COMMERCE – GENERAL

1997

Tax policy 'penalises small businesses'

ARG 3/1/97 (30)

BUSINESS REPORTER

The Government is causing South Africa's small business sector significant hardship by refusing to legislate over the Katz Commission's "tax on cash basis" recommendation.

This is the opinion of Ernst & Young partner, Neil Aereboe, who is responsible for the Cape Town office's Entrepreneurial Services Division.

This division offers professional accounting, tax and financial services to small and emerging businesses.

Mr Aereboe maintains the current tax on an accruals basis penalises small businesses because they are expected to pay tax on income they have not yet received. He says this does not encourage and support the growth of new business in the SMME sector, nor encourage a tax-compliant ethos.

"Despite Government's acceptance – in its 1995 Budget speech – of the Katz Commission recommendation that businesses with a turnover of below R2-million be taxed on a cash basis, the necessary legislation and rules have not been promulgated.

"This is causing significant hardship to small businesses ... and does not encourage these entrepreneurs to join the tax-paying public."

Mr Aereboe says the Government anticipated it would collect less tax by adopting this policy, but that this loss had been taken into account in the 1995 Budget.

Small business sector success 'depends on banks'

(30) BD 6/1/97

Shareen Singh

RECENT government policies to boost the small business sector will provide some relief to small and micro entrepreneurs, but will not sufficiently address the lack of access to finance experienced by small, medium and micro-enterprises (SMMEs), some believe.

Elements of black business said recently that the success of SMME development in job creation and growth would depend mainly on the willingness of financial institutions to revisit their lending criteria in the context of transformation.

At a meeting last month, Johnnic non-executive chairman Cyril Ramaphosa called on financial institutions to discard old prejudices. "There needs to be a change in attitude; a shift in financial mindset within SA's banking community. They should change their ways, not merely because they regard it as a good social responsibility exercise but because it is good for business," he said.

Micro Business chairman Lawrence Mavundla said it was government's responsibility to ensure funding if the sector was to become a major job creator as government had envisaged.

While supporting the Small Business Development Agency and Khula Investments, a wholesale finance agency established with the trade and industry department (DTI), Mavundla said their initiatives were inadequate in servicing the capital needs of the sector. He said Khula Investments should serve as a direct financier rather than refer small business to other agencies or financial institutions.

DTI small business director Alistair Ruiters said the department could not become a financial institution. The framework for SMME development was in place, and it was up to the private sector and banking institutions to start playing a meaningful role.

As a public company Khula is planning to sell 49% of its equity, and to fulfil its mandate, it would need the support of financial institutions or DTI.

Khula director Sizwe Tati said banks were "uncomfortable despite the fact that we offer security. We need to bring them on board to support the initiative." The organisation was working on a scheme to link start-up capital financing with training as a package deal which he hoped banks would accept.

Banks would start playing a role in transformation, while minimising risk, if they supported lending backed by non-financial services such as training and development, he said.

Nedcor's Alan Mmukoki said the bank could not justify lending to high-risk endeavours. "If we doubt the viability of the venture we decline the facility, ask for additional collateral security or opt for a start out matching exercise where we match whatever the business can come up with."

Mmukoki said, however, that banks needed to become flexible and find creative ways of supporting the sector. But he said that unless transactions were carefully considered they could backfire.

Referring to the disasters of African Bank and Community Bank, both of which had operated in the high risk arena, he said: "We need to understand and accept that in the new situation in SA we need to be more creative and do things differently — but with caution."

Picture: JULANI VAN DER WESTHUIZEN

HAPPY FORTUNES . . . John Copelyn and Marcel Golding, who are moving over to corporate leadership

Business wins key union MPs

(30) ST(BT) 12/1/97

INTELLECTUAL LABOUR

By THABO KOBOKOANE

FORMER trade union leaders and MPs Marcel Golding and John Copelyn will miss the opening of Parliament on February 7 because of their decision to leave politics for business.

"Their decision to leave is under discussion and Golding is expected to meet with the ANC on the issue. But neither will take their seats when Parliament opens," says a source.

Golding and Copelyn were appointed chairman and executive director of investment holding company Hosken Consolidated Investment (HCI) after its takeover by the investment arms of the National Union of Mineworkers (NUM) and the SA Clothing and Textile Workers Union (Sactwu).

Golding, who is also chairman of the parliamentary standing committee on mineral and energy affairs, and Copelyn would not comment on the reports. They are reputed to be "upset" over media comments that they have no union backing for their decision to join the corporate sector.

Although the two allegedly told insiders they had union support, Kgalema Motlanthe, general secretary of the NUM, would not confirm this: "Golding is accountable to the ANC, not the unions. It was his decision to leave. We cannot stand in his way."

Golding and Copelyn follow in the footsteps of Cyril Ramaphosa, who left politics for business last year.

HCI shareholders this week approved the unions' R481,6-million injection of assets into HCI in return for 63,5% of HCI equity.

The assets moved to HCI include 5% of cellular telephone network Vodacom, 5% of SA Video, and 100% of Francolin, which controls 85% of Zerilda Investments and 60% of Africa On Air, owners of Highveld Stereo.

The two are guarded about their role. "It is appropriate we leave Parliament and manage the assets rather than hand over to an asset management company," Golding said.

Golding and Copelyn are founder-members of the NUM's Mineworkers' Investment Company (MIC) and Sactwu Investments, which have emerged as prominent players in empowerment deals, particularly Anglo American's recent unbundling of assets. The Anglo deals have highlighted the apparent difficulties arising out of union involvement in major deals.

Golding defended the deals: "The NUM leadership was elected to lead the union and recognise business opportunities. The ultimate goal is the social benefit of workers through the funds received by the trusts held by the MIC and Sactwu Investments."

More black firms set to join Cape chamber

(30) ARGT 15/1/97

BUSINESS EDITOR

A growing number of black businesses is expected to join the Cape Chamber of Commerce and Industry this year, says Chamber president Ali Gierdien.

In an upbeat new year message to members, Mr Gierdien says the chamber intends to be the conduit between small, medium-sized and big business.

"In regard to membership growth, I visualise that this year will see all expectations exceeded and that more and more previously disadvantaged black businesses will join our ranks as they see the chamber to be a unifying body to bring entrepreneurs and big business together in jointly stimulating our economy."

Mr Gierdien predicts an upsurge in foreign investment, a "marked increase" in trade between the Western Cape and foreign companies and a "tremendous tourist boom" this year.

Referring to the growing number of trade missions to the Western Cape and "the enthusiasm of foreign businessmen towards our part of South Africa", he says this should be an outstanding year for all sectors of the regional economy.

The injection of foreign capital and swelling trade volumes should mean an increase in the number of jobs, Mr Gierdien says.

The highlight of 1997, he believes, should be a decision by the International Olympic Committee next September to select Cape Town to host the 2004 Olympic Games.

This will push growth levels in the Western Cape towards double digits and challenge the region "to show the outside world a touch of Africa and a touch of class in a unique package".

Project lacks govt support

(30)

Shareen Singh

BD 15/1/97

A SMALL business development project initiated by the United Nations Conference on Trade and Development (Unctad), which was being scrapped, did not have the support of government, a trade and industry department official said yesterday.

Chief director of the department's small business promotion centre, Alistair Ruiters, said Unctad had produced a proposal which did not meet the requirements of the department. The proposed project, called Win Win Village and intended to offer training and financing services to small entrepreneurs, had not indicated satisfactorily its funding and relationship with government, Ruiters said.

The conference had undertaken to start a pilot small business project in SA which, if successful, would be introduced to other developing countries.

There were several meetings to discuss the proposal, Ruiters said, and the general view was that the proposal lacked coherence and needed more work.

Sources said the division responsible for the proposal had apparently decided to proceed with plans, despite the concerns of interested parties.

Unctad cited difficulties in fund raising as the reason for scrapping the project.

CT (AR) 16/1/97

Take some 18th-century advice, and jump to it

(30)

JABULANI SIKHAKHANE
BUSINESS EDITOR

Voltaire, the 18th-century French philosopher and satirist, once observed: "If you see a banker jump out of the window, jump after him. There's sure to be profit in it."

In today's world, with all the pitfalls of banking, Voltaire's advice is unlikely to be followed. Slightly adapted, however, his description rings true of the black economic empowerment process.

Black business has had a lot of jumping to do, and given South Africa's history of economic inequality, it has been necessary not to wait in the lobby for the next elevator but to devise the quickest way downstairs.

Since the 1994 elections ushered in the new South Africa, last year stands out as one of the best thus far for black empowerment. Black investor groups ended the year either owning or in a position to have influence over 34 listed companies with a combined market value of R115,5 billion or 10 percent of the total value of all listed shares on the JSE.

Of this R115,5 billion, some 90 percent was acquired during 1996, thanks in large part to the Anglo American Corporation, which sold control of Johnnies Industrial Corporation (Johnnic) for R2,7 billion to the National Empowerment Consortium (NEC) and JCI for R2,8 billion to the African Mining Consortium.

With Johnnic came such big companies as SA Breweries/Bevcon, Premier and substantial stakes in the print and electronic media. Among the biggest achievements of 1996 was that several new black investor groups came to the fore, some completely new and others emerging from the woodwork where they had been hibernating for a while.

Of more importance were women-led investment groups, the Women Investment Portfolio and Salukazi Dakile-Hlongwane's Nozala Investments. Trade union-related investment companies such as the Mineworkers Investment Company and Sactwu Investment Company also made their mark.

JSE Sector	Black share of total sector market capitalisation	JSE Sector	Black share of total sector market capitalisation
Gold	14,7%	Development	91,6%
Mining houses	4,2%	Electronics	4,3%
Insurance	9,1%	Food	12,6%
Industrial holdings	6,1%	Media	63,1%
Beverage, hotels and leisure	69,9%	Stores	2,99%

But 1996 was not only about acquisitions. The elder statesmen of the black economic empowerment process, New Africa Investments Limited (Nail), Thebe Investment Corporation and the Real Africa group, spent the most part of the year doing spring cleaning and rearranging investment furniture.

Nthato Motlana, who deserves the title of patriarch of the current phase of black empowerment, spent most of the year weaning his Nail group from Sanlam, the Cape-based mutual insurer. Nail unwound its complicated preference share structure which, ahead of listing in 1994, it had used to finance the purchase of an additional 20 percent stake in Metropolitan Life from Sanlam.

In addition, Nail also beefed up its executive team with the appointment of Cyril Ramaphosa as executive deputy chairman to join Dikgang Moseneke, the other executive deputy chairman. Ramaphosa was later appointed the chairman of Johnnic.

Ramaphosa and Moseneke have put to rest concerns about Motlana's successor. These arose because Nail's ultimate controlling company is NH Motlana & Son, the son being Jonty Sandler, the managing director of Nail. It would have been an anomaly, a politically incorrect one for that matter, were the pale and male Sandler to inherit the reins at Nail.

NH Motlana & Son was renamed Corporate Africa Entrepreneurs (CAE), with Moseneke and Ramaphosa brought as shareholders in addition to Motlana and Sandler. In this way Moseneke and Ramaphosa not only strengthened Nail's management team but also helped rectify that anomaly.

At Real Africa, Don Ncube was fairly active, adding a few medium-size companies (all of his acquisitions last year within R100 million) to his shopping basket. Furthermore, Ncube also strengthened his executive management team with the appointments of Danie Vlok, Shams Pather and Kofi Fordwor as executive directors of the group.

Pather, formerly an executive director in charge of investments at Southern Life, will run Real Africa Asset Management (RAAM), a joint venture with Sanlam. On the other hand, Fordwor, ex-Genbel Securities, will play a significant role in the development of the group's financial services interests.

The whole empowerment process, particularly the takeover of Johnnic, has not been without its detractors who, among other things, have cast aspersions on the empowerment, or lack of it, of the financing mechanisms used.

Part of the criticism stemmed from the fact that, at least until last year, the nature of the empowerment process was such that it favoured the opportunistic and the dashing — "opportunistic" not in any negative sense of the word, but as in someone who sees an opportunity and goes for it.

Given the successes of 1996, what's the outlook for this year? Early indications are that most of the action will be in gambling as consortiums scramble for licences in the provinces. Scope for deals of the size of Johnnic and JCI appears limited, although sizeable assets in the form of Southern Life and First National Bank, both controlled by Anglo American, appear to be available for sale "at the right price".

On the positive side is the fact that several empowerment groups begin 1997 with thick wallets — a far cry from previous years when they had to go cap in hand to financial institutions.

Ncube's Real Africa group enters 1997 with a significant cash hoard to finance acquisitions following last year's R400 million rights issue.

So does Johnnic, which realised some R420 million from the sale of its stake in Toyota South Africa.

Durban-based Dynamo Investments, led by Oscar Dhlomo, the former secretary-general of Inkatha, is also cash-flush following the doubling of its capital to R200 million.

Nail's restructuring of its capital structure, creating the low-voting N shares, has placed the group in a better position to finance acquisitions.

So, next time you see a black businessman (and a merchant banker hanging on to his coat tails) on the window ledge, take Voltaire's advice, grab your cheque book and follow him. There is sure to be some deal downstairs.

Chinese protest SA's decision

By Isaac Moledi

MORE than 35 000 South African employees may be affected if 280 Chinese companies operating in the country cease operations for about two days beginning from tomorrow.

The Association of Chinese Industrialists in Southern Africa announced yesterday that it intended to ask its affiliates to participate in a two-day protest against the Government's decision to switch diplomatic recognition from Republic of China (Taiwan) to the People's Republic of China.

The association's "peaceful protest at various times," is intended to coincide with the arrival of Taiwanese foreign minister John Chang in South Africa on Monday.

Although the action will affect over 35 000 employees, the workers will get their salaries "because it is not the association's intention to make them suffer".

The association's decision follows an announcement by President Nelson Mandela last November to sever diplomatic ties with Taiwan by the end of the year and establish full diplomatic relations with mainland China. All other ties with Taiwan will remain intact.

Taiwan has since threatened to discourage further investment and to review its official aid and existing projects in South Africa.

The association's chairman, William Wang, said: "The association wishes to express its disappointment at the decision by the South African Government.

"The switch will have a major impact on our lives, businesses (present and future), the South African employees as well as our representation in general."

Contribution to RDP

Wang said the RoC did not deserve such treatment because of its substantial contribution to the country's reconstruction and development programmes and to the economic development of South Africa

"We care for South Africa and both countries need each other," he pleaded.

"He said his association hoped the South African Government would recognise that the RoC "was and still remains a friend in need" and South Africa would honour its promise to maintain the "highest level of relations with the RoC".

The association represents the local Chinese industrialists whose roots originate from Taiwan

Their total investment is about R4,5 billion.

Soweto Chamber opts for alliances

(30) Sowetan 16/1/97

In bid to attract new enterprises body is reviewing its stand

By Isaac Moledi

THE GREATER Soweto Chamber of Commerce and Industries is reviewing its long-standing position of opposing traders outside the township who want to bring new business into the area.

Bongani Mphuthi, new chief executive of the chamber, said his executive committee intended transforming Soweto business into a recognised entity.

One way of doing so, he said, was to stop opposing investors outside Soweto who bring new business ideas into the township

"But this should be accompanied by skills transfer to Soweto business people We need to ensure that business skills are imparted to them," said Mphuthi

Black traders in townships like Soweto, have long been opposed to big "white" corporations bringing their businesses into the townships

Their arguments have been that these white businesses have competitive advantages over local businesses in terms of marketing skills, finance and product pricing

Big retail stores like Pick 'n Pay and Checkers are among the chain stores that have been accused of invading the townships' markets.

Mphuthi said the executive committee of the chamber intends taking Soweto businesses "out of the backyard" into the mainstream.

"Many people, particularly those who are opposed to our economic development, believe that our businesses belong in the backyard.

"We need to erase this conception," he said.

"We need to find ways of putting our businesses into the mainstream of the economy We should start interacting with various businesses with the aim of empowering ourselves," added Mphuthi.

He stressed partnership as the way forward. "A way that we need to explore to make Soweto available to investors should be on a partnership basis. But to gain from partnerships, it would have to be on our terms."

He believes that Soweto cannot be separated from other cities. "Soweto is not an island. We do not have enough resources to run the area efficiently so we need people with expertise and technology"

Mphuthi said the chamber was prepared to help any business person who approaches it with the aim of developing the township.

Greater Soweto Chamber of Commerce and Industries newly elected executive director Bongani Mphuthi. PIC: PAT SEBOKO

Public servants for overseas training

By Shadrack Mashalaba

IN its quest to improve managerial capacity and efficiency in its fold, the Department of Public Enterprises will send 17 of its senior executives abroad to undergo managerial training.

The 11-day course, called the Singapore-Commonwealth Top Management Programme for Public Enterprises, is sponsored jointly by the Commonwealth Secretariat and the Singapore Ministry of foreign affairs run by the National University of Singapore.

The programme is on its seventh year. The training for South African managers from the Public Enterprise Ministry runs from January 20 to January 31.

The programme is aimed at assisting participants from Public Enterprise of 62 member states of the Commonwealth to enhance their managerial capabilities, expand managerial perspectives and increase their effectiveness in managing their own organisations

Participants in the programme were selected from parastatals such as Transnet, Safcol, Eskom, Denel, Aventura and the Eastern Cape Development Agency.

Before their selection participants had to submit a theme paper on a particular subject related to public enterprises to assist in the refining of the course material.

The contents of the programme include subjects such as Managing Public Enterprises, Human Resources Management and Labour Relations.

Financial aid for smaller enterprises

(30)

By Shadrack Mashalaba

KHULA Enterprises Finance, the Government's micro finance institution, will officially launch a range of products and services next Wednesday aimed at the development of small medium and micro enterprises in South Africa. Sowetan

Once in operation, the six financial products will be made available to assist SMMEs, particularly those owned by blacks 16/1/97

Products to be launched will include loans, grants, credit guarantee schemes, individual, institutional and portfolio guarantees.

Khula Enterprises Finance, together with Ntsika and the National Small Business Council, are a result of an initiative by the Department of Trade and Industry to assist in the stimulation and sustainability of the SMME sector

These institutions were established in terms of the DTI's white paper on the National Strategy for Development.

Meeting on pensions set for next month

By Shadrack Mashalaba

FEBRUARY 18 has been set as the date to report back on issues affecting the retirement industry

All stakeholders who took part in the National Retirement Forum (NRF) meeting last week are to meet in Pretoria on this date, the NRF said this week.

At last week's meeting, which was attended by the industry's participants and the Government, several committees were formed and the need to consult as broadly as possible on a National Retirement Provision framework was agreed upon.

This included looking at how the retirement framework can take its rightful place in the South African social and economic system, so that Government can arrive at a national retirement provision policy, the NRF said.

Some of the theme committees formed are Old Age Assistance, Private Sector Retirement Provision and Public Service Retirement Provision for local authorities.

Ministry of Finance spokesperson Jennifer Wilson said the work of the committees will be to focus on issues affecting both the public and private sector.

She added that while no time frame had been set for the finalisation of the Retirement Policy, progress had, however, been made.

Wilson said another important issue which emerged during the meeting was the continued application of the test for old pensions. A test is used to assess whether people who receive other alternative forms of pension should receive pensions from the Government.

"The theme committee on Old Age assistance will discuss this thoroughly, taking into account the administrative and fiscal implications of any such proposal and the views of the Department of Welfare," she said

Share prices on the Johannesburg Stock Exchange

Johannesburg Stock Exchange

These were prices at close of market.
NB: The JSE does not operate on public holidays.
Prices courtesy of Frankel, Pollak, Vinderine Inc

Name	Buyer	Seller	Last	High	Low
1. Nail	R3,60	R3,65	R3,60	R3,60	R1,25
2. Kilimanjaro	R2,22	R2,40	R2,30	R3.30	R1,50
3 African Life	R14,30	R14,50	R14,20	R15,50	R8,75
4. Metropolitan	R8,04	R8.08	R8,04	R8,84	R6,74
5 Corp Africa	R2,60	R2,74	R2,74	R2,85	R1,20
6. Real Africa Investment	R5,55	R5,95	R5,70	R7,00	R2,00

GLOSSARY: Buyer: Price at which the share was bought. **Seller:** Price at which the share was sold **Last:** Last traded price on the share. **High:** Highest level share reached this year. **Low:** Lowest level the price reached this year.

SOWETAN Monday January 27 1997

Sowetan BUSINESS
Real power is economic

Small business to get cash boost

(30)

Sowetan 27/1/97

R28-m' worth of loans have already been disbursed to the SMME sector

By Shadrack Mashalaba

DEPUTY Minister of Trade and Industry Phumzile Mlambo-Ngcuka says 1997 will see more RDP projects come into fruition.

Ngcuka, who was speaking at the official launch of Khula Enterprise Finance's products in Johannesburg on Friday night, said with a viable small, medium and micro enterprises (SMME) sector, the South African economy would be able to withstand tough international competition.

Khula is to offer small business people the following products:

- Business Loans – meant for retail financial intermediaries (RFI) between R1 million and R100 million. Intermediaries will then deal directly with small business in granting loans;
- Equity fund – aimed at the upper end of SMMEs who want partners to expand;
- Seed loans – targeted at new organisations who want to enter the SMME loan finance sector as intermediaries;
- Capacity building – meant to finance of skills enhancement and;
- Credit guarantees – to cover banks against risks incurred by SMMEs.

The institution's officials say its sixth product, called portfolio guarantee, is to be launched soon.

> 'The Government now calls on the private sector to play its role as coordinator'

Job creation

Since it's inception last year, Khula has approved R40 million worth of loans in the last three months. And out of the that amount R28 million has already been disbursed.

"Our policies aim towards job creation. The Government now calls on the private sector to play its role as cooperation is the vital tool to the success of Khula," said Ngcuka.

During the gathering, a 14-member board selected nationally to lead Khula was unveiled.

The board will be chaired by Gideon Sam – a former teacher, lecturer and sport administrator.

Other prominent members of the board include the chief executive of the Development Bank of Southern Africa, Ian Golding, as well as Department of Trade and Industry's director for small business promotion Allistair Ruiters.

Speaking at the same function, Khulas chief executive Sizwe Tati said the organisation's role is to support new and existing SMME's and forge a close partnership with more organisations.

He said it was worth noting that the wholesale organisation will channel its funds to the SMMEs via provincial developmental corporations, banks and non-governmental organisations.

"We will continue with our association with finance disbursing institutions and consolidate our partnership.

We are prepared to walk a long mile with them. The launch of these products today will also see the levelling of the playing field," said Tati.

For more information on the loan schemes, contact Khula on their toll-free number 0800 11 88 15 as from February 1.

Five SA groups ranked among top 500

(30) BD 27/1/97

Neil Behrmann

LONDON — Five SA companies have been ranked among the Financial Times Top 500 global corporations, although well down the list. They are Anglo American Corporation at 208, De Beers (257), SA Breweries (408), Liberty Life (448) and Sasol (473).

The Financial Times tables rated the companies in terms of market capitalisation — the number of shares that the company had issued multiplied by the market price of those shares. The date of calculation was September 30 last year, and for the first time the 15-year-old survey included Russian companies.

The top five companies in the world are General Electric, with a market capitalisation of $150bn, followed by Royal Dutch Shell ($135bn), Coca-Cola ($127bn), Nippon Telegraph ($120bn) and Exxon ($103bn).

Bank of Tokyo, Toyota, Merck, AT&T and Intel complete the top 10.

The huge market capitalisations of these giants can be compared with the Johannesburg Stock Exchange's total market capitalisation of about $240bn at the end of December, and SA's gross domestic product of about $92bn.

