing services, coupled with continued organic growth, remains the priority in the short and medium term. Financial director John Carstens says earnings growth in 1994 could be similar to last year's, depending on how surplus funds are invested.

Autopage's consistent earnings performance should encourage investor attention. Despite its recent rise, the counter's p:e of 8,5 falls short of the electronic sector's 13,8 average. That indicates some price gains are possible.

Kate Rushton

Burnt out by the white powder

W/mail 4/6-10/6/93. (295)

Life in the fast lane of the drug trade has a certain appeal — until the police come banging on the door. **ALEX DODD** *spoke to an ex-dealer, who used to free-base cocaine*

THE harsh, fluorescent light of a downtown Wimpy Bar imposes itself on the face of the boy in the white T-shirt and it's his skin that gives the game away. If it weren't for the pallor, he might be any 19-year-old. But you don't do cocaine for two years and come out looking baby-faced.

Nick Williams (not his real name) has only been old enough to vote for a year now, but, if he hadn't been arrested a month back, he'd be moving into his third year of cocaine dealing. Movies like *Drugstore Cowboy* and *Goodfellas* feel like soap operas to him. "You know how boring they get?"

Williams grew up in a "stable, orthodox home" but things started getting a little less nine to five when his father, a managing director who "did all the right things", started free-basing cocaine and his parents divorced. He decided to start dealing for the same reasons that his mother did — for the extra money.

It was at his mother's home that he was first approached by a Nigerian supplier. "Nigerians are the main men." He'd left school in Std 9, had just stopped working as a salesman and had no income.

His main incentive to start dealing cocaine was the money and the thrill of it.

"It caused heavy ructions with my mom. She wasn't happy about it." He doesn't explain whether his mother's anger stemmed from concern for her son or because he'd touted her customers.

Williams had no problems finding a backer to put up R10 000. Backers are mainly users, so they take the cash back in stock. "I knew he was a user who had a lot of money," says Williams. "In fact, he was a friend of my father's."

He started selling from his home in the north-eastern suburbs of Johannesburg. (He had a couple of friends who dealt out of clubs, so he started supplying them.) "I used to hide the stuff in the ceiling, under mattresses, in a wardrobe," he says.

"I don't know why I wasn't paranoid about being caught. I always lived on this thing: it would always happen to someone else.

"But there is a difference between being paranoid and being careful," he says. Williams never carried much stock nor had a lot of people in his house at odd hours. He had a solid customer base of about 10 to 15 regular users and his customers varied from business people to the unemployed, between the ages of 18 and 35.

"When I first started out I was charging R250 a gram, but the price on the street has dropped to around R200. At the moment the best stuff goes for around R250 — it's known as 'fizzies' — it fizzes when you cook it.

"If someone bought say 10, 15 or 20 grams, I'd drop the price," he says. Two years back he was paying R150 for a gram, so he was making R100 on each gram he dealt. He spent some of the cash *jolling* and reinvested the rest in stock.

Instead of having dinner with friends, coke becomes your friend Photo: GUY ADAMS

"Things get very hectic — everything starts to revolve around the drug," he says, taking another drag of his cigarette and attempting to explain why he began using the drug six months later. "I'd smoke my profit instead of taking it in cash.

"I free based the stuff," he says. "You take a normal spice bottle and add about 30 to 40 percent bicarb to each gram of coke. Pour it into about half a centimetre of water at the bottom of the spice bottle and heat it until the coke turns to oil.

"Cool it down and you come out with what is called a rock. That's what it is — a little, hard, white rock. You break a piece off, put it in a base pipe and smoke it. Everyone I was selling to was basing. I was never exposed to snorters."

Williams describes the work he was doing as a "full-time occupation". "When people are basing they get into the 'hanging' syndrome and they used to pitch up at my house at two, three or four in the morning needing stuff to go on with. You end up spending up to six days without sleeping and hardly eating." Williams' anatomy is testimony to this. This man is thin.

"People get upset when you won't give them credit. I was lucky I never had a case of someone getting violent with me. But rumours start going round in coke circles that you're working with the cops. All the usual shit."

He has never felt guilty about dealing because, he says, he never started somebody basing. "I wouldn't supply if they didn't already use it."

Months back he stopped freelancing and began dealing for a main supplier on a commission basis. He speaks about his experiences with a kind of abstracted frankness, almost as if he is reporting on the life story of an acquaintance.

"You start living for the coke. It screws up your relationships, and you collect a whole lot of hangers-on instead who just hang around you for the coke. Instead of going out and having dinner with a friend, coke becomes your friend, and you're happy until it's finished."

At the time of the bust — a major personal turning point for Williams — he was operating from a Johannesburg hotel which had been raided by the narcotics squad on several other occasions.

It started as a day like any other, hanging about thinking about his next hit on a pipe and the passing traffic, when Williams' little credo turned sour on him. Suddenly he was the "somebody else" it was happening to, and before he knew the police had burst into his room. They found bits of drug paraphernalia: scrapers (instruments to scratch out the oil that has cooled in pipes, known as "honey"), gauzes (filters) and pipes, but no substance.

Although the police failed to find anything solidly incriminating, they arrested Williams. They wanted to know who the supplier was. "I denied I had anything to do with it."

Today he's out on bail, hoping the police will drop the charges against him. But unlike other dealers in similar circumstances, Williams has decided to alter his job profile.

Since those 48 hours in John Vorster Square, Williams has been getting used to the way that supermarkets and zebra crossings look from a mind unaltered by a substance.

"When you're straight and you see someone else living for it, you can see for yourself how destructive it is. I've been getting my head back together.

"I'm going overseas to get out of this vicious cycle of old friends coming round and phoning. There's the temptation of starting to deal again. People don't take no for an answer. I'm not craving the drug — it's the lifestyle that lingers on."

B/Day 9/6/93

Tragedy on stage and off

(292)

MARY RÖRICH

OPERA is the domain of tragedy. But sometimes the tragedy takes place off-stage, as Capab and SABC members recently learned.

The story began in April when Capab announced it would not renew the contracts of permanent members of its opera company. This decision was taken as a result of the R4m loss sustained by the arts council during the previous year.

Massive cuts in state subsidies to the arts have undoubtedly contributed to this loss. It seems sport has far greater potential in the shoring up of failing regimes and the forging of new alliances: at much the same time as Capab was forced to give up its opera company, government announced it would contribute R17m to the one-day Kyalami Grand Prix.

And so, under the threat of extinction, Capab opera prepared for its last production. With the aid of SAA, a new and brilliant production of Puccini's famous essay in tragedy, Madama Butterfly, opened on May 15 and was scheduled for live transmission on TSS on May 28.

The screening of live opera is a costly and complex business, one which SABC television producer Raymond Sargent has made his own. He has been responsible for all live transmissions of opera and ballet in SA to date, including Peter Klatzow and Veronica Paeper's Hamlet, which won a well-deserved 1992 Artes award. A trial run of the final dress rehearsal of Madama Butterfly suggested it would stand alongside the best of Sargent's work.

But Butterfly was destined to become a target of two bully boys.

The first was the SABC itself, whose board and senior management have, over the years, exercised a tyrannous baasskap styled on the government that bred and controlled it.

But, for the SABC, time is running out, as it is for its master. Strikes by Mwasa and, more recently, the SA Broadcasting Staff Association (Sabsa) indicate the bitterness of most SABC employees.

Sadly, in its choice of target and style of action, Sabsa has shown that it is scarcely more caring of its members than is the SABC. Its interpretation of selective strike action has split its members' loyalties and in several cases damaged working relations within production teams.

The Madama Butterfly crew were aware that they might well be asked to strike. However, as the curtain went up, they assumed their project had been spared. Thirty-three minutes into the first act, western Cape Sabsa members were called upon to "withhold their services". Within seconds, the production was immobilised. Sargent is himself a member of Sabsa, as are most other crew members. None had any knowledge of the impending strike action. Those called out by the union were visibly distressed as they saw their work of many days come to naught.

When subsequently told of Capab's plight regarding opera and the boost a television screening would have given it, Sabsa was genuinely sympathetic. But it was too late.

In SA art is the coward's target — many opera lovers countrywide felt deprived and angry, but not nearly as many as would have jammed the SABC switchboard had the rugby match screened the following day been interrupted by strike action.

And so what might well be Capab's last production has neither been documented nor the fate of its company debated. It's a sad story, with an ironic ring of Madama Butterfly about it. Remember the little geisha girl whose American "husband" contracts a marriage with her "for 999 years, with a month's notice"?

☐ **Rörich reviews Madama Buttterfly on Page 18.**

Deregulation of radio systems official

Buss. Day 9/6/93

MELANIE SERGEANT

THE deregulation of SA's public access radio-trunked networks, which allow radio-based communications, is now official.

Arch rivals Grinaker Electronics and Altech have teamed up and have won licences for trunking networks. Transtel will be an investor in their joint-venture company Fleetcall.

Fleetcall has been granted licences in the Pretoria-Witwatersrand-Vereeniging and the Durban-Maritzburg areas, and Carphone Natal for the Durban-Maritzburg region.

The public access trunked-radio network allows the companies to carry third party traffic in key areas for the first time. It also opens up a new spectrum to cope with pent-up demand — estimated to be around 40 000 users.

This will be good for the operators and for the economy, as many businesses are desperate for fleet management, security and other radio-based communication services.

Trunking networks are suited to many industrial applications, such as fleet management, emergency service, courier companies, and many others wanting to broadcast messages to specific user groups.

It is believed it will cost Fleetcall around R20m to set up its networks.

One industry source says: "Prior to deregulation, user groups ran their own systems, but this caused significant frequency congestion, and even small users were unable to get licences for new trunking systems."

Despite the expected introduction of cellular phone networks next year, he says, land mobile radio will continue to play a vital role in the communications market.

New phones, new forum

B/Day 10/6/93

COMPANIES planning to provide cellular phone services this week formed an association to market the new business.

The Cellular Service Providers' Association includes Autopage, Radiospoor, Transtel, the Automobile Association and Teljoy. (295)

Cellular phone service providers are hoping for net sales of about R1bn over the next five years.

The association's main function will be to market the new service to subscribers on behalf of the two network operators, one of which is a consortium of Telkom, Rembrandt and UK-based Vodafone. The second will be decided by tender within months.

"We will also provide billing and administration services," says association chairman Lawrence Berry.

Agencies 'need global approach'

B/Day 15/6/93

KELVIN BROWN

THE advertising agencies that would survive in SA were those capable of playing in the global marketing arena, said Saatchi & Saatchi (Cape) MD Neil Gurney.

Agencies that paid only lip service to their international connections would have to act soon if they were to remain full service agencies.

(295)

Local marketers, hamstrung in the past by sanctions and the belief that the socio-political and marketing scene was unique to SA alone, were rapidly changing their minds and looking to their agencies for insights from abroad, said Gurney.

"We're part of the global picture now and are finding out that we're really not so different — what's good for the world is good for us."

When taking a brief, it made sense to look around the world to see what had worked in that category and if it could be adapted locally, said Gurney.

Besides ad campaigns, effective internationalism offered other untapped opportunities including research, marketing trends, point-of-sale and competitive advertising.

"Creativity is an international commodity that can be imported, exported and adapted for different markets throughout the global agency network," he said.

BUSINESS German company introdu

Start your own car wash plant

Sowetan 17/6/93

295

■ SBDC will consider requests for finance:

By Mzimkulu Malunga

AN agent for a German company, California Roche, has a car wash plant franchising scheme for black business people.

International Trading Engineers SA, has sole right to distribute products of the company which manufactures car wash machines.

ITE's director Dieter Kinsky says the package is two-fold. His company either comes in as a minority partner with about 20 percent interest and providessome of the finance or the prospective franchisee buys the machine and raises all the finance himself.

Setting up a car wash plant requires a site where it will operate. The machine and other equipment needed to run the business costs around R200 000.

Dieter Kinsky

Kinsky says he has approached the Small Business Development Corporation to assist with the finance of prospective car wash plants.

SBDC's chief economist Edwin Basson says requests for finance will be considered if a feasibility study relating to the viability of such a project is done.

"est thing to them was interactive advertis- A union to hit New York, the Blue Man Group,

Advertorial 'clean-up'

B/Day 22/6/93

MARCIA KLEIN

CAXTON Newspapers' marketing arm, Newspaper Marketing Bureau (NMB), has created an independent advertorial division to target below-the-line paid editorials.

Senior editor Cliff Buchler said more and more advertisers were considering using advertorial to complement traditional advertising.

Many editors believed "anything smacking of advertising dressed up as editorial" was tantamount to prostitution, he said.

"One can appreciate this abhorrence of free plugs, badly written and teeming with superlatives."

There was a time when freesheets were sitting ducks for this abuse, "perpetuated by unscrupulous space reps intent on filling their order books".

But Buchler said Caxton had cleaned up the act by taking a stance against free editorial appearing "willy nilly". Editors now had the sole right to decide what appeared in their papers.

In spite of this policy shift, advertisers still asked for write-ups. Buchler believed these could be newsworthy and of benefit to consumers. The advertorial division was established to fulfil this need.

Corporations profit from sincere social responsibilty

B/Day 22/6/93

KELVIN BROWN

PROFIT considerations are likely to drive corporate social responsibility beyond the "hand-out" and "hand-up" phases that characterised the '80s, says Sandton-based ad agency FMC.

The agency recently carried out a study of worldwide corporate social responsibility developments.

MD Nigel Morris said the impulse to feel good had been superseded by the realisation that alignment with the wider community on social issues was "good for business as well as good for the soul".

The result was that communities learnt to appreciate the private sector's investment-and-return mindset, while the private sector learnt that sincere community orientation resulted in long-term benefits to the bottom line, said Morris.

He conceded that for many people, corporate social responsibility still meant wishy-washy liberalism that had no place in business, a luxury only big business could afford or a necessary diversion of resources to atone for past sins.

However, forward thinkers had spotted a new reality — that social responsibility could be an exciting point of difference that turned a company into a winner, said Morris.

"This type of corporate social responsibility shapes corporate culture, boosts productivity, brings a new dimension to product development and creates new market positions".

Rainforest Crunch — a US confectionery bar — was a classic example. It had proved popular because US consumers liked the fact that a portion of the price was targeted at saving the rainforests.

Other international retailers and manufacturers committed themselves to major programmes to help the unemployed, boost recycling efforts, save waste, preserve the environment and help the handicapped and minorities.

"Corporate social responsibility is not socialism in a new guise", said Morris.

It made good business sense and would be placed increasingly at the top of companies' agendas.

As a result, advertising agencies which functioned as extensions of their clients' business would have to provide information and consultancy in this field, he said.

B/Day 22/6/93

Dial-a-Movie franchise row

MATTHEW CURTIN

PUBLIC Enterprises Minister Dawie de Villiers was considering placing a restraint of trade order on Dial-a-Movie, the listed video and CD store franchisor under investigation by the Competition Board for restrictive trade practices, a government source said yesterday. (295)

The board announced on Friday that it was conducting a wide-ranging investigation into Dial-a-Movie and its Top CD franchise. The investigation hinges on complaints by some franchisees that Dial-a-Movie is preventing them from setting their own prices and buying stock directly from record companies, which offer significant discounts to retailers. The franchisees have alleged Dial-a-Movie pockets the discounts without passing on the benefits.

They say these practices are in breach of their franchise agreements, and are making their businesses uneconomic because they cannot compete with rival chains.

A restraint of trade order would prohibit the company from these activities, but a government source said De Villiers still had to evaluate a board recommendation on the issue. A Ministry spokesman said he could not comment yesterday.

Top CD franchisee committee spokesman Ron Hagger said he could not comment because of a confidentiality agreement struck between the eight franchise owners he represented and Dial-a-Movie management while negotiations continued. Talks started on Sunday and are expected to finish tomorrow. Dial-a-Movie executive chairman Brian Cunningham is abroad and operations director Gert Nel was not available for comment.

It was reported at the weekend that a Dial-a-Movie spokesman confirmed the company had cut off supplies to the eight franchises which had registered the complaint. He confirmed Dial-a-Movie was not passing on discounts and said supplies had been cut to stores which were behind in their stock and advertising-fee payments, a charge denied by the franchisees who claimed the company was behind in meeting their queries on available discounts.

It is not the first time Dial-a-Movie has fallen foul of the management of its franchises. At least 20 disgruntled franchisees cancelled contracts with the company for the management of its video stores in February 1990, complaining that the company was overspending on video titles and was not delivering the benefits promised from its advertising campaign.

Dial-A-Movie to fight order

B/Day 24/6/93

MATTHEW CURTIN

DIAL-A-MOVIE, the video and compact disc franchisor under investigation by the Competition Board, may apply for an amendment to a government restraint-of-trade order due to appear in tomorrow's Government Gazette. (295)

Attorney David Kahn, representing the company in its dispute with a number of Top CD franchisees, said yesterday Dial-A-Movie was likely to make representations to the board to change the terms of the Public Enterprises Ministry directive.

The directive from Minister Dawie de Villiers was issued on a board recommendation after the launch of a probe into allegations of restrictive business practices carried out by the company. It prohibited Dial-a-Movie from exercising any bar on franchisees buying stock direct from music companies and setting prices.

Kahn said there was no question of the company being involved in price-fixing, a criminal offence under the Maintenance and Promotion of Competition Act. However, it was not possible to comment further on the dispute because of the sensitivity of negotiations with the franchisees.

A source close to the eight aggrieved Top CD franchise managers said tentative plans were being considered for new meetings with company management.

Companies fly in face of executive tradition

B/D BM 24/6/93 (295)

YOUR staff want to fly business or first class. They insist they need the extra space to work so that they can arrive fresh for that vital business meeting. What is more, they want to take every trip on the same airline to earn frequent flyer points.

Yet your company's margins are tight and there is a board edict to save. How can you keep your executives motivated, but retain a grip on the cost of business air travel?

The problem is not new, but now the hunt for better travel management has spawned an approach based on fees rather than commissions.

The traditional pattern has been for companies to engage travel agents to buy airline tickets, reserve hotel rooms and rent cars. The agents recoup the cost of running their businesses through commissions from airlines, hotels and car rental agencies. The standard rate for airlines, for example, is 9% of the ticket's cost.

Travel agents, however, therefore have little incentive to search for cut-price tickets. Saving money for clients cuts their commission.

Companies and travel agents have tried to overcome this by arranging split commissions, or by rebates for bulk purchases of tickets. Typically, the client company might get back one third of the commission from the agent, or 10% of the ticket price from the airline.

This still however, does not adequately encourage agents to save their clients' money, says Rank Xerox fleet/travel purchasing manager John Cash.

He has turned instead to an alternative based on management fees — the client pays the agent a fixed fee, with a bonus based on savings above a pre-set target. The commission is split between the two parties.

Rank Xerox uses Thomas Cook, although similar deals can be arranged with other large agencies, like American Express, Hogg Robinson and Wagons-lits.

Thomas Cook claims that savings of up to 40% on tickets are possible, and practices "open book" accounting in which the client sees where the agency earns its money.

Wagons-lits commercial director Colin Rainbow explains that agencies are suffering as business travellers seek cheaper tickets. "The travel agent still has to have the same level of service but the (commission-based) margin is being much diminished."

The system is not without its opponents. The airlines, which are mostly losing money, do not like it. By persuading companies to spend less on air travel, management fees reduce the size of the whole cake, says Stephen Wolf, head of United Airlines, the second biggest US carrier.

Some clients do not like it either. Esso Petroleum travel and catering manger Dennis Campbell says: "You could spend more time arguing with your agent on who's doing what."

Campbell often deals with airlines directly, using the travel agent for market intelligence and advice. "We are working with airlines on pushing business to slack days."

In spite of this kind of resistance to replacing commissions with fees, the notion is now spreading beyond the UK to the rest of Europe.

The trend may have been given extra momentum by airline industry deregulation, which began in earnest in Europe on January 1. That is already increasing the number of discount fares on offer: so finding the cheapest deal is becoming more complex than ever. — Financial Times.

FM 25/6/93

DIAL-A-MOVIE FM 25/6/93

Striking a sour note 295

Dial-A-Movie's franchise arm, Top CD, has presented its parent company with a headache. Eight of its 13 franchisees are refusing to pay fees or settle accounts until the group addresses their grievances, the main one being Dial-A-Movie's refusal to "pass down supplier discounts to the stores." The group, in turn, says it is withholding supplies until money owed is paid.

Franchisees argue that the selling price of their stock is excessive compared with that of competitors and in March they complained to the Competition Board.

Competition Board investigation

This week Public Enterprises Minister Dawie de Villiers ruled that the contents in any agreement between Top CD and Dial-A-Movie (the franchisor) and its franchisees, or between franchisors and the suppliers, shall not bar the suppliers and the franchisees from dealing directly with each other.

De Villiers' ruling says the franchisor shall not be involved in any contractual relationship that may arise between the suppliers and the franchisees.

Further, franchisors may not compel or induce their franchisees to charge a particular selling price. These rulings hold until the Competition Board has completed its investigation.

The question now is what effect the dispute, and, more important, De Villiers' announcement, will have on group profits. Last year Top CD contributed 63% of Dial-A-Movie's profit and chairman Brian Cunningham forecast turnover would double in the 1993 financial year. 295

Operations director Gert Nel declines to comment on financial implications. Chairman Brian Cunningham is not available; the group's attorney David Kahn says he is visiting family in Hong Kong. Effects on 1993 figures will probably be minimal as the year-end is June 30.

If franchisees pay money owed, the group has agreed to discuss the discounts. Further, management says franchisees will be allowed to sit in while discounts are negotiated with suppliers.

This, says Dial-A-Movie director David Claven, will prove there is "nothing sinister about the way the group is run." Kahn says a number of those franchisees are considering this compromise.

Shareholders must be hoping a compromise is reached before damage is done to the image or profits of the company. When the *FM* went to press, the share, at 90c, had lost only 5c in the past month, its price having quadrupled since December.

Prospects that it will hold at this level do not seem good.

Kate Rushton

Bid to resolve Dial-a-Movie impasse

B/Day 25/6/93

MATTHEW CURTIN

DIAL-A-MOVIE tabled proposals at a meeting with the Competition Board yesterday aimed at resolving the impasse between the company and Top CD music store franchisees.

However, the franchisees are negotiating to tear up their agreements with the company, which has pinned its hopes for earnings growth on the current success of its 20 outlets.

Board chairman Pierre Brooks said Dial-a-Movie had presented a number of "serious proposals" for discussion with other interested parties. (295)

The company also made representations on the Public Enterprises Ministry restraint-of-trade order announced earlier this week.

Brooks said the interim order could not be appealed, but the board had the discretion to make further recommendations to Minister Dawie de Villiers — to alter or lift the order — while it was possible successful talks between the company and the franchisees would make the order unnecessary.

The order freed franchisees from pricing and record procurement restraints enforced by Dial-a-Movie.

Edward Nathan & Friedland attorney Mark Rodomsky, representing the franchisees, said yesterday his clients were negotiating for "a complete release" from the franchise contracts.

At issue were the price at which the franchisees would be able to buy themselves out of the contracts — the franchisees sub-lease the shops from Dial-a-Movie — and outstanding debts owed to the franchisor.

Radomski said that in face of alleged combined debts of R2,2m, his clients owed only R800 000, money due at end-May and payable at end-June, an obligation the franchisees would meet. The remaining R1,4m was provided for by reconciliations for each franchisee.

CD sales account for about two thirds of Dial-a-Movie's revenue. The fourfold jump in the company shares earlier this year followed comments by executive chairman Brian Cunningham that "the astonishingly successful" music chain could expect "further exciting growth" because the increase in CD sales was likely to level off only in the next century.

Minister calls tune in row over contracts to sell CDs

S/Times [C Metro] 2/11/93

By GLENDA NEVILL

A DIRECTIVE from the Minister of Public Enterprises Dr Dawie de Villiers has overridden a contract between Top CD franchisees and their parent company that precludes franchisees from dealing directly with CD and cassette suppliers.

The directive, published in the Government Gazette on Friday, ordered that the parent company, Dial-a-Movie, should not "directly or indirectly compel or induce their franchisees from charging a particular, or particular minimum, selling price".

This move follows a decision by the Competition Board to investigate complaints by eight branches of Top CD in the country — including two in Cape Town.

The branches complained that the parent company was not passing on large discounts from record companies that would have allowed them to drop their prices.

After the complaint was filed, the Competition Board instituted a two-point restraint of trade order on Dial-a-Movie under section 10 of the Maintenance and Promotion of Competition Act.

The Competition Board's investigation into "restrictive business practices" would be completed in three months, a spokesman for the Board said. (295)

The attorney for the franchisees, Mr Mark Radomsky of Edward, Nathan and Friedland, said his clients wanted to be released from their contracts.

Franchise industry 'needs protection'

B/Day 2&16/93

MATTHEW CURTIN

THE franchise industry needed a self-regulating authority to avoid disputes like the current Dial-a-Movie-/Top CD rumpus which could damage the reputation of the small franchising sector, according to Kessel Feinstein Consulting franchise division director Bendeta Gordon.

She said at the weekend that a lack of understanding on the part of both franchisors and franchisees, and questionable ethical standards, were "bedevilling the local industry". The Dial-a-Movie dispute threatened to taint the image of franchising, which was a key part of the small business sector.

She said the dispute, which had brough a restraint-of-trade order from Public Enterprises Minister Dawie de Villier on the video and compact disc franchisor, showed franchisor and franchisee had to consider each others' interests. (295)

Gordon said the highly regulated franchise industry in the US, which mandated high levels of disclosure between parties, had proved inhibitive to encouraging franchising.

However, a recent review in Australia suggested self-regulation was the best way to control the industry.

She said it would be prudent to consider empowering the SA Franchise Association (Safa) to assume greater authority in advising and directing its members.

Gordon said there were certain core ethical guidelines for franchise practice. The franchisor needed to obtain competitive prices for all products and pass on the benefits. There should be full disclosure of rebates and any discounts the franchisor won, and agreements could be reached where rebates or discounts were collected and used for the benefit of the entire franchise network.

TV influences 'only some people most of the time'

B/Day 29/6/93.

KELVIN BROWN

295

MORE studies showed that mass media had a small effect on the behavior of its target audience, said SABC broadcasting research unit GM Daan van Vuuren.

He said both the intended and unintended effects were relatively small.

The "intended effect" included the influence of advertising on purchasing, and the effect of prolonged multimedia campaigns on lifestyles. "Unintended effects" included the influence of TV violence on the behaviour of viewers.

Speaking at the Sentech Broadcast Conference last week, Van Vuuren said current thinking suggested the power of the media was highly conditional, and depended on a number of factors. Researchers believed the media had a large effect on a small proportion of the audience, rather than a small effect on the total audience.

A lot of research was being done on the impact of television. It appeared TV had a small influence on a wide variety of things, such as knowledge acquisition, thinking patterns, social awareness, personal interactions and consumer behaviour.

Although people spent up to half their leisure time in front of the box — more time than on anything else except sleep and work — audience involvement was generally small, said Van Vuuren. "Television is a low involvement medium, primarily used for relaxation and entertainment."

Some researchers had gone so far as to conclude that TV was popular only because it provided a large amount of distraction and relaxation at a trivial cost, and with minimum effort from the viewer.

US research indicated that nobody paid attention to a TV set for 25%-40% of the time it was switched on.

According to the 1993 Amps diaries, the average adult watches TV for 21 hours a week. Children spend slightly less time watching TV.

In industrialised countries the TV set is on for between 25 and 30 hours a week.

"It appears a great deal of exposure to TV occurs while the viewer is involved with something else," said Van Vuuren.

Studies showed that adults eat, drink, sleep, play, argue, fight and occasionally make love in front of the TV set. Children eat, drink, play, dress and undress while the set is on.

TV was also used to create a constant flow of background noise and to regulate behaviour, said Van Vuuren. "It organises time in the family, affects talk patterns and is used as a disciplinary instrument by parents."

Free airwaves could hurt small ad agencies

B/Day 29/6/93

KELVIN BROWN

THE deregulation of broadcasting in SA could put small advertising agencies out of business, says SABC group finance GM Steven Schubach.

Speaking at the Sentech broadcasting conference last week, he said agencies would have to spend much more on research and media planning with more local and regional radio and TV stations on the cards.

SABC research had indicated the number of new private radio stations could be as high as 34.

"Smaller ad agencies won't be able to afford these higher costs and will be forced out of business, or to merge with other ad agencies," said Schubach..

Deregulation would also cause a fierce advertising rates war, as the advertising cake was unlikely to grow in the current economic environment.

Growth in total adspend had been slowing down since 1991 because of the recession. Growth in gross adspend was expected to slow to about 18% this year from 20,6% last year.

Schubach said the SABC estimated growth in total adspend would be slightly higher next year because of the elections. But in 1995 growth should again slow down to 17,6%.

With more radio and TV stations planned, there would also be a significant shift in adspend away from print media to electronic media, predicted Schubach.

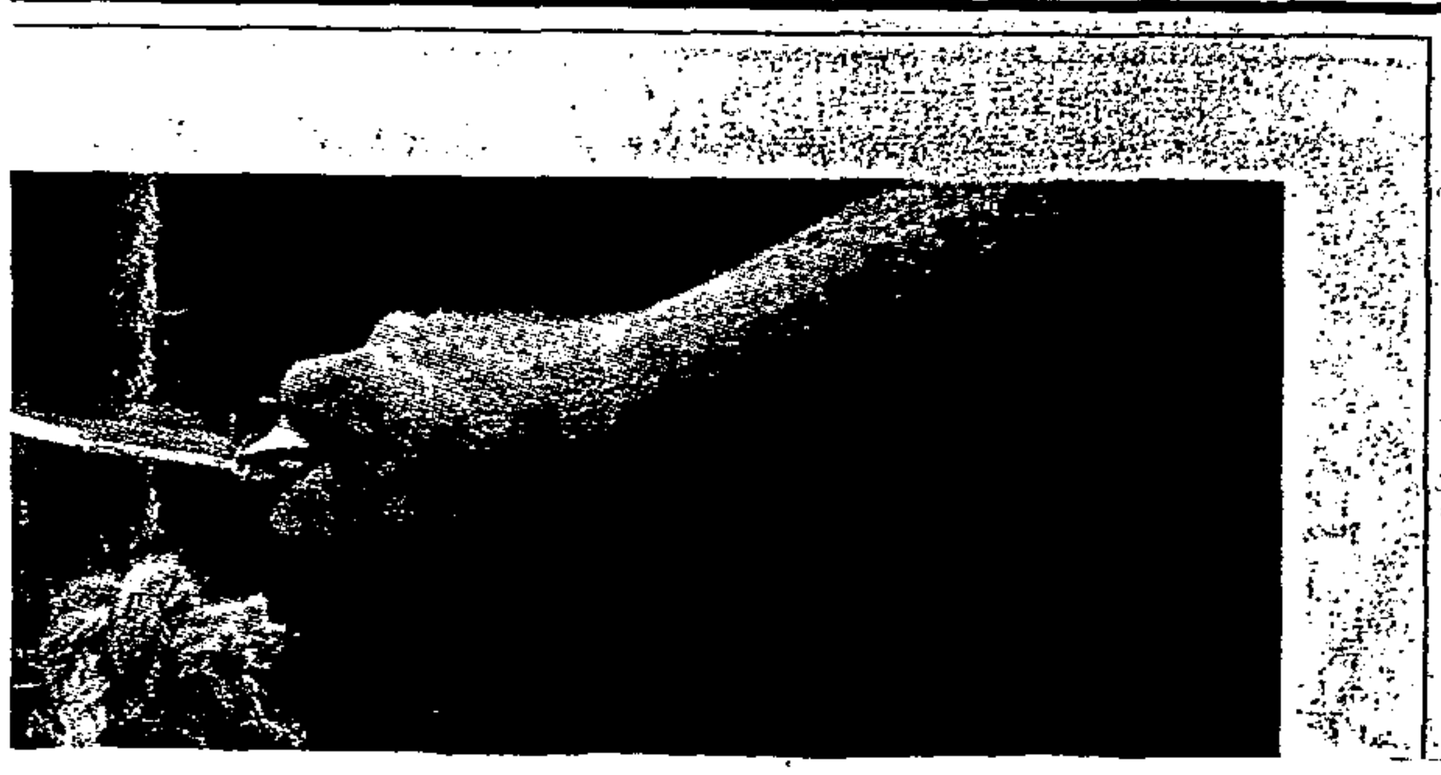
In line with trends in other countries, print's share of the advertisng cake had fallen from 63,2% in 1980 to 45,3% last year. Over the same period, radio and TV's share expanded from 31,1% to 49,7%.

Meanwhile, Home Affairs Minister Danie Schutte told the conference he expected the first licences for private radio and TV stations to be awarded before the end of the year.

The department had received 100 applications.

These would be forwarded to the Independent Broadcasting Authority (IBA), expected to be set up by October.

The IBA would take over the function of regulating and awarding licences once the new Broadcasting Bill had passed into law during the special session of Parliament in September.



BUSINESS Mabidi Tlhapi becomes the *Sowetan*-Sanlam Entrepreneur of the Month

Sowetan 1/7/93

Service is Mabidi's trick

(295)

Mabidi Tlhapi

By Mzimkulu Malunga

BEST FRIEND From employee to hi-tech employer was no easy task:

ANY business that puts the interests of its customers first is bound to succeed, Mabidi Tlhapi has learnt in the past three years of practice.

When he started MJ Tlhapi TV Aerial Installations in 1990, the Dobsonville-based man had a lot of technical expertise but no management know-how.

"But I have learnt that a person needs to have some business knowledge before venturing into his own business," admits Tlhapi.

Though he did not have management experience then, he says a positive approach has been his best friend.

Ensuring quality service for his customers and accommodating their tastes is the key to the survival of Tlhapi's business. In addition to sub-contracting for a giant in the industry, Aerial King, he installs aerials and decoders for a furniture shop, Richard Green.

"Though I do advertise in the newspaper from time to time, word of mouth has been very helpful as well. That's why top-class service is essential as people get to know about your service from past customers," he says.

Tlhapi's TV Aerial Installations employs four people and operates in almost all townships in the PWV area, though most of the business still comes from Soweto. The company now has television repairs under its wings and the aim is to expand into other electronic facets as well. After working for an installation company for six years, Tlhapi joined the M-Net television's decoder installation department and, before he knew it, he got a loan from the company to start his own business.

M-Net had given him R17 000 credit, which was payable over 18 months. Three years on, Tlhapi is now concentrating on expanding his business with no outstanding debts to worry about. Mabidi Tlhapi automatically qualifies for the *Sowetan*-Sanlam Entrepreneur of the month competition. The monthly winners will compete with each other at the end of the year.

Fasa monitors probe

S/Times (Buss) 4/7/93

Business Times Reporter

THE Competition Board's probe into the dealings of Dial-a-Movie and Top CD could have huge ramifications for the franchising industry and as a result is being closely monitored by the Franchise Association of Southern Africa (Fasa).

Fasa, which wants to avoid government control of franchising, says if any feature of a member's activities is illegal or unethical, it would terminate their membership.

The Competition Board last week launched an official probe into claims by eight Top CD franchisees that the holding company Dial-A-Movie was involved in restrictive practices (295)

These include preventing stores from setting their own prices, forcing the franchisees to buy stock through Dial-A-Movie and failing to pass on discounts given by record companies.

Fasa says agreements where franchisers are required to purchase goods from the franchisor are not unusual and are perfectly legitimate provided the arrangement is not contrary to the public interest or otherwise unethical.

"It is however fundamental that the franchiser should not profit from his franchisees in a secret or underhand way. Mark-ups on goods supplied by a franchisor to a franchisee should be reasonable and the franchisor should ensure that franchisees are fully aware of such mark-ups and any bulk discounts which may accrue to the franchisor."

Franchisees would be dissatisfied if they found that their franchisors were taking secret profits.

Teljoy reports marginal earnings rise

B/Day 7-4-93

MARCIA KLEIN

TV RENTAL group Teljoy would show growth in the 1994 financial year, predicted executive chairman Theo Rutstein in his annual review.

In the year to end-March, Teljoy reported a marginal earnings rise to 30,6c (30,5c) a share on a 1,8% turnover increase to R176,8m.

Rutstein said Teljoy was positioned "at the apex of the popular entertainment and communication sectors" which would thrive "in a friendlier environment".

The return of SA to the international community had had a positive effect on the group's business, but this had been offset by several factors.

These included the emigration of predominantly white TV-renting families. Also, strikes and stayaways had disrupted business in some areas.

Further Teljoy had been affected by the cutback or shelving of many capital expenditure projects, and by the pressure on discretionary earnings of many customers.

The core rental division, operating under the names Teljoy, Tomorrow TV, and Rent-a-Colour, had performed well, and had increased turnover by 8,2% and pretax profit by 5,4%.

Action in service division Mastercare, which had shown a loss of R2,7m the previous year, had seen it end the year with a small operating profit. (295)

Subsidiary Teljoy Business Services had performed unsatisfactorily, and its activities had been rationalised and restructured, and integrated into other areas of the group. This had resulted in an extraordinary loss of R9,9m.

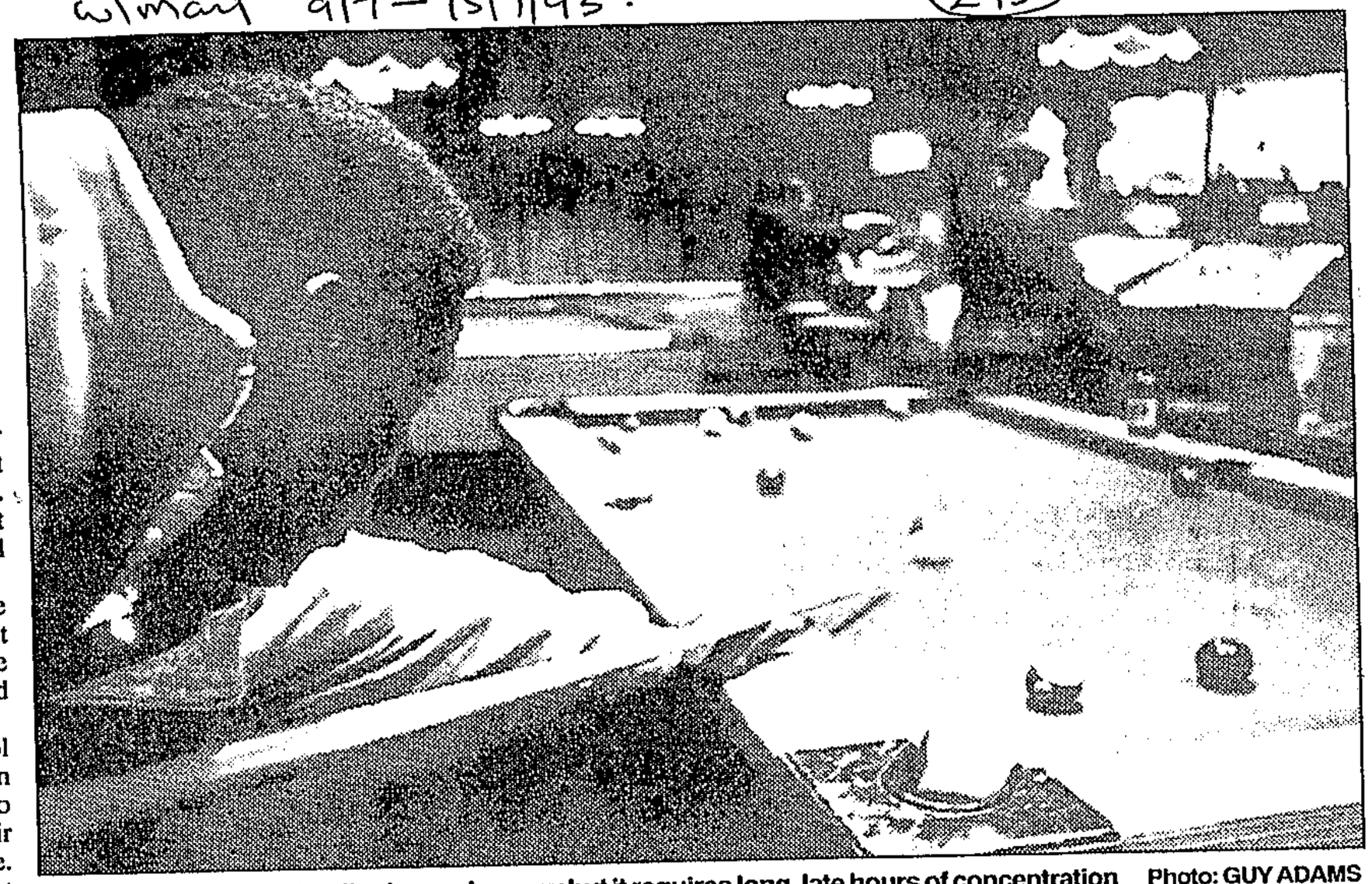
Rutstein said Teljoy would enter the cellular phone market as a service provider, the conduit between the network operator and the public, toward the middle of next year.

The colour of Hillbrow's money

W/Mail 9/7 – 15/7/93. (295)

Prostitutes mill around in denim shorts and skimpy bodysuits; customers chatter away in a babble of European tongues. Nothing distracts the two men, who have eyes only for the pool table.

JACQUIE GOLDING *reports on the hustlers*



All in a day's work ... Hustling's good money but it requires long, late hours of concentration Photo: GUY ADAMS

SIPHO has been out of work for eight years, but has just bought himself a plot in Vanderbijlpark. Vusi is a part-time hawker, but wears Nevada trousers and R2 000 Florsheim shoes.

They make R300 on an average week night, but up to R1 000 a night at weekends — and all by pushing little balls around a table with fibre-tipped wooden poles.

To get inside the world of the pool hustler, I visited the Quirinale hotel in Hillbrow, Johannesburg, where Sipho and Vusi (not their real names) ply their trade, and challenged them to a game. Their clean-cut appearance, innocent faces and broad smiles were deceptive.

"Don't forget, it's R10 a game," Sipho says, handing me a cue. He's very supportive, cheering me on as I slowly clear the table and he keeps missing. Now I'm on the black and Sipho has four balls left: "You can do it," he says. Unfortunately, I can't.

That's it — quietly, confidently, he cleans up. He goes on to take the next two games, and adds my three greenies to the wad of notes in his jacket pocket.

Sipho has been hustling for six years. Vusi joined him as a pool partner two years ago, after his employer started cutting up rough and he decided "never to work for a boss again". He earns a little on the side as a "soft-goods" hawker.