US and Japanese companies predictably dominate the list. Remarkably, however, Swiss pharmaceutical business Roche (13) and British Petroleum (19) are — besides Shell — the only European corporations that are listed within the top 20.

Daimler Benz is at number 74 while L'Oreal, the big French corporation, enters the tables at 106.

The biggest Asian Pacific corporation, Singapore Telecom, comes in at 55 with a market capitalisation of $35bn. Following the recent boom Hong Kong companies are also well represented in the top 500.

The Financial Times tables rate Anglo American Corporation the world's largest mining group in terms of production. But with a market capitalisation of only $14bn, it is beaten hands down by RTZ-CRA Corporation, which is ranked 84 with a market capitalisation of $26bn, and Broken Hill Proprietary (90).

Anglo executives as well as other leading SA business people must be grinding their teeth over the rand's performance.

A rand/dollar rate of R3, for instance, would push Anglo's capitalisation above $20bn. Indeed, SA Breweries' ranking slid from 304 in 1995 to 408 on the latest list mainly for this reason. Other leading SA companies that failed to make the top 500 but were just behind the top SA five are Gencor, Standard Bank, Rembrandt, Absa, Nedcor and Gold Fields of SA.

Corporate size can also be measured in terms of sales or revenue, the approach pioneered by Fortune Magazine.

The weakness of the sales method is that it does not properly allow representation for banks and financial services companies, and exaggerates the importance of businesses with high turnovers.

In theory, the market capitalisation method should take into consideration current and expected growth of companies.

Yet currency changes and euphoric stock market booms where shares are pushed up to unrealistic heights — some would point to present day Wall Street — distort these ratings.

Since September there has been a major slump on the Tokyo market, so several Japanese companies would be ranked at lower levels at today's share prices.

Global top 10 by market capitalisation

Top ten	Rank	$bn
General Electric	1	150
Royal Dutch/Shell	2	135
Coca-Cola	3	127
Nippon Telegraph	4	120
Exxon	5	103
Bank of Tokyo-Mitsubishi	6	102
Toyota Motor Corporation	7	98
Merck	8	85
AT&T	9	84
Intel	10	79
SA Companies		
Anglo American Corporation	208	14
De Beers	254	12
SA Breweries	408	8
Liberty Life	448	8
Sasol	473	7

Graphic: KAREN MOOLMAN Source: FINANCIAL TIMES

Black small business 'sidelined in West Cape'

(30)

ARG 30/11/97

Province discriminates, says Cosatu

WILLIAM-MERVIN GUMEDE
Political Staff

The Congress of South African Trade Unions has accused the National Party-led Western Cape government of sidelining black small businesses when awarding business contracts.

In a submission to the committee writing a new constitution for the Western Cape, the trade union federation said black small businesses were still actively discriminated against by the provincial government.

"Black small businesses are still being excluded from the contracts for goods and services to the provincial government, while big business manipulates their privileged access through apartheid old boys' connections," Cosatu said.

It urged the Western Cape standing committee on constitutional affairs – which is drafting the provincial constitution – to add provisions guaranteeing that black business would not be discriminated against in the future.

Cosatu also called for the inclusion of progressive tax policies in the provincial constitution. It said future tax policies must take into account the needs and capacities of the poor in the province.

"We (Cosatu) want to strongly voice our support for progressive taxation policies which do not prejudice the poor and the historically disadvantaged communities," it said.

The trade union federation said one of the biggest problems in South Africa was huge disparities in income, which gave rise to large differences in living standards between the rich and the poor.

It argued that all future provincial budgets should give special consideration to addressing the imbalances of the past, inequalities and the development needs of the province's poor.

"We demand a transparent budget allocation process which strives to make a difference in the lives of the province's poor," it said.

Cosatu charged that the format of the provincial budget had not changed since the 80s and that this year's budget had not been drawn up in a transparent manner.

Cosatu added previous provincial budgets had ignored the international example of programme-driven budgets and just allocated lump sums to the different provincial departments.

Provincial constitutional negotiators failed to agree on the status of budgets and taxes in the draft provincial constitution, released late last year, and have left the matter open for public comment.

Businesses lauded

(30)

Shareen Singh

BD 3/12/97

SMALL-business initiatives in SA received international recognition in London last week in the form of awards presented by commonwealth secretary-general Emeka Anyaoku to a hawkers' organisation and a small mining firm.

The African Council of Hawkers and Informal Business (Achib) and Richards Bay Minerals won the annual World-aware Business Awards — targeting individuals and companies whose efforts have made significant contributions to progress in a developing country. Achib and Richards Bay Minerals have worked together since 1994 in developing a microbusiness financing initiative called Achib Pavement Banks. The banks dispense interest-free loans of between R100 to R500 to microentrepreneurs.

Achib president Lawrence Mavundla said the first bank opened three years ago. To date there were 12. The banks granted R240 000 in loans last year.

Awards were also presented to Gibb SA for work on Soweto's sewers.

Khula almost ready to assist small business

(30)

ARGT 5/2/97

NGOs to distribute funds

ALIDE DASNOIS
BUSINESS EDITOR

Loans through Khula Enterprise Finance to small businesses in the Western Cape could come on stream within a month.

The board of Khula, the company set up by the Department of Trade and Industry to help small business to access finance, has approved applications from two service organisations in the Western Cape through which funds will be channelled.

Operations director Jonathan Aspeling would not name the organisations yesterday.

He did not want to "raise any hopes" until the process was completed, he said.

Other applications from service organisations were still being processed by Khula.

As a wholesale lender, Khula, which is based in Johannesburg, would not set up a branch in Cape Town, Mr Aspeling said.

Khula does not lend money to individual businesses but operates through non-governmental organisations (NGOs) acting as retail financial intermediaries.

Created last year with R137 million of Government money, the organisation's goal is to mobilise loan and equity capital via financial intermediaries, for small, medium and micro businesses which have difficulty accessing funds through the commercial banking system.

Last month Khula launched a set of financial products designed to make it easier for NGOs to lend to small businesses. The products range from guarantees to loans of up to R100 million.

Mr Aspeling said the first contracts with Western Cape NGOs would probably be signed within a month.

Khula's board would continue to evaluate applications from other NGOs in the Western Cape.

Enquiries: Khula Enterprise Finance, (011) 313 3800 or toll-free 0800 11 8815.

Nafcoc summit to review empowerment strategy

BD 6/2/97

(30)

Shareen Singh

THE National African Federated Chamber of Commerce (Nafcoc) biannual summit, which starts tomorrow, is expected to review Nafcoc's strategy on black empowerment to enable the organisation to make a significant contribution to growth and development.

Nafcoc CEO Phillip Machaba said yesterday members had expressed concern over the economy, privatisation, unbundling, the tax amnesty and crime.

"Our members believe we can play a more strategic role in influencing policy directions and we need clear strategies for this and to enable us to start engaging in debates more vigorously".

Nafcoc would discuss its relationship with Business SA, the National Economic, Development and Labour Council and also with the Afrikaanse Handelsinstituut. Nafcoc recently established a working relationship with the institute.

"We need to revitalise Nafcoc and Nafcoc's Investment Holding Company to create more opportunities and take advantage of existing ones," Machaba said.

Intense debate was expected on the self-sufficiency of Nafcoc and the extension of benefits which some members enjoyed, such as discounts for taxi owners.

Too few blacks tackle too much

(30)

Sowetan 11/2/97

Directors appointed to too many boards simply rendered ineffective

By Abdul Milazi

BLACK economic empowerment will continue to be distorted as long as corporate South Africa offers multiple directorships to a few black faces.

This is the view of African National Congress economic policy adviser Don Mkhwanazi, who says too few black faces serve on too many boards – rendering them ineffective.

He argues that while the directors on corporate boards are highly qualified, it is doubtful if they can apply themselves as effectively as they may wish or their boardroom seats demand.

Mkhwanazi, who currently serves on five boards of companies listed on the Johannesburg Stock Exchange, says he is already finding it taxing.

He says some blacks are appointed to corporate boards for the wrong reasons and become willing passengers basking in their newfound glory and status.

In the last few years South Africa has seen a dramatic increase in the number of black non-executive directors from about 20 in 1990 to more than 100 last year.

"The problem is that some of these directors serve on more than 10 boards of JSE listed companies. I really don't know how they cope. Some of us are struggling with five board appointments."

Board appointments

The flavour of the moment in board appointments is New Africa Investments Limited deputy chairman Cyril Ramaphosa.

His entry into the corporate world last September saw him appointed to five boards of JSE-listed companies and one unlisted within five months.

Former Kangwane chief minister Dr Enos Mabuza leads the black pack with 14 directorships, followed by Nail chairman Dr Nthato Motlana with 12.

Anglo American Corporation financial director Mervin King serves on a whopping 30 boards.

"There is no doubt that corporate South Africa is largely influenced by a handful of people.

"For example, less than 30 members of the Anglo-American board control over 225 directorships in other companies," says Mkhwanazi.

Directors who serve on many boards can never have the knowledge of and expertise in company matters required to do justice to their duties and responsibilities.

"It is my belief that time limits are real for even the most capable and energetic individuals and often constrain a directors ability to govern.

"It stretches credibility to think that these individuals, no matter how bright and hard working, can really pay serious attention simultaneously to the often complex affairs of so many large and diverse business enterprises."

Small business has a new helper

Shareen Singh BD 13/2/97 (30)

BANKING institution Nedenterprises, a division of Nedcor, and electricity utility parastatal Eskom have teamed up to assist small and medium business development.

Nedenterprises head Alan Mukoki said that in terms of the partnership, Eskom would identify small business projects and Nedenterprises would provide the start-up finance of between R50 000 and R2m.

Eskom business development manager Nomonde Mapetla said the parastatal would seek to extend franchises operating in electricity-intensive sectors, such as bakeries, butcheries, air-conditioning operators, and small-scale manufacturers.

"By assisting small businesses we are contributing to empowerment and growth but at the same time we are extending our consumer base, so it is beneficial also for us in the long term."

Through a similar agreement Eskom and Future Bank had facilitated the granting of seven new franchises of a bakery chain, BreadStop, to black entrepreneurs, she said.

Nedenterprises saw the initiative as a creative way of getting the bank involved in small business development.

Mukoki said that in the past banks were not too keen to finance small entrepreneurs and many insisted on collateral security which small businesses lacked.

"We will grant loans on the basis of matching capital. If the business can raise 20% we will put in 80% and use the purchased company as collateral."

Teaming up with companies ensured that Nedenterprises was playing a proactive role in assisting small and medium enterprises. "Instead of waiting for people to come knocking on our door, we are identifying strategic businesses and linking them with black entrepreneurs," Mukoki said.

Nedcor had similar schemes with Shell SA and the SA Breweries which enabled black entrepreneurs to open petrol stations and bottle stores, Mukoki said. The banking institution would continue forging such partnerships with other businesses.

Small business project kicks off

(30)

Foundations dug for Guguletu industrial park

ARG 1/2/97

LLEWELLYN JONES
BUSINESS REPORTER

The proposed R50-million Guguletu industrial park got off the ground this week when the foundations for the first building were dug.

The park, which will house small businesses, is being developed by the Community Development Corporation (CDC), and could be up and running by June, says CDC member Bulelwa Belu-Toni.

"Everything seems to be falling into place now.

"The exciting thing is that we are pioneers – the other industrial parks in Welkom and East London are not at as an advanced stage as the Guguletu industrial park."

Ms Belu-Toni said the CDC already had agreement in principle from the Cape Town City Council to use the land off Wetton Road opposite the Ikapa Town Council building for the industrial park.

Although financing for the park had not been finalised, the CDC had negotiated a bank loan to set up infrastructure in the area once final agreement with the council was reached, she said.

The CDC also had firm commitments from other organisations to fund the development, Ms Belu-Toni said, but would not disclose who they were.

"We will be holding an investors' conference in March to map out the financing," she said.

The CDC, which was established in October last year, has been adopted by a programme set up by Deputy President Thabo Mbeki and United States Vice-President Al Gore for business co-operation between South Africa and the US.

The first building will be a low-cost demonstration house funded by the US Department of Energy, which will house the CDC's offices.

The building is due to be completed in time for Mr Gore's visit to Cape Town in two weeks' time.

BRENTON GEACH

Getting going: Bulelwa Belu-Toni of the Community Development Corporation and Lilia Abron of Peer Consulting examine the foundations for the first building of the Guguletu Industrial Park

The energy efficient steel frame design to be used on the building has already shown its mettle in Kimberley in one of the most successful housing schemes for shack dwellers in the country.

It was designed by Lilia Abron, president of the US-based company Peer Consulting.

Ms Abron said this success could be repeated in the Western Cape.

Ms Belu-Toni said the first businesses in the park would be those producing building materials for housing. Other manufacturing businesses were expected to follow. The last step would be the inclusion of retail outlets.

The initiative was designed to allow people to live near their work and for local businesses to benefit from residents' spending.

A former university professor and environmental and sanitary engineering specialist, Ms Abron became intrigued during visits to South Africa with the problem of housing.

Low-cost housing was obviously a priority, and the first thing that came to Ms Abron's mind as an environmental engineer, was that the houses had to be energy efficient "because all the statistics show that some 60 percent and more of income in black South African families is spent on energy – just trying to stay warm and trying to cook".

She also realised that the house had to create space.

She then designed a 50 sq metre steel framed house wrapped in a type of polystyrene for insulation with an outer layer of face brick that could be built for R15 000.

Committee says small businesses should be funded through NGOs

30 BD 20/2/97

Tim Cohen

CAPE TOWN — The parliamentary trade and industry committee yesterday adopted a report critical of the lack of finance and services available to small business from government bodies and proposed that loans should be provided by nongovernment organisations (NGOs) rather than by commercial banks.

The report recommended an "active exploration" of the option of making finance available at concessional rates to targeted small businesses rather than providing wholesale finance through larger financial institutions.

"It is our view that while the aim to create capacity for small business to be able to absorb loans at commercial rates is a laudable one, current interest rates are simply too high to facilitate the kind of expansion in the sector that is needed. We are not convinced that the current nonfinancial support services are yet sufficiently viable and tangible to offer a meaningful alternative."

The committee said it was aware that its investigation took place at an early point in the implementation of the national small business support strategy, with the recent establishment of four new institutions, the Centre for Small Business Promotion, Khula, Ntsika and the National Small Business Council.

Khula had by December issued two operating grants to the value of R1,19m and had negotiated credit guarantee arrangements with several banks. It anticipated expanding this year, providing loan finance totalling R117m and capacity-building support to the value of R8,1m to 11 retail organisations and provincial development corporations.

But the committee said it found widespread ignorance and misunderstanding about what the institutions were supposed to do. For example, Khula's role as a provider of wholesale finance to a series of retail institutions appeared to be widely misunderstood.

"The fact that very few businesses are at present receiving services and that communication is problematic threatens, in our view, to fuel an attitude of cynicism and alienation among the small business community." The committee therefore recommended that there was an urgent need to improve communication with the potential client base.

As a provisional conclusion it seemed that NGOs, community financial institutions and business associations were more likely to be more effective providers of retail finance than established commercial banks. Khula guarantees and funding might be more effective if refocused at this level, it said.

The committee insisted that small business ought to be a priority of the trade and industry department.

"With GEIS being wound down, we look forward to seeing significant additional resources made available to the National Small business Support Strategy in 1997/98 and subsequent budgets," the report said.

SBDC pays out R200-m

Sowetan 21/2/97 (35)

By Isaac Moledi

SMALL Business Development Corporation says it has disbursed a total of R200 million investment capital in the form of equity as well as loans to small and medium enterprises over the past nine months.

While the bulk of the money was in the form of loans, the corporation says its equity finance deals exceeded all expectations by reaching R37 million in just six months.

SBDC launched its new product range which includes equity finance schemes in July last year.

SBDC managing director Joe Schwenke says a surprising number of entrepreneurs expressed their delight at the equity facility which they regard as ideal for the specific financing needs for SMEs.

The equity finance deals couple a conventional term loan with a minority shareholding which may include a shareholder's loan for the benefit of the entrepreneur not to overgear his or her own monthly cash commitment.

Schwenke says the advantage of SBDC's investment capital to the SMEs is that the corporation is not only a loan financier but also an investor providing risk capital and shares in the subsequent profit of the business.

"We venture outside the fringe of mainstream bank finance when we create a financial structure to maximise the growth prospect of the business by selectively combining shareholders loans which do not have a fixed interest rate or payment commitment and therefore ease cashflow," he says.

Demand for finance

The SBDC believes that the new product range has been well-received by small and medium-sized enterprises countrywide largely because it has heeded the long-standing demand for finance even among those who are not able to meet criteria such as acceptable own contribution and security cover.

An entrepreneur who has exceptionally viable business opportunity but has limited security and owner's contribution, stands to benefit from the equity financing scheme which can be tailor-made to suit his or her business needs.

New body for black business (30)

Sowetan 21/2/97

By Shadrack Mashalaba

BLACK business people and professionals met in Johannesburg this week to launch a new association to promote black economic empowerment – the Black Business Council (BBC).

The organisation was formed by about 11 business and professional organisations, among them Nafcoc, Foundation for African Business and Consumer Services, National Black Business Caucus and the Black Lawyers Association.

The launch was addressed by Deputy Minister of Trade and Industry Phumzile Mlambo-Ngcuka, who said an organisation like the BBC was the missing link in black business today.

Speaking at the launch of the BBC, president Reggie Hlongwane said the black business voice was not heard and it required such an initiative.

SBDC accused of racism in making loans

(30) CT(BR) 24/2/97

Christo Volschenk
Economics Editor

Cape Town — The Small Business Development Corporation (SBDC) has been accused of racial bias in its lending operations last week by a group of parliamentarians who visited eight of the nine provinces in November to evaluate progress with government's new small business promotion strategy.

Alistair Ruiters, the chief director in the department of trade and industry and responsible for small business promotion, came out in support of the report but confirmed the SBDC had promised to remove the racial bias from its lending book in coming years.

In a report adopted by the portfolio committee on trade and industry in parliament on Wednesday, the group said it "notes with concern (that) the majority of loans issued by the SBDC still goes to white-owned businesses". It also objected to the fact that the SBDC still purchased "overwhelmingly from white-owned businesses" and proposed the SBDC revise its procurement policy.

"In Gauteng and Western Cape between 75 percent and 80 percent of all loans went to white-owned businesses," the group said.

The report will be tabled in parliament for debate in the national assembly.

Ruiters said the racial bias towards white-owned businesses worsened in 1995 and last year, but he was not unduly concerned because the SBDC management was committed to removing the bias. He said there were good working relations between the government and the SBDC at the moment.

Government and the private sector shareholders of the SBDC had agreed in May last year to cut government's shareholding in the SBDC to 20 percent from 50 percent and reduce government representation on the SBDC board from 25 percent to 20 percent.

The parliamentary group under leadership of Rob Davies, ANC MP, also criticised other institutions providing finance to the small business sector such as the development corporations in the provinces, banks and new institutions created by the department of trade and industry.

"Several provincial development corporations are in the process of amalgamating with development corporations in defunct homelands. This process is not going smoothly because some are overstaffed, inefficient and corrupt, and made no visible contribution to small business promotion," the group said.

The group said small black businesses still found it difficult to raise loans from banks. "It appears bank managers routinely refuse loans. Absa does not issue loans to micro-enterprises. The bank receives about 100 applications for loans each month but maintains it cannot manage a portfolio of more than 120 clients. Banks visited saw loans to small businesses as unprofitable, risky and labour-intensive.

"The group saw no visible commitment from the banks to extend their lending operations to small businesses even with Khula guarantees," the group said.

Real power is economic

SBDC denies it's biased in lending

Sowetan 25/2/97 (30)

Parliamentarians say corporation still lends more money to whites

By Isaac Moledi

THE SMALL BUSINESS Development Corporation Limited has come under fire for favouring whites in its lending methods.

A group of parliamentarians who visited eight of the nine provinces in November to evaluate progress with Government's new small business promotion strategy, raised their concern about the SBDC's racial bias in its lending operations.

The company has however, denied the allegations, saying its lending methods were not based on racial bias but on the proportion of how many people applied for loans.

In a report adopted by the portfolio committee on trade and industry in Parliament last Wednesday and published by a Johannesburg daily newspaper yesterday, the MPs are quoted as saying that they "note with concern (that) the majority of loans issued by the SBDC still go to white-owned businesses".

Report objects

The report also objected that SBDC still purchased "overwhelmingly from white-owned businesses".

In Gauteng and the Western Cape for instance, the group found that between 75 and 80 percent of loans went to white-owned businesses.

The report is expected to be tabled in Parliament for debate.

According to statistics the SBDC sent to *Sowetan Business* yesterday, out of R200 million investment capital the company disbursed to small and medium enterprises over the past nine months, R155 million went to white-owned businesses.

SBDC managing director Jo Schwenke. His company is under fire for being racially biased in its lending operations.

Only R48 million was disbursed to black-owned enterprises.

SBDC managing director Jo Schwenke confirmed the figures but denied that the criteria for lending was racially biased.

He said people should find out why a large proportion of lending was still going to white-owned businesses. The company's methods of issuing loans was proportional to the number of applications received.

"We have been receiving very few applicants from black South Africans and this is why we have disbursed lower amounts to them."

He said of every 10 applications the company received, between six and seven do not succeed because their businesses are not viable.

Of the R900 million worth of applications the SBDC received from white-owned businesses in the past nine months, only R155 million worth of loans were approved.

Loans of about R300 million were applied for by black-owned companies during the same period and loans of R48 million were granted.

"The challenge at present lies in receiving more applications for investment capital from black entrepreneurs with viable business proposals – from people who have appropriate experience and managerial ability," Schwenke said.

Criticised institutions

The parliamentary group, under the leadership of ANC MP Rob Davies, also criticised other lending institutions. Development corporations in various provinces, banks, and new institutions created by the Department of Trade and Industry also came under fire.

"Several provincial development corporations are in the process of amalgamating with development corporations in defunct homelands.

This process is not going smoothly because some are overstaffed, inefficient and corrupt. They have made no visible contribution to small business promotions," the group said.

The group said it saw no visible commitment from banks to extend lending to small businesses even with Government-supported initiatives.

MAIL & GUARDIAN
February 28 to March 6 1997

Call to subsidise small business loans

(30) M+G 28/2-6/3/97(BM)

Lynda Loxton

THE government has been urged to provide subsidised interest rates to carefully targeted small businesses and to allocate more funds to support this sector, which is seen as playing a vital role in easing South Africa's high unemployment rate.

The recommendation was made by the parliamentary trade and industry portfolio committee after a tour of the provinces to find out how the drive to support small, medium and micro-enterprises (SMMEs) had progressed since President Nelson Mandela's special conference on SMMEs in Durban in March 1995.

"The most pressing demand we encountered was for affordable finance," the committee said. "We are aware of, and appreciate, the argument that when businesses cite their inability to raise finance as their major obstacle, this often reflects other needs and problems of a non-financial nature.

"It, nevertheless, also appears to us that the combination of the restrictive attitude of established financial institutions and prevailing high interest rates creates major obstacles to the development of small business."

Khula Enterprise Finance Limited, set up by the government to provide wholesale finance for on-lending to SMMEs, makes subsidies available to banks that are then passed on to clients as non-financial services rather than soft loans.

The committee said Khula planned to offer loans to banks at 14% and provide them with other non-financial services. The banks, in turn, will on-lend the funds to individual businesses at market rates.

Khula believed small businesses had to be encouraged to gear themselves up to absorb loans with commercial interest rates and that discount finance would not encourage them to become self-sufficient.

"They also pointed to the experience of various provincial and former homeland development corporations, several of which were close to bankruptcy, to argue that providing subsidies of this nature was neither sustainable nor affordable."

But the committee said there was "a considerable body of opinion" both within the government and among business people that supported the idea of "making finance at subsidised interest rates available to carefully targeted small enterprises in priority areas". This would kick-start the SMME programme and was in line with experiences in Japan, South Korea and Singapore.

The committee also criticised Khula's policy of guaranteeing up to 60% of loans approved by commercial or community banks. This had done little to encourage banks to finance SMMEs, and Khula should rather provide guarantees for loans made to non-governmental organisations, community financial institutions and business associations, which had proved far more effective in this field.

Given the scale of the problem facing SMME development, the committee also believed the small business programme should receive a larger slice of the Department of Trade and Industry's budget, while government tendering procedures should be adapted to allow greater access to contracts by SMMEs.

The government's SMME support drive is underpinned by the National Small Business Act, which paved the way for the establishment of four institutions aimed at promoting small business. These are the Centre for Small Business Promotion to co-ordinate a small business support strategy; the Ntsika Enterprise Promotion Agency to provide non-financial support services; Khula to provide credit guarantees and technical support and the National Small Business Council to represent SMME interests.

The committee found that not only was there a wide range of organisations, associations and agencies involved in supporting the SMME sector, but that their strengths varied greatly. The Western Cape, Gauteng and KwaZulu-Natal were better off in terms of access to markets, raw materials, energy and availability of non-governmental organisations involved in SMME work.

Most SMMEs were still involved in traditional areas such as clothing or chemical manufacturing, construction, transport and the service sector. But more were moving into "new" areas such as farming, tourism and other manufacturing activities. Disturbingly, however, most black-owned SMMEs still appeared to be confined to apartheid-era group areas.

'A large proportion of business operated by Africans remains survivalist'

"A very large proportion of business operated by Africans remains survivalist, micro-enterprises," the committee said.

"This reflects the still tenuous economic position of many African entrepreneurs in the different provinces, which the committee observed with some concern."

The committee admitted that most of the institutions created to support SMMEs had only been operating for little over a year on limited budgets, but it was clear they had little impact on the ground as yet. It was also clear that there was a great deal of confusion about their roles. This pointed to the need for better communication with the SMME sector about what was, and was not, available.

Small business funder plans to list soon

(30) BD 11/3/97

Shareen Singh

A SMALL business financing organisation, the Micro-Business Development Corporation (MBDC), would be listing on the Johannesburg Stock Exchange (JSE) within a year, chairman Tony Davenport said yesterday.

The MBDC was in the process of securing a deal with a Dutch bank and three local financial institutions, including a major insurance company, in which the institutions would acquire equity in the corporation, Davenport said. The corporation is being advised by Boland Financial Services.

"We will raise equity finance from shareholders on a purely commercial basis — there will be no handouts," he said. The institutions would be taking up the share offer "on a purely commercial basis as a sound investment while at the same time achieving certain socioeconomic objectives".

Capital raised through the new equity partners would enable the corporation to become a public company listed on the financial redevelopment sector of the JSE — making it the first institution of its kind to be listed in SA.

The corporation had been set up eight years ago largely using donor funding and some shareholding capital. Its major achievement to date is the Start-Up Fund which provides seed capital for unemployed persons wanting to start a business.

The MBDC also provides basic entrepreneurial training and advanced business training called the "township MBA".

Davenport said the corporation's objective in raising equity finance was to expand the Start-Up Fund and make it self-sufficient. The fund is currently financed by grants and soft loans which limit its scope compared to demand.

"In the past, microenterprise development has been regarded as a hand-out affair reliant on donor funding, but the time has come for this sector of the economy to expand on a sound business basis," he said.

Advisory service launched to help emerging entrepreneurs

(30) Star 11/3/97

BY PATRICK PHOSA

The Small Business Advisory Bureau (SBAB) has warned emerging entrepreneurs of swindlers after it was inundated with calls from people who had been conned into buying worthless businesses or franchise agencies.

The bureau's executive director, Professor Piet Moolman, said yesterday there was a definite move towards more and more South Africans attempting to start their own businesses – especially as a result of early retirements and the acceptance of retrenchment packages.

"Unfortunately, because of a lack of business savvy, many of them are easy prey to ruthless swindlers," Moolman said.

To counter this, the SBAB had launched a special telephonic advisory service to provide emerging entrepreneurs with free advice on buying a business or a franchise.

Moolman said purchasing a good, profitable enterprise with an existing customer base and established name at a reasonable price was still one of the safest ways of entering the business world.

"However, the danger arises when the seller exaggerates about the profitability of the business or franchise," he said.

The buyer should be aware that the seller of the business could open up a similar enterprise close to the original one and entice all his previous customers to his new business.

Another option was purchasing a franchise.

The advisory service is manned by experienced, qualified SBAB consultants during office hours on (0148) 299-1002.

Small businesses will have to wait for tangible benefits

(30) M+G (BM) 14-19/3/97

Lynda Loxton

IT could take 10 to 15 years for the government's strategy to promote small and medium-sized enterprises to start paying off in tangible terms, Trade and Industry Deputy Minister Phumzile Mlambo-Ngcuka said this week.

Replying to the debate on the parliamentary trade and industry committee's special report on small business finance, Mlambo-Ngcuka said it would take that long to erase the baggage of apartheid and create a level playing field for small business.

The report had been critical of some aspects of the government's plans to promote small and medium-sized enterprises (SMMEs) and many MPs complained during the debate that not enough was being done quickly enough to help SMMEs.

She said experience in Europe and Asia had shown that developing SMMEs was no quick or easy task and the fact that South Africa had to overcome numerous structural problems had not made the task easier.

"We are happy that in one year (since the launch of the national small business strategy) we have been able to successfully establish four institutions to address all the issues identified," she said.

These were the Centre for Small Business Promotion, Khula Enterprise Finance Limited, Ntsika Enterprise Promotion Agency and the National Small Business Council.

She agreed that these alone would not do the trick and that the provinces would have to provide additional support in the form of capacity building for support services. For its part, the government would, within the limits of the fiscus, do what it could to help.

The report had taken issue with the fact that it had taken so long for Khula to come on stream. Mlambo-Ngcuka said it was true that it had only been capitalised in September 1996, but that this had been due to protracted negotiations with the Small Business Development Corporation to withdraw part of government's share capital. It also took time to appoint the board and senior staff.

But it had been able to grant loan finance, operating funds and capacity-building funds to seven institutions worth R34-million. In all, 18 institutions have been evaluated for support and guarantees had been extended to 117 loans made by banks valued at R29-million.

Banks had also not responded fully to the credit guarantee scheme offered by Khula, which was only being 45% used.

In addition, it was not appreciated that Khula had been established as a wholesale agency. This meant that it could not lend directly to small businesses but would find partners who could act as intermediaries to lend money directly to small businesses.

Khula had started trying to make banks aware of the scheme but Mlambo-Ngcuka admitted that much more needed to be done to create a banking sector that was more responsive to the needs of SMMEs.

Ntsika was now ready with a funding model for local business service centres and would provide a capacity-building programme this year. But this was an entirely new concept and there were no role models with which to match the way forward and "we had to undergo a considerable amount of growing pains which will be corrected under the new priorities," she said.

The main focus would be decentralisation to provide a better provincial focus, better monitoring of SMME needs and more direct face-to-face consultation.

A new branch network of central business service centres would be launched from July this year.

She supported the committee's recommendation that the small business budget should be re-examined but said that other sources of financing were also being identified.

Empowerment trust is poised for new venture

BD 20/3/97 (30)

Patrick Wadula

THE National Empowerment Trust, which recently signed deals totalling more than R300m with a Malaysian bank and shipping company, is poised to invest in a coal mining venture with a Philippines partner.

Trust chairman Don Mkhwanazi said yesterday there had been talks with the potential partner, but nothing had been concluded.

Other areas of investment interest by trust subsidiary NET Investment Fund included telecommunications, energy and the automotive industry.

Mkhwanazi said a memorandums of understanding had been signed with several other Malaysian companies, but he could not disclose details.

The trust had been in discussions with Malaysian car manufacturer Proton. However, the deal had not been concluded due to the death of Proton chairman and prominent Malaysian entrepreneur Yahaya Ahmed, who was killed in a helicopter crash at the beginning of the month.

Mkhwanazi said most of the funding for the Malaysian deals had come from Malaysian financial institutions. The Industrial Development Corporation had originally provided seed capital of R200 000 to set up trust.

NET Investment Fund had established NET Financial Holdings and NET Industrial Holdings as subsidiaries. An asset management company had also been formed under NET Financial Holdings, Mkhwanazi said.

Profit generated through the NET Investment Fund would go to the Black Business Growth Foundation, which would use the money to fund business courses for the black community.

"It will also be used to create capacity at grassroots level for self-help strategies to support black entrepreneurship," Mkhwanazi said.

"We are talking to various other black businessmen about taking a stake in the trust to build capital for further investments," he said.

The trust aimed to unlock and redistribute assets it acquired and to broaden black ownership of the "significant asset pool that has been accumulated in SA".

Mkhwanazi launches new trust

(30)

Nancy Myburgh

FINANCIAL SERVICES EDITOR

ET (BR) 20/3/97

Johannesburg — The National Empowerment Trust (NET), a new black empowerment organisation led by entrepreneur Don Mkhwanazi, was officially launched yesterday, following the recent announcement of two projects already concluded with Malaysian partners.

Mkhwanazi said the organisation aimed to redistribute South African corporate assets to black South Africans. It also hoped to train black fund managers.

Profit made through investments by its subsidiary, NET Investment Fund, would go to the Black Business Growth Foundation, which he said would invest in black business education and entrepreneurship.

Mkhwanazi said the organisation had about R300 million in assets, of which between 40 and 50 percent had come from Malaysian sources.

The investment fund has already announced the formation of a new bank, the Southern Bank of Africa, which it owns jointly with Killinghall (Malaysia). The new bank has employed First National Bank's former chief manager of sales and marketing in KwaZulu Natal, Stuart Schwabe, who resigned from FNB in January this year.

Schwabe reportedly alerted FNB directors last year to lucrative decorating contracts awarded to a firm which employed the daughter of the bank's former managing director, Barry Swart. Swart retired shortly after news of the contracts broke.

The investment fund has also entered a joint venture with Malaysia's second-largest shipping line, Perbadanan Nasional, to create African Maritime Corporation, the country's first black-owned maritime shipping company.

Banking on the little league

(30) M+G (BM) 20-26/3/97

Big empowerment deals grab the headlines, but small black businesses need more financing help, writes Aspasia Karras

WE'VE all been told, from the government down, that boosting the small business sector is the only sustainable way to get South Africa's economy growing and job creation off the ground.

But who is financing black business, and how are they doing it?

The story, according to Robert Shuter, a director at the Standard Corporate and Merchant Bank, has three chapters: the type of big-ticket transactions exemplified by the Nail/Real Africa stable; the development of leveraged investments in unlisted companies; and the financing of small businesses that are bigger than a hawker and smaller than a Spar shop.

It sounds a lot like a game of "I spy with my little eye", where the big boys loom large on the horizon and everything else is almost indistinguishable. This may be because most of the smaller and medium-sized transactions fall well below the radar screen of high-profile reporting in the media, but it may also have something to do with the difficulty of defining the subject matter.

What is black business? Most merchant bankers refer to it obliquely as "black empowerment deals". Sounding less cynical than expected, they explain that the opportunities afforded to black entrepreneurs in the current climate are generally not afforded to white entrepreneurs. But, in order to realise the opportunities, white business, in some cases, is facilitating black empowerment.

"In some transactions, the seller takes on the risk, but in any event the bank views it in a strictly commercial sense." When asked to compare the percentage between the financing of black business and of white business, they retort: "Let's turn it the other way. There is no way anyone would win a licence without black shareholders, making it very hard to compare how many black and white empowerment deals happen."

'There is no way anyone would win a licence without black shareholders'

If, however, we follow the financing patterns, downstream a more composite picture emerges.

This week's announcement of a R200-million deal between the National Empowerment Corporation (NE Corp), an offshoot of the National Empowerment Consortium, and the leading funeral services group HT is in many ways typical of the top end of the market. The deal was structured and arranged by First Corp Capital Investors.

The NE Corp participation in the Johnnic deal, principally funded by Standard, saw the corporation moving into the big league, from being a group of smaller business and union investment schemes. For all parties in the deal, the advantages smack of the new black empowerment political correctness.

Standard's Shuter explains it was critical to get black business on the map by establishing large listed groups like Nail and Real Africa: "Once they become large players, they find it much easier to raise money. Take, for example, Co-ordinated Network Investment. Prior to the JCI and Tolcon deal, they were a relatively small black management consultancy. They now form part of a very strong emerging sector."

But are these big groups that are getting a lion's share of all new transactions doing anything to kick-start the economy?

Shuter argues that we must distinguish between bringing black business into the economy and economic growth. The question then is, how does the formation of new conglomerates open up the market and facilitate the government's macro-economic strategy?

To PAGE 2

P.T.O.

North West committed to small business drive

BD 25/3/97 (30)

Patrick Wadula

THE North West provincial government has set aside R36,5m of its R6,8bn provincial budget allocation for infrastructural support, capacity building and loan finance to small, medium and microenterprises (SMMEs).

Tourism and environment executive council member Edna Molewa said at a small business promotion seminar in Hammanskraal at the weekend that government was aware of budget constraints which had limited public sector support to SMMEs.

She said the provincial government would support the Provincial Small Business Council in its efforts to strengthen cohesion between small enterprises.

"In ensuring that the small enterprise sector generate economic growth and job opportunities, we will provide public sector assistance in a more differentiated, sector focused and growth oriented way," she said.

Molewa said the North West government had entered into a memorandum of agreement valued at R400m with the North West Builders' Federation, a forum for small builders' associations. The agreement will give emerging contractors a major stake in the infrastructure programme. She said the setting aside of the funds was an indication of the provincial government's commitment to redress the historical discrimination in the tender system through "aggressive affirmative action".

"SMMEs should strive to become dynamic and highly competitive," she said.

Molewa said that in order to establish the provincial growth mandate, structural barriers inhibiting the growth of the small sector and the establishment of the public and private sector partnership needed to be addressed.

UN urged to create new mediation arm

Wyndham Hartley

CAPE TOWN — Reform of the United Nations

They could then operate independently of the national interests involved in any interna-

Business bodies jostle to attract members

BD 4/4/97 (30)

John Dludlu

FIERCE competition to attract new members has erupted among leading business organisations, following declining membership numbers.

The Johannesburg Chamber of Commerce and Industry (JCCI), which now has about 4 000 fee-paying members, mostly from the small business sector, is expected to report a net loss of 119 members for 1996, despite gaining 680 new members.

A number of Foundation for African Business and Consumer Services members have not renewed their subscriptions recently, says Fabcos.

JCCI CE Marius de Jager blamed the situation yesterday on "harsher" trading conditions for the small business sector, which was being hurt by high interest rates. Businesses were reluctant to sign membership cheques, but were looking for value in services.

However, JCCI had started gaining new members in the first quarter this year and was also making inroads in attracting black business. This segment now made up 10% of the chamber's total membership, De Jager said.

Fabcos general secretary Cyril Gwala said the multisectoral organisation had lost members in the construction sector which was bearing the brunt of bottlenecks in the housing delivery programme. Fabcos, with more than 40 000 members through affiliate sectors, would introduce a share scheme to win back lost members. Members would be given immediate benefits from Fabcos, including shares in Fabcos subsidiaries.

A business source said black businesses were joining traditionally white bodies because they offered specialised services, including export trade support. De Jager said some businesses joined to take advantage of the networking opportunities offered by JCCI.

However, Gwala denied Fabcos had lost members to other organisations, saying the body was introducing its members to international partners.

The Afrikaanse Handelsinstituut, which has also attracted black business, said its membership had grown nearly 15% because of its services.

Corridor will boost small businesses

Star 4/4/97 (30)

By Patrick Phosa

The Maputo Corridor Development Project has opened up opportunities for small, medium and micro enterprises who have been allocated about R150-million to enable them to participate in corridor projects.

Speaking during a business briefing in Sandton, the Mpumalanga economic affairs and tourism chief director Coleman Nyathi said the rebuilding of the N4 toll-road between Witbank and Maputo would benefit many small contractors in his province.

A major consortium, Trac, won the bid for rebuilding and maintaining the road over 30 years.

The road is estimated to cost about R600-million. The revamping of the N4 is one part of the corridor project. The modernisation of the Maputo harbour at a cost of about R150-million has also begun and a gas pipeline agreement has been signed.

Nyathi said a shared "one-stop" border post at Ressano Garcia would be established.

The value of projects to the private sector was about R7,6-billion and had created about 7 000 jobs.

The corridor, whose primary function is access to markets for goods and services, would have great spin-offs for Mpumalanga.

Boost for small firms

(30) M+G (BM) 4-10/4/97

The trade department is set to launch its Competitiveness Fund, which draws on specialists to help small businesses grow, reports Madeleine Wackernagel

THE Department of Trade and Industry (DTI) is to seek tender applications for an operator to run its Competitiveness Fund by the end of this month. The fund, established to help small businesses compete in the global market, has been given the green light by the State Tender Board almost 18 months after the initial feasibility studies were completed. It should be up and running by the final quarter of this year.

Not to be confused with the DTI's other small-business initiatives such as the Khula financing arm and the Ntsika Enterprise Agency, the Competitiveness Fund will run on a matching grant basis, whereby an applicant has to put up 50% of the financing to demonstrate their commitment. The fund will then provide advice on marketing, production and general business strategy with the aid of a registrar of specialists, who will be drawn from technikons, universities and private consulting firms.

Critics argue that the programme will do little to boost local competitiveness given that it will concentrate on the export market, but Dr Alistair Ruiters of the DTI's centre for small business development was quick to dispel this claim.

"Yes, emphasis will be placed on helping firms to break into the export sector, but others will receive help in defending their local market share against imports by developing a niche, in line with the Asian tigers' experience, thereby strengthening their position."

And while the International Bank for Reconstruction and Development, a division of the World Bank, has put up a $50-million loan, the South African government has been very much in charge of devising the project, together with the constituencies of the National Economic Development and Labour Council, says the bank's Junaid Ahmad.

The complexity of the programme probably mitigates against a local company alone doing the job of operating the fund. "It's hard to say who will bid and who will win, but international experience would be a big plus," says Ruiters.

"This is a very sophisticated programme. The World Bank indicated when we were originally devising this project that there are very few firms worldwide with the kind of expertise and experience necessary to run the fund.

"But crucial to our decision is that if an international company is chosen as operator, it must ensure that those skills are transferred to a local partner. So we are looking at joint ventures and other collaborative enterprises."

The project is two-pronged, concentrating on small and medium-sized businesses on the one hand, and micro enterprises with fewer than 20 employees on the other. This latter part will be covered by the Bumble Bee Programme (BPP).

"The BBP will be run on the same lines, with accredited consultants giving four free hours of services. We were concerned that the bigger businesses would get the lion's share of help, so this provides a perfect stepping stone for the really small companies. But to run the BPP the operator must have local know-how," says Ruiters.

He would not be drawn on the sums involved but stressed that they are significant enough to warrant a thorough tendering process. "It is time-consuming but necessary. We have to keep our integrity, otherwise we lose support.

"This is a very important supply-side measure that has taken a great deal of work; we don't want anything to go wrong."

Black business seeks to play major role

BD 10/4/97

(30)

Patrick Wadula

NEW property and infrastructure developments in the Eastern Cape have prompted black businessmen there to seek joint ventures which will contribute to the province's economic growth potential.

Retired businessman and former National African Federated Chamber of Commerce (Nafcoc) national president Archie Nkonyeni said yesterday a black business group he headed, Modern Business Holdings, planned to assist the Eastern Cape government in developing a R8bn road project between Port Edward and East London by way of Umtata.

The road project, would boost tourism and create job opportunities, Nkonyeni said.

"There has to be decentralisation of black economic empowerment opportunities if black business is to flourish in provinces other than Gauteng," he said.

Nkonyeni, who is also a shareholder in Umoya Communications — a consortium comprising Hacla Broadcasting, Thubeni Investments and Capital Partners — said Umoya was considering investing in print and electronic media.

Umoya Communications bought Radio Algoa in Port Elizabeth and BRFM in East London from the SABC.

Western Eastern Cape Black Empowerment Construction (Wecbec), launched earlier this year, had recently formed Bison Housing SA in conjunction with German-based group, Kvaerner Bison. The company planned to make cement boards used in low cost houses.

Chairman of Wecbec, Winky Ximiya, said the new company would build a R100m plant in the Eastern Cape to manufacture the boards. In the interim, the boards would be imported from Germany. Four assembling plants costing R7,2m each would be set up around the province. Ximiya said a German delegation visiting the province had shown interest in investing in furniture and footwear manufacturing, he said.

Small business 'unaware of incentives'

(30) BD 14/4/97

Patrick Wadula

SMALL businesses needed a boost with tax concessions to reach a competitive level and contribute meaningfully to the mainstream economy, National Small Business Council CEO Monde Tabata said at the weekend.

Tabata said that although government had incentive schemes in place, to these incentives were unknown to small business.

"The trade and industry department has to make it known that these incentives are available to small business," he said.

He said that apart from Khula Finance and the Ntsika Enterprise Promotion Agency, the department had schemes which helped small businesses enter into the manufacturing sector, but very few people knew about them.

The National Small Business Council, formed a year ago via the National Small Business Act, was aimed at promoting the interests of small business to government.

Tabata said the council was developing ways in which small business could be organised through the creation of small business chambers.

"We need to get small business to articulate its issues at national level like the trade unions and the civic organisations do," he said.

National African Federated Chamber of Commerce general secretary Mashudu Ramano called on the council to make a presentation to government on tax concessions for small business.

Ramano said that unlike small business, big business could afford to hire tax consultants to look into ways they could save on tax. "If we believe small business can a play a significant role in the creation of jobs and contribute towards the economic growth of this country, then something has to be done about it."

CAPE ARGUS, **MONDAY,** APRIL 14, 1997

Carving up Olympic pie so black firms get slice

Help at hand for small businesses

ARG 14/4/97 (30)

MICHAEL MORRIS

ON THE OLYMPIC BID

Cape Town's Community Olympic Forum is to help emergent black-owned businesses take advantage of special tendering procedures for multi-million rand bid-related projects.

Scores of small businesses and new contractors have come forward since the Cape Argus published a report last week on the introduction of an "affirmative procurement policy" devised specifically to target emergent enterprises from the previously disadvantaged sector. For many of them the tendering formalities are daunting.

Project management consultancy Amsa – which is responsible for managing the seven projects – said new businesses wanting to compete for work on these projects would be given advance warning of the tender calls and that leaflets spelling out how to tender would be distributed.

Last week the Community Olympic Forum, representing wide-ranging civic and community organisations, said it would also help new and small businesses.

Forum chairperson Brian Williams, former unionist and now director of the Department of Labour in the Western Cape, said: "Small businesses and people who feel they have the skills and could contribute to these projects should contact the forum."

Rather than following the customary route of drawing up a single tender to cover an entire project – which means only big companies are able to submit tenders, then sub-contract portions of the work – the Olympic priority projects are being split up into as many as 20 "tender packages".

Roofing or electrical work, for instance, will be advertised as a tender package separate from the structural steel work or concrete construction elements of the project.