Hustling seems an odd line of work for men in their mid-30s. Vusi lives in Soweto, but rents a flat in Berea for the nights when he hustles in town. "I come and play every Monday, Wednesday, Friday and Saturday," he says. "It's difficult sleeping at friends' flats when you only get in at five in the morning."

They rely on public transport, which is a bit of a "hassle" when they have to play as far afield as Randburg, Pretoria and Witbank. It's difficult to get a taxi from Witbank to Diepkloof.

"Everyone does something they shouldn't be doing, but at least we're not selling drugs or smuggling diamonds. We're only playing a game."

As partners, they work "shifts" on the same table and share the evening's proceeds. While Sipho plays, Vusi observes unobtrusively from a distance — one would not think they were connected in any way. But silent communication about which ball to take continues through raised eyebrows.

There is also some joint psychological strategy — often the off-duty player will encourage his partner's opponent as part of the hustle.

Sipho dusts the edges of the green felt, chalks his cue and chain-smokes menthol cigarettes. But he's never at the table's edge for long; on average, the hustlers have three challengers an hour to keep them busy.

They play from 6pm until 5am, with the five-hour stretch between 9pm and 2am their peak period.

Business fluctuates, but weekends are their best times; they can take between R450 and R1 000 a night. Sipho starts with a R250 float: "With this money in my back pocket, I must think before I spend, think before I bet, because thinking can win me twice as much money. Sometimes you lose more than what you bargained for."

He believes his scientific approach is the key to his success. "It's the way I think and calculate that makes me a pro. Every shot I take is planned; the white ball lands where I want it and everything is set up for my next shot."

Ten rand is the minimum stake with these hustlers, but Vusi likes to go for the "big ones" — a minimum of R50. "One time in this Randburg bar, I played for R100 and lost. Then I doubled, played again and won," he exults, eyes lighting up as he recalls this coup.

The time is 3am and Sipho is tired; Vusi takes over. The customers seem keener to play at this hour; full of beer, they brim with false confidence.

Piet, a heavily set man, slams a R20 note on the lampshade. Vusi adds another R10 to the note lying overhead; he unscrews his cue and screws it back together while Piet breaks the balls.

Piet is stripes and manages to pot two balls after several mouthfuls of Bourbon. Vusi smiles as he smoothly overhauls him; snookered, he swerves the white round the obstruction, and finishes the game by doubling the black the length of the table into the bottom pocket. Sitting in a dark corner with his cue between his legs, Sipho dozes off.

When I leave, Vusi is still playing, from time to time sipping juice and meticulously chalking his valued cue. Another customer snaps up his bait. As he breaks the balls, Vusi gives his knowing gold-capped smile, egging on his opponent: "You can do it."

His opponent misses, and he moves in for the kill.

AGENCIES

Buyout leaves leaner Lintas

FM 9/7/93 (295)

The buy-out of Lintas Cape Town by its management leaves the country's seventh biggest agency group somewhat smaller and without representation in the Mother City. Lintas's grossed-up billing is now around R90m, according to MD Lew Slade, compared with R127m reported for 1992 in the *FM*'s *Advertising Focus*.

And, says Slade, there is no immediate intention to re-establish a Cape Town agency, though he adds "anything is possible. We will still be working closely together but it allows them the potential to develop." The loss of billings will be "no problem at all. We have always operated as totally independent units."

Lintas Cape Town was formed only four years ago, when Lintas took over Intermark. The agency, with claimed billings of R46m a year, will now be known as The 3D Agency, headed by Wilhelm Landman, who has been MD since Intermark days.

Part of the takeover rationale, says Slade, "was that it no longer made economic sense to run major Cape accounts from Johannesburg." Effective Sept 1, 3D will take over an impressive portfolio of blue-chip Lintas clients, including Transatlantic Tobacco, Sanlam, Shoprite/Checkers, Cape Wine, Santam, Federal Marine and Bokomo.

The reason given for the split is that the Cape Town agency has been increasingly restricted in its growth by possible client clashes. "There are major advantages to being part of an international network when you handle international clients," says Slade. "It has gradually emerged since we did the deal with Intermark that those benefits are less substantial when you are handling merely local clients."

3D Marketing services director Niel du Plessis says the biggest problem is Lintas's Unilever account, which covers a wide spectrum of grocery business. "It is so big that we are unable to pitch for many good accounts in Cape Town. We will go on a concerted new business drive — though, of course, you cannot guarantee results."

An interesting innovation is that 3D is to set up an advisory board comprising five or six leading clients on whom it will draw for advice. "They won't have shares in the company, but they will become our partners," says Du Plessis. ■

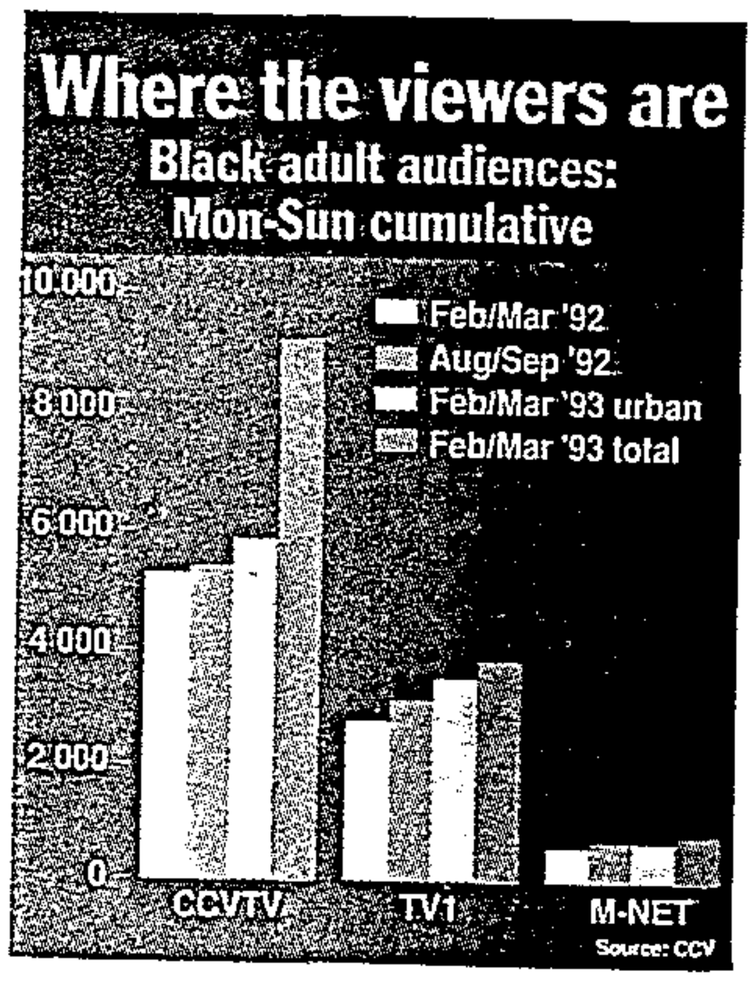
Price versus value

FM 9/7/93 (295)

A comment reported recently in this column about CCV TV has raised hackles at the cross-cultural station. Sales House marketing director Penny Lloyd (*FM* June 18) expressed the belief that a 65% increase in CCV's ad rates this year was unrealistic and did not truly reflect its viewership.

A lot of the problem, however, seems to stem from CCV's attempts to play catch-up with TV1. CCV senior trade marketing executive Rodney Chalmers argues that despite the increases this year, it is still not an expensive station. He cites a major advertiser who said air time was being "given away" on CCV.

"The cost of reaching black adults in the 19h00-19h30 prime-time channel, Monday to Friday, is only R6,69 per thousand," says Chalmers. "And between 19h30 and 20h00 this falls to R5,87. Our top rate is only



R28 000 for a 30-second spot and our cost per thousand ranges from R1,14 to R10,64."

Why, then, do people have the perception that CCV is expensive? A major factor, Chalmers admits, is that CCV has increased its rates substantially this year. TV1, on the other hand, has just reduced its top rate.

"We started off from a low base because we did not want to discourage people from making ads for the black market. But we have got to be commercially viable and the prices we were charging at the beginning of the year would not allow this. The major criticism has been the percentage rate increase, which has been high. But we offer good value for money. People forget that."

Not everyone will be convinced. DMB&B media director Elana de Swardt, a long-standing sceptic, believes there is wastage on CCV as not all viewers understand all the languages used. For her, "radio is still a better buy for the black audience." But, of course, a radio audience is different from a TV audience and its cost-effectiveness is difficult to compare. CCV is undertaking research on the wastage factor. "The language used is not necessarily detrimental to the commercial," counters Chalmers.

As the graph shows, CCV offers by far the best TV penetration of the black market. It has benefited particularly from the adjustment in the latest Amps figures, which, for the first time, included rural black viewers and listeners. ■

Autopage eyes cellular market

MZIWAKHE HLANGANI

RADIO paging and surveillance group Autopage was well-placed to exploit the cellular telephone market in its nationwide expansion after ending another successful year, chairman Craig Venter says in the annual review.

Venter said with the arrival of cellular telephony in SA — a development proven worldwide to complement rather than threaten the paging industry — the group was poised to take a leadership role in providing services within this new development.

Autopage had, through parent company Altech, concluded strong alliances with major suppliers of cellular equipment. Acquisition of businesses complementary to existing services and organic growth were priorities.

Autopage attributable earnings rose to R6,7m (R5,7m), equivalent to 24c a share (20,7c).

Dolphin grows to become one of the bigger fish

S/Times [Metro] 18/7/93

(295)

By JEREMY WOODS

FOUR years ago Sherri Bailey was desperately calling on banks, trying to raise R250 000 to buy eight cars so she could start a car-hire business.

Now Dolphin Car Hire, with a fleet of 600 cars, is considered one of the bigger independents in the country.

The company has just started taking delivery of some R15-million worth of new cars to expand its fleet.

"Initially, I didn't even want to get into the car-hire business," she said this week.

"A friend had asked me if I would look after the books of his car-hire business. I agreed on condition I didn't have to get involved with the cars."

That business closed down when Hertz pulled out of South Africa.

But by this time, she had learned enough about the business to start her own.

"Right up until the morning the cars arrived I wasn't sure the banks would grant our loan," she remembered this week.

BOOMING BUSINESS ... Sherri Bailey with part of Dolphin Car Hire's 600-vehicle fleet

Fleet mix

"By then I had started working for another car-hire company. When my partner phoned to say the cars had arrived, I resigned my job, went home, changed into my new uniform and drove in to start the business.

"At the beginning, we undercut everybody and relied heavily on hotel booking clerks for holiday business.

"We washed the cars, changed the tyres and sold the service hard."

In its first month of business, Dolphin rented R15 000 worth of cars.

"Since we started the company we've placed a premium on offering a personal service. We meet all incoming flights at the airport, even the red-eye flights, escort clients to their cars and help them with their luggage."

Operating without the huge costs involved in running airport kiosks has enabled Dolphin to expand rapidly.

The company sells its cars after eleven months and replaces them with new cars. And their fleet mix is no different from other car-hire groups, with some 75 percent of the vehicles falling in Group A category.

Dolphin's rates are still "highly competitive" and advertising and marketing is closely-watched, with a heavy emphasis on the overseas market.

"We run a very tight ship and keep a close eye on overheads," said Ms Bailey.

Dolphin is now a national group with branches in Johanesburg, Pretoria, Durban and Port Elizabeth.

So what's the next step?

"We have built the business quite quickly, now we are consolidating," she said.

But hardly a month goes by when Dolphin's owners do not receive an offer to buy the business.

"People hear what we've done and want to get into the tourism industry," Ms Bailey said. But she has no intention of selling yet.

Servgro shines despite poor trading conditions

B/Day 19/7/93

MARCIA KLEIN

DIVERSIFIED leisure and services group Servgro International, had seen a deterioration in trading conditions since it listed in August last year.

Executive chairman Peet van der Walt said in his annual review that this had resulted in severe competition and pressure on margins. Nevertheless, the group had exceeded its prospectus forecast and increased attributable income by 20% to R50,8m on a 14% turnover rise to R921,4m in the 12 months to end-March.

Since year-end, there had been a further deterioration in the business environment, he said, and poor trading conditions were expected to continue for most of financial 1994. Management was taking steps to minimise the effect on trading results.

Servgro would nevertheless achieve earnings growth on the back of its strong brands, market shares and sound management, Van der Walt said. It was also well-positioned in the services sector with its strong leisure component, and should benefit from economic recovery.

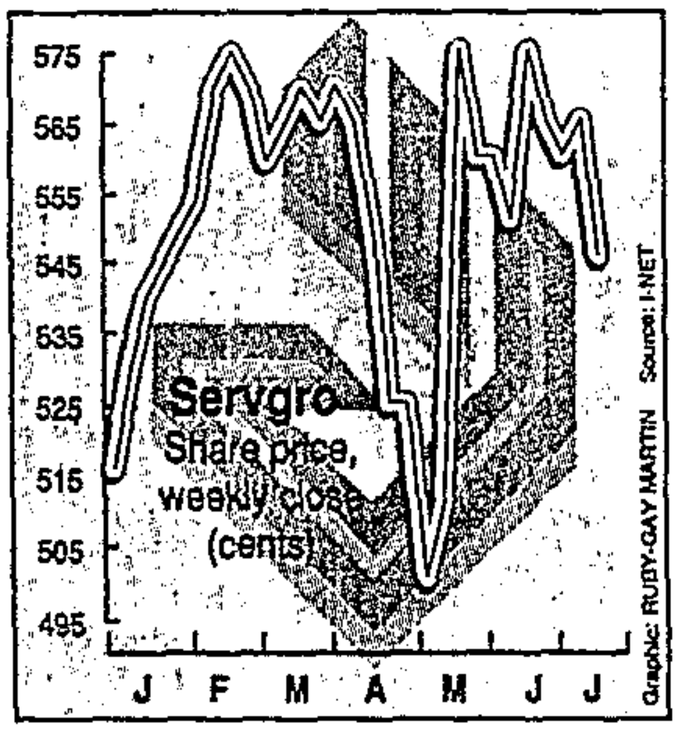
Van der Walt said Avis, Fedics, Interpark and the Price Forbes group achieved particularly good results. Interleisure's results were lower, and Teljoy maintained profit levels.

Income at holding company level increased on the back of investment income from surplus funds. (295)

Price Forbes acquired the Willis Faber Enthoven group, Fedics continued its in-flight modernisation and expansion programme, and Interleisure's Ster-Kinekor added 29 screens. Avis implemented its Wizard reservation system, and Teljoy was considering becoming a service provider for cellular telephones.

Some activities were rationalised or disposed of, resulting in extraordinary losses of R3,9m. About R45m of liquid funds was available for new investment opportunities, which would preferably be absorbed into existing operating companies.

Avis increased turnover marginally to R109m, but showed a substantial increase in attributable income through effective asset management, increased productivity



and focused marketing. Avis businesses were expected to maintain their market positions and their contributions.

Fedics had a strong year, with turnover rising 10% to R480m and attributable income showing substantial growth. Group MD David Wigley said this reflected the higher number of foreign airlines landing in SA as well as improved and enlarged facilities at airports.

Interleisure's retail outlets and cinema, restaurant and amusement centre attendances were affected by the escalation of political unrest. But the core businesses of Ster-Kinekor and the services division had performed well. Attributable income was 9% down at the December interim stage.

The group had become more focused on its traditional entertainment market after selling several sport wholesaling brands and expanding the entertainment centre concept.

Interpark increased turnover 11% to R78m, and attributable income increased, albeit at a slower pace than the past three years. New parking contracts, the privatisation of municipal parking facilities and the commercialisation of state airports offered growth possibilities.

Price Forbes' turnover rose to R360m, with real growth in attributable income.

Teljoy experienced difficult trading conditions and its earnings were in line with the previous year. It expected a modest increase in the coming year.

Charter hunts for likely prospects

CHARTER was looking for a number of businesses it believed would benefit from the group's strong balance sheet and disciplined industrial management, chairman Michael Edwardes said in the 1993 annual report. B/Day 19/7/93

Edwardes said Charter was actively considering several prospects where it could add significant value.

But vigorous efforts were being made to invest resources prudently, always resisting pressure for short-term actions.

He said the group was now in the middle of a most important period of restructuring. In March, Charter had sold its stake in Johnson Matthey. Since the year-end, it had agreed to put proposals to shareholders for its restructuring so that Minorco would cease to be a shareholder.

Edwardes said Charter's challenge was to continue to develop its strong operating businesses so that they could grow worldwide while continuing the search for opportunities to reinvest the proceeds from the restructuring.

DUMA GQUBULE

Charter's objective was to assemble a group of industrial businesses each with strong management and leading market positions.

The group would continue to be based in the UK with its activities spread around the world.

London and JSE-listed Charter's operating companies increased their profit by 11% to £31,3m.

Edwardes said Charter was ahead in all its business sectors. Building products and services company Cape had reported a slightly higher profit of £11,9m.

Pandrol, the group's rail track equipment company, had continued to advance, earning £12,5m, up from £11,6m.

The improved performance was once again due mainly to the group's ability to give close attention to costs, while at the same time making the necessary investments to allow the business to grow, Edwardes said.

Ministers call for control of prostitution

(298)

CT 20/7/93

By TWEET GAINSBOROUGH-WARING

A PETITION circulated by the Ministers' Fraternal in Sea Point protesting against the growth of prostitution in the area and asking that local authorities clamp down on soliciting is being sent to Cape Town City Council.

A spokesman for the Ministers' Fraternal said: "We would like stricter control exercised over the licensing of escort agencies, many of which appear to be fronts for brothels.

"Improved lighting and more patrols on the lawns where male prostitutes operate would make it more difficult for soliciting to take place.

The petition which was circulated among churches and synagogues in the area has over 800 signatures.

Legitimate

Dr John Sonnenberg, a councillor for the area said: "My primary concerns for Sea Point are the proliferation of escort agencies in the business district which abuts the residential area and the lack of control, which promotes the dissemination of sexually transmitted diseases.

"Escort agencies are regarded as legitimate businesses and providing they operate in a business area are granted business licences.

"Prostitution is largely outside our control, although we do have by-laws regarding behaviour in the streets.

"I've received a lot of representation from various ministers to lobby for the abolition of prostitution," he said.

While not condoning prostitution, Mike Stavropoulos, chairman of the Green and Sea Point Ratepayers Association said, "Ideally it should be decriminalised and located away from residential areas."

Bid to stabilise Mashold

LINDA ENSOR

CAPE TOWN — The financially beleagured mail order and direct sales group Mas Holdings (Mashold) would probably make a small profit in the year to end-February 1994, group MD Marco van Embden said yesterday. B/Day

He said stocks had been cut by R8m since year-end, costs had been cut and borrowings reduced. (295)

Discussions with the group's bankers were being finalised to convert the group's short-term overdraft facilities into long-term fixed facilities until April next year. Once this agreement was in place, the Van Embden family would inject R7m in the form of debentures into the business. 22/7/93

The debentures would be converted into ordinary shares after an envisaged rights issue next year.

FM 23/7/93 (295)

MULTISOURCE (295)

Profitable paging

FM 23/7/93

It's not often you come across a share price that quadruples in the thick of recession. Multisource, involved in rental and servicing for two-way radios and pagers, is bucking the trend. Its share price has risen from 115c in October 1992 to 475c this month. The annual report, though aesthetically unexciting, gives an insight into the extraordinary earnings growth.

Activities: *Radio paging services and two-way radio sales, rentals and service.*
Control: *Directors 85%.*
Chairman: *E W Mole; MD: T Holmes.*
Capital structure: *8,57m ords. Market capitalisation: R40,7m.*
Share market: *Price: 475c. Yields: 5,1% on dividend; 9,8% on earnings; p:e ratio, 10,2; cover, 1,9. 12-month high, 475c; low, 90c. Trading volume last quarter, 43 750 shares.*

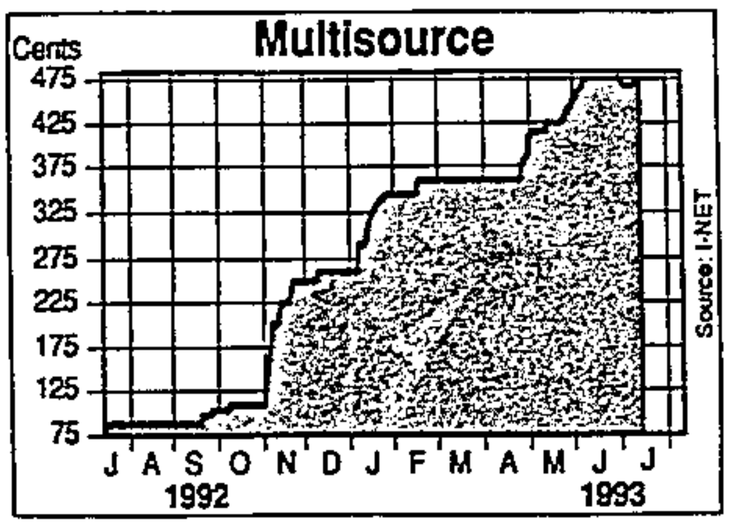
Year to Feb 28	'90	'91	'92	'93
ST debt (Rm)	0,3	0,7	0,26	0,85
LT debt (Rm)	0,07	0,08	0,07	0,06
Shareholders' interest	0,7	0,56	0,55	0,45
Int & leasing cover	11,0	6,3	5,9	9,1
Return on cap (%)	17,2	18,0	25,4	35
Turnover (Rm)	14,5	15,8	19,4	27,2
Pre-int profit (Rm)	1,9	2,6	4,1	8,4
Pre-int margin (%)	13,5	16,7	21,2	31
Earnings (c)	20,9	14,9	18,9	46,5
Dividends (c)	7,0	8,0	12,0	24,0
Tangible NAV (c)	84,1	91,1	98,1	120,5

CE Alan Park points out the share price leapt because of a market revaluation rather than heavy trading. The share is tightly held, with about 85% in directors' hands.