The projects for which tenders are to be called shortly are:

- a softball facility at the Turfhall Sports Complex in Athlone (R10-million);
- a Belhar community, sports and recreation hall, earmarked for judo during the Olympics (R18,25-million);
- a multi-purpose hall for boxing in Langa (R5-million);
- an indoor multi-purpose hall in Philippi East, earmarked for badminton in 2004 (R18-million);
- an indoor multi-purpose hall in Mew Way, Khayelitsha, earmarked for boxing (R16,7-million);
- a multi-purpose hall in Scottsdene, also earmarked for boxing (R2-million, in this case a contribution from the Cape Metropolitan Council); and
- an outdoor training facility for baseball in Grassy Park (R2-million).

The project managers at Amsa can be reached at 21 2363 and Mr Williams of the Community Olympic Forum can be reached at 460 5170.

Plan to boost small business in Soweto (30)

Star 15/4/97

By Patrick Phosa

Plans are at an advanced stage to put up a distribution network in Soweto to bring goods closer to small businessmen at competitive prices.

Soweto Chamber of Commerce and Industries (SCCI) president Walter Mokoape said yesterday that establishing warehouses in Soweto would enable small traders to buy stock directly from accessible points and also sell at competitive prices.

"Big businesses have invaded our area and are destroying our business because they can afford to sell goods at cheaper prices, but we cannot do that because we will end up operating at a loss," he said.

Mokoape said Orlando station in Orlando East, Midway station near Protea and Naledi station had been earmarked for the setting up of warehouses. The warehouse in Orlando would serve as a pilot project.

The business development is a joint venture between the SCCI, Intersite, Rand Afrikaans University and potential suppliers of goods.

Mokoape said that once the warehouses were up and running, the township's businessmen could hold their own against big businesses who "have realised they'll have to face stiff competition from us".

Johnnic chairman Cyril Ramaphosa, left, with Ikageng Trust board members Hazel Ralefeta and Vaughan Bray at the launch of the Ikageng Share Scheme in Johannesburg yesterday. Pictures: ROBERT BOTHA

NEC in share empowerment move

(30) BD 18/4/97

Shareen Singh

THE National Empowerment Consortium (NEC), the controlling shareholder of industrial group Johnnic, had launched a share scheme of 9,1-million Johnnic shares, valued at R546m, as a black empowerment exercise.

Johnnic chairman Cyril Ramaphosa said the Ikageng Share Scheme — believed to be the biggest public share sale in the country — was aimed at "spreading economic empowerment to the grassroots".

The scheme would be open from April 22 to June 6, and would be available only to the "historically disadvantaged community" which included "blacks, coloureds and Asians".

The scheme would make available 6,4-million shares to those smaller members of the NEC, which included trade unions and business groupings which were unable to secure a stake in Johnnic when the NEC bought 35% of the group from Anglo American for R2,7bn in October.

A further 2,7-million shares would be sold to the historically disadvantaged community at R66 a share.

The NEC bought control of Johnnic last year for R50 a share.

Investors could subscribe for between 50 shares and 400 000 shares. An upfront deposit of 10% would secure an option on the shares, while the balance of the transaction was payable only after three years.

Due to the suspensive conditions of the agreement, investors would not be entitled to the dividends on the shares until the full amount had been paid.

The NEC would hold the voting rights to the shares, and its elected executives would be appointed to the Ikageng Trust, which would administer the scheme.

The trustees can cancel the scheme if the share price drops below the R66 sale price after three years and investors would forfeit their deposit.

However, "this is unlikely to happen considering the growth of the Johnnic portfolio and its good performance", trust chairman Hazel Ralefeta said.

Finance Minister Trevor Manuel welcomed the scheme as a real attempt to empower the marginalised population.

"This is not striking a deal with trade unions over managed funds, this involves discretionary savings," Manuel said.

Avroy Shlain invests R1m in Soweto: Avroy Shlain Cosmetics invested R1 million in a project which would take the company's products directly to black townships in a bid to create 5 000 job opportunities, Avroy Shlain, the chairman of the company, said yesterday. The company launched a 40m-long containerised boutique yesterday in Diepkloof, Soweto. (30)

CT (BR) 18/4/97

SBDC equity finance aid is a delight to entrepreneurs

(30) CP 20/4/97

HAVING GAINED notoriety during the apartheid era for being sectional, the Small Business Development Corporation Ltd is flexing its muscles to come in line with the demands of a new democracy.

Most black businessmen and women have woeful stories to tell about the SBDC, the general consensus being that it only helped emerging white businessmen.

Over the past nine months however, the SBDC has disbursed R200 million in investment capital to small and medium enterprises (SMEs) in the form of equity and term loans.

While the bulk was provided to SMEs as term loans, the equity finance deals exceeded all expectations by reaching R37 million – in just six months since the introduction of the new SBDC Ltd product range, which includes equity financing schemes.

☐ Jo' Schwenke, MD of the SBDC Ltd, says a surprising number of entrepreneurs expressed their delight at the equity facility – which they see as ideal for the financing needs of SMEs.

The equity finance deals couple a conventional term loan with a minority shareholding which may include a shareholders' loan. The advantage to the SME is that the SBDC Ltd becomes not only a loan financier but also an investor, thereby providing risk capital and a share in subsequent profits of the business.

Schwenke adds: "We ventured outside the fringe of mainstream bank finance when we created a financial structure to maximise the growth of a business by selectively combining shareholders' loans – which have no fixed interest rate of repayment commitment and thus ease cashflow."

The new product range has been well-received by SMEs countrywide: largely because it has heeded the long-standing demand for finance even by those unable to meet criteria such as acceptable own contribution and security cover.

An entrepreneur who has an exceptionally viable business opportunity but cannot meet such criteria stands to benefit from the equity financing scheme, which can be made to suit his or her business needs.

At a recent think-tank about conditions conducive to SME formation and expansion, Schwenke said SMEs could only thrive if some form of economic activity stimulus took place.

Basic economic stimuli identified at the debate included: agriculture, forestry, mining, major manufacturing, tourism, entertainment, sport, education, transport, and seats of bureaucracies.

Schwenke said these primary stimuli would lead to a demand for retail outlets, service providers and smaller manufacturing – which in turn would generate its own demands, thus setting in motion the well-known multiplier effect.

Seen from the context of the relatively low exploitation of tourism and related activites in all parts of South Africa, major investment seems well advised to pursue tourism.

The tourism industry is labour-intensive, and would satisfy the national priority of job creation.

Black business is learning harsh lessons

How far has the process of black economic empowerment in SA actually advanced and how much has it achieved? asks Shareen Singh

BD 23/4/97 (30)

THE much vaunted deal between Anglo American and the African Mining Group (AMG) for the sale of JCI — which ended up with ...aflife bailing out AMG — raises questions about access to finance by black groupings.

The reluctance of financial institutions to provide capital should not be construed, as some have argued, as a general dwindling of enthusiasm to finance black empowerment acquisitions. Rather, the premium price of R54,50 a share paid for the JCI stake, when the share price was about R49 and then plummeted to R42 — combined with a drop in the gold price — made the deal unattractive to any financial institution, in the medium term at least.

The significance of the deal should not be lost in the financing issue, though. This is the first slice of a national resource — historically the preserve of a small group of powerful corporations — to fall into black hands.

The question of access to capital is an important one in determining to what extent, and through what ownership structures, black business can take advantage of opportunities still to arise from privatisation of state assets and private sector unbundling.

Since Nthato Motlana made his mark in the world of big business a few years ago through his company New Africa Investments, a string of significant black-owned companies have emerged, such as Capital Alliance, Thebe Investments, Real Africa Investments and Worldwide Africa Investments. The Johannesburg Stock Exchange today has 18 black "controlled" companies with a total market capitalisation of R33bn.

Debates on black economic empowerment have tended to focus on this level of the economy — giving much attention to the big deals and concentration of capital in the hands of a few major players and so fuelling public perceptions that black economic empowerment is about creating a new black elite.

Cynicism over the emergence of a black bourgeoisie seems misguided, considering the context in which black empowerment is unfolding. As in all market economies, class divisions and concentrations of capital at particular levels are inherent features and will continue to exist in democratic SA. The creation of a black middle class is part and parcel of black empowerment.

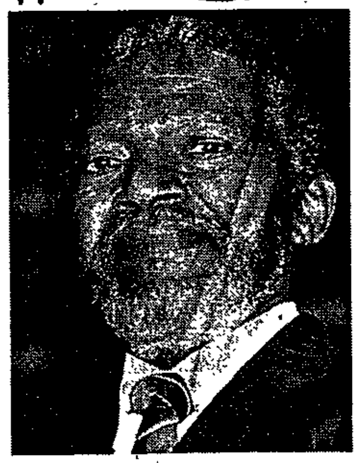
However, empowerment needs to be seen in a context which includes job creation, small and medium-sized enterprise development, managerial skills, ownership of land and ownership of the economy at operational levels.

Government has made far-reaching policy decisions regarding the second and third tiers of the economy through, among other things, the Small Business Act, which unlocks finance and training for developing entrepreneurs, export incentives for smaller businesses and procurement policy reform which favours them. These initiatives are backed by some financial institutions.

It is the top echelons of the economy which are tougher to break into in any meaningful way. Most of the existing black-owned companies listed on the JSE have substantial white equity ownership. They reflect black corporate influence more than "black control" in the true sense.

The majority of black businesses gained entry to these companies through the capital of financial institutions, and often this comes with equity participation. As one asset manager sums it up: "Nothing is for free in the corporate world — everything comes at a price — even when discounts are granted on shares."

Cyril Ramaphosa ... JCI kingpin



Nthato Motlana ... made his mark

There should be no illusion as to why white-owned companies are unbundling and making assets available for black empowerment or forming joint venture partnerships. This growing trend is hardly motivated by goodwill or a sincere belief in wealth redistribution — or guilt for that matter.

Political imperatives and commercial self-interest influence changes in ownership patterns rather than social conscience. White businesses are changing because they are being forced to do so by way of legislative and political pressures. Those who choose to maintain the status quo stand to lose out on government tenders and benefits from the privatisation of state assets and, perhaps more importantly for the bigger conglomerates, influence over government policy.

In this respect it is worth noting how Anglo American, more than 30 years ago, facilitated the sale of General Mining to Federale Mynbou to win favour with the National Party government, which had unprecedented influence over allocation of contracts, leases and prices. JDF Jones in his book on the history of Gencor says Anglo realised that the absence of Afrikaner ownership in mining was an "unhealthy situation".

"They (Anglo) might even have agreed that, if an Afrikaner mining sector did not exist, it would be necessary to invent one."

While black empowerment transactions are prolific, limited financial capacity is forcing black businesses to contend with harsh free market business principles which often result in complex financial engineering. This is the hard lesson that some of the smaller players in the JCI deal have had to learn.

The top five black conglomerates, while making strategic acquisitions, are becoming highly geared — which some analysts see as far too risky.

However, some asset managers say high gearing should not be seen as negative in the short to medium term. One says: "White businesses have been built on high gearing. Caution is needed, though, not to become deal junkies but to weigh the level of risk in every transaction. If the asset can produce favourable dividends in reasonable time, huge debt financing may be worthwhile."

Failure to meet debt repayments usually results in the asset being seized by the financing institution and the test for black businesses will come on payback time in a few years.

The use of pyramid structures, which ANC policy advisers once vowed to outlaw, have become fashionable in the black corporate world. Deputy President Thabo Mbeki recently raised concerns, saying more creative ways of raising finance should be explored. Nail chairman Nthato Motlana, who built his empire through personal high gearing and the use of pyramid structures, contests this.

"If pyramids were good for the Oppenheimers and Rembrandts, it should be good for black capital too," he argues.

Government, it appears, may see some merit in Motlana's argument. Legislation banning pyramids has not been forthcoming and it is conceivable they will be allowed to continue for a grace period, allowing black companies time to benefit from them.

However, it is on the question of wider empowerment that the major players in black business face criticism. The quest for self-enrichment could cloud their understanding of their role in bringing empowerment to all levels of society.

There are some who hold the view, as articulated by Motlana, that it is not the responsibility of black business to empower the rest of the black community. Such pressures on the new black corporate sector, they argue, may limit their capacity to enter the commanding heights of the economy.

However, innovative schemes introduced recently — such as the M-Net Phutuma share scheme and the Ikageng share scheme — challenge this notion, by giving ordinary black citizens a slice of the cake through financing arrangements that make it possible for them to become shareholders.

Investments by trade unions, too, would pay out dividends and social benefits to large numbers of workers. However, this is a difficult terrain for unions and they have yet to come up with answers on how to manage conflicts emerging from the dual roles of defending worker rights and growing investments.

Indeed, there is a case for trade unions to insist on joint control of retirement funds and, where such control has been won, to exercise it more professionally.

In the longer run, the challenge facing black empowerment is in developing black expertise to manage and run investments. Moreover, the bigger players, at least, are going to be judged on their contribution to job creation and overall economic growth.

Small businesses awarded 40% of public works projects

(30) (BR) 23/4/97

Christo Volschenk
Economics Editor

Cape Town — Almost half of all contracts for public-sector construction projects awarded by the department of public works in the past two years have gone to small businesses, Jeff Radebe, the public works minister, said yesterday.

In rand terms, almost 40 percent of a total of R488 million awarded for construction projects had gone to small businesses, he said.

Radebe was speaking at the launch of a housing and prison-building project in Malmesbury.

He said the government's so-called affirmative procurement programme had borne fruit in a short period of time.

The programme was aimed at involving small businesses owned by previously disadvantaged people alongside established contractors in construction projects.

"To date, the programme has led to 359 contracts being awarded to small businesses out of a total of 744 contracts. The contracts to small businesses were worth R182 million," he said.

The programme is in line with the green paper on public works released last year which gives the department the task of "transforming the construction industry" to make it more labour-intensive and to promote community-based public works.

The programme rewards private-sector contractors who subcontract to small businesses; who buy materials from small-business suppliers; buy services of professional, technical and managerial service providers who are small businesses; obtain bonds and buy insurance policies from small businesses in the banking sector; and enter into joint-venture agreements with small businesses.

"In this way, we unbundle construction contracts for the maximum participation of small businesses," Radebe said.

"In a short period of time we were able to redirect money to sections of the community which were previously disadvantaged," he said.

Meanwhile, in a debate in parliament yesterday, Sue van der Merwe, an ANC member of parliament, called on large hotel groups to "outsource work to small emerging companies in areas like laundry services, hairdressing and airport transfer services".

South Cross to channel Khula funds to small business in W Cape

(30) ARG 24/4/97

ALIDE DASNOIS
BUSINESS EDITOR

The South Cross Business Development Trust has been chosen as one of the Western Cape channels for small business funding by Khula Enterprise Finance, the private company set up a year ago by the Department of Trade and Industry.

In terms of a renewable agreement just signed, South Cross will be allocated about R1,5 million to lend on to small businesses over two years.

This is the first channel in the Western Cape for Khula's loan scheme, announced in January.

South Cross director Michael Brand said loans of between R500 and R10 000 would be made available to micro businesses in the manufacturing and services sectors only.

Traders would not be eligible for the loans, which would be repaid by South Cross to Khula as payment was received from clients.

Founded in 1991, South Cross targets businesses which do not have the collateral and security required for loans from the commercial banking sector or the Small Business Development Corporation.

So far the organisation has approved 530 loans and provided services, including marketing support, to nearly 2 000 people. More than 80 percent of the clients are women.

"South Cross has been operating for four years and is well established in the townships but it has never been properly capitalised as it now will be with the assistance of Khula," Mr Brand said.

Khula managing director Sizwe Tati said Khula's goal was to identify retail lenders which could channel money to marginalised businesses, women and people in rural areas in line with Government policy.

It would be up to South Cross to set its own qualifying criteria for loans, he said.

Mr Brand said loans would be made for working capital and capital equipment. Applicants should preferably have prior business skills training and a recommendation from a community organisation.

"Any previously disadvantaged person from the peninsula can apply for assistance if they have a clear business plan, budget and cash flow projection and skills to manage the business and produce the product or service," he said.

SMALL BUSINESS *Government battles to get its message across*

Entrepreneur assistance a state secret

CT(BR) 23/4/97 (30)

JABULANI SIKHAKHANE

Johannesburg — Entrepreneurs remained largely unaware of the government's new programmes to assist small, medium and micro enterprises (SMMEs), Phumzile Mlambo-Ngcuka, the deputy minister of trade and industry, said yesterday.

Mlambo-Ngcuka said since the 1995 president's conference on small business, various initiatives, including the filling of the policy vacuum on small business, the creation of Khula Enterprise Finance, and Ntsika Enterprise Promotion Agency had been set up but had not been effectively communicated by the government.

Speaking at the Business Report/Southern Life breakfast briefing yesterday, Mlambo-Ngcuka said it was only last November that Khula, which provides wholesale finance to retail intermediaries, received its R150 million capital.

The Khula board met for the first time in February. Since then, Khula had disbursed R28 million in national credit guarantees to individuals, R1,2 million for capacity building, R33 million for business loans and R3 million in seed loans to intermediaries, said Mlambo-Ngcuka.

Small business urged government to establish a subsidised loan lending scheme, which the department of trade and industry was debating. However, Khula and Ntsika had expressed reluctance on the issue, warning against creating a possible dependency syndrome, Mlambo-Ngcuka said.

Other initiatives under way included the joint project by the departments of trade and industry and public works to provide infrastructure for informal traders. Mlambo-Ngcuka said a pilot project would be launched shortly in Durban.

Mlambo-Ngcuka said entrepreneurs would also benefit from the National Empowerment Fund (NEF), which would be launched soon. The NEF would include a redistribution mechanism, through which shares from privatisation would be warehoused for future distribution; a unit trust scheme to enable the poorest of the poor to participate; and assistance for medium-sized entrepreneurs, especially those from historically disadvantaged communities, with capital to finance growth, Mlambo-Ngcuka said.

She said that despite the agreement between Khula and various major banks regarding the provision of finance to SMMEs, problems were still experienced.

"One would expect banks to take the initiative to communicate the Khula arrangement to their branches. Only the head office of the bank knows about Khula. When people visit branches, the response is Khula doesn't work here," she said.

The ministry of trade and industry had convened a meeting with the banks to discuss the criteria by which banks would be evaluated on their handling of the Khula financing scheme.

She said: "Ironically, the small banks such as the Future Bank have done a lot more than big banks.

"There appears to be a lack of passion and concern for small business, and that applies to government as well."

IN THE OPEN *Phumzile Mlambo-Ngcuka denies government is apathetic towards small business* PHOTO JOHN WOODROOF

Sowetan 24/4/97 (30)

Workers sold out

Saccawu blunder leaves members without basic salaries

By Abdul Milazi

THE South African Commercial Catering and Allied Workers Union (Saccawu) has been accused of signing away the rights of hundreds of workers to Amalgamated Retail Limited (Amrel) in what is probably the biggest blunder yet by a trade union.

When Saccuwa signed an agreement with Amrel, owners of Geen and Richards, Amalgamated Furnishers, Triangle and Fairdeal furniture stores on a new commission structure for debt collectors in February this year, hundreds of its members lost their basic salaries.

They are also now faced with impossible targets of collecting a minimum of R12 000 a month to qualify for R1 200 commission, failing which they could lose their jobs.

Saccawu general secretary Mr Bones Skulu said the agreement was "a blunder on the part of the union's head of collective bargaining, Mr Stanley Mngomezulu, who authorised the signing of the agreement".

"Mngomezulu authorised the negotiating team to sign the agreement without perusing the agreement document. He made the decision on what the members of the negotiating team told him over the telephone."

Skulu said decision-making was Mngomezulu's responsibility whenever top leadership was unavailable, as was the case when the agreement was signed.

The union has appealed for a review of some of the clauses of the agreement but Amrel management will not budge.

Pat Nethonzhe lost his basic salary when Saccawu signed a new agreement on payment with Amrel.

"We have taken the matter to the Commission for Conciliation, Mediation and Arbitration," said Skulu.

Debt collectors who failed to bring in the targeted amount would be "counselled" but would lose their jobs if this happened for six consecutive months. They would also not be earning a salary in that period.

One of these workers, Mr Patrick Nethonzhe (33) of Alexandra, near Sandton, told *Sowetan* that he used to earn R1 896 a month as a basic salary but now he has lost it.

"I thought trade unions were supposed to fight for better wages and working conditions, and not for us to lose the little rights we have," argued Nethonzhe.

Nethonzhe supports his mother, wife and six children on his meagre wages. Now he does not have a penny to feed and clothe them.

One of his colleagues, Mr Simon Mabaso, said he has lost faith in trade unions "after this mess".

"My family is now going to starve because of Saccawu. I know management will never agree to a reversal of the agreement, so the union is wasting its time trying to resolve the issue at the CCMA."

In the agreement Amrel claims that debt collectors will get a R1 200 "guaranteed" basic salary but this is provided they bring in the R12 000 target money.

"Basically we don't have a basic salary. All the other things they say are just rubbish," said Nethonzhe.

According to the agreement document: "As the new guaranteed minimum basic salary is designed to tie in with the new commission structure, it will also only come into effect when the commission earned in March under the new system becomes payable in April."

Black entrepreneurs 'shun manufacturing sector'

BD 25/4/97 (~~180~~) (30)

Patrick Wadula

BLACK economic empowerment in the North West Province is still in its early stages, as only a few black businesses are involved in the manufacturing sector, with most opting for the retail sector.

The chairman of the North West National African Federated Chamber of Commerce and Bophirima Investments, Cyprian Lekoma, said yesterday many opportunities for black business were becoming available through the planned privatisation of state-owned enterprises.

Black business had to identify these and take advantage of them, Lekoma said.

Bophirima Investments recently won a bid to buy the North West Development Corporation's 40% stake in JSE-listed company Yabeng Investment Holdings.

Khoza Management Consultants' Abel Khoza said one of the reasons for the slow progress in empowering blacks in the province was that black entrepreneurs were not enthusiastic about developing businesses in the industrial sector.

Most preferred to concentrate on the retail sector, he said.

But this did not add much to the province's economic growth or create significant numbers of jobs.

The North West Development Corporation has called on black businesses to identify opportunities in the manufacturing sector and approach the corporation for assistance.

The Manpower Development Authority of the province and industrial companies had established a fund to teach schoolchildren basic business principles in the industrial sector.

Golden Arrow Group personnel manager Richard Renick said it was difficult to set up manufacturing plants in the North West as most of the province's manpower was concentrated in the mining region.

In search of the elusive Khula

CT(BR) 25/4/97 (30)

JABULANI SIKHAKHANE
BUSINESS EDITOR

Phumzile Mlambo-Ngcuka, the deputy minister of trade and industry, told an interesting story this week. An aspiring businessman walked into a branch of a large bank and asked about Khula. He got a very curt response: "Khula does not work here".

Mlambo-Ngcuka's story sums up the king-size problem facing government as it tries to transform the small, micro and medium enterprise sector into a dynamic engine for economic growth.

Towards this objective, the government has since 1994 put in place a number of institutions and programmes.

Khula Enterprise Finance is one such institution which the trade and industry department created after having identified access to finance as one of the main obstacles for small business.

Khula, as a wholesale financier, does not lend money directly to small businesses but mobilises and then on-lends the funds to the retail financiers, including banks and non-governmental organisations.

It has a two-pronged approach. One is providing loan guarantees to encourage banks to lend money to small business. The other is assisting the smaller banks and other financiers to source funds which they can then on-lend.

The "Khula does not work here" problem can partly be laid at the commercial banks' door. David Moshapalo, the chairman of the National Small Business Council, an independent but government-funded body, said it was of great concern to the sector that banks' financing units were based at their head offices.

"This results in a serious degree of communication breakdown and loss of trust. The banks must devolve this function to branches if they are to be effective," he said.

Mlambo-Ngcuka and Moshapalo were speaking at a briefing sponsored by Business Report and Southern Life.

Mlambo-Ngcuka said that banks needed a change in mindset. She cited Malaysia as an example where banks "go that extra mile" in assisting small business. "Our banks' risk-analysis lacks something," she said.

The smaller banks and some non-governmental organisations, despite their limited capacity, were doing more than the larger banks. The challenge for the trade and industry department was to assist these banks to change their attitude and develop services for small business, while at the same time help non-governmental organisations and the smaller banks build capacity.

Mlambo-Ngcuka admitted that the government had not been communicating its programmes effectively, and aspiring businessmen would still walk into banks unaware what Khula could, or could not, do for them.

Moshapalo said that Khula had been presented "as the salvation of the small business sector, in particular, for the previously marginalised business". Three years later, however, many people in the small business sector were having difficulty in understanding Khula's role.

"Khula sits in a very difficult position because the access to finance is for us an area which resonates with the discriminatory practices of the past," said Moshapalo, who is also an executive of the Foundation for African Business and Consumer Services, a black business umbrella body.

He said financial institutions were still not keen to provide loan finance "to the largely black small business sector."

The Ntsika Enterprise Promotion Agency, the other government institution which renders non-financial assistance to small business, is another case in point. Ntsika programmes are aimed at market access, training, technology, information, counselling and infrastructure.

Small business had not yet had the full benefits of Ntsika because of the lack of "effective communication", Moshapalo said. "We have heard of a number of initiatives from Ntsika but they all seem not to be linked to a common strategic objective with other stakeholders."

It would be important, Moshapalo said, to align Ntsika's activities with the interests of the sector "as expressed by it rather than as perceived by officials".

The other problem was Khula only received its R150 million seed capital in November last year. It was after its first board meeting in February that Khula began dispersing the funds.

But, as Moshapalo said, the trade and industry department had failed to "effectively manage the transition process".

The Small Business Development Corporation changed its loan and portfolio policy in such a way "that the largely black small and informal business sector was left in a limbo" by the corporation's withdrawal from that market before Khula was in a position to fill the vacuum.

There has also been lack of co-ordination of government policy between the the national, provincial and local governments.

Moshapalo said that the lack of alignment in vision, strategy and implementation of activities led to under-utilisation of budgeted resources.

"Funds not spent are tantamount to development denied," he said.

Mlambo-Ngcuka explained that small business development at the local level had been delayed by the lack of local government infrastructure. It was only now that local economic development forums were unfolding. This year's presidential conference on small business would focus on local economic development.

The department of local government and constitutional affairs had also created a directorate of local economic development.

All in all, Moshapalo said that the small, medium and micro enterprises sector should not be viewed as a social responsibility project, or a political or an affirmative action programme. It was an economic growth imperative, a project that should address the targets set in the Gear (growth, employment and redistribution) strategy.

"It is a project that should, if well managed, be at the forefront of our positioning in international trade. It should begin to introduce the process of creating a nation of capital creators and sustainable job-creators," Moshapalo said.

That dream won't be achieved overnight and would only be realised if Khula, whoever he or she is, were to start working.

Black empowerment and unbundling rule mergers

ST(BT) 27/4/97 (30)

UNBUNDLING and black economic empowerment were the major drivers behind the record R62.2-billion of merger and acquisition activity last year.

There was a hefty 43% rise in the value of merger and acquisition transactions, while the number of disclosed deals was up more than 50% to 276, Ernst & Young's annual merger and acquisition survey shows.

Unbundling accounted for 18% of the total value of deals while economic empowerment accounted for 11%.

There were 18 "mega deals" (over R1-billion) in 1996 valued at R40-billion, or 64.5% of the total. This compared with only five such deals in 1995 valued at R26.3-billion.

The biggest deal of the year was the R6.1-billion restructuring of Anglovaal's mining interests and the second largest was the R5.2-billion unbundling of Genbel. Third was Gencor's acquisition of a larger stake in Alusaf, and fourth was the NBS/Boland banking deal.

There were 45 black empowerment deals valued at R7-billion compared with 23 deals (R12.4-billion) in 1995.

Details of the report and an analysis of the M&A industry is provided in our survey on pages 6 to 9 of the first section of Business Times. A survey on rating agency IBCA appears in the BT Money section on pages 18 to 20.

☐ Business Times will be offering a daily interactive labour service, Business Times Labour Guides, in association with The Labour Consultancy. It will assist you to unravel some of the confusion arising out of labour legislation.

Regular labour law seminars will be hosted on BT Online, starting on May 18. This week's edition carries a brief overview of some of the structures and issues pertinent to the new labour regime. Next week, Labour Guides tackles the minefield of probationary periods for new employees.

You can find the Labour Guides on our homepage: **<www.btimes.co.za>**.

Govt business promotion off to slow start — report

(30) BD 29/4/97

Simon Barber

WASHINGTON — Government's efforts to promote small and medium-sized enterprises (SMMEs) to spur growth and reduce "staggering" unemployment were off to a slow start, a report by the US embassy in Pretoria, released by the commerce department, claimed.

Entities created by Parliament as part of the trade and industry department's SMME initiative to help channel finance, training and advice to SMMEs were not functioning well, it said.

The Ntsika Enterprise Promotion Agency, set up to provide small business with training and market research, was "plagued by mismanagement" and "several staff members have been fired or are under investigation."

Khula Enterprises, established to act as a wholesaler of finance to nongovernmental organisations (NGOs) and banks for on-lending to SMMEs at market rates, was having trouble finding takers for its money. Khula was capitalised at R300m.

The senior financial manager at Khula is quoted as saying his organisation was "quite disappointed" by banks' "poor utilisation" of Khula credit facilities. He said banks "lack the understanding of how SMMEs work and they are afraid to take chances". He noted that bank staff who dealt with small business were "endemically too low on the food chain to have much effect on policy".

Anton Balasuriya, senior consultant to the department's small business directorate, is also quoted as criticising the banks for their lack of interest in SMMEs. "There is a pernicious cultural assumption that only monopolies or oligopolies can succeed."

But Balasuriya was also critical of the department's approach. He told the embassy "the NGOs that government is relying upon are currently unable to manage the work they have been given ... They simply do not have the skill, experience or power to make the necessary changes".

Further, the department "never really concentrated on the measures of success of their programmes ... Little data exists on what is happening at the grassroots level".

The "largest impediments" to the small business sector, the report argued, were "the macroeconomic situation, the banking industry, the tax system, corporate conglomerates, inadequate education and crime".

With the Reserve Bank keeping money tight to combat inflation, banks were reluctant to lend scarce funds to small borrowers. Small loans were less profitable because the transaction costs were relatively higher, "giving banks an excuse to avoid the SMME sector".

"For the haves in SA," says the report, "there is plenty of money to go around. Anglo-American and other large corporations have access (at high interest rates) to all the capital they need and consumer credit is widely available for those with steady incomes and credit histories (mostly whites)".

"The have-nots are essentially where they were 10 years ago, with stokvels and loan sharks as their principal sources of credit."

Microlending NGOs like the Get Ahead Foundation and the Start-up Fund were changing this, the report acknowledged, but they offered only short-term loans of R10 000 or less.

With commercial banks refusing to make business loans of less than R50 000, and then with onerous collateral requirements, there was a "gap" in the availability of funds, "preventing entrepreneurs from starting anything more than a very small business".

"NGOs can have only a limited effect on the major socioeconomic problems government is trying to cope with," the report concludes. "What is needed for the SMME sector is cheap capital, improved credit unions, national loan default protections and a higher official usury rate" which would raise the legal cap on interest rates and stimulate more lending.

New legislation to tighten up the regulations governing close corporations

(30) BD 2/5/97

Belinda Beresford

THE laws governing close corporations (CCs) are to be tightened with the introduction last week in Parliament of the Close Corporations Amendment Bill, 1997. An attorney said the legislation was a "housekeeping bill" designed to subject CCs to the control of some of the regulations faced by companies.

He said close corporations were originally designed to allow members of very small businesses to enjoy the limited liability of a separate legal body, without facing all the legal responsibilities and restrictions of a company.

"Now you have close corporations involved in multimillion-rand deals and projects, and so they need further controls. The act sounds like a palliative for problems which have plagued close corporations that do not plague companies," the attorney said.

The trade and industry department said once the bill was enacted it would be mandatory for all new CCs to get names approved and reserved before registration. This would also apply to existing CCs that wished to change their name.

To "avoid confusion and to enhance consumer and creditor protection", CCs would not be allowed to operate under more than one name, the department said.

The attorney said tightening up the reservation of names for CCs was a "significant measure" which would help prevent people from opening a string of CCs with similar names to make it difficult for creditors to trace them.

The bill will also include an amendment to "substitute the present ineffective provisions" regarding the liquidation and financial difficulties of CCs.

The attorney said when companies run into financial problems, they could be placed under judicial management and under sanction of the courts form compromise schemes with their creditors. In contrast, CCs had to be liquidated if they were in financial trouble, he said.

Other amendments will provide for situations where members meetings are held without a quorum being formed, and will affect the responsibilities and appointment of accounting officers.

The department said the new legislation would also clarify situations when individuals and members were disqualified from participating either directly or indirectly in the management of a CC.

The attorney described this as a "jolly good idea" which would restrain insolvent people from managing CCs indirectly, for example by using the name of a spouse.

Nepa gives R3-m boost to SMMEs

(30) Sowetan 2/5/97

By Shadrack Mashalaba

NTSIKA Enterprise Promotion Agency (Nepa) has to date disbursed R3 million through its Service Provider Interim Grant (SPIG) scheme directed at assisting small, medium and micro enterprises nationally.

The SPIG scheme, says Nepa, aims to ensure that SMME service providers have the capacity necessary to deliver services to SMMEs.

Service providers

The service providers that have been utilised to help SMMEs include Non-Governmental Organisations and a cooperative group of people engaged in helping small businesses.

Lulu Bolani, Nepa public relations officer, says in addition to the SPIG, Nepa launched its Technopreneur Project which is run by various Technikons.

According to Bolani, a pilot project was also launched within the community of Atteridgeville and was proceeding very well.

In addition to education institutions, key Government bodies are also participants in facilitating the Technopreneur Project.

To date 16 Technikons are participating in the project and by 1998 many are expected to participate.

Target groups

Technopreneur Project is targeted at reaching groups such as the unemployed, the retrenched, the unemployed and with low skill levels, youth who have given up school and school leavers.

Training offered through the project is divided into technical skills and entrepreneurial training.

Through Ntsika, the Technikons will be intimately involved in assisting training institutions by offering entrepreneurial advice on course material and training staff.

The training institutions in turn, will monitor the progress of trainees, provide technical support and marketing skills.

Interested people can call 0800 11 38 57 toll-free for more information on Nepa.

Swedes clear up misunderstanding

Sowetan 7/5/97

(30)

THE Swedish International Development Agency stepped in yesterday to resolve the misunderstanding that they have granted R2 million to the Micro Business Chamber.

Sida economic counsellor Carlsson Bengt said although his development agency had granted the African Council of Hawkers Informal Business "a certain amount of money", he was not aware of a relationship between Sida and the MBC.

"It might have happened that members of the MBC, who also share a membership of Achib, have misunderstood the funds we have granted to Achib as those of MBC," said Bengt. "We did not give any funding to the MBC."

Sida's response follows allegations by MBC vice president Livingstone Mantanga that about R2 million, earmarked for MBC, had not been accounted for by the MBC president Lawrence Mavundla.

Mavundla has denied the allegations that his organisation received funds from Sida.

However, he admitted that the MBC had in fact received R43 000 from companies such as Unilever, Pick 'n Pay, Absa and the Anglo American Chairman's Fund.

The allegations are also contained in a report handed to *Sowetan* by Mantanga.

"We have agreements with Achib and not with the MBC," said Bengt. The MBC was launched last year to lobby the Government on policies affecting the informal sector.

Government boost for business women

'DTI project will change role of women in small business'

ARG 8/5/97

BUSINESS EDITOR

The Department of Trade and Industry is to start a drive to boost women's participation in small businesses, according to Alistair Ruiters of the department's Small Business Promotion Centre.

In a speech to this week's International Conference on Women in Small, Medium and Micro Enterprises at the University of Stellenbosch's Centre for Entrepreneurship, Dr Ruiters said the department had set up a gender forum.

This was designed to make women's access easier to all the programmes and incentives run by the department.

An annual work plan had just been finalised, Dr Ruiters said, and "very soon" this would be translated into actions which would make a "lasting impact" on the role of women in small business.

"The structure of business ownership in South Africa illustrates the daunting challenge that faces women," Dr Ruiters said.

Seventy-two percent of micro businesses were owned by women, 36 percent of sewing or clothing businesses, 9,4 percent of manufacturing enterprises and 0,5 percent of building and construction businesses.

Strategies which did not tackle the specific needs of women ran the risk of failure, he said.

Women in rural areas faced unique challenges, while all over the country, traditional stereotypes and attitudes towards women blocked their access to opportunities.

"In most cases, women will not have assets to put down as security in order to access finance.

"It is common practice to expect them to gain approval from their partners in order to access opportunities," Dr Ruiters said.

"In most households, they are always expected to make more sacrifices to keep their families happy.

"And there is a tendency to expect women to demonstrate superwoman qualities in order to gain recognition," he said.

The Government had targeted women for support in its small business promotion strategy, channelled through agencies such as Ntsika, which provided non-financial support, and Khula, for financial support. Apart from the Centre for Small Business Promotion in the department, and the National Small Business Council set up as a watchdog for small business interests, small business desks had been set up in each province's economic affairs department, Dr Ruiters said.

(30)

"Problems such as lack of self-confidence, fear of failure and low self-esteem among women can be attributed to both historical and societal pressures under which women have been and must continue to operate.

"No amount of external interventions by the Government or private sector can successfully eradicate these without the determination and a concerted effort on the part of women themselves."

Nafcoc president Joe Hlongwane said during the opening of the National Industrial Chamber conference that his organisation was faced with the challenge of generating jobs for its members and of being in the forefront to promote SMME development.

SMMEs need to be expanded

(30)

Sowetan 13/5/97

By Shadrack Mashalaba

SMALL, medium and micro enterprises still find themselves battling for their future despite the unfolding political and economic developments in the country.

This was said by Nafcoc president Joe Hlongwane in his address to the National Industrial Chamber's (NIC) seventh annual conference in Johannesburg yesterday.

He said that there was a need for his organisation and its affiliates to be successful participants in the economy.

"We are faced with an acid test: that of turning our dreams into concrete output by generating jobs and profits for members through our programmes.

"It is also our responsibility, as loyal South Africans and champions of SMMEs to rapidly expand the sector in the interests of our country which is severely ravaged by unemployment and crime.

It is in the interest of our land to create jobs because it has been dramatically demonstrated in many countries in the world that large corporations and government are no longer massive job creators," said Hlongwane.

The conference, whose theme was *The role of small, medium and micro enterprises in economic growth – where will we be in the year 2000?*, was officially opened by Greater Johannesburg mayor Isaac Mogase, who said his council's doors were open to SMMEs for tendering.

Hlongwane said his organisation had plans to impact on a number of fronts and these included organising a business sector economic summit to facilitate and promote SMMEs; to restructure Nafcoc nationally and to beef up the membership drive.

Nafcoc also plans to liaise with government, its policy making entities, reach out to the corporate sector through partnerships and spread out contacts which organised business in targeted foreign markets.

NIC president Joe Mogodi said that unions brought business down through their demands, adding, however, that nobody wanted to see the workers exploited.

Mogodi called on the Government to rouse itself and implement policies that would enable small business to help those who did not have jobs. He also said the government had to simplify its laws for people to understand and weed out criminals.

Umbrella body 'will unite black business'

BD 13/5/97 (30)

Shareen Singh

THE recently formed Black Business Council — an umbrella body of black business and professional organisations with the task of accelerating black economic empowerment — will outline its programme of action at a launch this month.

Council founding president Reggie Hlongwane, who also heads the Foundation for African Business and Consumer Services (Fabcos), said yesterday that in future "black business will speak with one voice".

Details of issues the council would address would be outlined at its formal launch on May 30. Deputy President Thabo Mbeki would be guest speaker.

The council consists of key business and professional organisations, including Nafcoc, the Black Management Forum, the Black Lawyers' Association, and the Islamic Chamber. The Black Editors Forum, headed by Enterprise Magazine editor Thami Mazwai, is also a member.

Hlongwane said the organisation's chairman would change every four months.

"We believe this (rotation of leadership) would be a more efficient way of getting things done. Each chairman will have a theme — tackling issues relevant to the period under his term," Hlongwane said.

The council evolved out of discussions begun four years ago.

"We have been concerned for some time that black business is divided and marginalised, and that for us to make any real impact in influencing policies, we need to unite and find common ground and common strategies."

As a result, black business did not exercise much influence at parliamentary level and at the National Economic, Development and Labour Council, he said.

The council was not an investment vehicle, but rather "a measuring cylinder for the collective inputs of black business". It would work to create a climate for healthy competition and enhance participation in the broader economy.

Small business 'getting a raw deal from govt'

(30)

Patrick Wadula

BD 13/5/97

THE National Industrial Chamber, the manufacturing arm of the National African Federated Chamber of Commerce, called on the government yesterday to "wake up" and create a ministerial position for small business promotion.

Addressing the seventh annual conference in Johannesburg, chamber president Joe Mogodi criticised government for losing its way with the provincial small business desks and the trade and industry department's structures.

"There is less financial and other support for the small-firms sector now than there was five years ago," he said.

Government paid "lip service" to the needs of black small business.

Labour and tax laws were more complicated and increasingly hostile, he said.

pooling schemes, the use of electric economy, which would decrease the

Black empowerment must 'underpin partnerships' (30)

Nicola Jenvey

BD 13/5/97

PORT EDWARD — Smart partnerships between governments, business and labour aimed at mobilising economic growth in sub-Saharan Africa had to be underpinned by black economic empowerment, Johnnic chairman Cyril Ramaphosa said yesterday.

He told delegates at the annual congress of the Insurance Institute of SA that the local economy could not grow at the "peril" of its neighbours.

Although several regional economies were growing rapidly, many countries had not implemented significant transfers of economic ownership and control.

The private sector was the agent for implementing an effective black economic empowerment strategy across the continent.

"SA cannot afford to play a domineering role, but must rather be co-operative in promoting Africa's economic development," Ramaphosa said.

Eskom CEO Allen Morgan said only by developing neighbouring economies and providing job opportunities would SA be able to stop "the tide of humanity pouring over the borders".

Ramaphosa said effective black economic empowerment demanded black development within the small, medium and microenterprise sector.

Most consortiums could not afford Johnnic and JCI-sized deals, but small, medium and microenterprises afforded previously disadvantaged people access to job creation and market niches.

McCarthy Group CEO Terry Rosenberg said that the world's gross national product would have increased fourfold by 2017, with a sizeable percentage coming from emerging markets.

"SA business, labour and government must fight to become global competitors rather than allowing the country to become another African statistic.

"The government's proposed 6% per annum growth might appear a heady objective, but the economic components must find ways of reaching that goal," he said.

Both Rosenberg and Ramaphosa said the problem of SA's lack of skills and education had to be resolved, stressing the importance of investing in training the current labour force to reach SA's full economic potential.

"I can forgive the past regime for many injustices, but never for the inadequate education it afforded the majority of SA.

"That regime has blunted SA's potential as a country and as an economy," Ramaphosa said.

Cape painters land R15-m deal

Black small businessmen to paint Saldanha plant

ARG 14/5/97 (30)

THABO MABASO
BUSINESS REPORTER

The Saldanha Steel Project has awarded a R15-million contract to a Cape Town black consortium to paint its steel manufacturing plant.

The consortium of nine painting contractors known as Group 10 Civils will begin painting next week and continue until September next year.

Saldanha steel project director Ben Nel said Group 10 Civils was awarded the contract because it had presented a professional bid.

"We have a commitment to the Western Cape government to utilise emerging small businesses in the construction of the Saldanha project and Group 10 Civils were the perfect choice," Mr Nel told the Cape Argus during a ceremony to mark the signing of the contract.

He said 800 000 sq m of wall needed to be painted after the plant, to be called Corex 2000, had been constructed.

Mr Nel added that to date Saldanha steel had awarded contracts with a combined value of R250 million to black and small businesses.

Group 10 Civils spokesman Stan D'Oliviera said the company had set itself the objective of performing a world class job with regard to product and service management.

Other small black-owned companies would be judged on Group 10 Civils' performance, he said.

"Long after Corex 2000 has been painted and commissioned, this initiative will always be interpreted and remembered as the standard by which all other contracts will be measured. It will occupy a proud place in the history of our country's development," Mr Nel said.

"We were awarded the contract because of a competitive bid and because we demonstrated our technical capacity to execute the job, and we showed an ability to organise our workforce."

The Corex 2000 plant is the second of its kind in South Africa capable of producing liquid iron by using a variety of low-grade coals as fuel. The first plant is at Iscor's Pretoria works.

Western Cape Economic Affairs Minister Chris Nissen, who was also at the signing ceremony, praised Saldanha Steel for awarding the contract to a small black-owned company.

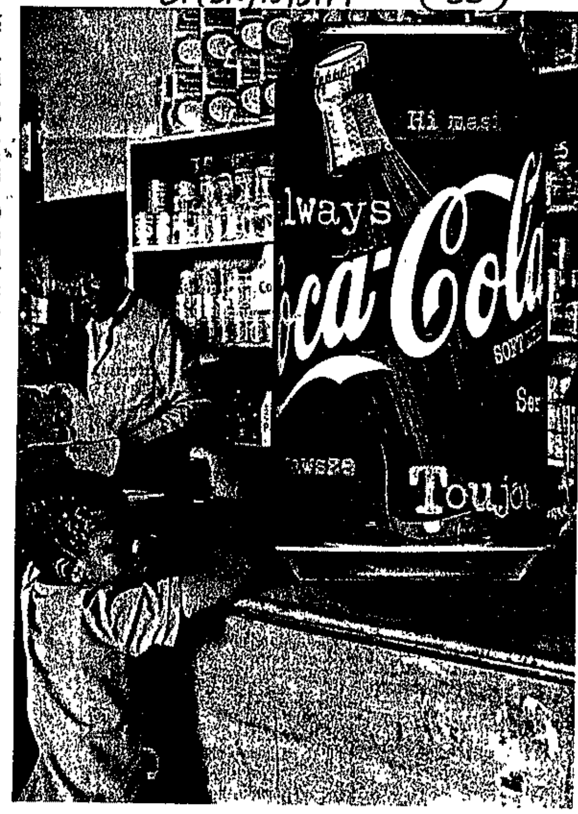
"If there is a company that is a leader of empowerment, then Saldanha Steel is certainly a leader in this field in the province. In many instances, they are even ahead of the provincial government which has a flawed tendering process," Mr Nissen said.

COCA-COLA

Spazas add sparkle

CT(BR) 15/6/97 (30)

Jabulani Sikhakhane
Business Editor



On looking back through her life's rearview mirror, Thuli Sekatane, of Protea North, Soweto, is happy that seven years ago her employer decided to retrench her. Since then she has been running a spaza, an informal retail shop operated from her house.

Sekatane, whose spaza sells 40-50 cases of Coca-Cola's 1,25 litre bottles a week in summer, has another reason to be happy. She and thousands of other spaza owners countrywide will benefit from Coca-Cola Southern Africa's plans to invest R1,25 billion over the next five to seven years.