Fundamentals are encouraging: 1993 earnings grew by 150%. The news at the operating level was also good; margins strengthened from 21% to 31%, thanks to effective cost controls and good organic growth.

Paging is the largest division, accounting for about two thirds of group earnings. Despite two major competitors, Auto Page and Radio Spoor, the paging market still has attractive growth potential. Says Park: "In Hong Kong there are about 500 000 pagers; in SA there are probably between 85 000-90 000." He adds that telecommunications in SA are still undeveloped.

Until recently the paging centres were locally based, but Multisource is expanding its business nationally. The advantage of pagers is that the infrastructural costs don't increase dramatically with the number of subscribers. About 20 000 units are now subscribed from Multisource. Existing infrastructure includes transmitters, computer controlled messages and operators.



There has been speculation that Multisource will go into cellular phones and that this may have fuelled the share price rise. With a balance sheet that must be the envy of many, Multisource, in a net cash position, is capable of expansion. Says Park: "We are seriously looking at new acquisitions but will stay within the business . . . this doesn't rule out cellular phones."

But he adds that it will take time to assess the risks associated with this market; factors include rental collection from township areas and rental charges from network operators. Park is not in a hurry to make a decision about cellular phones. "We don't need a long time to prepare for this," he adds.

The share price movement is echoed by the quality results, witnessed also in the returns on capital (see table). Because the directors hold most of the shares, this may explain the high dividend payout — the dividend doubled to 24c, putting cover at 1,9. The possibility of the directors' diluting their interest did not draw comment, but such a move could improve liquidity.

On a p:e of 10,2, the share looks fairly priced but that doesn't take into account the potential for expansion. *Louise Randell*

FM 23/7/93 (295)

Activities: *Rental, service and repair of TVs & VCRs, and distribution of M-Net decoders, plus supply of security and communication equipment.*
Control: *Servgro 40%.*
Executive Chairman: *T B Rutstein; MD: D C Kennedy.*
Capital structure: *56,5m ords. Market capitalisation: R127m.*
Share market: *Price: 225c. Yields: 6,0% on dividend; 13,6% on earnings; p:e ratio, 7,4; cover, 2,3. 12-month high, 325c; low, 220c. Trading volume last quarter, 634 000 shares.*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	25,0	24,2	22,6	14,7
LT debt (Rm)	24,5	61,1	62,3	54,1
Debt:equity ratio	1,06	1,57	1,35	0,70
Shareholders' interest	0,38	0,33	0,38	0,41
Int & leasing cover	3,3	2,8	2,4	3,2
Return on cap (%)	23,3	19,3	20,4	20,1
Turnover (Rm)	116	147	174	177
Pre-int profit (Rm)	34,9	31,6	34,8	32,2
Pre-int margin (%)	30,0	21,5	20,0	18,2
Earnings (c)	27,3	32,1	30,5	30,6
Dividends (c)	13,5	13,5	13,5	13,5
Tangible NAV (c)	78,4	93,3	108,0	114,3

FM 23/7/93 (295)

Teljoy's Rutstein ... *forecasting nominal growth*

almost unchanged at 30,6c, though this should be seen in the context of the 3% decline at the interim. But the bad news came in the extraordinary charge of nearly R10m: R6,1m on a provision for closure costs and R3,7m written off intangible assets such as trademarks and goodwill.

The balance sheet is strong, partly because of greater emphasis on cash control through the planned ageing of rental TVs. Average age of the fleet is 35 months and management believes the optimal age is 66 months. Capex on further units should fall sharply this year, which would benefit margins and gearing.

Despite last year's capex of R38,4m (down 6,5%), which includes the acquisition of Empisal, debt:equity fell from 135% to 70% — well within industry norms. Interest cover improved from 2,7 to 3,4; the intention is to increase it to about 5.

Overall, benefits from measures taken during the year should boost Teljoy's bottom line. Developments in the cellular phone market could enhance earning potential though this will be in the long term.

At 225c, the share is just above its annual low. With a p:e of 7,4 and a reasonable yield of 6%, the counter trades at a considerable discount to the industrial average, suggesting room for appreciation. *Marylou Greig*

TELJOY FM 23/7/93 (295)

Looking for recovery

Theo Rutstein, chairman of the TV rental, servicing and surveillance group, is forecasting nominal growth in earnings for 1994. But on closer examination of the business, this forecast may be somewhat conservative after the rationalisation and restructuring measures carried out in financial 1993.

Teljoy Business Services, whose performance has remained unsatisfactory, bore the brunt of the refocusing programme. In the last quarter it was decided to close the division and to incorporate most of its activities into other divisions.

Rental and technical services — both of which MD Denis Kennedy says have performed consistently well — were integrated with the rental division and Mastercare operation respectively. Activities of research, development and limited manufacturing were retained and incorporated into a small entity operating as Provicom. The loss-making project installation division was closed, as were the divisional head office, regional offices and separate branch structures.

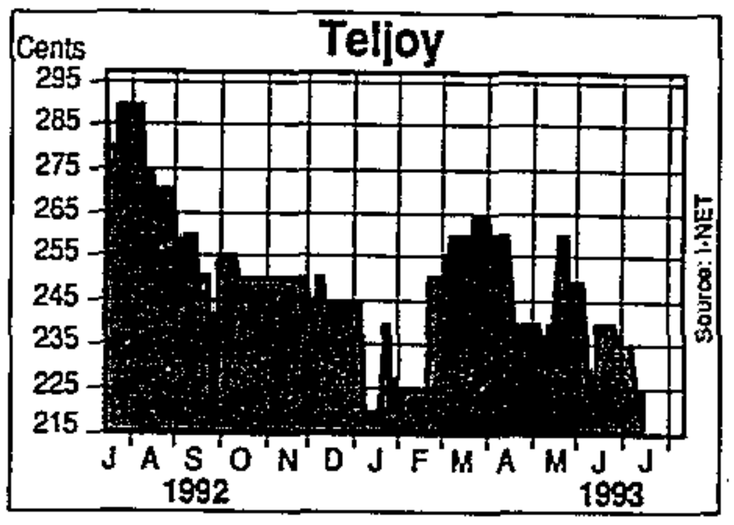
The rental division remained the main profit contributor, with turnover up 8% and pre-tax profit rising 5,4%. Margins were under increasing pressure from two main sources. Firstly, the continuing squeeze on consumers' discretionary income was reflected in the rising number of disconnected rental services as well as the need to increase the bad debt provision by 28%.

Secondly, Kennedy laments that there are more "grey operators" who "appear to be circumventing the authorised tariff structure." He adds that these imports have "precipitated a sharp drop in the retail prices of sets in general, forcing the rental division to trim margins to remain competitive."

The rental division's performance was helped by the inclusion of Tomorrow TV. This is a new rental business that specialises in the latest technology.

The services and repair operations housed under Mastercare, one of the smaller divisions, turned its 1992 R2,7m loss into a small operating profit.

Group turnover improved a marginal 1,8% to R177m but operating profit fell, the margin narrowing from 20% to 18,2%. EPS after the secondary tax on companies charge, was



DIAGONAL STREET

Teljoy's in a hurry to be first on the cellular boat

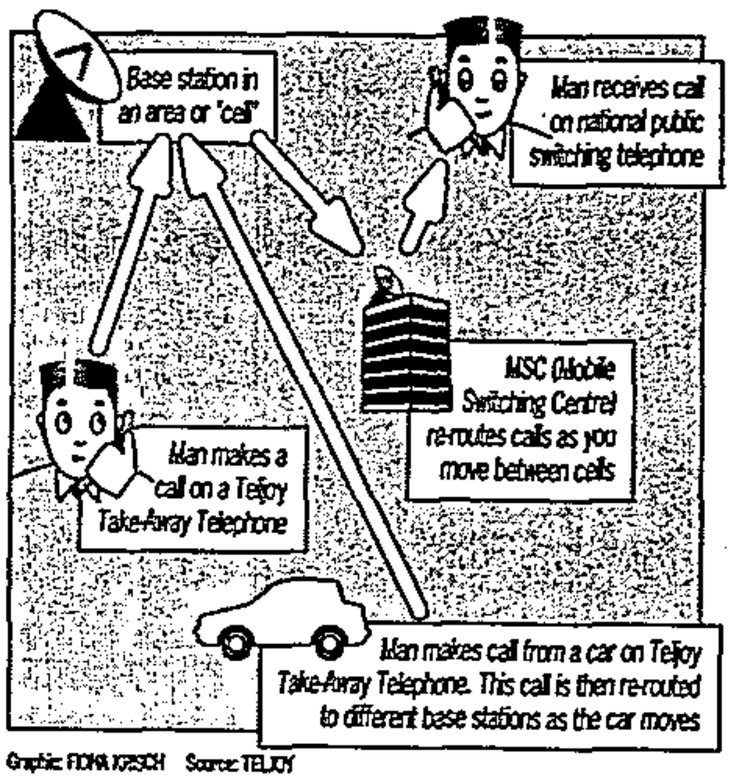
S/Times [Buss] 25/7/93

TELEVISION won't be its only business when Teljoy enters the service supply side of the cellular telephone market.

Executive chairman Theo Rutstein says Teljoy's TV rental business "will still do it better". But growth will have to be organic because there are no potential acquisition targets in the TV rental business.

"I don't have to tell you that the earnings performance has been rather flat since we listed," he says.

Mr Rutstein has passed his daily operational duties to recently appointed managing director Denis Kennedy. This allowed him to look where the group's growth prospects — and those of shareholders — were. (295)



Graphic: FIONA KRISCH Source: TELJOY

Ignorant

The more he looked at cellular telephones, the more he saw synergies between Teljoy's rental business and the kind of infrastructure a cellular telephone service provider would require.

For the benefit of the technologically ignorant, here's roughly how cellular phones will work.

There will be two licensed wholesalers of air time. One will be Telkom-Vodakom. The other will come from one of four applicants and will be announced soon. These big guns put up base stations in each area or cell, possibly one each two kilometres or every block in cities, depending on the number of users.

The big guns also put up a kind of telephone exchange called a mobile switching centre, which reroutes calls as you move between cells — for instance, while using a car phone. This part also links you to the recipient of the call.

Telkom-Vodakom and the other licensees expect to spend more than R600-million on this infrastructure.

They will sub-contract the air time to service providers such as Teljoy. Mr Rutstein expects there will be about 10 providers.

Teljoy will either rent or sell directly to the user, or go through retailers. Teljoy almost acts as an agent for the licensed network operators. It takes its turn by collecting subscriber bills, keeping a percentage and handing the rest on.

"Even though cellular phones are at least six months away, we have attracted 8 500 reservations for our Teljoy Take-Away Telephone and hope to double it," says Mr Rutstein.

"We undertook a tour of global suppliers of the handsets and will buy from a variety of them once the network is up."

Teljoy's cellular communications will be managed by Barry Blackburn, formerly of Nashua UK.

Most suppliers are keen to do business with SA because it is a large potential market. Mr Rutstein says interest was expressed by more than one party to become an equity participant.

The way Teljoy will administer its service is broadly similar to that in which it handles its TV rental business. Every subscriber — he or she will not necessarily own a handset — will receive an SIM card (subscriber identification module). It is similar to a credit card. It will come complete with a credit limit.

Scratch

Mr Rutstein says the four success factors are to:

- grant credit to deserving parties or organise prepayment;
- collect debt timeously;
- achieve a large subscriber base for economies of scale;
- control the customer.

Mr Rutstein says: "This is exactly what Teljoy has to do in TV. That's why cellular phones fit our profile because we already have most of that infrastructure."

He concedes a few differences, such as accounting for every second used, rather than a monthly invoice. He estimates that Teljoy will need only R3-million to R5-million to be operational. Starting from scratch could cost R20-million.

The cost will be funded internally. Teljoy's cash flow improved markedly last year to R18-million. It spent R38-million on upgrading its rental fleet.

As he was with television, Mr Rutstein hopes to be the first in cellular phones when they arrive in South Africa.

Teljoy shares have had their ups and downs and are close to their 12-month low at 225c. This is only seven times historic earnings and the dividend yields 6%.

Teljoy shares look cheap when one considers mass electrification opening markets for TV rental, the company's lower gearing and good prospects for cellular telephones.

THEO RUTSTEIN: TV rental leader in new business

JSE sectors to be rejigged

SEVERAL sectors will be renamed and others disappear on August 2.

Industrial holdings benefits from the deletion of tobacco & match and gains all six listings in that sector. But it cedes Huntcor and HL&H to food, and Rale and Farmag to Chemicals. The food sector will house all the fishing and sugar stocks. Retailers & wholesalers sector will revert to the name stores.

Chemicals & oils will tag plastics on the end and electronics & electrical will drop battery. Building & construction and furniture & household will both add the word allied.

Autoquip will go from stores to motor, and Milstan from stores to electronics. CTP goes to printing & publishing.

All that's worthwhile in news

S/Times [Buss] 25/7/93

NOW for the good news, brought to you by the Positive Development News Initiative (PDN).

Core funders are several trusts, chairmans's funds, Eskom and Murray & Roberts. M&R executive director Jeremy Ractliffe says the group has been persuading the media, including the electronic ones, to start balancing "the continual bombardment of what we call bad-news stories with positive news".

He wants more attention to be paid to the many unsung key achievers, committed to making a difference to the quality of life among the disadvantaged.

"Good things are happening, but few know about them. We need to celebrate them and seek to rekindle the joy experienced from positive achievement," says Mr Ratcliffe.

PDN aims to inspire others by communicating the achievements of those who help others to help themselves.

The co-operation of three television services as well as vernacular SABC radio channels has been secured.

Imperial Group set to unbundle pyramid company

CT 28/7/93

Own Correspondent

THE Imperial Group plans to unbundle its listed pyramid company in a move designed to make it one of the few publicly owned groups in the country.

In terms of proposals published today, Imperial Group would distribute its 49% stake in Imphold to its own shareholders in the ratio of 289 Imphold shares for every 100 Imperial Group shares held. Imperial would delist on August 27. Imphold would change its name to Imperial Holdings to leave a single listed entity "Imperial".

After the unbundling no shareholder would own more than about 15% of the group's shares. The combined management own about 15% with the balance held by about 20 institutions and the public.

Imperial chairman Bill Lynch said true publicly owned companies were rare in SA and he welcomed the trend to unbundle large corporate structures, allowing shareholders to use voting power to protect their interests.

Behind trend

SA groups were well behind the trend in Europe and the US where many listed companies were controlled with shareholdings as low as 15% to 20%. This made a potential takeover by shareholders possible if performance was poor.

The move to abandon the pyramid company would save costs and clean up the group structure. A large number of senior staff held significant equity in the group which served as a strong motivating factor, said Lynch.

Further unbundling was not envisaged. Although individual businesses were independently managed, the group was structured as a unit which added value to every underlying business. Cutting the link between some subsidiaries would destroy profit opportunities, he said.

Absolute control of Imperial disappeared in 1991 when group founders the Abelkop famil, sold their shares to management and institutions. Once unbundling legislation was tabled, the decision was taken to collapse the pyramid.

Dial-A-Movie trade restraint lifted

B/Day

ROBYN CHALMERS

THE Public Enterprises Ministry has lifted the restraint of trade order placed on Dial-A-Movie in June after a dispute with its franchise arm, Top CD, over pricing and record procurement. 9/8/93

Competition Board chairman Pierre Brooks said the company and its franchisee operations had come to an agreement which obviated the need fc the order.

Under the agreement, Dial-A-Movie will no longer require its franchisees to adhere to a particular price for stock, and will not use fees which Top CD refuses to pay as a basis for withholding supplies.

The grievance between the company and its franchisees came to a head in June, when Top CD complained to the Competition Board that the parent company was charging it prices which made it difficult to compete. (295)(2~~4~~5)

The board launched a wide-ranging investigation into Dial-A-Movie on the grounds of restrictive practices, which prompted Public Enterprises Minister Dawie de Villiers to place the interim trade restraint order.

Brooks says the investigation is still under way, with the board due to produce its report by October.

In a separate development, the board has put the spotlight on the proposed joint venture between Imperial Cold Storage and Nel's Bliss.

The two groups announced last month they planned to merge their milk and fruit juice interests into a venture with a R250m turnover.

The board said it was not consulted on the merger, being informed of the transaction only the day before the announcement, and had requested additional information from the organisations in order to determine whether it would institute a formal investigation.

Top CD battle hots up as six outlets cancel contracts

S/Times (C/Metro) 15/8/93

By GLENDA NEVILL

THE first salvo in what is expected to be a protracted battle between Dial-a-Movie and six of its independent Top CD franchisees was fired when the franchisees cancelled their agreements with the parent company this week.

Mr Mark Radomsky, attorney for the franchisees, said the cancellations were based on allegations against Dial-a-Movie, a listed company, "of misrepresentation".

Mr David Kahn, attorney for Dial-a-Movie in the Top CD case, said he would bring an urgent application before the Supreme Court in Johannesburg on Tuesday for an interdict to stop the six franchisees selling their stock. (295)

"We are also asking for these franchisees to be ejected from their premises as the leases are owned by us and they have already taken their Top CD signs down," Mr Kahn said.

Compete

The franchisees involved in the dispute are the Westgate Mall, Sandton, Verwoerdburg, Four Ways, Musgrave Centre in Durban, and Bloemfontein.

The Dial-a-Movie/Top CD dispute began in June when a group of eight franchisees claimed that their parent company charged them prices that made it impossible for them to compete with their opposition.

The franchisees also complained their contracts precluded them from dealing directly with suppliers. They also said Dial-a-Movie absorbed discounts it received for bulk buying, thereby depriving the franchisees of the chance to pass the discounts on to customers.

The Competition Board in Pretoria launched an investigation into the franchisees' claims in terms of section 10 of the Maintenance and Promotion of Competition Act of 1979.

This allows for investigations of restrictive practices, acquisitions and monopolies.

Shortly afterwards the Minister of Public Enterprises Dawie de Villiers placed a restraint of trade order on Dial-a-Movie. The order was lifted recently.

A spokesman for the Competition Board said its investigation was going "full steam ahead".

property is sold."

Mr Judin says the judgment has many ramifications for SA's property business, especially the institutions that dominate it.

Some new landlords could face mass evacuation of their goes before purchase).

But Wits University lecturer in property practices and National Property Academy director Harold Ovsiowitz does not think landlords "should go into panic mode".

He advises that when new one province is not bound to follow a judgment in another, it has a persuasive effect in other provinces.

"Therefore, landlords in every province should carefully study this judgment."

Malbak's Connections

S/Times (Buss)

By CHERILYN IRETON

22/8/93

THE link between Malbak and travel agency Travel Connections is making some executives at Malbak a little scratchy.

All travel bookings for members of the industrial group's head office go to Travel Connections, the Rosebank agency in which Malbak chairman Grant Thomas has a 33% stake.

Travel Connections also handles the bookings for Richard Bruyns, chief executive of Malbak packaging group Holdains.

Mr Thomas says: "The other 12 500 employees of Holdains use other agencies."

Mr Bruyns is a non-executive director of Travel Connections. His wife Geraldine and travel executive Lindy Preston run the agency and own the remaining shares.

Ten people at the head office of another Malbak subsidiary, Foodcorp, also use the firm. Foodcorp employs 20 000.

Mr Thomas says under 1% of Malbak travel business goes to Travel Connections.

"At most, about 35 out of 60 000 Malbak employees. The Malbak account is less than 5% of Travel Connections' business."

Mrs Preston and Mrs Bruyns handled the Malbak account while at Budget Travel. After it went insolvent, Mr Thomas was approached and helped form Travel Connections.

Mr Thomas cleared the deal with then Gencor chairman Derek Keys and Sankorp chief executive Marinus Daling. (295)

"We also offered to leave the Malbak account alone, but both felt it was not necessary."

Mr Thomas says each Malbak director and subsidiary company can use any agency of their choice. "Travel Connections is one of the top 10 travel agents in the country. It is not surprising that it has some of our business."

Foodcorp chief executive Dirk Jacobs says the relationship is at arm's length.

"I've never had any pressure to use the agency. We used to do a lot of business with another Rosebank agency, but never got the service we are now getting from Travel Connections."

N AND MEAN APPROACH

Imperial drives on undeterred

B/Day 26/8/93

EDWARD WEST

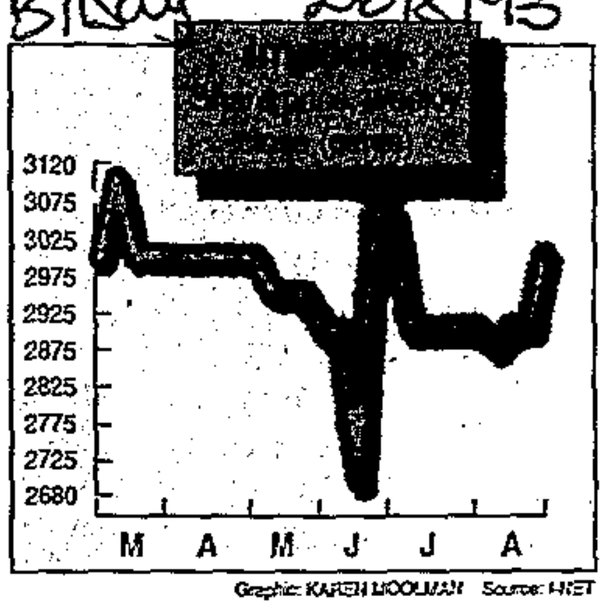
IMPERIAL's 28% increase in earnings to 58,5c (45,7c) a share in the year to end-June 1993 reflects a continuing ability of the group to perform well in the depressed economy.