Spazas, because of their nature and location, are more accessible to consumers than the traditional retail stores. They are also open for longer hours than retail stores.

Spazas are important to Coca-Cola's plans to double its carbonated softdrinks business over the next five to seven years. Last year, consumption of all Coca-Cola's products was 150 8oz bottles a person.

Spazas account for R1 billion or 20,8 percent of the R4,8 billion annual sales of Coca-Cola products at the retail level. In volume terms, Spazas account for 20 percent of Coca-Cola products. The carbonated softdrinks market in South Africa is put at R6 billion a year.

S'bu Mngadi, the director of communications at Coca-Cola Southern Africa, said Coca-Cola aimed to increase volume sales through spaza outlets by 10 percent this year.

Coca-Cola's investment was "focused on enhancing the availability of Coca Cola's brands — particularly in the emerging market". The investment would be in the form of refrigerators (coolers), vending equipment, ice-making machines, training and distribution, the latter being mainly vehicles and warehouses, Mngadi said.

Ron Shepherd, Coca-Cola's cold-drink development manager, said it was important that product was "within an arm's reach of desire".

"In South Africa, Coca-Cola is increasing the frequency of consumption by fully exploiting immediate consumer impulse sales and effectively loading the pantry for future consumption," Shepherd said.

To put spazas into perspective, Coca-Cola has split the South African carbonated softdrinks market into three segments.

First is the developed consumer segment of 6 million people (measured at over 350 8oz bottles a person a year). Then there is the emerging consumer segment (measured at 230 8oz bottles) of some 21 million people, mostly served by spaza shops.

The third segment would be what Coca-Cola terms the "subsistence" consumer segment of 17 million, mostly rural-based, consumers whose consumption is 50 8oz bottles a person a year.

Charlie Frenette, the president of Coca-Cola Southern Africa, said recently that the emerging consumer segment was expected to account for two-thirds of South Africa's spending power by the turn of the century.

Thus, for the foreseeable future Coca-Cola saw most of the growth in carbonated softdrinks consumption coming from the emerging market. Coke had identified spazas as a crucial means of reaching this market.

Coca-Cola has divided the spaza distribution channel into three segments. Level 1 spazas, which account for 60-70 percent of all spazas, are those that sell 195 cases a quarter, or 15 cases a week.

Level 2 spazas, making up the top 20 percent of all spazas, sell 455 cases a quarter, or 35 a week.

Level 3, the top 10 percent of spazas, sell 975 cases a quarter, or 75 a week.

Coca-Cola aims to help spaza owners "grow the contribution of the Coca-Cola brands to the total spaza business", said Frenette.

This would be done by helping spaza owners upgrade the image of their businesses through Coca-Cola signage, refrigeration, storage facilities and training in micro business management.

"By 2002, Coca-Cola's objective is to have doubled the volume of its business for its core brands," Mngadi said.

In this regard, an efficient distribution system is crucial in preventing out-of-stock situations. Hence, Coca-Cola's supply of spazas with disused shipping containers which they can use as warehouses.

Also, some of Coca-Cola's franchise bottlers, like Amalgamated Beverage Industries (ABI), have implemented schemes like the owner-driver scheme whereby the driver owns the truck and works for his own account, selling Coca-Cola products. Other Coca-Cola franchise bottlers, Peninsula Beverages in the Western Cape and Suncrush, which operates in parts of KwaZulu Natal and the Vaal Triangle, also run owner-driver schemes.

Owner-drivers do what is known in the industry as "route-selling". Each owner-driver is allocated a route on which he sells directly from the truck. This method differs from the traditional one whereby a sales representative would take orders before a delivery is made. Coca-Cola is not only focusing on spaza shops; other informal businesses will also benefit from its investment.

For instance, Coca-Cola is in the process of upgrading taxi and bus ranks, like the Baragwanath rank in Soweto, into what Coca-Cola calls a "refreshment zone".

Coca-Cola would supply micro-enterprises operating at the ranks with coolers and ice from ice-making plants. Ranks would be upgraded and "brightened" in Coca-Cola's colours and signage, said Frenette. At another level, Coca-Cola is doing in-depth research to quantify the effect of Coca-Cola's business on the rest of the southern African economy. The findings of the research will be released next month.

"Because of the unique nature of our business, we believe Coca-Cola is a powerful stimulator of empowerment at the microeconomic level. We are working to strengthen our business by strengthening the businesses of hundreds of thousands of South Africa entrepreneurs," Frenette said.

The research is based on similar research in the Philippines which showed that one Philippine peso invested in softdrink production generated an additional three pesos in income.

The similarities between the Philippine and South African carbonated softdrinks markets also extend beyond the demographics. The Philippines also has its own version of the spaza, the so-called "sari-sari" stores.

Black students prepared for careers in business

(30) BD 15/5/97

Nicola Jenvey

DURBAN — A US affirmative action programme, designed to promote capable and aspirant young people, previously disadvantaged to company positions with career-growth potential, is set to be launched in SA by next January following the recent visit by the Inroads programme's CEO and president, Charles Story.

Inroads was launched in the US in 1970 and, through a dedicated relationship between individual companies, young black students and Inroads management, talented students were recruited and trained for careers previously not accessible to them.

Story said the organisation, to which companies contributed an annual $3 500 subscription for each student sponsored, facilitated the education and development of students from about the age of 17.

Recruits entered the Inroads programme between their final school year and second-year university, and were given extensive tutorial training, weekend studying, holiday work with the company and a "dedicated social responsibility". This put back into the communities some of the knowledge and experience gained through their new-found opportunities.

However, Story said that until the early 1980s, students were recruited nearly two years before finishing school to tackle the educational gaps caused by disadvantaged tutelage. This was possibly the approach required in SA during the initial years.

The timing of this month's visit by Story and Inroads vice-president and national accounts manager Michael Holmes was significant in terms of the pending employment equity legislation and its recently published research findings demonstrating that businesses were making slow progress with affirmative action.

"Inroads was established to deal with this problem. The programme prepares students for business careers, while also providing companies with a pipeline of talented and well-prepared prospective employees," Story said.

He said that since beginning, Inroads had survived and prospered due to its firm foundation built on truth, a vision and hard-working individuals.

Holmes believed an Inroads in SA would bridge the gap between the corporate sector and talented youth from previously disadvantaged communities. Companies could identify and develop students into potential future employees through Inroads's training, counselling and holiday jobs plan.

Banks 'should be supportive of small business'

CT(BR) 15/5/97

(30)

NCABA HLOPHE

Johannesburg — Attitudes at financial institutions needed to be changed so that loan finance schemes for small- and medium-sized enterprises were successful, Willie Holl, the marketing manager for small- and medium-sized enterprises at First National Bank (FNB), said last week.

He said the success of such schemes hinged on a combination of changing the mindsets of bank managers and creating awareness among the intended beneficiaries.

Commercial banks are becoming increasingly involved in making loans available to the small- and medium-sized sector, in conjunction with the Khula Finance Corporation (KFC), a government initiative to promote finance for small business.

The government has been considering measures to encourage banks to increase their role in this sector.

FNB, in addition to its participation in the KFC, runs two loan guarantee schemes, backed respectively by the US and the Danish governments. Another scheme is in the process of being established, Holl said.

Standard Bank has employed new staff in a bid to market its scheme to small- and medium-sized enterprises.

Alan Mukoki, the head of Nedbank's Ned Enterprise section, said KFC could help achieve better understanding of a sector that was beset with problems of inadequate managerial and technological skills.

He said the need for changed attitudes was part of the process of achieving the upliftment of the small business sector, which was normally considered a high-risk area by commercial banks.

IN BRIEF

R55m to be spent on 3 000 new small enterprises

(30)

PROVINCIAL development finance agency KwaZulu-Natal Finance and Investment Corporation would spend R55m establishing nearly 3 000 new small, medium and microenterprises during the current financial year, the organisation said yesterday.

BD 16/5/97

Corporation business loans executive Robert Ngcobo said continuing interest by emergent entrepreneurs in this sector was "a small business renaissance" after a recent and prolonged difficult period when political and other violence meant new business establishments declined.

He was greatly encouraged by the announcement of economic affairs and tourism MEC Jacob Zuma, during his parliamentary budget speech, that a trust fund for emergent entrepreneurs previously affected by violence was being established.

The corporation had aimed at providing loan finance to 2 100 entrepreneurs during 1996/97, but this figure increased to 3 839, translating into 14,5 new enterprises each working day. Ngcobo said this had been the result of an unprecedented demand for micro business loans.

Tendering aid for small businesses

Six advice centres in W Cape

ARG 17/5/97

(30)

THABO MABASO
BUSINESS REPORTER

The Government is to bolster its services to small business with the opening of 30 new advice centres where entrepreneurs can find out how to bid for a slice of the enormous state procurement market.

Speaking in Johannesburg yesterday, Kate Moloto chief executive officer of the Department of Trade and Industry's enterprise promotion agency Ntsika, said the centres would be open by the end of September. Six will be in the Western Cape.

Two non-governmental organisations in Cape Town are already acting as advice centres for tendering: the Business Opportunities Network (BON) in the city centre, and the Cape Town Job Creation Project at the Small Business Development Corporation centre in Philippi.

Launching a booklet designed to help small businesses find their way round the Government tendering system, Ms Moloto said Government was the single largest buyer of goods and services.

It was a critical market for small, medium and micro enterprises (SMMEs).

The launch of the booklet comes eight months after the state tendering policies and procedures were overhauled by Finance Minister Trevor Manuel in order to be more responsive to the needs of small and previously disadvantaged businesses.

In terms of the 10-point plan announced by Mr Manuel, the state Tender Board must take into account not only the price of the tender but also the composition, by colour and gender, of the tendering company when evaluating contracts.

Companies that promote the principles of the Reconstruction and Development Programme (RDP) are also to be favoured.

In time the Tender Board is to disappear, according to a Green Paper published last month, leaving the responsibility of compliance with state tender policy to Government institutions.

Releasing the Green Paper as a joint initiative between the Departments of Finance and Public Works, Mr Manuel said the tendering system should be standardised across the country.

In the Western Cape provincial contracts are estimated at R400 million a year.

Ms Moloto said the advice centres would focus on making small businesses aware of opportunities in the Government tendering system, showing them how to respond timeously to going tenders, training and counselling them about tendering process.

The centres would also compile a database of all small businesses.

"National government alone spends R60 million a year in goods and services. Our goal is to ensure that small business joins the supplier chain for these goods and services," she said.

Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka told the launch that she hoped the booklet would do away with the headaches caused by the Government's often complicated tendering process.

"The Government needs to go an extra mile, it cannot fold its arms and let the issue of tendering be solved by market forces.

"Through Ntsika, the Government has the responsibility to bring small businesses into the conventional mainstream economy," she said.

Khula managing director Sizwe Tati (left) and Get Ahead Foundation managing director Don MacRobert (extreme right) pictured with officials of both organisations at the signing of a R12 million contract between the two companies.

(30)

More loans for small businesses

Sowetan 22/5/97

By Shadrack Mashalaba

KHULA Enterprise Finance – a Government-created wholesale financing organisation – has signed a R12 million contract with Get Ahead Financial Services to boost its lending capacity.

The loan will enable the organisation to expand its operations and make more loans available to micro-entrepreneurs. The loan will also enable it to improve infrastructural factors such as its management information systems.

It will also help Get Ahead to reach its objective of creating and sustaining 50 000 jobs in the coming year.

So far Get Ahead has reached out to more than 60 000 borrowers and created more than 100 000 jobs, the organisation said in a statement.

Khula was formed after a Presidential Summit on small business aimed at setting up mechanisms to assist small businesses.

Khula chief executive Sizwe Tati said his organisation is delighted to be involved with Get Ahead, one of the biggest NGOs lending to micro-entrepreneurs.

"Get Ahead is unique in that it focuses primarily on micro-entrepreneurs, the market segment considered the most risky by traditional banks," says Tati.

"We feel that Get Ahead deserves our support and our aim is to see them growing even bigger, maybe even becoming a micro-bank."

Innovative solutions

Get Ahead Financial Services, which was started in the 1980s as a section 21 company, is a pioneer when it comes to innovative solutions in promoting the development of small entrepreneurs.

Commenting on the contract, the organisation's joint managing directors Mpumzi Pupuma and Don MacRobert, stressed that they wanted to increase Get Ahead's lending activities and thereby become self-sufficient.

They said the partnership with Khula was a tremendously exciting development for Get Ahead Financial Services and the country as a whole.

Khula not reaching SMMEs

Sowetan 23/6/97

By Shadrack Mashalaba

KHULA Finance Enterprise – a wholesale finance institution created by the Department of Trade and Industry – said it was not reaching out to SMMEs on the scale it would like.

Khula Finance Enterprise chief executive Sizwe Tati said his organisation continued to get complaints from small businesses that they were being turned away by some financial institutions.

Tati was addressing the Franchise Association of South Africa (FASA) sponsored black economic development seminar entitled: *Franchising and the Developing World.*

Tati said the challenge of capacity building faced by small entrepreneurs could be solved by franchising.

This route had proved to be successful.

"In promoting franchising we need to leverage and mobilise capital from both the private and public sector and improve the general infrastructure, particularly in the rural areas".

Tati said factors such as the economic environment in which franchisees operated, demographics, socio-cultural factors and technology were having an impact on franchising.

Addressing the delegates, Deputy Minister of Trade and Industry Phumzille Mlambo-Ngcuka said the state of SMMEs in South Africa was disappointing.

Govt's plan for SMMEs

To boost the entry of small and medium-sized enterprises into the mainstream economy, the Government formed Ntsika, explains **Kate Moloto.** (30)

Sowetan 22/5/97

Kate Moloto is chief executive officer of Ntsika, an agency of the Department of Trade and Industry, which is helping to promote small businesses.

FEW WILL ARGUE that the political *uhuru* attained in 1994 needed to be followed up by concrete economic changes to effectively improve the lives of the masses in South Africa.

In order to make inroads into such a huge task, the new Government undertook many steps, including designing policies to boost small businesses so that they could develop and become fully-fledged businesses.

The establishment of Ntsika Enterprise Promotion Agency was one of many initiatives that were set up by Government to promote the cause of small businesses.

It has already initiated several projects, including the Technopreneur Project.

This is an alliance between Ntsika, technikons, technical colleges and key Government agencies.

Like Ntsika's other projects, the key goals of the Technopreneur Project is the empowerment and provision of skills to unemployed people.

The Government's commitment to the SMMEs (small and medium-sized enterprises) is demonstrated in the 10-point interim Government procurement plan, that was formulated after the high-powered 1995 conference on Small Business Development in Durban.

Currently, a Green Paper on procurement is fashioning policies that will further ease things for small businesses. For example, the state Tender Boards are required to implement policies that favour formerly disadvantaged business people.

However, as in other fields, the Government's noble intentions are being blocked by certain legacies of apartheid such as small businesses from areas like Alexandra, Katlehong or Guguletu not finding the Government's tendering process user-friendly.

In fact, they find the process so complex that they give up prematurely. This situation is not only dangerous, but self-defeating.

In economic doldrums

The small businesses lose out on lucrative Government markets and thereby remain in the economic doldrums or become content just with running small operations.

But Ntsika plans to break that vicious cycle. We want to facilitate the entry of small business people into the mainstream economy. For the small business to succeed, they should tender for lucrative Government contracts.

In many countries, the Government is the biggest buyer of goods and services. Our Government spends about R60 billion annually. Clearly, this market is too big to be ignored by small businesses.

Unlike in the past, it no longer has to be the preserve of certain companies while others languish on the sidelines. If the Government were to ignore that anomalous situation, it would be betraying its own promise to small businesses.

But the main snag is that most small businesses are stumped by the Government's tendering process. More often than not, they find it too complicated.

Last Friday, Ntsika launched the handbook, *Procurement Guidelines for the SMMEs and Services Provider* to rectify this anomaly.

It also published an abridged version, which is user-friendly and accompanied by graphics so that SMMEs can understand the message.

The compilation of these books followed nationwide workshops that were attended by various stakeholders, including small business people and Tender Board officials.

To ensure that the support system for the small business is always strong, Ntsika has also facilitated the establishment of Tender Advice Centres (TAC), which act as constant sources of help for small businesses.

These TACs are not new structures, but are upgraded non-governmental organisations that are already operating in the field of small business. This helps to save resources.

As the name suggests, its main objectives is to demystify the tendering process for SMMEs through providing general information, training and counselling on tendering – before and after the process.

Those who get the contracts will be helped to source material or raise the necessary finances so that they can deliver on their contracts. In order to buttress the centres, Ntsika has implemented a capacity building programme so that the TACs are always at hand to assist the small businesses in their own areas.

So far, there are 12 TACs and Ntsika expects that by September, 30 TACs will be up and running.

In June, Ntsika will organise workshops across the nation to elicit comments from small businesses and service providers on the tendering process.

Procurement programmes

Ntsika hopes that the fruits of the launch of these procurement programmes will be that 10% of Government contracts will go to the small businesses by the end of the 1998 financial year.

We are aware that this is a huge task but we are confident that we won't fail.

Close cooperation with critical stakeholders, such as the private sector, is important to ensure success of the battle to boost small businesses.

(The writer is the Chief Executive Officer of Ntsika Enterprise Promotion Agency, an implementing agency of the Department of Trade and Industry.)

Government contracts 'aiding disadvantaged'

Robyn Chalmers

(30)

BD 28/5/97

PREVIOUSLY disadvantaged contractors and small, medium and micro enterprises are winning a significant portion of government contracts under the affirmative procurement policy, says Public Works Minister Jeff Radebe.

Radebe said at a conference on government tenders yesterday that of the 744 contracts awarded to date, 359 went to enterprises accorded the status of affirmable business enterprises.

He said the principles of the affirmative procurement policy were tested recently with the construction of the Malmesbury Prison and Housing Project which cost R173m, of which more than R61m went directly to previously disadvantaged contractors.

Radebe said a system that had a number of central features was needed, including access to tendering information and the simplification of tender documentation, the unbundling of contracts and promoting employment-intensive practices.

The recently launched green paper on procurement reforms provided government with the opportunity to make a meaningful contribution to the transformation of tender processes.

The green paper proposed a national procurement framework to ensure there was uniformity in tender procedures, policies and control measures, along with a number of other institutional reforms, aimed at good governance in procurement.

The department's director-general Sivi Gounden said measures were being taken to tackle corruption.

These included a code of conduct for procurement officers, a "whistleblower" system whereby officers could inform on others and a register of service providers.

New IT organisation launched

(30) BD 28/5/97

Patrick Wadula

BLACK electronics and computer industry professionals and entrepreneurs yesterday teamed up to launch the Black Information Technology Forum (BITF), while the Black Information Technology Empowerment Consortium has been set up as its business arm.

At the launch in Johannesburg, BITF chairman Zeth Malele said the forum, which would soon embark on a recruitment drive, was formed to strive for a meaningful participation of blacks in the information technology industry.

The forum, an association of black professionals, executives and entrepreneurs, aimed to become an empowerment movement for the benefit of all in the information technology industry, he said. "Technology-based industries have the least participation by blacks," said Malele.

The BITF would develop and promote awareness of information technology and it would also facilitate business and technical skills transfer for its members.

The forum would also contribute to the previously disadvantaged information society and the creation of information technology policy environment conducive to empowerment.

"Black economic empowerment, if targeted correctly and supported appropriately, is a viable strategy that could produce benefits in the short to medium term," he said.

Malele said with the support of the key industry players, development of black entrepreneurs could become a reality.

BITF has set up the consortium aimed at assisting previously disadvantaged information technology companies to buy equipment at a discount, and at lobbying government and parastatals for their business.

BITF executive treasurer Shidaan Bhayed said members of the consortium would not necessarily be members of the BITF, but a consortium member had to contribute R10 000.

He said those without the financial ability would be assisted by banks.

"This money will initially be used to set up a buying house for BITF members," he said.

Bhayed said established information technology firms including Compaq, IBM, Novell, Acer and Microsoft were willing to work with BITF in supplying it with products for the buying house.

He said negotiations were at an advanced stage with Transnet, Eskom and Telkom for business.

JCI now firmly in black hands

CT(BR)28/6/97 (30)

Matt Getz

Johannesburg — JCI, the world's sixth-largest mining group, was placed firmly in black hands yesterday through a series of transactions involving Brett Kebble's Consolidated Mining Corporation (CMC), NK Properties, a property loan stock company, and Witwatersrand Nigel, a mine formerly in CMC's stable, Dennis Tucker, an adviser to NKP and CMC, said yesterday.

CMC and SBC Warburg, the investment bank involved in the transactions, said yesterday that CMC and Khumalo Holdings would reverse into NKP. The two companies would together own 20 percent of NKP, but Khumalo Holdings would have control of the company. Khumalo Holdings is run by Mzi Khumalo, the chairman of JCI.

At the same time, NKP would buy 28,4 million shares in Saflife, giving it control of 34,9 percent of the insurance company-turned-investment holding company, which was used as a vehicle to gain control of JCI and Capital Alliance, the financial services group.

Saflife will then be 55 percent-held by black empowerment groups, because JCI holds 13,5 percent and African Mining Group (AMG) will hold 6,5 percent.

IN ON THE DEAL *Brett Kebble, chairman of CMC* PHOTO SELWYN TAIT

The AMG stake comes from the other leg of the deal, involving Wit Nigel. AMG, which represents a number of black interests, will buy 67,3 percent of Wit Nigel from CMC and NKP. Apart from its stake in Saflife, Wit Nigel will also have the option to buy 4,9 percent of JCI.

"The rationale for the deal is to provide a black empowerment vehicle to facilitate the restructuring of the South African mining industry and take advantage of opportunities in the rest of Africa," Tucker said.

Alexander Wilmot-Sitwell, the head of corporate finance at SBC, said the reorganisation would reposition NKP as a mining company with a market capitalisation of about R3 billion. He said Khumalo would restructure the boards of NKP and JCI.

"When we set off with the deal, there was some scepticism," he said.

"But these transaction clearly demonstrate that we have achieved genuine black control with broad institutional support."

Khumalo said the deal would be the first of a series of transactions shaking up the mining industry.

□ Business Watch, Page 2

Fund to take equity stake in Telkom

Disadvantaged to benefit from government fund

CT(BR) 28/5/97 (30)

JABULANI SIKHAKHANE

Johannesburg — The multi-billion rand National Empowerment Fund (NEF) would be launched by the government in October as a three-pronged vehicle to spread the benefits of economic empowerment to the poorest section of historically disadvantaged communities, Phumzile Mlambo-Ngcuka, the deputy minister of trade and industry, said yesterday.

She said one of the NEF's first investments would be an equity stake in Telkom, the telecommunications group, of which the government recently sold 30 percent.

Connie Molusi, a spokesman for the communications department, said 10 percent of Telkom had been reserved for economic empowerment purposes.

Mlambo-Ngcuka said the government would offer the NEF equity stakes in "restructured entities at discount" and deferred payment terms, and would contribute seed capital to fund the marketing and education programmes, and to diversify the fund's portfolio.

The NEF would aim to empower and build the capacity of historically disadvantaged people and banks, professional firms and fund management companies owned by the historically disadvantaged. "The NEF would also aim to encourage wide ownership and encourage savings among (them)," Mlambo-Ngcuka said.

The key element of the fund would be the investment trust, which would be a permanent vehicle to enable the disadvantaged to buy indirectly into privatised, unbundling and other companies.

Mlambo-Ngcuka said the investment trust would have a diversified portfolio of investments, striking a balance between immediate income-generating investments and those that would offer capital growth.

The fund could participate in the unbundling of large corporations, she said, adding that the NEF would want to encourage unbundling companies to offer a percentage of the shares in the unbundled units to the fund.

The second arm of the NEF would be a "warehousing trust", which would hold equity stakes in restructured parastatals until these were sold to companies owned by the historically disadvantaged. A portion of the NEF's stake in Telkom would be warehoused for sale later.

The cash realised by the warehousing trust would either be passed on to the investment trust for further investment or paid to the government.

The third leg of the NEF would be an entrepreneurial fund that would acquire equity stakes in small and medium enterprises owned by the disadvantaged.

Mlambo-Ngcuka said the aim of the entrepreneurial fund was to "fast-track the creation of excellent and world-class" companies owned by the historically disadvantaged.

nough capital in South Africa. That's ... As ...

Govt establishes funds to empower the disadvantaged

(30) Sowetan 29/5/97

TRADE and Industry Deputy Minister Mr Phumzile Mlambo-Ngcuka has announced the establishment of the Government's National Empowerment Funds aimed at empowering historically disadvantaged communities.

The NEF announcement on Tuesday comes after months of strategic preparations by the Government and the Industrial Development Corporation (IDC).

The funds, called Unit Investment Trust, Warehousing Trust and Entrepreneurship Trust, are expected to be launched officially in October.

The Unit Trust is meant for small investors who will get a chance to buy into state-owned institutions such as Eskom, Aventura and Telkom – where a 20 percent share has been put aside.

The Warehousing Trust will be a temporary trust which will target groups such as stokvels and burial societies from the disadvantaged communities. The Entrepreneurship Trust is earmarked to fast-track the creation of historically disadvantaged companies and it will operate like IDC through acquisition of equity.

Mlambo-Ngcuka said the funds were aimed at empowerment and capacity building of the disadvantaged.

"The funds will precipitate wide ownership in the economy and encourage savings among the disadvantaged population, which is desperately needed. The trusts are not welfare but an opportunity for the disadvantaged communities to empower themselves.

"The funds will be guaranteed for a limited period of time and thereafter will be subjected to the operation of an open market. The funds will also be subjected to Government participation, which in turn will employ credible managers who will include the participation of the disadvantaged people to manage the funds," Mlambo-Ngcuka said.

Among the institutions to be used in selling the funds are post offices and banks.

Liquor traders divided

Sowetan 29/5/97 (30)

The SAB have already shut down at least 50 taverns

By Isaac Moledi

THERE APPEAR TO be serious divisions that threaten to break up Nafcoc's affiliation with the South African Liquor Traders Association.

The rift became public this week when one of its strongest branches, the Soweto branch – in open defiance of Salta –, demonstrated against the South African Breweries.

They were protesting against the beer giant's threat to shut down taverns that were not paying their debts "fast enough".

Before the demonstration on Tuesday, Salta apparently issued a warning to the Soweto branch – led by its chairman, Churchill Mrasi, not to demonstrate against the SAB as this would jeopardise negotiations with them.

But the branch, comprising taverners and bottle store owners mainly from Soweto, went ahead and marched on the premises of the SAB head office in Sandton, Johannesburg.

The demonstrators demanded that the brewery start fresh negotiations with offending taverners to establish a credit forum to deal with payment problems.

They handed over a list of demands to SAB management in which they requested SAB to meet their demands in a week' time, or face a boycott of its products in Soweto and surrounding townships.

Marchers said the SAB was sequestrating taverners and forcing owners to close because of payment defaults on liquor purchases.

Mrasi put the blame for taverners exceeding their credit limits on SAB credit managers, who he said "pumped the taverners with liquor, even when they could not pay for stock".

Mislead

"The managers made them sign acknowledgments of debt with no explanation of how the credit system worked, and told them it was only a trading document," Mrasi claimed.

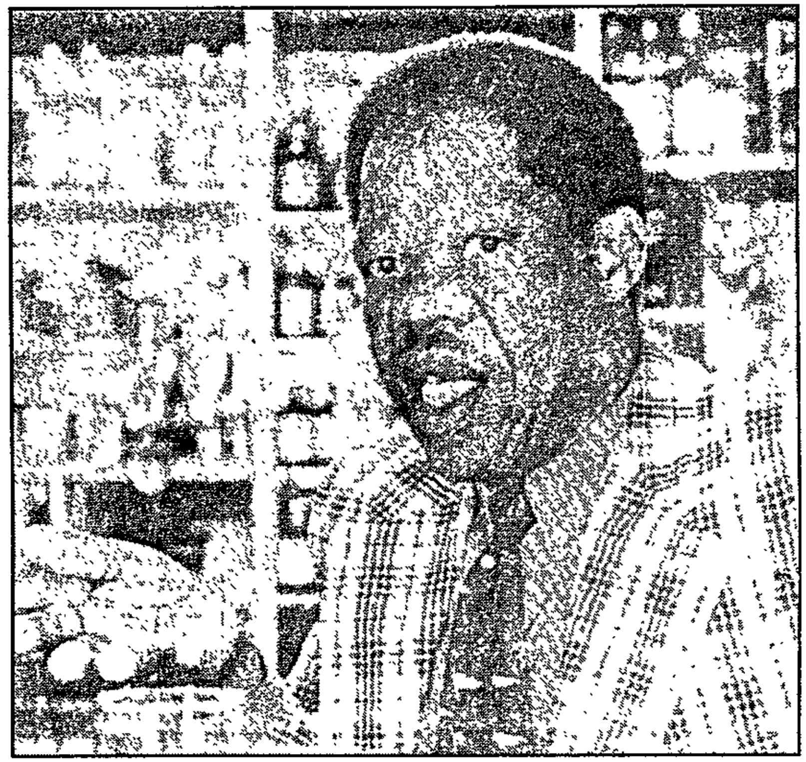
"SAB is now demanding payment and has already shut down at least 50 taverns in Soweto, Krugersdorp and Pretoria."

'Branch defied Salta and marched on SAB offices'

At a Press conference at Nafcoc offices in Johannesburg on Tuesday, Salta's executive disassociated itself with all media statements by the branch, including a Press conference Mrasi called in April where plans to boycott SAB and stage protests was announced.

"We disassociate ourselves from the recent statements and actions by a few Soweto members against SAB, including the march planned for May 27," said a statement read by Salta deputy president Miles Dibakoane.

Dibakoane said they found the branch's criticism of the SAB unfounded and unjustified.



Chairman of the Soweto branch of Salta Churchill Mrasi claims that Salta national executive was representing itself and not members.

"We acknowledge the SAB's right to collect debt and further acknowledge the SAB's *bona fides* in endeavouring to rehabilitate defaulters where possible."

However, Mrasi said Dibakoane – an Eastern Cape taverners' representative – did not understand events in Gauteng, and denied that the marchers came from areas such as Soweto only.

He accused Salta's national executive of representing themselves as their term of office had expired. "I do not know who they think they represent because Salta's council passed a vote of no confidence in the executive at the Soshanguve conference in April," Mrasi said.

CAPE ARGUS, FRIDAY, MAY 30, 1997

Black empowerment concept 'not working'

(30)

Only a few individuals benefiting

ARGT 30/5/97

THABO MABASO
BUSINESS REPORTER

Black delegates at a one-day conference on black economic empowerment have called for a review of the concept because, they said, only a few individuals were benefiting.

Delegates told a conference that for black economic empowerment to succeed, big corporations had to look beyond enriching a few individuals from previously disadvantaged communities.

Property developer Moeletsi Mbeki, brother of Deputy President Thabo Mbeki, said for black empowerment to succeed blacks had to have a hold over the economy.

"Big business' version of black economic empowerment is meant to defend it and not to open up opportunities in the economy," he said.

'The people who have benefited are no longer talking about a living wage, housing and solving unemployment'

Mr Mbeki criticised government privatisation programmes which he said transferred the state's responsibility to ease black people's entrance into the mainstream economy.

"If the state moves out and big business provides the service, then they will make sure they become the only significant players in the economy."

Bokomo senior executive Mphefo Ramutloa also criticised the way black economic empowerment was defined.

"The most important thing, which is the transfer of skills, has not happened," Mr Ramutloa said.

"The people who have benefited are no longer talking about a living wage, housing and solving unemployment.

"If black economic empowerment doesn't address these issues, then the hell with it."

Fatima Allie, deputy head of the University Stellenbosch Centre for Entrepreneurship, said the focus should be personal empowerment.

"Economic empowerment should make people self-reliant and give them skills and ability," she said.

Ms Allie said at the moment all that was happening was "plastering cracks" without making any real difference to people on the ground.

BLACK BUSINESS

Mbeki blesses black lobby group

FM 30/5/97 (30)

Black business and professional groups will form a 'club' this week to bolster their business ties with government

Behind-the-scenes moves and a heavy dose of scolding by Deputy President Thabo Mbeki will see his dream of a giant, black business and professional lobby group realised this week.

He and President Nelson Mandela will be the keynote speakers at the launch of the Black Business Council (BBC) in Johannesburg on Friday.

Mbeki has often said he wants to see the fractious black business sector speak with one voice.

Though organisers say it is not an African "broederbond" — it has a constitution and its proceedings are open to public scrutiny — the new body focuses its agenda on strengthening ties between government and its 10 black business and professional member organisations.

The present BBC chairman is Foundation of African Business and Consumer Services (Fabcos) boss Reggie Hlongwane.

Among the member organisations are the National African Federated Chambers of Commerce (Nafcoc), the Black Management Forum (BMF), the Association of Black Accountants of SA, the Black Editors' Forum (BEF) and the National Black Business Caucus (NBBC).

The chairmanship rotates among the leaders of the organisations, including Nafcoc boss Joe Hlongwane, media personality Thami Mazwai and the BMF's Lot Ndlovu.

The council says its main aim is to "promote black economic empowerment through engaging actively in the political and economic restructuring of the SA economy."

This includes "presenting a unified voice to communicate the needs and aspirations of its member organisations and researching and presenting programmes on black economic empowerment."

Mbeki's special adviser and high-ranking leader of the Azanian People's Organisation, Mojanku Gumbi, says Mbeki's office has no formal links with the group except that he has been invited to launch it.

But business sources say the body arose in response to Mbeki's exasperation with black business not getting its act together, particularly in defence of its own interests.

BBC management committee chairman David Moshapalo says Mbeki has spoken to the different organisations "collectively and individually" to get them together. He has also approached individual business leaders to ensure that the project succeeds.

"The problems manifested themselves particularly when there were issues like tendering for government work or going on overseas trips with any one of the Ministers," says Moshapalo. "They never knew who black business was, who to talk to."

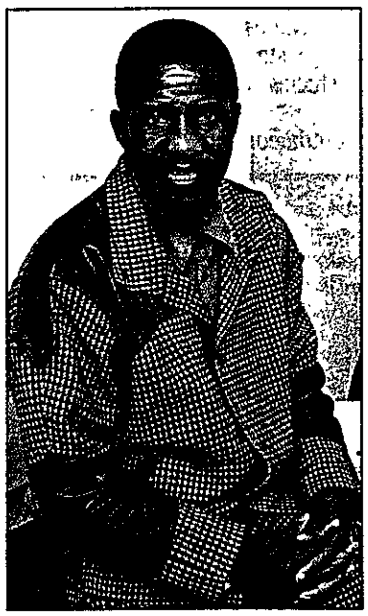
He says Mandela has also chided the organisations on several occasions for a lack of unity.

"Mbeki has always made it clear that he would like to see us coming together in this way. Now he knows who to come to."

But concerns are also being expressed about the racial exclusivity of the council. While it does not expressly forbid any organisation from joining, a substantial black interest is a necessity.

For example, "a class of membership is extended to business organisations in which blacks own 45% or more of its issued share capital."

The concern being expressed is that it may lead to the creation of an elite club of blacks who are favoured by government. It is feared that the council may end up being the breeding ground for smaller, more secretive units like the proposed Africanbond which made headlines last year.



Fabcos's Hlongwane . . . chairing black drive for State business

That organisation, made up of prominent business leaders, met secretly to "share experiences" to help promote black advancement. Ndlovu was on its guest list, and Mazwai said at the time that though he was not at the meeting he associated himself fully with the sentiments expressed there.

Moshapalo says the BBC has no links with the Africanbond.

SA Chamber of Business senior economist Bill Lacey says any move to get business speaking with one voice is to be welcomed. "We have been divided for far too

P.T.O

long and any move towards some kind of unity is good."

He says he does not see anything particularly ominous in or wrong with the fact that the council is exclusively black. After all, he says, white people can belong to Nafcoc and Fabcos.

The BBC's constitution says it will lobby government to change current thinking on tender procedures, for example, and put more emphasis on granting government projects to blacks.

It will engage "government, corporate SA and other stakeholders on issues of black economic empowerment."

The council will also "participate in drafting appropriate legislation to create an enabling environment" for black business.

Moshapalo says "the black business voice has never been co-ordinated." He hopes the BBC will ring the changes. **Justice Malala**

POLICE STATIONS FM 30/5/97

A breakdown in management

(251)

A study finds bad management, not staff shortages, hobbles city police

The Pietersburg police forum was so incensed about poor policing in the town that it hired a management consultancy to look into causes and recommend remedies for the problem.

The two-week time and motion study found that, contrary to police claims, the precinct had more than enough staff and equipment. Usage of police vehicles was at only 61% of capacity.

The main problems were: outdated management processes, inefficient use of resources, outdated technology, lack of accountability, inadequate planning and low morale at all levels of management.

"The good news," says Krestahague consultancy director Laurie Searle, "is that it would be possible to boost performance of the station quickly without adding staff."

Yet, a few weeks earlier, a provincial police management services group recommended that an extra 130 police officials be brought in to complement the station's 309.

The consultancy found that detectives could not account for 38% of their time at work and spent only 13% of the time investigating crimes (see graph).

Fewer than one in 10 cases ever reached the courts.

Six officers staffed the radio control room at any time, answering an average of 29 crime calls a day. For half of those calls, it took four hours or more for investigators to respond (see graph).

The officers made no distinction between emergency and less urgent calls — all reports were logged in the same way.

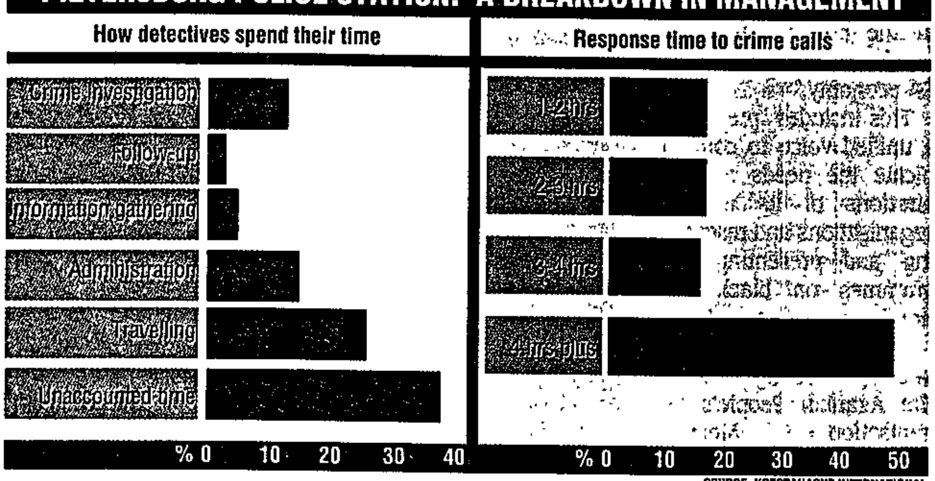
Nearly 80% of the police officers said they knew they were under-performing. About two-thirds of those questioned said they believed their performances could be improved by more than 40%.

A spot check of officers on patrol showed that only 42% were in the area assigned to them, 46% were outside of their beats and 12% couldn't be found.

Morning parades were generally unstructured, personnel arrived late (some not at all) and none of the active police officers wore their uniforms, the study found.

The Pietersburg police forum and the consultancy now want to press ahead with an upgrading programme. When last heard from, they were trying to secure a meeting with newly appointed Police CEO Meyer Kahn. **Peter Honey**

PIETERSBURG POLICE STATION: A BREAKDOWN IN MANAGEMENT



SOURCE: KRESTAHAGUE INTERNATIONAL

MPUMALANGA HOUSING DEBACLE

Phosa hits at 'gravy' stain

FM 30/5/97

'No scandal province this, says premier who fights corruption'

"This is not a province of scandal, but one which fights corruption," said Mpumalanga premier Mathews Phosa, informing the *FM* on Tuesday that the province's housing board chairman, Saths Moodley, had resigned at the request of housing MEC Craig Padayachee.

It was part of the continuing controversy over the R185m rural housing project awarded to Motheo Construction, over which national housing DG Billy Cobbett has decided to quit in a fight with Housing Minister Sankie Mthembi-Mahanyele.

Phosa said Padayachee had also given Motheo director and housing board member Job Mthombeni 24 hours to resign from the board, whose activities have now been suspended until Padayachee has spoken to the Auditor-General. Cobbett asked the AG to investigate the awarding of the rural housing project to Motheo.

"That's part of the action on our side," Phosa said. "You can't ask more of us."

Interviewed earlier on the negative image of his province as a result of various controversies — the Eugene Nyati affair, the secrecy of the Dolphin-Parks Board deal, the irregular issuing of a driver's licence to Deputy Speaker Baleka Mbeti-Kgositsile, and now Motheo — he said it was unfair to single out Mpumalanga.

In each case the province had on his insistence acted swiftly to deal with the matter as part of a "permanent offensive to root out crime and corruption." He cites many examples of proactive moves to do just that.

Phosa has a point: no other province seems to have attracted the attention over corruption that Mpumalanga has.

What has happened, for example, to the Semunye Report completed two months ago into shady deals in Northern Province? KwaZulu-Natal's corruption hot line has slipped from the headlines. What about the Eastern Cape where money was stolen by officials from provincial coffers? Where is the clamour for the release of the Skweyiya report into corruption in the North-West province? Gauteng and KwaZulu-Natal seem to have escaped attention in the wake of the Moldenhauer report (initiated by Mpumalanga) into crooked driver's li-

World Bank approves R200-m loan to help smaller SA firms

ARG 31/5/97 (30)

PETER FABRICIUS
FOREIGN SERVICE

In its first loan to South Africa in over 30 years, the World Bank has approved a US$46-million credit (more than R200-million) to help smaller firms compete in the global marketplace and create jobs.

The loan, to be repaid over 15 years after a three-year grace period, will fund grants by the Department of Trade and Industry (DTI) to small firms to help them buy expert business advice and to get bank credit for export costs.

Alan Hirsch, DTI chief director of industry and technology strategy, said smaller firms battled in the global marketplace because they lacked the necessary expertise. And many also struggled to get loans to finance exports.

The Industrial Competitiveness and Job Creation Project, as it will be called, will have three components, the DTI said. Through the Competitiveness Fund, the DTI will pay firms half the costs of buying specialised advice from business service organisations.

Smaller firms will be given four hours of free advice to enable them to decide whether their problems could be solved by the Competitiveness Fund.

Under the Sector Partnership Fund, the DTI will provide 65 percent of approved costs for groups of firms or industrial organisations to seek collective solutions to technical, marketing or strategic problems through strategic research and/or institution building.

The third programme is the Short Term Export Finance Guarantee facility, which is an extension of a DTI programme launched last November which the DTI says is "already meeting with very significant success".

It provides guarantees to banks lending to small and medium-sized firms to finance their export orders.

The DTI said the US$46-million loan fell within South Africa's existing borrowing limit and that the Department of Finance had ascertained that the terms of currency of the loan (in US dollars) would improve South Africa's foreign debt profile.

World Bank representative Judith Edstrom said the financing would mostly go to firms with fewer than 200 employees.

Experience had shown these were the firms which generated most jobs. In the successful fast-growing Asian economies 15 to 20 percent of firms were of this size, whereas in South Africa only five percent were.

World Bank targets smaller firms in first loan to new SA

(30) ARG 31/5/97

Johannesburg – The World Bank has approved its first loan to post-apartheid South Africa – $46-million (R205-million) to help boost industrial competitiveness, the Department of Trade and Industry has announced.

The DTI announcement yesterday said the 15-year loan, which carries a three-year grace period, would be aimed primarily at small and medium-sized businesses, which had proved successful in other countries at breaking into export markets.

Two of the programmes which the loan will finance over four years are aimed at providing government assistance of 50 to 65% towards the cost of specialist marketing and technical advice.

"We find that many firms are struggling in coping with international competition and one of the reasons that they are struggling is they are not able to get the information or strategic advice that they need," said Alan Hirsch, the DTI's chief director of industry and technology strategy.

A third programme will provide additional short-term export guarantee finance to smaller businesses to help them gain a foothold in export markets.

Mr Hirsch said small and medium-sized firms had the potential to be significant exporters, but they had difficulties raising money from banks.

"We are basically making it easier for banks to lend to smaller companies."

The loan fell within South Africa's existing borrowing limit and would help improve and diversify the Government's foreign debt portfolio, officials said.

World Bank representative Judith Edstrom said the country had access to relatively high levels of concessional finance – it is currently negotiating a R750-million rand loan with the African Development Bank – but the World Bank loan made sense within the overall borrowing strategy.

"South Africa does have to borrow on foreign markets as part of its debt strategy and I think it's recognised that the (World) Bank's terms are competitive and part of the borrowing should be from the international finance institutions," she said.

Ms Edstrom said discussions had been held on further help in the area of municipal infrastructure, but Pretoria's primary interest lay in technical co-operation with the Bank.

South Africa secured 11 loans from the World Bank in the 1950s and 1960s, mainly in the power and telecommunications sector.

But the programme came to a halt as international opposition to the apartheid regime built up. The last loan was repaid in 1968. – Reuter

Empowerment fund 'to aid disadvantaged'

BD 2/6/97 (30)

Patrick Wadula

THE R1bn National Empowerment Fund to be launched by government in October next year would assist historically disadvantaged people into the mainstream of the economy, Public Works Minister Jeff Radebe said on Friday.

Speaking at the launch of the Black Business Council in Johannesburg, Radebe said the fund would enable historically disadvantaged people who had limited access to capital to participate in investment activities.

He said the fund would benefit large numbers of individuals through the distribution of small amounts of capital to each rather than enabling a few people to acquire large investment amounts.