The results of the group, involved in car rental, tourism, leasing, road transport, motor retail, insurance, finance and property, continues a trend that has resulted in consistent real earnings growth for the past eight years.

Turnover climbed nearly two-fifths and topped R1bn (R781m) for the first time. (295)

Operating profit was 29% up at R109,3m (R84,7m). Finance costs climbed to R25,9m (R21m) and tax was slightly up at R35,1m (R30,7m). Attributable income was nearly two-thirds higher at R43,6m (R27,7m).

The number of shares in issue climbed by nearly a third to 86-million (65-million) after shares were issued to fund eight acquisitions during the year for a total of R202m.



Graphic: KAREN MOOLMAN Source: I-NET

At the release of the results Imperial also announced the acquisition of Sage's remaining 40% stake in Imperial Car Rental for R25,6m. The Sage shareholding dated back to 1987 when Imperial Car Rental was merged with Hertz.

Imperial executive chairman Bill Lynch said all its businesses were now 100% owned, which would provide flexibility to optimise synergies in the group.

The group also announced the unbundling of its pyramid holding company structure, leaving it with no dominant or controlling shareholder.

Dividends for the year amounted to 22,4c (17,5c), but a scrip alternative to the final dividend of 12c a share was offered at R10 a share.

The share was currently bid at R10,50, up from R6,25 a year ago.

Imperial achieved annual compound earnings growth of 41% over the past eight years. Lynch said barring the unforeseen, the group expected to deliver further pleasing results in the year ahead.

Star

Imphold on growth path

26/8/93

■ BY STEPHEN CRANSTON

Imperial Holdings (Imphold) continued to show strong growth, with a 28 percent improvement in earnings per share to 58,5c in the year to June.

Sales increased 39 percent to R1,09 billion and operating profit was up 29 percent to R109 million.

Profit rose 22 percent in car rental, 14 percent in motors, 37 percent in transport and 55 percent in insurance, finance and property.

(295)

Imperial has acquired the remaining 40 percent of Imperial Car Rental from Sage for R25,6 million.

It made eight acquisitions during the year for R202 million, almost all from the issue of shares.

These included the remaining 50 percent of Prime Car Leasing, Tanker Services and Springbok Atlas Safaris.

Fm 1/10/93

Activities: *Wide interests in transport, vehicle rental, motor trading and financial services.*
Control: *Management and Associates 20%.*
Executive Chairman: *W G Lynch.*
Capital structure: *85,8m ords. Market capitalisation: R987m.*
Share market: *Price: 1 150c. Yields: 1,9% on dividend; 5,1% on earnings; p:e ratio, 19,7; cover, 2,7. 12-month high, 1 200c; low, 625c. Trading volume last quarter, 134 000 shares.*

Year to June 25	'90	'91	†'92	'93
ST debt (Rm)	29,2	14,6	107,5	143,6
LT debt (Rm)	12,3	24,1	—	—
Debt:equity ratio	0,4	0,27	0,76	0,44
Shareholders' interest	0,4	0,44	0,35	0,41
Int & leasing cover	6,6	2,0	3,6	3,5
Return on cap (%)	21,1	23,0	23,7	16,2
Turnover (Rm)	545	598	781	1 089
Pre-int profit (Rm)	45,7	56,8	84,7	109,3
Pre-int margin (%)	8,4	10,5	10,8	10,1
Earnings (c)	30,2	38,3	45,7	58,5
Dividends (c)	12,1	15,0	17,5	22,4
Tangible NAV (c)	107	135	187	316

† Figures restated. Joint finance company previously equity accounted now consolidated.

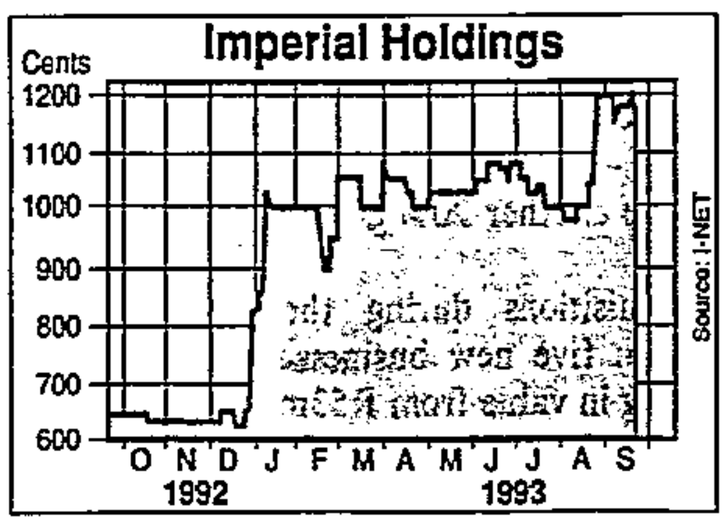
group also acquired all minority interests in subsidiaries. The overall result has been a considerable expansion of the capital base in a much enlarged and more diversified group.

Lynch says three obvious benefits accrue from providing a matrix of different motor-related services: a smoother earnings path in which countercyclical businesses help to balance the recession-hit cyclical ones; the natural advantage of sticking to the business known best, and so the benefits of accumulating a mass of relevant expertise and opportunities for rationalisation; and the broader the service the higher potential turnover per client.

On a divisional level, transport was the major contributor, helped by Tanker Services, to a pre-tax profit at R25m (R18,3m) in 1993. Management is confident this will continue to increase, with true potential being realised when acquisitions contribute for a full year. A further boost will occur when economic activity increases.

Contributions from car rental, leasing and tourism weren't as buoyant though the R22,2m contribution was 22% up on 1992. Behind this was the increased holding in Prime Car Leasing, the acquisition of Springbok Atlas Safaris and Garden Route Tours. Subsequent to year-end, but with effect from May 1993, the remaining 40% of Imperial Car Rental was acquired from Sage, making it a wholly owned subsidiary.

Insurance in particular, but also property, did well, increasing contributions by 55% to



(295)

Lynch ... *on the acquisition trail*

R19,4m. Lynch sees continued strength from this division. Not surprisingly the slowest growth came from Imperial's motor division, though the R16,8m pre-tax contribution was nevertheless up from 1992's R14,7m.

With almost all acquisitions funded by the issue of paper, the balance sheet remains strong. Despite a 70% increase in assets, gearing declined from 76% in 1992 to 44%. Shareholders' funds jumped 80% to R267,5m.

With legislation abolishing stamp duty on certain share transfers in place following the March Budget, the group decided to unbundle as Imperial Group's only asset was a 49% shareholding in Imphold.

The share looks expensive when compared with the JSE Industrial index but this premium is not without reason — it has shown resilience to recession and there is good growth potential offered by the group's business mix. Clearly, the group's management strength has found favour in the market.

However, there is a caveat: investors should bear in mind that any policy of growth by frequent acquisition is not without risk.

Marylou Greig

IMPERIAL Fm 1/10/93

A royal progress

Investors cautious about the role played by acquisitions in Imperial's impressive 28% increase in annual EPS to 58,5c over the 1993 financial year shouldn't be unduly concerned, says chairman Bill Lynch. "Even without acquisitions we would have reported a 25% increase" despite a much-expanded equity base. (295)

He concedes the reduced tax rate played a significant role. However, that detracts from the group's record. Over the past eight years Imperial has produced real earnings growth — a compounded growth rate of 41% per annum — and management believes it can achieve another 20% growth in EPS during 1994.

Acquisitions during the year totalled R202m: five new businesses were bought, ranging in value from R53m for the Tanker Services Group to R3,1m for a 25% interest in listed transport company Longrail. The

DIAL-A-MOVIE Fm 1/10/93

A movie worth seeing

This week the David Kahn practice "reluctantly" brought an urgent application for the provisional liquidation of the very companies it was representing, Dial-A-Movie and franchise subsidiary Top-CD (SA) (Pty). The reason is the usual cash crunch — debts exceed the ability to pay. Major creditors include Nedbank, EMI and Absa. Claims run into millions. (295)

In June, eight of the 18 franchisees refused to pay fees or settle accounts until Dial-A-Movie "passed down a higher supplier discount." Owners argued the prices it was charging made it impossible to compete.

Then the Competition Board placed a restraint-of-trade order on Dial-A-Movie. After successful negotiations between attorneys and the board, this was lifted. In August, seven franchisees decided to cancel their contracts. Last month, Dial-A-Movie brought applications against them and obtained an ejection order against the Fourways franchisee — which is being appealed.

Before the board's intervention, Kahn ad-

Fm 1/10/93

mitted Dial-A-Movie had a "slight strain" on cash flow. This is in sharp contrast to the 1993 interim, when EPS tripled to 14c — a time when Dial-A-Movie's ninefold price increase to R1 in the 12 months to March made it the best JSE performer for the period.

In the interim, chairman Brian Cunningham could not have spelt out the situation any more clearly: "The success of franchisees is vital to future prosperity." (295)

Last week, MD John Whale called a meeting of franchisees. He offered a proposal which, on legal advice, they declined. Whale then agreed to put "more on the table the next day." Indeed he did: provisional liquidation. Company-owned store managers received a call ordering them to close up shop. (Dial-A-Movie operates its own stores in addition to those franchised.)

For franchised stores, though, it's business as usual, as they regard their contracts as null and void. Their managers are confident they will continue to trade. Cunningham, meanwhile, is in Spain. Whale and fellow directors are out of the office and no-one is sure when (if?) they'll return.

The JSE suspended the share at the close on Monday. The last trade was on August 4: 14 900 shares valued at R10 000. Perhaps the buyer, and the market, underestimated the effect of the dispute. *Kate Rushton*

Travel plan for blacks to use stokvel concept

B/Day

THEO RAWANA

BLACK travel agency FabTravel aims to use the stokvel concept to harness the black leisure travel market, operations manager Stanley Maseko says.

He said yesterday that Fabtravel — a joint venture by the Foundation for African Business and Consumer Services (Fabcos) and SAA — expected 250 000 blacks to take part in leisure travel by next year.

Blacks had always seen travel as the preserve of the rich and out of reach of the ordinary person, but FabTravel hoped to have 10% of the black population travelling within the next 25 years, Maseko said.

"Because historically they have been denied access to leisure travel, blacks have tended to visit friends and relatives. Our aim is to broaden their horizons and create tour packages tailored to their needs."

Maseko said: "To make travel affordable, we are forming a travel club, based on the stokvel principle."

Financial resources would be pooled and through this stokvel concept, people would be able to travel either individually or in groups, easily accessing packages offered by FabTravel, Maseko said.

Initially the bulk of the Johannesburg-based agency's business would consist of travel within Africa but FabTravel also wanted to help those who wanted to travel further. "We are linked to Galileo, the world's largest computerised reservation system. We can book for shows and special sports events like the soccer World Cup," Maseko said.

(295)

Galileo southern Africa marketing manager Vernon Kirsten said FabTravel added a welcome dimension to SA's travel and tourism industry. "It has been proved that to provide excellent service a travel agency must understand the needs and dreams of the community it serves."

10/11/93

A person returning to work for more than three continuous months who did not receive the full 92% of salary (or the pro-rata reduced amount if less than four months maternity leave is taken) will be paid the balance after this three-month period. The salary paid in the month prior to the maternity leave will be used to calculate the gratuity.

4.7 Special unpaid leave will be granted, where requested, to members of staff proceeding on maternity leave or to those who so apply during the course of their maternity leave. This leave will be granted for the period up until the child is six months old.

4.8 The member has the right to request flexible working hours for up to six months after returning to work. While this may not be possible in all cases the request will receive serious consideration.

The minimum time a person will be expected to work in a flexible capacity is four hours per day, and payment will be on a pro-rata basis for the hours worked per month.

4.9 Salary on return to full-time work will be the same as that earned before proceeding on maternity leave, plus any general salary revision or notch increase due.

5. Paternity leave

A staff member who is the father of a newly born child may be granted on application special paternity leave on full pay for a maximum period of five working days. Should the staff member request an additional week's leave, either as annual or unpaid leave, his request will be granted. Applications must be submitted by the head of department to the Personnel Department.

6. Special leave

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Star 14/11/93

M-Net's earnings grow

M-Net's earnings grew by 6 percent to 6,9c a share in the six months to September on turnover of R389 million — 10 percent up on the comparable 1992 half year. (295)

The directors expect the subscriber base to continue showing some growth, although penetration levels are already high.

The international channel is being used to develop new markets elsewhere in Africa.

M-Net's media operations are expected to be profitable from the start.

M-Net cellular phone rights offer

B/Day 19/11/93

ROBYN CHALMERS

M-NET will go to the market next month with a rights offer to raise R125m to fund its investment in cellular telephone company Mobile Telephone Networks (MTN).

Announcing the move at the release of M-Net's interim results yesterday, CE Koos Bekker said the group would take a 25% equity stake in MTN under the umbrella of MultiChoice, formed in September when M-Net split into two companies.

Bekker said the financial characteristics of cellular telephony were similar to those of pay-television. The move was a significant development for MultiChoice in an industry that had experienced rapid growth worldwide.

"The first few years are characterised by intensive development, during which cash outflows and losses are experienced. Thereafter substantial earnings and cash flows are expected."

With major developments in European pay-television and local cellular telephony being undertaken simultaneously, he expected substantial losses in MultiChoice over the next two years. (295)

The MTN consortium was awarded one of two cellular licences by government in September with the second licence going to Vodacom. MTN consisted of UK-based Cable & Wireless, black investment consortium Naftel, Transtel, Fabcos and M-Net/MultiChoice.

In the lead-up to the rights offer, MultiChoice announced yesterday it had formed a new company, M-Tel, with an expected market capitalisation of R25m.

CEO Peter McBride said M-Tel's sole purpose was to be a service provider for the cellular telephone market and it would provide exclusively to Mobile.

A project team had been negotiating with several companies to set up strategic alliances for exclusive dealerships with M-Tel, he said.

● See Page 9

Teljoy posts increase in spite of fall in turnover

B/Day 22/11/93

ROBYN CHALMERS

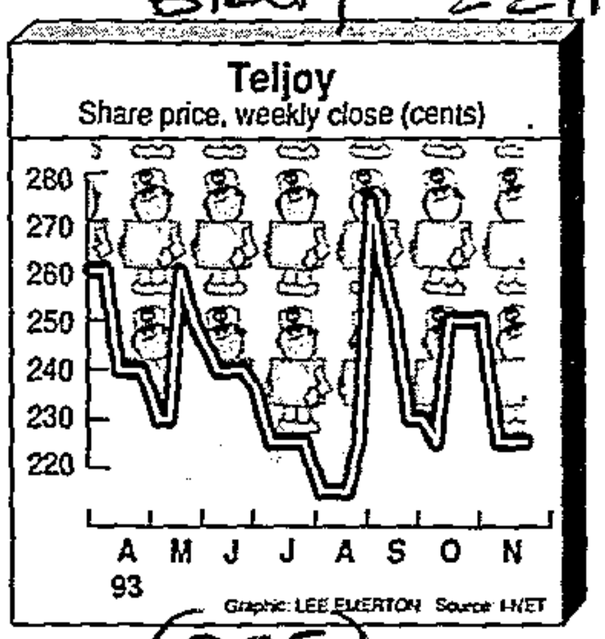
TV RENTAL company Teljoy enjoyed an earnings increase for the first time in three years for the six months ended September despite a decline in turnover to R83,6m (R87,9m) in the wake of the closure of Teljoy Business Services (TBS).

Teljoy had to maintain rentals because of competition in the recessionary climate and MD Denis Kennedy said this had put undue pressure on margins. As a result, operating income fell 11% to R14,9m (R16,7m).

This was offset by a halving of finance charges to R2,6m (R5,6m) following a significant reduction in gearing to 56% against 92% in the previous interim period.

The reduced interest bill left income before tax up 10,5% to R12,3m (R11,1m) but a 21,7% increase in taxation to R3,8m (R3m) led to net income rising 6,1% to R8,5m (R8m).

This was equivalent to earnings of 14,7c a share against 13,8c during the 1992 first-half and directors declared an unchanged dividend of 4,5c a share, covered 3,3 times by earnings.



(295)

Kennedy said all the group's divisions performed satisfactorily.

The core rental division remained the major contributor to group profit, but fierce competition in the rental market was exacerbated by the presence of "grey" imports.

Kennedy said the Department of Trade and Industry's implementation of steps to curb this activity should reduce its destabilising effect.

The rental division and Mastercare were restructured to suit changing consumer patterns, resulting in the closure and consolidation of certain outlets. He said the move would reduce costs and improve margins.

Provicom, the group's research and development arm, performed according to expectations.

Teljoy announced in May that it would enter the cellular telephone market as a service provider with the formation of the new Teljoy Cellular Communications division.

The division concluded a technical agreement with UK service provider and TV rental company Martin Dawes, which Kennedy said would allow the group to garner greater knowledge of the international cellular market.

He noted that the cellular business provided Teljoy with good growth prospects in the medium term.

He expected Teljoy to maintain the current earnings level for the full year, barring further deterioration in the political or economic climate.

Gearing up for cellular phones

Star 22/11/93

■ BY DEREK TOMMEY

Next April 1 Teljoy launches a campaign to rent out cellular phones.

Teljoy, which lifted earnings 6 percent in the six months to September, expects the launch will set it on a major growth phase, says MD Denis Kennedy.

"Cellular phones will change our lives fundamentally," he says. And because of Teljoy's TV rental operations, it is well placed to handle sales and rentals of cellular phones.

The company has concluded an agreement with UK service provider and TV rental company Martin Dawes.

Profit figures show Teljoy is in a healthy financial position. A strong cash flow, a reduction in capital expenditure and continuing emphasis on asset management resulted in interest-bearing debt as a percentage of shareholders' funds falling sharply. (295)

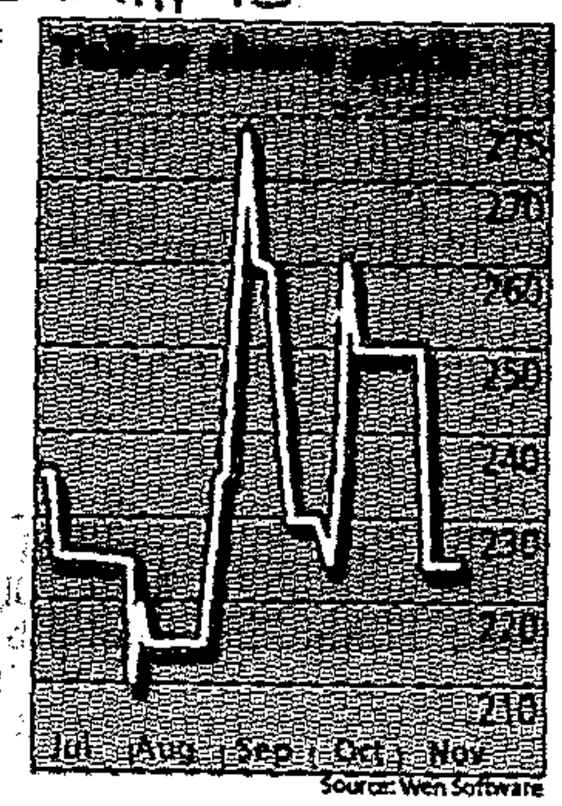
It was down to 56 percent at end-September from 92 percent a year ago and 79,2 percent six months ago.

Turnover fell 4,9 percent to R83,6 million. Operating income, reflecting intense competition, dropped 11,1 percent to R14,9 million.

But lower debt reduced interest payments from R5,6 million to R2,6 million.

Tax rose from R3,1 million to R3,8 million, mainly because of STC.

But net income was 6 percent higher at R8,5 million (R8, million) — equal to 14,7c (13,8c) a share. An unchanged interim dividnd of 4,5c has been declared.



■ Next June 1 M-Net associate MultiChoice launches its cellular phone service.

MultiChoice has a 25 percent stake in Mobile Telephone Networks, which is spending R500 million establishing the service.

M-Net chief executive, Koos Bekker says the financial characteristics of cellular telephony are like those of pay-TV.

Intensive development takes place in the first few years, during which cash outflows and losses are experienced.

Thereafter, substantial earnings and cash flows can be expected. With Multichoice also investing in European pay-TV, he expects it to incur substantial losses in the next two years.

TELJOY Fm 26/11/93

Looking for sparks

Teljoy has produced consistent but rather unexciting results over the past three years. MD Denis Kennedy contends it's among only a few retailers whose earnings have not dipped since 1990. Latest interims show EPS marginally better at 14,7c, just 1,2c above 1990's figure. But the share price, too, has been relatively flat: it's appreciated all of 25c to 225c over the period. (295)

Chairman Theo Rutstein says the introduction of cellular phones to SA will put some sparks into the company. Teljoy Cellular Communications (TCC), established this year, will operate in the cellular telephone market as a service provider. TCC has concluded a know-how agreement with UK service provider and TV rental company Martin Dawes Ltd. Rutstein says this will enable Teljoy to tap the UK company's experience and have access to critical computer software and methodology needed to operate as an efficient service provider.

Kennedy says the new division will not benefit group results until the country's cellular network starts operating on April 1. Even then, he adds, effects will be marginal for the first couple of years until the market establishes itself. So shareholders will have to wait until financial 1997 before seeing results from the cellular division. (295)

Kennedy admits the cellular communications business will be highly competitive but, he adds: "A few years ago we were one of several TV rental companies, now we are the only one. We are not particularly afraid of competition."

Teljoy will launch its cellular model at R2 000. TCC start-up costs will be about R15m. Gearing is down from the year-ago 92% to 56% at September 30. Interest payments were more than halved to R2,6m. Rutstein contends the main motivation for lower gearing was to increase interest cover (3,0 to 5,7), which is the more important indicator of a rental company' financial position. Debt:equity could be brought down because of strong cash flow (R11,7m against the previous R2,4m), reduced capital expenditure and emphasis on asset management.

CLEARER PICTURE

Six months to	Sep 30 '92	Mar 31 '93	Sep 30 '93
Turnover (Rm)	87,9	88,9	83,6
Operating income (Rm)	16,7	15,5	14,9
Attributable (Rm)	8,0	9,7	8,5
Earnings (c)	13,8	16,8	14,7
Dividends (c)	4,5	4,5	4,5

Turnover was down almost 5%. Fierce competition in the rental market was worsened by grey importers but the recent reduction in import duties has eased the destabilising effect this sector had on the market.

Service operation Mastercare and certain rental activities have been restructured. Outlets were consolidated and closed, with retrenchments. Kennedy says the restructuring, more of a demographic move than consolidation, will lead to cost savings and enhanced efficiency. Meanwhile, Mastercare is experimenting in the franchise business. It already operates two franchises. Rutstein says these could increase to 3 000 over the next few years and contribute a tidy sum to turnover.

With a p:e of 7,5, Teljoy trades at a considerable discount to the Beverage sector's 30,1 average, as well as the Industrial Holdings' 19,3, suggesting the market is waiting for evidence of real earnings growth.

Kate Rushton

New firm tackles car hire giants head-on

S/Times [C/Metro]

5/12/93

By JEREMY WOODS

TWO former executives from Budget Rental have launched a R1-million bid to break into the local car hire market just as the tourist season begins in Cape Town.

Dave Halley and Glynn Rhoda, with 20 years of car-hire experience between them, have launched their business with a fleet of 30 new cars and heavily discounted rates, which they hope will help them grab a slice of the market.

Comet Car Rental, situated at the new M5 Freeway Park development in Maitland, offers a free delivery and collection service. Its fleet of new, small cars are fitted with radio/tape players, with air-conditioning an option.

(295)

"We launched Comet because we feel very confident about the future of the tourism business in South Africa — and Cape Town in particular," said Mr Halley, a former regional director of Budget.

Special service

He believes Comet can break into the market with a mixture of low rates and special service.

"We are committed to providing quality service at a good price and intend generating a lot of repeat business. By offering weekly specials we will inject competition and variety into the market."

But perhaps the smartest move the duo have made is picking Comet's site.

"Most of the big car hire firms are paying R20 000 a month for premises in the city centre. People don't go to the city to shop around for car rental, they normally ring a number and expect delivery. Our rent is 10 percent of the big firms and we are ideally situated for the airport, and the southern and northern suburbs," Mr Halley said.

Runaway Hertz does a U-turn on SA

S/Times [Buss] 5/12/93

By DON ROBERTSON

HERTZ, the world's largest car rental company, is back in SA after it withdrew its operations for political reasons almost six years ago.

It has signed a franchise agreement with SA's biggest rental group, Imperial Car Rental.

Neville Cheetham, director of franchise operations at Hertz Europe, says the agreement will allow Hertz customers to enjoy the same level of service in SA that they are offered in the rest of the world. Hertz, in turn, will service Imperial's customers overseas.

With the run-up to the April elections and the inclusion of Hertz in the operation, business is expected to increase by 7% initially. (295)

Imperial Car Rental currently has a 39,9% market share. Sister company Tempest holds 7%.

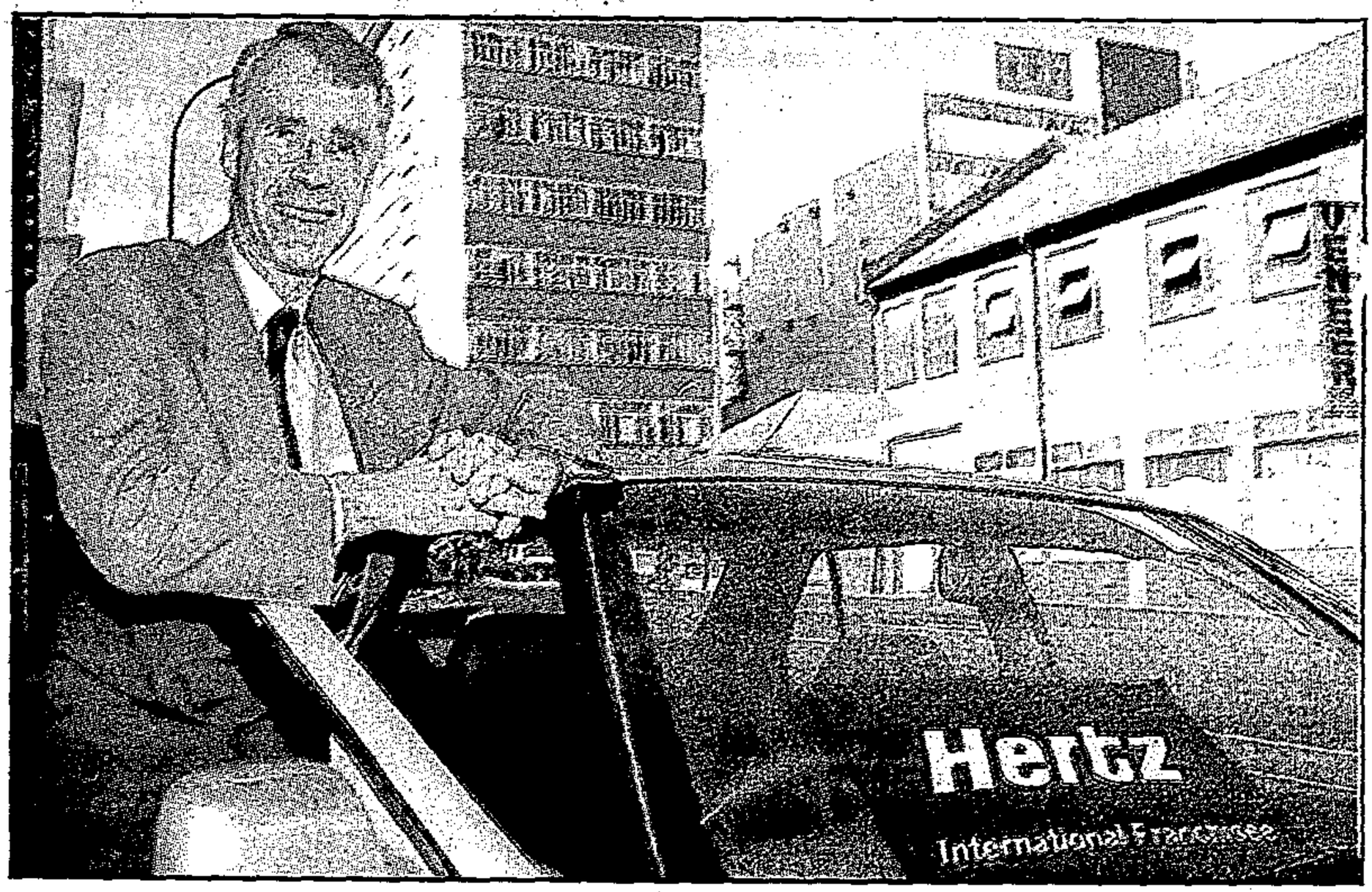
Although US sanctions were lifted some time ago, Hertz was unable to return to SA as some US states, particularly California, threatened to cancel agreements with Hertz subsidiary companies Hertz Equipment Rental and insurance company Hertz Claims Management if it reinvested.

"These operations make up about 14% of Hertz business, which is larger than any business in SA might have generated," says Mr Cheetham. These difficulties have now been resolved.

Imperial will retain its name, but Hertz signs will be erected at all rental outlets.

Imperial will pay a royalty for the use of the Hertz name.

Hertz, which operates in 130 countries, has a fleet of about 420 000 vehicles, operating out of 5 200 outlets. Turnover last year was $4,2-billion.



BACK ON THE STREETS: Neville Cheetham, Hertz Europe's franchise director Picture: CECIL SOLS

SERVICES SECTOR – OTHER

1994

Car rental firms all set for boom

B/Day 4/1/94

MICK COLLINS

THE car rental industry is all set for a boom in 1994 with spending on new vehicles sharply up compared with last year.

The big three — Imperial Car Hire, Avis and Budget Rent A Car — yesterday all reported bigger fleets to cater for the new year. The combined total spent by the industry would be in the region of R560m, sources said.

Imperial Car Hire sales and marketing director Dawn Jones said her company would be spending R192m on new cars. This was 12% up on last year's R169m.

Fleet strength would be up at 5 350 units compared with the 4 570 of the previous year.

Avis MD Grenville Wilson said his company would be committing more than R220m this year to the purchase of new vehicles. This was a 15,7% increase over last year when only R190m was spent.

"We will be running a fleet of between 4 500 and 5 000 vehicles."

Budget Rent A Car MD Tony Langely said orders currently with vehicle manufacturers were 4% to 5% up on last year.

"With our three sub-divisions we are looking at running a fleet of around 3 500 for the year. This will be bought in at a cost of about R144m.

"As our year ends in July our 1994/95 fleet requirement still has to be calculated."

Jones said: "We are very positive about 1994, and with the elections coming we are anticipating a lot of movement around the country which is good for business.

"We are also expecting a rise in tourism once the elections are over," she said.

Wilson said there was still a certain demand for larger vehicles but "the bulk of our rentals are in the small vehicle sector — 1 300cc to 1 600cc — as the recession has made people rent down". (295)

However he added: "We can also be more competitive because of a vibrant used car market where there is still a big demand for the low mileage, small car. We usually offload the bulk of our fleet every nine months to that sector.

"Obviously during our off season — the winter months — our fleet will drop to around 3 000."

Wilson, who is also chairman of the SA Vehicle Renting and Leasing Association, said the car rental industry was very bullish.

"We feel we are now fully into the upswing. Our sector normally leads the economy in general by six to nine months. We anticipate that this trend will continue."

However, he cautioned that the current violence had affected the industry's "inbound" tourism business. Also hitting the industry were theft, accidents and fraud.

"We are a target in times like this. With up to 15 000 vehicles for the whole industry on the road we are experiencing a lot of hijacking."

Langely said the industry had witnessed growth in corporate usage which now accounted for 65% of business. International tourism in season, he said, accounted for 30%, with the remainder going to local leisure and weekend business.

Toyota forecasts even higher car sales this year

B/Day 13/1/94

MICK COLLINS

TOYOTA SA yesterday again revised upwards its forecast of sales of new passenger vehicles for 1994 to 198 000.

Toyota marketing MD Brand Pretorius also said light commercial sales should break through the 100 000 barrier in the year.

"These are early bird forecasts and we may have to revise them upwards in the light of the strength of our December performance."

He said 1993 ended on a high note for the company, with December passenger vehicle sales up 15% on the company's forecast for the month.

In the light commercial sector sales were 20% higher than forecast.

"This positive trend in December saw Toyota end the year with its best sales figures for passenger vehicles since 1991 and its best total vehicle sales since 1990.

"Despite the difficult trading conditions experienced during 1993, the year was a very good one for Toyota. We were well placed to take advantage of the positive sales trend that emerged around midyear.

"The strength of demand for our products in December was particularly pleasing and we ended the year with sales of 89 081 vehicles, which is 16% up on our sales for 1992.

"At this point we are still waiting for the December sales figures from Naamsa but, if our own sales are anything to go by, then it seems that the passenger vehicle market will exceed 198 000 units for the year."

Naamsa's figures for new car sales for December are due for release tomorrow.

Pretorius said the December figures gave some reason to be fairly bullish about the prospects for 1994, "a year when we see the potential for new buyers to enter the market in support of replacement demand which has been the driving force behind sales during 1993".

He said this would provide a climate for the market to continue growing in 1994.

"While there is no doubt that 1993 was a positive year for the motor industry we cannot lose sight of the fact that the industry is coming off a 15-year low in 1992."

In terms of manufacturing capacity and economies of scale the market was still weak, he said. "The vehicle mix has also changed with a very strong trend to buy down to the point that more than two out of three cars sold are from the small and light sector of the market.

"There is light at the end of the tunnel but I believe the true sales potential for the year will only be realised in the post-election period. Given that we have a stable political environment and that the promise of foreign investment is realised there is reason for optimism."

Teljoy gears up for cellular phone launch

MELANIE SERGEANT

TELJOY has signed Pick 'n Pay, McCarthy Motors, OfficeMart and Retail Group, which includes Game and Beares, to serve cellular phone users. B/Day

The test phase for the phones is scheduled to start on April 1. 13/1/94

Teljoy executive chairman Theo Rutstein said the company was ready to run its system. EPPIX software had been installed for about R5m and a similar amount would be spent on hardware. (295)

Rutstein said Teljoy had more than 5 000 firm orders from about 15 000 responses to an early marketing campaign.

"Most of the subscribers are corporate users who will be paying about R120 a month subscriber fees and around R1,30 a minute for calls," he said.

M-Net's cellular phone wing, M-Tel, would also import a R5m EPPIX system as part of its R25m investment in the industry.

The Unix-based system will administer, manage and bill subscribers. Service providers will retail airtime bought from the network operators, Mobile Telephone Networks and Vodacom.

UK-based EPPIX supplier Computer Answers has set up a local company to provide support.

Rennies buys 49% of Thebe travel firm

MARCIA KLEIN

RENNIES Travel has acquired a 49% interest in ANC-aligned Thebe Investment Corporation's wholly owned subsidiary Oriole Travel for an undisclosed sum.

Rennies MD Lilian Boyle said Rennies would have the management contract for the travel agency. B/Day

Her group had identified opportunities in expanding black business and leisure travel. "Our partnership with Thebe will improve our prospects in this area, while Oriole management will benefit from the application of proven travel industry training," she said. 25/1/94

Rennies and Thebe intended reducing their shareholdings in favour of other black shareholders, probably in about two years, when Oriole should be a fully fledged, profitable travel agency. However, both companies would retain at least 33,3% of their stakes.

Each company would have four Oriole board members. Thebe would appoint a chairman. (295)

Thebe MD Vusi Khanyile said the deal would enable Oriole to access products such as travel insurance, special fares and travellers' cheque technology. It would also have access to the buying power and skills of a bigger company.

Imperial strike confined to Reef

B/Day 3/2/94

ERICA JANKOWITZ

THE threatened countrywide strike by members of the Transport and General Workers' Union at Imperial Car Rental was confined to the Reef yesterday, but the union said it could easily spread to other areas as the major gripe was centralised bargaining.

Imperial spokesman Michael Bagraim disputed this, saying wage disputes had been settled in other major centres despite some industrial action in Durban and Cape Town. Also, talks had broken down in September.

The dismissal last year of 22 workers from the Cape Town office was the result of letters written to Imperial clients urging them not to do business with the company. All disciplinary channels had been exhausted, as was the case with 21 workers dismissed from the Durban branch for illegal strike action last year, Bagraim said.

(295)

He said striking workers had been locked out, except for a small number in one depot who refused to leave the premises. The company hoped not to have to take court action to enforce the lockout.

Workers had picketed Imperial depots peacefully and no incidents had been reported.

Union national organiser Thulani Dlamini said negotiations on centralising bargaining structures had started more than a year ago. Wage talks were delayed because of management's "intransigence". Wage increases should have been implemented in July.

Dlamini said the union was determined to address disparities between regions by establishing a central bargaining forum. Bagraim denied this, saying wages and conditions of employment were very similar, but regions negotiated separately as they were run as individual cost centres.

TGWU claimed about 150 members were on strike, but the company maintained the number was 44.

Union threatens to extend Imperial strike

B/Day

ERICA JANKOWITZ

THE Transport and General Workers' Union (TGWU) threatened yesterday to escalate its strike at Imperial Car Rental by calling on its fellow Cosatu affiliates and political and other organisations to boycott the company's services. 4/2/94

TGWU general secretary Randall Howard said Imperial's intransigence on the issue of central bargaining had rendered the negotiations process ineffective. In addition, disturbing reports of "union bashing" had been received from the regions.

"Imperial knows our goal is to establish an industrial council in the sector and has shown its total opposition by refusing to negotiate on the matter in a constructive manner," Howard said. (295)

The company had employed "scab" labour to replace striking workers and TGWU, although it would not condone intimidation, could not guarantee these replacement workers' safety, Howard said.

Imperial labour consultant Michael Bagraim said temporary workers and frontline staff had been threatened by striking workers at the Jet Park depot in Johannesburg. The company was exploring its options in dealing with this.

Union, Imperial strike deal

ERICA JANKOWITZ B DAY

THE Transport and General Workers' Union and Imperial Car Rental yesterday agreed to establish a central bargaining forum, ending the procedural strike by about 100 union members at Imperial depots on the Reef, East London and Durban. 11/2/94 (295)

Union national organiser Thulani Dlamini said the forum would deal with national conditions of employment. Should deadlock be reached during regional negotiations, these would be referred to the central body.

The union said it would begin immediately with wage negotiations and discussions about "mass dismissals" of union members from Durban and Cape Town depots.

Imperial Holdings goes from strength to strength

B/Day 25/2/94

MICK COLLINS

CAR and truck rental group Imperial Holdings saw turnover climb 55% to R767m for the half year to December compared with the previous period's R496,2m.

Operating profit increased 44% to R60,3m (R42m) while pre-tax income showed a 34% increase to R50m (R37,2m).

A higher tax burden of R19,9m (R16,7m) failed to dampen after-tax profit which rose 46% to R30m (R20,5m).

Attributable earnings rose 72% to R30,3m (R20,5m) but 33% more shares had to be serviced following a number of acquisitions. (295)

However, earnings a share were still up 29% to 33,5c (26c). The dividend was raised 27% to 13,2c (10,4c) with a scrip option offered.

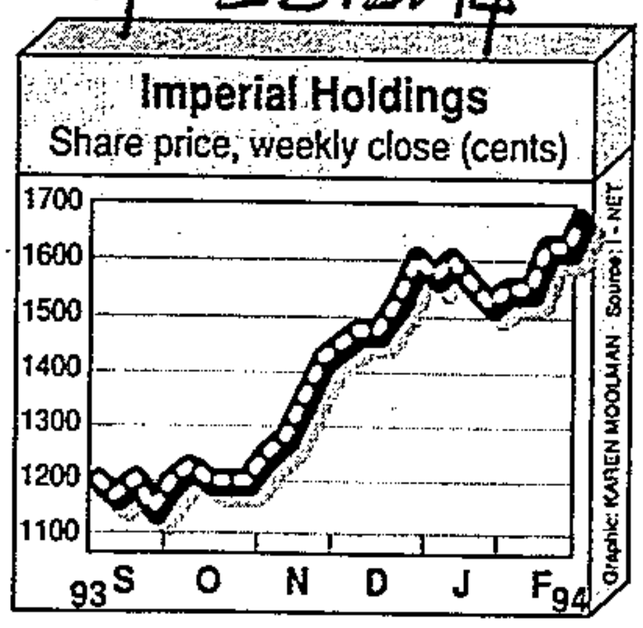
The group has grown its earnings a share by a compound 36% a year since its listing in 1987.

Executive chairman Bill Lynch said the group was in good shape and turnover was heading for the R1,5bn mark for the full year.

Volumes in the car rental industry had improved through a stronger economy, bringing more corporate customers and some overseas visitors.

Imperial Car Rental recently announced its appointment by Hertz International as its SA licencee.

"Imperial is an important player in the tourist market through Springbok Atlas, the country's largest coach tour operator, but violence, crime and instability curbed performance in that industry," Lynch said.



Despite some margin pressure in the motor business, the bottom line had been boosted by good asset management, a good business mix and strength in after-sales service.

The transport division had grown its turnover and profits as a result of recent acquisitions, but competition was stiff.

The Regent Insurance Company, a short-term motor insurer operating mostly in the HP market, had expanded its infrastructure especially after IGI had been placed in curatorship.

Though increased crime-related claims had taken their toll, good investment returns and higher earnings from treasury and property interests had ensured a good performance by the insurance, finance and property division, Lynch said.

The balance sheet had strengthened considerably with shareholders' funds 29% higher than in June last year.

Gearing remained low at 48%. The higher interest charge, as against the comparable period, had resulted mainly from consolidating debt, previously treated off balance sheet. Interest cover was comfortable at 5,8 times (4,2 times).

Car rental firms gear up for poll

B/Day 14/3/94

MICK COLLINS

THE car rental industry is adding almost 4 000 vehicles to its fleet to meet demand expected during the elections.

Most companies view the extra business as high risk and have increased insurance rates.

Imperial Car Hire deputy MD Maureen Jackson said her company would have an additional 1 700 vehicles for the election. "I have inquiries for 22 000 vehicles on my desk which we cannot hope to supply.

"The demand is so great that we went to all the vehicle manufacturers to buy surplus stock. This we did at a cost of R31m.

She said Imperial had put a compulsory insurance excess on all vehicles as "we are not prepared to carry the entire risk".

"We consider the rural areas, where a lot of our vehicles will be used, as hot spots where the risk factor will be four times higher than in normal circumstances."

Avis MD Grenville Wilson said: "We have taken on a few hundred extra vehicles but at the same time we are ballooning our fleet by about 1 000 units.

"We have accomplished this by not defleeting as we would normally do in May when the low season starts."

He said a lot of business was coming in but "we view much of it as high risk, what with stonings and the potential for civil upheaval".

Many bookings, he said, were being made on behalf of peace monitors and television crews. Insurance waivers for collision and theft had already been adjusted.

"Already we can see what is happening in Bophuthatswana. We don't know how many of our vehicles are involved there but I expect quite a few will have been stoned.

"Normally we would have started defleeting in April but we are holding on as we expect a (government) inauguration in May." (295)

He said the election had brought opportunities. "We have had bookings of between 290 and 300 units for this week alone."

Budget Rent-a-Car MD Tony Langley said: "We took the view that we would put 900 vehicles aside for a month for election purposes and keep the balance of our fleet — about 2 100 — for normal corporate demand.

"We think the election demand will last about six weeks and this presents a problem as we can't fleet up for such a short period.

"Normally we would have sold off these vehicles but we are holding them for a month to cater for some of the election demand.

"When you buy cars you normally hold them for six to nine months and any variation pushes up our costs," Langley said.

"May is generally a time of defleeting by car rental companies, with the result that used car prices drop.

"This problem will be exacerbated if we have to sell additional cars after the election."

Teljoy enters phones partnership

B/Day

ROBYN CHALMERS

2413194

TV RENTAL group Teljoy has gone into partnership with top black businessmen to form a joint venture company aimed at increasing the group's exposure to the corporate cellular phones market.

Teljoy chairman Theo Rutstein said yesterday Teljoy would be an equal partner with Sub-Saharan Investments in the new company, Afrilink Holdings. The company would be capitalised with an initial R1m.

Sub-Saharan Investments partners were Consumer Behaviour MD Eric Mafuna, Kilimanjaro Manufacturing chairman Richard Maponya, Magomola & Associates executive chairman Gaby Magomola and Lesedi Clinic chairman Jackie Mphafudi. Rutstein said Afrilink would be the holding company for:

- Afrilink Cellular Services, which would compete directly with Teljoy Cellular Communications;
- Afrilink Distribution Services, to operate as an independent agent involved in attaining rights to international brands of cellular phones and televisions; (295)
- Afrilink Broadcasting, involved in negotiating for the programme rights to various television and radio programmes.

Afrilink would also hold 75% of GSM Cellular Community Services, which would provide cellular phones to the black community. The remaining 25% would be held directly by Sub-Saharan Investments.

Afrilink MD Jeremy Forward said the company's partners believed community participation would give Afrilink an edge in selling to multinationals.

Car rental firms to spend R750m

B/Day 7/4/94

MICK COLLINS

THE car rental industry was set to spend more than R750m on new vehicles this year, industry sources said yesterday.

This represents a 15% rise on 1993, and the jump in "refleeting" was mainly due to expected growth in the sector from corporate usage and tourism, and higher vehicle prices.

A motor industry analyst said new car prices were expected to rise 11%-15% in quarterly increases this year.

Avis was budgeting about R480m for 10 200 new cars in 1994, said group CE Glenn van Heerden. This represented 5,1% of the estimated total market for new cars this year.

"We are expecting a growth rate of about 4%," he added. "But the big thing is the inflation cost of cars. Car prices are still going up by between 12% and 15% a year.

With the election and "inauguration euphoria" out of the way, there would be real growth in the market. "We foresee the period June 1994 to June 1995 as a fairly buoyant period for the economy.

"A quarter of a million travellers, mainly SA businessmen and foreign tourists, will be renting these cars at the rate of one every 45 seconds during a 12-hour working day every day of the year." But a tourism recovery hinged on political stability, he said.

About 90% of the Avis vehicles would be based in SA and the balance would go to licencees in Namibia, Botswana, Lesotho, Swaziland, Mozambique, Zimbabwe, Zambia, Malawi, Angola and Madagascar.

Budget Rent-a-Car MD Tony Langley said the group's budget would be completed only in May, but early indications were that the company would spend R134m on new vehicles — up 12% on the previous year. The company's total fleet requirement would be 3 600 vehicles. Sub-licensees would spend about R14m.

Langley said the company expected increased tourism and corporate use to spur growth. "This is of course dependent on all things being equal on the political front," he added. "Most of our new cars will be predominently in smaller units of 1300cm³ to 1600cm³." (295)

Imperial Car Hire MD Carol Scott said the company would spend about R136m on 3 240 replacement vehicles, a 28% rise on last year.

"There has been a dramatic increase in corporate business in January and February," she said.

"This month and in May there will be an upswing as we are renting to international peace observers for the elections."

Teljoy beats forecast

Star 26/5/94

■ BY STEPHEN CRANSTON

Teljoy has reported a better-than-expected 11,1 percent increase in earnings per share to 34c in the year to March.

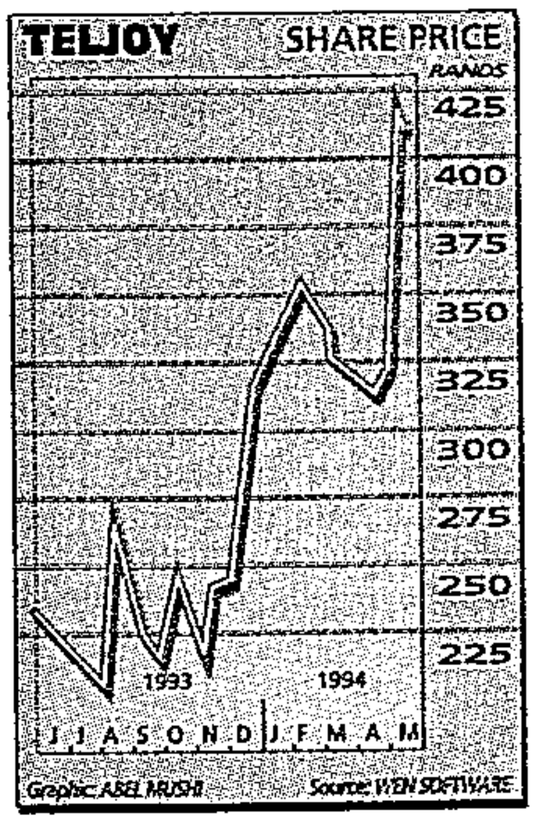
The figure is well up on the six percent improvement predicted at the interim stage.

Turnover was down 2,9 percent to R171,6 million because of the closure of Teljoy Business Services and because the April switch-on of the cellular network took place the day after the year-end, Teljoy Cellular Communications did not contribute to revenues.

Margins were under pressure and operating income fell 8,2 percent to R29,5 million. But improved working capital management and lower average borrowings pushed finance charges down 58,7 percent to R3,94 million. (295)

MD Denis Kennedy says although gearing fell only slightly from 79,2 percent to 76,1 percent, an extra 16,9 million had been spent on cellular infrastructure and stock. Without this, gearing would have been down to 55,3 percent.

The balance sheet included R8 million of cellular stock, which has been sold since year-end.



Executive chairman Theo Rutstein says the cellular diversification will cost about 3c a share in the 1995 financial year, but should break even in the second year, make a contribution after three years and a significant profit in the fourth year.

Rutstein says Teljoy is easily the largest service provider in the cellular phone business. It has service provision agreements with a wide range of corporate clients, including Absa and its banks, McCarthy, Mathieson & Ashley, the SABC, Plate Glass, Old Mutual and Sanlam.

It also has exclusive agreements with Game, Officemart and Pick 'n Pay, among the most important retail outlets for the purchase of cellular phones and contracts.

The core rental business has given it experience in subscriber management, customer service and debt collection, the three main functions of a cellular service provider.

To expand its TV rental and cellular phone businesses into the black market, it formed a joint venture company, Afrilink, with a consortium of black businessmen.

It has also introduced a rent-to-own option which is focused on this market.

The Amic/Daewoo joint venture, which plans to build a new TV tube factory, predicts that a further six million sets will be needed over the next ten years.

Teljoy holds about 20 percent of the market and hopes to hold onto this share.

Teljoy shows 11% earnings increase

B/Day 26/5/94

MARCIA KLEIN

AFTER years of flat earnings, TV rental group Teljoy reported 11% earnings growth to 34c (30,6c) a share in the year to February as sharply reduced finance costs offset lower turnover and operating income. (295)

The results were better than directors' interim forecasts of 6% growth.

Executive chairman Theo Rutstein said the second-half performance was substantially better than the first, largely due to the benefits of the consolidation which started last year and further asset control and interest savings.

The 2,9% decline in turnover to R171,6m (R176,8m) was largely due to the closure of Teljoy Business Services at the end of the past financial year.

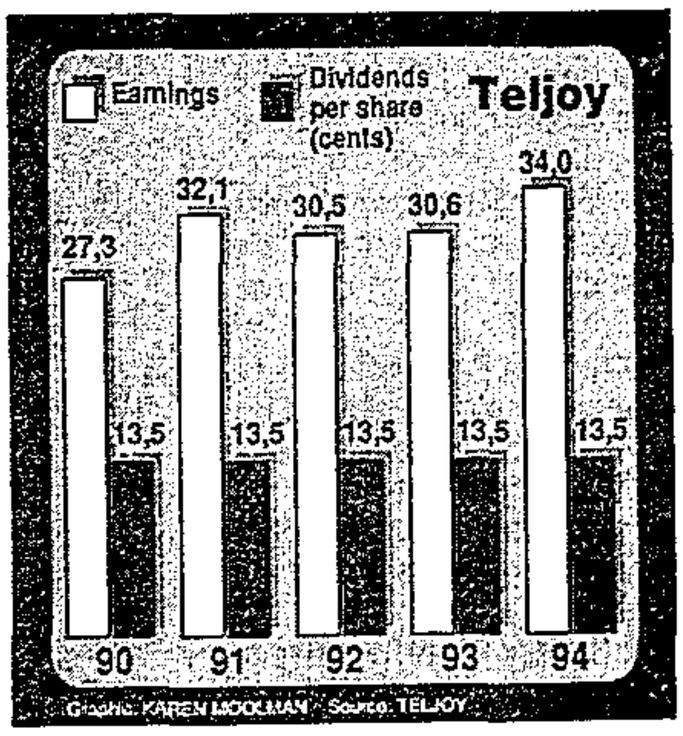
Continued pressure on rental margins on the back of intense competition in the television industry saw operating income fall 8,2% to R29,5m from R32,2m previously.

Although operating income was lower, pre-tax income — boosted by a 59% decline in financing charges — was 13% up at R25,6m (R22,7m). Gearing dropped to 76% from 79,2%. It would have been at 55% but for the R16,9m investment in cellular phones.

After a 19,8% hike in taxation, net income was 11% higher at R19,7m from R17,8m previously. The full year dividend was maintained at 13,5c a share.

Rutstein said all divisions had performed satisfactorily, and the rental division continued to be the major contributor to group profits.

Teljoy MD Denis Kennedy said Teljoy expected a significant increase in business for the screening of the World Cup soccer next month. The core rental division would benefit from housing developments and electrification. It had also introduced a new Rent To Own concept.



Various overseas companies, including British Rail, were interested in Teljoy's surveillance systems already used by large local hotel groups.

Rutstein said the initial cellular launch was about 50% better than forecasts. Teljoy was initially looking for a market share of around 15%, but it appeared this would be exceeded.

The investment in cellular phones would affect results in the coming year by about 3c a share, but this should be more than offset by the performance of the core business. Cellular earnings were expected to break even in year two and produce good profit growth in year three.

Car rental firms pin hopes on tourist boom

MICK COLLINS

CAR rental firms were poised to lift spending on new fleets 30% to R530m this year, spurred by an anticipated growth in tourism levels, sources said yesterday.

This would include a 20% volume growth and a benchmark 10% allowance for car price increases.

Analysts said increased corporate activity and an anticipated tourist boom had pushed fleet levels close to 15 000 for the first time. B/Day

Avis MD Grenville Wilson said the company's fleet was being increased by between 15% and 20%.

The increase would cost an extra R30m to R40m and would boost the Avis fleet from 4 500 to 5 500 units. The company's total fleet spend would be R180m.

He attributed the improved outlook to the general upturn in the economy and the increase "in corporate activity that goes with that". 14/6/94

The company also hoped that the stable post-election environment would continue "which will lead to an increase in foreign inbound tourists". (295)

Imperial Car Hire had increased its fleet 32% from last year's level of 4 500 units to 5 940.

This increase included the company's subsidiary Tempest and involved an added investment of R70m to bring the total fleet spend for the year to R193m.

MD Carol Scott said if all the company's activities were taken into account — car rental, prime car leasing, full maintenance truck leasing and Springbok Atlas — the company would spend a total of R450m on its fleet.

The company's leasing and tourism divisions had performed well over the past year with rentals increasing by 14,5% which led to an 11,4% gain in revenue.

The Hertz association with Imperial had already affected the number of car rentals by overseas visitors as the new government worked towards stability.

"We are optimistic for the future and believe the tourists and international community will once again see SA in a favourable light. We are geared to cope with the extra business. We have the vehicles, the infrastructure and the information systems to offer world-class service."

Budget Rent-a-Car MD Tony Langley said the company had finished its budget plan for the 12 months ended June 1995 and had physically placed orders for an 8% increase in its fleet.

This included sub-licencees — for a total purchase of 3 500 vehicles at a cost of R154m. The company expected an increase in tourism but "we will have a better idea after the tourism workshop due to be held in Durban shortly. Tourist volumes will only become more apparent afterwards."

Value of Teljoy TV rental sets put at R245-m

Star 1/7/94

■ BY STEPHEN CRANSTON

Any potential competitor who wanted to build up a TV rental fleet the same size as Teljoy's would need to spend R245 million, MD Denis Kennedy said yesterday.

He told a meeting of the Investment Analysts Society that Teljoy was now the only significant player in TV rental in SA, and the third-largest TV rental organisation in the world.

It had a 20 percent share of new TVs going into the market, but 92 percent of its total business came from the First World market; 80 percent of the population was untapped.

During the financial year to March, Teljoy was unable to provide service effectively in traditional black areas because of the continual violence in those areas. (295)

This limited its ability to provide adequate technical service or to collect monthly rentals.

But it had launched a concerted drive into the townships within 15 days of Mandela's inauguration. The Rent-to-Own product was particularly focused on this market.

The customer enjoyed the benefits of rental — no deposit, same-day service and no hidden finance charges with the prospect of acquiring ownership. Customers can opt out of the scheme at any time without incurring cancellation charges and had no long-term commitments, he said.

Executive chairman Theo Rutstein said Teljoy Cellular was shown to be the best-known service provider, and the one with the best problem-solving capability, according to a survey carried out by Finance Week.

Through its international partner Martin Dawes Communications it had access to the latest technology and know-how.

TELJOY Fm 5/8/94

Cost controls paying

Much has transpired during Teljoy's 1994 financial year; attributable earnings showed real growth for the first time in four years and the group positioned itself as a service provider in the cellular phone industry.

But the satisfactory growth in earnings was because of cost containment and not contributions from the new cellular division — the cellular switch-on happened after year-end. (295)

Rationalisation of trading operations included the consolidation of domestic and corporate rental divisions with technical service division Mastercare, as well as the introduction of improved logistical planning methods and centralised service

Fm 5/8/94

Activities: *Rents TVs, videos and decoders; repairs and supplies cellular phones and airtime.*

Control: *Servgro 48%.*

Executive chairman: *T B Rutstein; MD: D C Kennedy.*

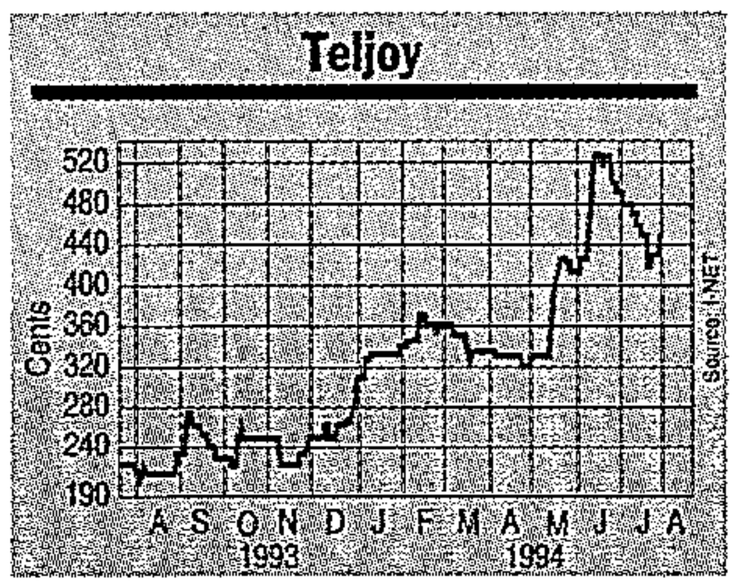
Capital structure: *58m ords. Market capitalisation: R276m.*

Share market: *Price: 475c. Yields: 2,8% on dividend; 7,2% on earnings; p:e ratio, 14; cover, 2,5. 12-month high, 525c; low, 210c. Trading volume last quarter, 502 000 shares.*

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	24,3	22,6	14,7	48,4
LT debt (Rm)	61,1	62,3	54,1	27,5
Debt:equity ratio	1,57	1,35	0,70	1,11
Shareholders' interest	0,33	0,38	0,41	0,39
Int & leasing cover	2,8	2,4	3,2	7,5
Return on cap (%)	19,2	20,4	20,1	17,2
Turnover (Rm)	147	174	177	172
Pre-int profit (Rm)	31,6	34,8	32,2	29,5
Pre-int margin (%)	21,5	20,0	18,2	17,2
Earnings (c)	32,1	30,5	30,6	34,0
Dividends (c)	13,5	13,5	13,5	13,5
Tangible NAV (c)	93	108	114	116

and warehousing depots. In addition, "Rent-to-Own" was introduced to gain share in the TV and VCR market.

Cash management received particular at-



tention; during the year, R52,1m cash was generated from operations. The continuous and strong cash flow enabled the rental division, the largest contributor to operating profit, to cut debt quickly where necessary — which can compensate for declining margins in competitive markets.

These benefits, with a substantial saving in interest costs, enabled Teljoy to increase full-year pre-tax profit by 13%. Attributable earnings grew by 11% to R19,7m, surpassing the half-year forecast of 6%. But this earnings increase is not likely to be repeated this year.

Financial director Ferdie Gazendam says the investment in cellular communications will impair earnings as the business will lose money in its first year of operation. But cellular is expected to contribute heavily to profit within three years.

The balance sheet is distorted by the large investment of about R17m in the cellular sector during the last month of Teljoy's financial year — the cellular network started operating the day after year-end. If the investment in cellular is excluded, gearing would have declined to 55,3% — about 30 percentage points lower than 1993's figure — instead of climbing to more than 110%.

Nevertheless, net financing charges fell 58,7%. This was because of the drop in borrowings throughout the year, coupled with easing interest rates. The interest cover almost doubled to 7,5 times. Chairman Theo Rutstein does not expect the trend to continue as interest costs will rise in line with expenditure in developing cellular and growing traditional markets. (295)

Despite losses from the cellular division, Gazendam expects earnings to grow again this year. At 475c, the share is more than double its year's low. Given projected growth in the cellular industry, its 14 p:e may not be too demanding. *Kate Rushton*

MULTISOURCE Fm 19/8/94

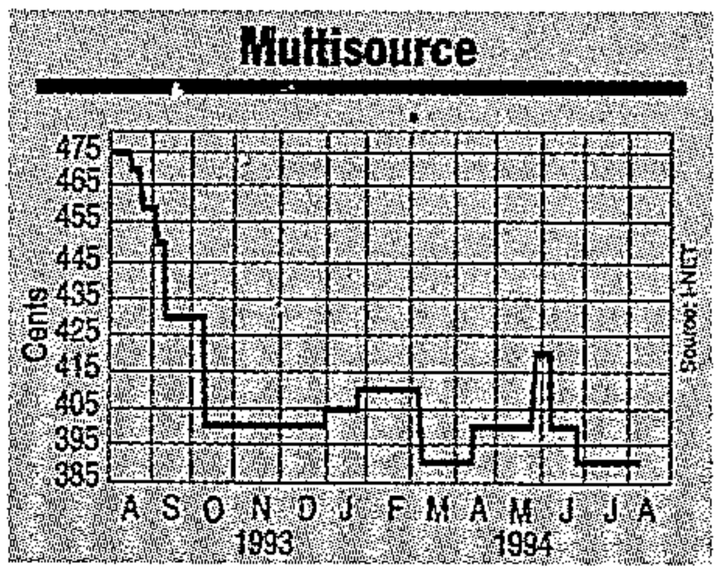
Riding on cellular

(295)

Speculation that Multisource would go into cellular phones — which fuelled a rapid rise in the share price 18 months ago — was well-founded. It became an M-Tel dealer earlier this year. But the share has failed to maintain the rerating, having lost a fifth of its price over the past year.

The 1994 annual report, though unin-

Fm 19/8/94 (295)



Activities: *Radio paging services and two-way radio sales, rentals and service.*
Control: *Directors 65,1%.*
Chairman: *E W Mole; MD: T Holmes.*
Capital structure: *8,7m ords. Market capitalisation: R34m.*
Share market: *Price: 390c. Yields: 6,2% on dividend; 11,4% on earnings; p:e ratio, 8,8; cover, 1,8. 12-month high, 475c; low, 390c. Trading volume last quarter, 98 000 shares.*

Year to February 28	'91	'92	'93	'94
ST debt (Rm)	0,71	0,27	0,85	1,80
LT debt (Rm)	0,08	0,07	0,06	0,04
Shareholders' interest	0,56	0,55	0,44	0,48
Int & leasing cover	6,3	5,9	9,1	5,9
Return on cap (%)	18,0	25,4	34,7	21,1
Turnover (Rm)	15,8	19,4	27,2	29,0
Pre-int profit (Rm)	2,6	4,1	8,4	5,6
Pre-int margin (%)	16,7	21,2	30,9	19,3
Earnings (c)	14,9	18,9	43,6	44,3
Dividends (c)	8	12	24	24
Tangible NAV (c)	91	98	121	142

spiring in comment, goes some way towards explaining why the market isn't too excited. EPS rose only a few percent to 44,3c a share and margins narrowed sharply from 30,9% to 19,3%.

CE Alan Park says that despite "the difficult socio-economic scenario in SA, the company was trading well and margins were being satisfactorily maintained." He expects EPS to rise 15%-20% this year.

He says the cost of becoming an M-Tel dealer was virtually nil. The big capital expenditure is felt by the service providers. Also, the decision to become a dealer rather than a supplier was taken partly "to limit exposure to the rapidly developing cellular industry."

A positive aspect is that the cellular market has raised awareness of communication businesses and Multisource has subsequently aggressively pushed its two-way radio agent, Motorola. Stock increased by three-quarters to R1,4m to accommodate this expansion but "sales are proceeding well."

During the year, after a tax assessment, the group changed its accounting policy for deferred tax — it now treats deferred tax as an asset. This resulted in an overall increase in retained profit at the beginning of each year of R300 000. Had this not been the case, earnings would have dipped.

Park rightly points out that the share has moved on thin volumes. Four directors and an offshore company hold about 85% of the equity. Minorities hold about 1,3m shares; 98 000 traded over the past three months and drove the share down 30c to a fairly priced 390c. Ways of improving liquidity are being considered.

Park says: "The dividends and returns are good, resulting in minorities holding on to the shares." The dividend yield is an attractive 11,4%. Still, margins need to be carefully monitored to ensure the payout will be maintained.

Kate Rushton

DATES TO REMEMBER

Last day to register for dividends:
Friday Aug 26: AECI 20c; Bidcorp 83,25c; Bidvest 160c; Bowcalf 2,5c; Control 1,2c; Falcon 50,61c; Gefco 10c; GF Prop 20c; Haggie 50c; Italtile 5c; Merhold 10c; Msauli 15c; New Wits 35c; Oceana 58,17c; PP Rust 35c: Rusplat 102,5c; Sabhold 9,5c; SA Bias 4c; Sabvest 4,75c; Sun Bop 57c: Suncisk 13c; Trans-Natal 57c; Transun 13,5c; Unitrans 23,5c; Vogels 15c.

Meetings:
Monday Aug 22: Merhold (S); Servgro.
Tuesday Aug 23: Aida; SA Reserve Bank (Pretoria).
Wednesday Aug 24: Aroma (Cape Town); Femco Tech (Sandton).
Thursday Aug 25: Delswa; Ettington (Durban); Jade; Keeley Group (Ord & S) (Sandton); Stocks & Stocks (Verwoerdburg); Stocks & Stocks Hold (Verwoerdburg); Teljoy (Midrand); Tempora (Durban).
Friday Aug 26: ABSA; Acrem (Randfontein); Advent (Sandton); Anbeeco; Falcon Inv (Luxembourg); Supalek.

All meetings are in Johannesburg unless otherwise stated.
S = Special meeting.

Acquisitions help give Imperial a smooth run

B/Day 25/8/94

MICHAEL URQUHART

SOLID acquisitions by vehicle rental group Imperial Holdings have boosted its attributable earnings 62% to R70,7m for the year to June.

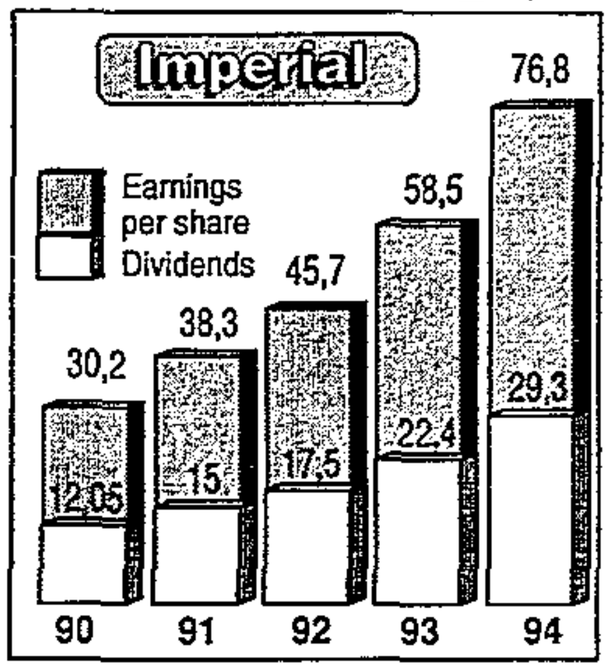
The good results were obtained on turnover which was up 37% at R1,5bn. This, in turn, was achieved on the back of improved performances from the car rental, leasing and tourism divisions.

The group's operating profit increased by only 23% to R134,1m as margins fell to 9% (10%) after being squeezed by tight markets and the acquisition of some lower margin businesses.

But the lower margins were offset by a fall in financing costs from R26m to R18,7m as interest bearing debt decreased to R19m from R122m over the year.

Earnings a share rose 31% to 76,8c and dividends rose by the same percentage to 29,3c.

The number of shares in issue increased by 24% and, in line with its policy of maintaining the ratio between attributable earnings and the dividend, the company paid out a final dividend of 16,1c.



Shareholders will be given the option of receiving the final dividend in the form of a capitalisation issue of 0,7 shares for every 100 ordinary shares held.

The car rental, leasing and tourism divisions emerged as the largest profit contributor to the group, growing earnings by 18% and pre-tax profit by 53%.

The motor division grew its turnover by 31% and pre-tax profit by 24%, with margins slightly lower but still healthy at 3,6%.

Group executive chairman Bill Lynch said the year had been spent "bedding down" acquisitions which had been acquired over the previous three years.

He said the soundness of the new acquisitions had been proved by the positive contributions they had made to the results.

The company had made 11 acquisitions worth R250m over the past three years. (295)

The group has a wide range of services focused on the use of motor vehicles, including rentals, motor trading and transport contracting. New areas which had been added included full maintenance leasing and other finance-related fleet management services and insurance.

Lynch said the group was taking a positive view of the year ahead and expected economic circumstances to remain favourable.

He added that strong earnings growth was predicted.

New challenger enters car rental field

Star 25/8/94

BY PATRICK WADULA

The country's three major car rental firms are being challenged for market share by Dolphin Car Hire which has acquired the Europcar Inter—Rent franchise worth more than R2 million.

"With the Europcar link up, we were able to put in successful bids for kiosks at the airports in Johannesburg, Cape town, Durban, East London, Port Elizabeth and George," said managing director Sherri Bailey.

Dolphin which already carry the green corporate colours of Europcar Inter-Renthas already appointed about 70 additional staff.

295

South Africans travelling abroad will benefit from the availability of Europcar's more than 5 000 rental locations, including 1 051 airport sites and its fleet of 288 990 vehicles, she said.

Imperial gears up for tourists

B/Day 22/9/94

MUNGO SOGGOT

MOTOR trading and financial services group Imperial looked set to cash in on a pick-up in foreign tourism and pent up demand for cars following the recession, chairman Bill Lynch said in his annual review.

Lynch said the group's car rental division — which had been the largest contributor to profit — had had an excellent year, with a slowdown in tourist business offset by "substantial" business in the run-up to the elections in April.

He said Imperial had clocked up a record turnover of almost R1,5bn for the year to June, while pretax profit exceeded R100m.

The group had concentrated on fully absorbing previous acquisitions, which had contributed to turnover growth. (295)

Last September Imperial bought the Mercedes-Honda and Toyota dealerships in Nelspruit for R19,4m. The group also increased its stake in transport group Longrail from 25% to 44%.

Fm 7/10/94

Activities: *Wide interest in transport, vehicle rental, motor trading and financial services.*
Control: *Management and Associates 16,5%.*
Executive chairman: *W G Lynch.*
Capital structure: *101,6m ords. Market capitalisation: R2,34bn.* (295)
Share market: *Price: 2 300c. Yields: 1,3% on dividend; 3,3% on earnings; p:e ratio, 29,9; cover, 2,5. 12-month high, 2 500c; low, 1 175c. Trading volume last quarter, 1,8m shares.*

Year to June 25	'91	†'92	'93	'94
ST debt (Rm)	14,6	107,5	143,6	41,9
LT debt (Rm)	24,1	—	—	—
Debt:equity ratio	0,27	0,76	0,44	0,03
Shareholders' interest	0,44	0,35	0,41	0,66
Int & leasing cover	2,0	3,6	3,5	7,4
Return on cap (%)	23,0	23,7	16,2	14,2
Turnover (Rm)	598	781	1 087	1 489
Pre-int profit (Rm)	56,8	84,7	109,3	134,1
Pre-int margin (%)	10,5	10,8	10,1	9,0
Earnings (c)	38,3	45,7	58,5	76,8
Dividends (c)	15,0	17,5	22,4	29,3
Tangible NAV (c)	135	187	316	611

† Figures restated. Joint finance company previously equity accounted now consolidated.

associated risk, earnings for the year to June increased a pleasing 31% to R70,7m, or 21% excluding acquisitions. This brings compound EPS growth since listing to 40% — much of this in over-supplied markets.

Acquisitions for the year totalled roughly R51m and as in the past almost all were funded by the issue of paper.

During the last quarter of the financial year it was decided to expand the capital base by issuing new shares equal to 10% of the existing capital for cash. This raised R203m, which was used to reduce debt and to capitalise Regent Insurance and Regent Life Assurance further. Issued equity increased by 18% to 101,6m.

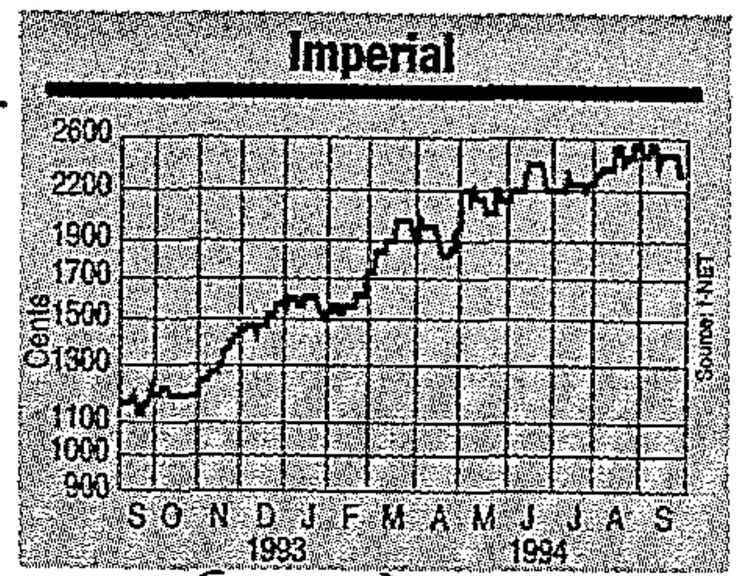
Acquisitions included the Mercedes-Honda and Toyota dealerships in Nelspruit (for R19,4m). Imphold also increased its interest in roadhauler Longrail from 25% to 44%. Restructuring of certain divisions saw the merger in January of Prime Car Leasing and Imperial Flexi-Fleet to form Imperial Fleet Services. Quattro Carriers and Sunripe Transport amalgamated their operations, achieving savings.

Turnover increased 37% to R1,49bn — 20% of this from existing businesses. Operating income rose 23% to R134m. Executive chairman Bill Lynch says margins narrowed from 10,1% to 9% partly because of the change in the overall sales mix with the two new motor dealerships.

Lower interest rates and issue of new shares saw interest costs fall to R16m from R26m. The effective tax rate dropped from 42,1% to 40,5%.

The balance sheet continues to strengthen: shareholders' funds increased to R584m (1993:R268m); debt fell substantially to R19m from the year-ago R122m, despite an increase in gross assets to R934m (R718m).

The car rental, leasing and tourism division was the largest contributor — 29% of pre-tax profit — despite low tourist



(295)

activity. This was more than compensated by business before and during the election and Presidential inauguration. Lynch says there are strong signals of improvement in the division's trading environment and energies are being concentrated on improving the performance of Springbok Atlas.

The motor division's acquisitions contributed 12% to its 31% increase in sales. Lynch says the strike will dampen turnovers on new and used cars in the current year. However, he believes compensation should come from better margins owing to the shortage of supply.

The transport division, now setting up a joint venture with black entrepreneurs, did well. Turnover increased 72%, helped by inclusion of last year's acquisitions for the full year. Financial 1995 profit should be boosted by increased volumes with the use of more efficient equipment and a differential pricing policy.

The insurance, finance and property division enjoyed good underwriting and investment income from Regent Insurance, steady property rentals and financial income. Included for the first time was Regent Life Assurance, a newly licensed life assurer. Fm 7/10/94

Taking an optimistic view of the current year, Lynch predicts Imphold will have another "fine improvement in EPS."

The share looks expensive when compared with the JSE Industrial index, but this premium is not without reason. *Marylou Greig*

IMPERIAL Fm 7/10/94

Acquisitive growth

(295)

Making acquisitions has become a way of life for transport, vehicle rental and trading, and financial services group Imperial Holdings. For investors concerned about the

Imperial continues its buying spree

B/Day 31/11/94

MUNGO SOGGOT

TRANSPORT, vehicle rental, motor and finance services group Imperial yesterday announced it had bought four companies for a total of R110m, continuing a spate of acquisitions which last year amounted to R51m.

In its latest buying spree, Imperial has bagged road transport group *Highway Carriers for R62,75m* through associate road transport company Longrail, in which it had a 49% stake. Imperial said it had contributed R50m, and had increased its stake in Longrail to 65%.

It has also bought motor dealership chain Intercity for R16,7m, 49% of truck manufacturer Tyco for R17,6m and 67% of Lombard's Transport for R12m.

All the acquisitions — which would make Imperial's transport operations the largest of its kind in SA — will be funded by the issue of paper.

Chairman Bill Lynch said the acquisitions would have lifted earnings 6,6% for the year to June. The group posted earnings 31% up at R70,7m for that period. Its price earnings ratio is 29:9. Shareholders' funds rose to R584m (R268m), and debt fell to R19m from R122m, despite gross assets rising to R934m (R718m).

He said the acquisitions would add about R500m to the group's turnover and R180m to gross assets.

Lynch said Imperial's share in Tyco had been bought as an investment for Regent Life Assurance Company.

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Lynch said the group had no other acquisitions on the cards, but the SA transport sector was very fragmented, which meant Imperial would always be on the look-out. All Imperial's operations were experiencing "satisfactory trading conditions".

Yesterday the share closed unchanged at R23 ahead of the announcement. It touched a high of R25 on August 11 and a low of R12 on November 11 1993.

Longrail today reported a 16% jump in earnings a share to 5c for the six months to August. Turnover was up 10% at R47,9m.

MD Marius Els said the company, which was now a subsidiary of Imperial, had profited from a healthy demand for transport services, but had been hit by low business activity and labour disruptions in April.

He said Longrail had invested in new vehicles and further investment would follow.

LONGRAIL/IMPERIAL

Fm 11/11/94

Muscling into transport

(295)

Subtle changes have taken place since Imperial entered long-distance haulage but the latest acquisitions have altered the rankings of companies in the industry.

The latest two Imperial transport acquisitions, worth R74,7m, represent strategically important investments.

Associate company Longrail acquired the entire issued capital of Highway Carriers for R68,2m. Payment is to be settled by issuing new Longrail shares at 140c each (R12m) — though the counter stands on 200c after the company's cautionary. Highway management will in turn renounce R50m of consideration shares to Imperial with the result that Imperial's stake in Longrail will increase to 65%.

Through wholly owned subsidiary Regent Insurance, Imperial acquired a 25% stake in the long distance haulier in May 1993 with the option of taking a further 26%. Earlier this year, the stake was raised to 49%. Though Longrail will become an Imperial subsidiary, executive chairman Bill Lynch says present management will remain in place.

The second acquisition, a 67% stake in Lombards Transport for R12m, was made directly by Imperial. Having succeeded with Longrail, management aims to turn around Lombards' unprofitable operations. The deal will also be financed by issuing shares.

Unitrans has long been regarded as the transport blue chip that dwarfs competitors. But Imperial's advances have challenged this. Unitrans turns over about R436m and Imperial R452m. Including the Longrail stake, sales rise to R582m — a third bigger than Unitrans'. On its own, Longrail is larger than Cargo Carriers (R180m), which for many years has been regarded as the industry's poor second choice.

But pre-tax profit figures are telling and help to justify Unitrans' blue-chip status. With pre-tax profit of R54,6m, Unitrans' margins are a healthy 12,5%. Imperial's are less attractive — 7,5% excluding Longrail and lower at 6,9% if it is included. This indicates both have some way to go for profits to be comparable with Unitrans'.

It should be noted, though, that 64% of Unitrans' 1994 operating income (1993: 44%) was derived from profits made on the sale of used vehicles. Imperial treats disposals similarly but on a smaller scale.

Considering the similarities of the businesses — Imperial wholly owns Quattro Carriers, Tanker Services, Sunripe Transport and now Lombards — and the competitiveness of the industry, there must be synergies in, for example, combining some or all of the operations.

Transport is important to Imperial, having contributed 29% to pre-tax profit at the June year-end and now worth around 34%. Contributions by the car rental, leasing and tourism division amounted to 29%, motors 17,5%, insurance, finance and property about 25%.

Complicating matters, Imperial has obtained a 49% stake in Tyco Truck Manufacturers for R17,6m and 100% of Intercity Investments, a holding company of five Nissan dealerships, a Mercedes-Benz/Honda dealership and a Delta dealership for R16,7m. The Tyco purchase by

Imperial's Lynch ... *driving in the fast lane*

(295)

Imperial's life assurance company is purely an investment in a motor vehicle related business.

Lynch says all four added businesses will increase Imperial's turnover by about R500m, gross assets by more than R175m and shareholders' funds by R80m. Funding of R97m will come through a share issue for which, he says, a private placing with institutions is under way — in terms of the JSE ruling allowing share placings to fund acquisitions.

Imperial's success, evident from the good earnings record and rising share price, suggests management will have little difficulty convincing institutions to join the ride.

Marylou Greig

Cell phone costs curb Teljoy profit

Star 17/11/94

■ BY CHARLOTTE MATHEWS

The runaway success of Teljoy's cellular phone services and resultant costs incurred moderated growth in attributable profits in the six months to September to 3,2 percent to R8,8 million.

Turnover grew by 76,2 percent to R147,3 million, but the figure is inflated by having to account for 100 percent of the cellular phone services provided, although only a portion is retained as income and the rest remitted to Vodacom.

Operating income grew 11,6 percent to R16,6 million, with margins now at 11,3 percent from 17,8 percent a year previously.

Financing charges rose nearly R2 million to R4,6 million, but the tax rate dropped to 22 percent from 31 percent on the allowance made for Teljoy's capital investments.

Gearing is now 154 percent from 56 percent at the same time in 1993 and is expected to rise to a maximum of 160 percent in the second half before falling sharply.

Taxed profit, before allowing for a R560 000 loss made on associate Afrilink, rose 9,8 percent to R9,4 million.

Teljoy chairman Theo Rutstein said yesterday Afrilink had not achieved critical mass by end-September, but was growing rapidly and that its financial position should improve materially in the second half.

Earnings a share were 15,2c (14,7c) and the interim dividend is being held at 4,5c.

Rutstein said Teljoy was the only listed cellular service provider in the world that he knew of and there were no standards to measure the impact this had had on the business.

Teljoy now has 30 percent of the cellular phone market and over 53 000 subscribers, well beyond its original target of reaching 30 000 subscribers by the third year, and is already making operating profits.

The rental business was structured so it would not be affected by the cellular business and continued to operate profitably and on target.

It was poised to take advantage of the effects of the RDP on electrification, education and housing, Rutstein said. (295)

Teljoy said recently it was considering launching satellite TV products in 1995.

Rutstein said it would have to look carefully at the capital requirements and demands on the business. This could be done in several ways — through a joint venture or equity-sharing arrangement with another party.

There had also been some overseas interest in investing in the cellular phone business and, if it chose to, Teljoy could sell some of the equity in that division. It had also discussed a rights issue with institutions eager to get a stake in the company.

Rutstein said earnings growth would be maintained at around 9,8 percent for the full year and the bottom line would benefit from cellular phones from 1995 — earlier than predicted.