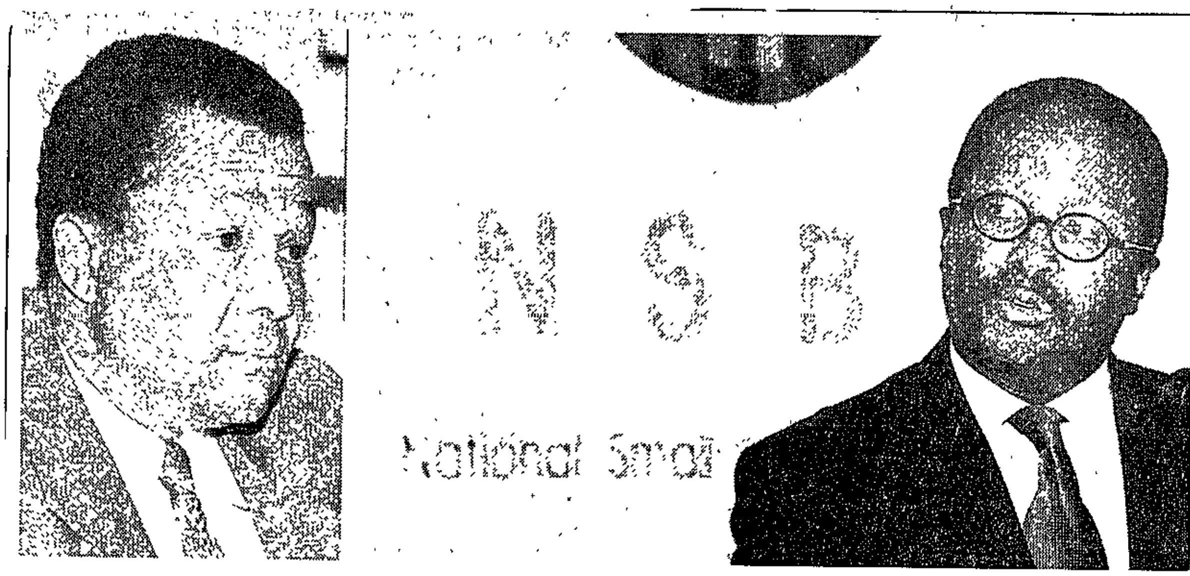
Two kinds of opportunities for empowerment existed. The distribution on a mass basis to individuals, and facilitating the entry of the historically disadvantaged consortia and groups into restructured companies, he said.

He said the appropriate mechanism to fulfil these functions would be set up in due course.

"We cannot accept a view that considers the small, medium and microenterprises as a junior partner in the overall integration of our activities," Radebe said.

"What we need to see happening is the opening up of the business sector, not a continuation of old forms of dominance with new look faces in the boardroom," he said. Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka said in a report at the weekend the fund would hold a minority share in all of SA's privatised parastatals, and would offer units in the fund at a considerable discount.

The fund was expected to take a 10% stake in Telkom as its first initial investment.



National Small Business Council CEO Monde Tabata, right, addressing a news conference in Johannesburg yesterday on the direction of the council for the next two years. Free State councillor Dick Mocheko, left, was also present.

Pictures: ROBERT BOTHA

Edge campaign to promote small businesses

BD 5/6/97

Patrick Wadula (30)

THE National Small Business Council (NSBC) has undertaken to review its activities to give a clear direction for the next two years through the soon-to-be-launched Enterprise Development for Growth and Equity (Edge) campaign.

Speaking at the launch, NSBC CEO Monde Tabata said yesterday the council, formed in December 1995, was mandated to represent and promote small business interests and had to advise national, provincial and local government on policy that promoted small business development.

The campaign, to be launched in October, would work with chambers of commerce, small business membership organisation and association.

"Edge seeks to promote the development of small business in a manner which will increase economic and employment opportunities from the historically disadvantaged groups and communities while improving the quality of life for all the provinces in SA," Tabata said.

With the competitive programme the council would increase its income by attracting investors including government.

An investor's guide would be aimed at large corporations and donor support.

The council planned a fund-raising strategy and training staff and volunteers in fund-raising.

Another arm of the NSBC, the Chamber Development Programme, was designed to maximise the potential of chambers of commerce in contributing to local and provincial economic development through the participation of small business owners and managers in the chambers.

The council would raise awareness and develop leadership among the chamber network through provincial small business chambers.

Drive to give an edge to new small business

ARG 7/6/97 (30)

Clinics to advise new entrepreneurs

Johannesburg – The National Small Business Council (NSBC) is to launch a two-year drive to strengthen the capacity of small businesses within community structures.

NSBC chief executive Monde Tabata said the council would aim to forge closer links between small businesses and the larger, established chambers of commerce.

The two-year initiative, known as Enterprise Development for Growth and Equity (Edge), outlined the future strategic direction of the NSBC following an internal review of the council's activities earlier this year.

The project would be officially launched at the NSBC national summit in October.

The NSBC was established late in 1995 with the mandate to forge direct links between the small business sector and Government, and to advise all levels of Government on social and economic policy.

NSBC was mostly Government-funded, but has received significant contributions from the Danish Development Agency (Danida) and the US Development programme.

The project's chamber development project aimed to facilitate meetings between small businesses and chambers of commerce to ensure joint decision-making on legislative and community issues.

The council hoped to recommend to Parliament a legislative environment within communities to further the goals of the small business sector.

Mr Tabata said the businesses needed broad participation and a combined voice.

NSBC had already initiated three pilot studies, in Cape Town, Welkom and East London where it had set up small business clinics to offer advice to prospective entrepreneurs.

Further projects would be launched around the country, with one opening in the North West Province on Thursday. – Sapa

Taverners to march on SAB over seizures

CT(BR) 11/6/97 (30)

Mpho Mantjiu

Johannesburg — The South African Liquor Traders' Association (Salta) would today stage a demonstration at South African Breweries (SAB)'s Chamdor and Vereeniging breweries to protest against the seizure of properties belonging to people who owed SAB millions of rands, Churchill Mrasi, Salta's Gauteng chairman, said yesterday.

About 100 shebeeners and taverners owing SAB money have had their properties attached, including houses and furniture, after SAB obtained a court interdict earlier this year to seize property from its bad debtors, Mrasi said.

Salta also planned to block SAB deliveries to Soweto.

SAB said it was left with no alternative but to take legal action when defaulters failed to honour a repayment agreement. It said it had gone out of its way to accommodate defaulters by "offering generous repayment terms", which were not honoured by certain individuals.

SAB said it had supported the legitimisation of shebeens since the early 1960s.

It said the company had played a leading role in the lifting of prohibition and assisting in getting operations established.

Salta demanded SAB takes responsibility for training its members "as these people indirectly work for SAB".

Mrasi said SAB dominated the market, so it should at least treat with courtesy people who contribute to its profits. He said these people were entitled to some benefits.

SAB said it had established, at the same time that Salta was formed, a regional credit forum to deal with the debts.

Adriaan Botha, SAB's Beer Division spokesman, said SAB wanted a meeting soon with Salta. He said SAB has had meetings with Salta on a number of occasions over the last five years.

SAB claimed that during these meetings many opportunities were provided for the defaulters to pay their debts, but a small number chose to ignore the agreement.

Mrasi said many people had signed acknowledgement of debt documents without proper consultation and explanation. He said it was illogical that SAB could extend credit limits, and he claimed that this had been done in some cases, with limits raised from R28 000 to R600 000.

SMMEs fight for survival

(30) Sowetan 12/6/97

By Shadrack Mashalaba

LACK of funding for small, medium and micro enterprises (SMMEs) in South Africa is reaching crisis proportions and this could threaten the country's ability to create more jobs.

Gauteng Small Business Council member Balfour Makhetha said this yesterday during a mini-summit on financing small business organised by the Business Opportunity Centre in Johannesburg.

Speaking on the theme Financing of Small, Medium and Micro Enterprises, Makhetha said although the Government had promised to put small businesses high on the agenda, little was happening.

He said the passing of the Small Business Enabling Act in 1995 raised hope, but "instead, we have seen catch-phrases being thrown around. Small business continues to be held hostage by credit bureaus".

He said lack of funding for the disadvantaged did not necessarily emanate from banks.

"The problem is a political one which requires Government attention. Banks can play a complete role if they are patriotic enough," he said.

ABSA Nu-Enterprise division manager Eddie Johnstone said they had given small businesses R100 million.

"We are all hamstrung, the problem is that we are presented with ridiculous business plans with no hope of success. Our bank has to date financed viable businesses and we did this by emphasising viability instead of security," said Johnstone.

COMMENT & ANALYSIS

Empowerment now not only for blacks

SA's latest black empowerment 'mega-deal' involving mining house JCI, and some of the fancy footwork behind it, are analysed by Hilary Joffe

BD 12/6/97

(30)

IS THE recent deal in which NK Properties took control of JCI black empowerment? And does this matter?

Black-controlled companies now have a stake in JCI. But it has taken some complex financial engineering to make it so. On raw percentages, the empowerment tag is open to question and the whole exercise highlights some of the problems in empowerment mega-deals such as the JCI one.

There is, however, another way to look at the transaction. JCI has new shareholders: will they do better for the mining house than the old? And does the fact that some are black make a difference?

The latest deal has maximised the black empowerment holding in a way which previous attempts could not. When African Mining Group's November agreement to buy 34,9% of JCI from Anglo ran aground for lack of finance, Saflife stepped in with a rescue plan whereby it would buy 30% of JCI, while AMG would get a one-year option to acquire another 4,9%.

After the Saflife rights issue to raise the funding, Saflife would have been 51% controlled by a voting pool consisting of Investec and Safhold as well as Mzi Khumalo's consortium, the AMG and Hosken Consolidated Investments, controlled by union investment companies Mineworkers' Investment Company and the SA Clothing and Textile Workers' Union.

The black groups (Khumalo, AMG and HCI) would together have dominated the voting pool with 40% of Saflife. But their effective stake in JCI would have been no more than 11%.

By contrast, the latest deal puts about 22% of JCI in the hands of black-controlled groups. These include NKP (with 16%), HCI (4%) and AMG-controlled Wit Nigel with 2% and an option on a further 4,9%.

However, the black groups' stake is something of a contrivance, which hinges on the way in which control of NKP — and Wit Nigel — has been engineered.

The deal employs no less than three unlisted pyramid companies to give the Khumalo Consortium control of NKP, of which Khumalo is to be chairman and Randgold's Brett Kebble CEO. NKP is the vehicle used to bring together the interests of the Kebble family in Cons Mining (CMC), of which they took control last year, with those of Khumalo and of SBC Warburg, which ended up with about 14% of Saflife after underwriting the rights issue.

But the Kebbles hold 14,6% of NKP to Khumalo's 6,3% (11% and 8% if Khumalo's options are exercised), so the Khumalo Consortium's effective interest in JCI is about 1%, to the Kebble family's 2,5%. Take out Khumalo's partners (some white) in his consortium and his stake is even lower.

Achieving even this degree of black equity took some interesting pricing of shares and of assets.

Khumalo's Saflife shares were bought (by NKP) at net asset value of R23,50, against recent market prices of R18-R20, enabling him to get rid of his R400m plus debt to the Kebbles as well as to acquire equity in NKP. He also received NKP options in a ratio of 1:1 where other shareholders' allotment was 1:2.

AMG's stake in Wit Nigel was bought with the R22m it was paid for its option to buy the additional JCI stake: analysts see the price as extremely generous. Wit Nigel's purchase of a (6,5%) stake in Saflife was funded with R200m in 5-year preference shares at an interest rate of 50% of prime (banks usually charge 62%).

This is subsidised funding of sorts, deploying the Kebble family capital base — and high-priced CMC paper — to put Khumalo (and Kebble) in charge and build in a significant element of control by black shareholders. The pyramid structures and the differential pricing have not gone down too well with JSE analysts.

But was there a way of avoiding the fancy footwork, given that the black empowerment players had no money? In many ways, the latest twist in the JCI saga highlights some of the problems of the "mega-deal" approach to black participation in the economy — politically necessary for white corporate SA, which must be seen to transfer control of substantial assets fairly rapidly to new black groups. Building a corps of black executives, or supporting grassroots black-owned businesses, might be more meaningful, but takes much longer.

Who is in control

* Post the exercise of Khumalo's options ** Option

Graphic: SARAH EVANS Source: SBC WARBURG

Other large-scale black empowerment purchases have been done at a discount so institutional funders have been willing to fund them, at market-related rates and acceptable levels of risk. In practice, this means black groups which make these acquisitions may not see returns for several years, as dividend flows are deployed to meet interest payments. Also, most of the packages are structured in such a way that if things go wrong the funders end up owning the equity.

The NKP/JCI case is different. The usual institutional funding packages were not available because the acquisition was at a premium, which got larger as the JCI share price fell.

So those who eventually got in on the action were parties with their own agenda, in particular the Kebbles. Their priority, presumably, was not market-related returns on their capital in the short term so much as a way into JCI. This provided a platform for broader aspirations in gold mining, which could not be realised within the Randgold ambit.

Those who put the NKP deal together did, however, go to some lengths to ensure its black empowerment pedigree — the complex structure and funding reflect this.

Why might it be important? One possibility is that black shareholders could forge a better relationship with labour, enabling the productivity increases necessary to keep the mines viable. There is, however, no reason why black mineworkers should see Khumalo as "one of us": indeed, they may be angered if pressure is put on them to be more co-operative because the company's new owners are black.

And, as current events show, they may be less likely to accept from black owners harsh medicine like retrenchments.

Countering this, however, is that the new men at JCI will want to change its corporate culture and management style. That could have an effect, including on productivity. In this, though, the Kebbles' role in Randgold's turnaround of marginal gold mines will also be important.

But the more obvious point about why Khumalo, AMG and HCI matter is that Anglo was not about to sell its JCI stake to anyone but a black empowerment group. In turn, a JCI controlled by other shareholders, whoever they are, has options which it did not have as an Anglo-controlled group. Anglo is too large, too diversified or in some cases too unpopular to take part in most of the deals now open to JCI (the recent EU ruling against Anglo on its Lonrho stake exemplifies this).

That the new owners are "politically correct" is a bonus. Khumalo, who flew out last week to spearhead negotiations with Lonrho, is playing the role of chief dealmaker. In negotiations with Lonrho, or other SA mining houses, or for new exploration prospects in Africa, it may be important that he can point to a wide spread of black shareholders.

The change of control at JCI, and the new NKP, are likely to result in a series of transactions which accelerate the restructuring of SA's gold industry, and of mining more broadly. Analysts say Khumalo and Kebble will have to act quickly to increase the value of NKP's underlying assets, which include 25% in Randgold as well as the direct and indirect stakes in JCI, since the deal was done at a substantial premium to net asset value.

One route is likely to be by consolidating JCI's gold assets with those of an unbundled Randgold.

There is talk of merging JCI's Randfontein with Randgold's Durban Roodepoort Deep and JCI's gold assets outside SA with those of Randgold Resources, which is to be listed soon on the London Stock Exchange.

JCI could enter also into negotiations with other SA mining houses (there is talk of a merger between its Joel mine and adjacent Beatrix, owned by Gencor. A key step would be the Lonrho merger, which would create a R14bn group with the critical mass to take advantage of further large mining deals.

Ironically, in the JCI case (and others), black empowerment has created a vehicle for the ownership structure of SA to change in some important ways which may have less to do with opening up new opportunities for black owners as opportunities for new owners with black partners.

SMALL BUSINESS (30)

Lack of cash hobbles sector

FM 13/6/97

Nafcoc calls on government to stand and deliver

Frustration over the perceived nondelivery of the Department of Trade & Industry's R874m small business support budget is boiling over.

Steve Skhosana, executive director of Nafcoc's 4 000-member National Industrial Chamber, labels the policy "pathetic." The biggest problem, he adds, is not financing but delivery.

Skhosana says a Small Firms Minister is needed at Cabinet level to champion the interests of a sector that represents 40% of the private sector's share of the economy. And a Small Business Promotion Act should replace the "toothless" National Small Business Enabling Act of 1996.

"In practice there is less available support finance for small firms today than there was five years ago. It is a sick joke that SA, with its population of more than 40m and a 35% unemployment rate, pays so little attention to a sector that offers the only real hope for wealth and job creation."

He says rather than imposing new "top-down" systems and structures, government should support the initiatives and "individual efforts on the ground."

And, he adds, with the lack of visible support from the State for the local business service centres run by nongovernmental organisations (NGOs), these valuable delivery mechanisms are also dying. "Government has accredited about 27 of these centres without offering them further help, leaving them toothless. We need at least 100 centres countrywide."

Government's new small business service structures — especially the R36m-budget Ntsika Enterprise Promotion Agency and the R260m-budget Khula Enterprise Finance wholesale financier — are a source of frustration.

"I cannot point to more than 10 of the National Industrial Chamber's more than 4 000 members having been financially assisted through the Khula bank guarantee financing scheme," says Skhosana.

But lack of financing delivery is only part of the problem.

At Cabinet level, the absence of a "small firms champion" also leads to legislation "which makes it difficult for small business to thrive. For example, the new Labour Relations Act requires all firms to register and to pay minimum wages. But how can spaza shops comply?"

Sacob economist Penny Hawkins says the "unfortunate hiatus" in implementing small business policy has led to understandable frustration. But with structures like Ntsika and Khula only about six months old, some patience is needed. Rather than wanting a new Small Business Minister, Sacob calls for the creation of a "Council of Ministers" to co-ordinate small business and other economic policy issues at Cabinet level.

Small Business Development Corp (SBDC) Gauteng regional GM Adhir Singh says Skhosana's frustration must be seen in the light of the "great expectations that government's take-over of the small business financing function from the SBDC would lead to delivery. But filling the financing vacuum could take a while. Khula also needs to establish credibility."

Afrikaanse Handelsinstituut economist Riaan Lombard says government's main role is to create an enabling environment for the small business sector. "Unfortunately, official policies push up costs and cause bureaucratic stumbling blocks."

DTI Small Business Chief Co-ordinator Adrian Ruiters, says SA's been a late starter in the development of small enterprises, but "a totally new approach is needed to meet the size of the challenge." Arnold van Huyssteen

(2) whether the public is to be informed about such criteria; if not, what is the position in this regard; if so, how? N1157E

The MINISTER OF HEALTH:

(1) No.

(a) and (b) No.

(2) Falls away.

*8. Dr R RABINOWITZ – Health. [Written Question No 668.] [Question standing over.]

*Reply in substitution of reply to Question for oral reply No. *40, as replied to on 21 May 1997.*

Small/medium/micro enterprises: programme

*40. Mr D DE V GRAAF to ask the Minister of Trade and Industry: 30

Whether there is a ~~programme in place to~~ assist (a) small, (b) medium and/or (c) micro-enterprises in South Africa, if not, why not, if so, what are the details of the programme? N1034E

The MINISTER OF TRADE AND INDUSTRY:

The White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa tabled in Parliament on 20 March 1995, outlines a strategy for the support of Small, Medium, Micro and enterprises.

The National Strategy has two broad objectives:

* The creation of an enabling institutional framework which increases access to both financial and non-financial support services for SMME's.
* Creation of a legal and regulatory environment, that promotes the development of SMME's.

Details of Institutions and Programmes

The institutions and programmes which have been established are outlined below:

1) *Ntsika Enterprise Programme Agency (Ntsika)*

a) *Business Development Services*

This programme entails the development of a national grid of Local Business Service Centres (LBSC's) that provides business development services in the form of:

- Business counselling ranging from pre-start-up through to launch, survival and business growth development.
- Business management training including personnel and entrepreneurial development, functional skills such as bookkeeping and marketing, and training which relates to management development.
- Referral and sign posting including information on business opportunities, a variety of financial support, other network services and regulatory issues.

To date twenty-seven centres have been accredited throughout the country which deliver the above services:

b) *Marketing and Business Linkages Division*

The key responsibilities of this division include the following:

* Increasing access to government procurement including a network of Tender Advice Centres (TAC's) which assist SMME's with the preparation of tenders for government contracts. Further advice regarding government contracts will also be provided.
* Product improvement programmes which will assist SMME's with the development of selected products.
* International competitiveness which will enable a number of SMME's to improve their overall competitiveness in terms of exporting and inward investment.

c) *Management and Entrepreneurial Training Division*

This division provides the following services:

* Training and organisational capacity building of service providers such as NGO's business chambers etc.

* An Enterprise development programme
* Business start-up courses
* Funding to Universities to support small business development
* Technopreneur programme which provides accredited skills training for technicon or technical college students in the technical course of their choice. This is backed up with a course in entrepreneurial training which will prepare the trainee for starting up and running an enterprise.

2) *Khula Enterprise Finance (Khula)*

Through Kula, the Department administers the following programmes for Small, Medium and Micro enterprises:

a) *Credit Guarantees*

The Credit Guarantee Schemes are designed to assist existing small businesses with financing needs of up to R600,00 and new small businesses with financing needs of up to R75,000. Khula guarantees up to 60% and 75% respectively of loans extended by banks to the entrepreneurs.

b) *Equity Fund*

Khula's equity product involves establishing equity funds in partnership with private sector investors. Due to the nature of equity financing, these funds tend to serve the equity financing needs of small to medium size businesses.

c) *Business Loans, Seed Loans and Capacity-Building Support*

In order to support the microenterprise sector, Khula provides three types of products to Retail Financial Intermediaries (RFI's) who in turn on lend to mainly the microenterprise sector.

Business Loans are loans between R1 million and R100 million to RFI's that have the capacity to become viable and which meet Khula's eligibility criteria. These loans are in turn on lent to entrepreneurs.

Seed Loans are interest free loans to new and existing RFI's which may be used to finance to loan portfolio or to fund initial operational expenses. If the RFI achieves pre-agreed performance targets, Khula will consider converting the loan into a grant.

Capacity-Building support is a grant provided to RFI's to assist the training, manpower or systems development of upgrading.

3) *Other Financing Programmes*

a) *SBDC Limited*

The Department retains a 20% share holding in the SBDC Limited. The SBDC makes loans to small and medium-sized business.

b) *Small / Medium Manufacturing Development Programme* (SMMDP)

Incentives under this programme have been available since 1 October 1996. It serves to encourage investment in manufacturing by SMME's. It provides for:

An establishment grant payable for three years, calculated at 10,5% of qualifying assets. A profit/output incentive, calculated at 25% of profit before tax payable for an additional one year.

These incentives are tax exempted in terms of Art 10 (zH) of the income Tax (Act No 58 of 1962) as amended.

c) *The Short Term Export Finance Guarantee Facility*

Pre- and post-shipment finance is provided to SMME exports who lack the ability to secure finance from banks. This enables banks to make export finance available to SMME's.

d) *Export Marketing Assistance and Investment Scheme*

This scheme assists exporters with particular emphasis on additional support for SMME's assistance includes primary market research, trade missions as well as inward and outward investment missions.

COMPANIES

Small business body lifts income, earnings

(30)

Patrick Wadula

BD 19/6/97

THE Small Business Development Corporation lifted net income 21,5% to R70,7m for the year ended March 1997 during which the corporation granted R243m in finance to 1 000 small and medium business enterprises.

Earnings a share increased 64% 33,3c, but headline earnings moved up 91,4% to 33,5c from 17,5c in the 1996 financial year. Revenue improved 3,4% to R230,6m and pretax income R108m (1996:R77,2m). No dividend was declared. Total assets had gone up to R1,7bn (R1,3bn) and shareholders' interest rose to R1,17bn (R1,15bn).

The SBDC reached agreement with the state last year by which the state reduced its stake in the corporation to 20% from 50%, getting R599,8m in return. R407,8m was payable to the state in the next five years. The property portfolio including a lettable area of 745 000m² was revalued at R767,1m during the year. Since the SBDC's inception 60 700 loans valued at R2,8bn were granted to small businesses countrywide, helping to create 462 000 jobs.

US fund to spur black business growth in SA

BD 19/6/97 (30)

Simon Barber

WASHINGTON — A new US government-backed but privately managed venture capital fund is looking to spur black business growth in SA and its neighbours.

The $120m New Africa Opportunity Fund, launched at the SA embassy on Tuesday night, will focus on financing the acquisition of privatised and unbundled corporate assets and in bringing in US joint venture partners.

The fund consists of $40m in private equity investment, including $10m from Citicorp Venture Capital, and $80m in debt guaranteed by the US government's Overseas Private Investment Corporation (Opic).

Business development director Hamet Watt, of New Africa Advisers (NAA), the fund's North Carolina-based manager, said the debt component will enable the equity partners to earn returns on investments well exceeding their own direct contributions.

NAA is part of the Sloan Financial Group, the largest African-American-owned asset management company in the US. NAA's products include the New Africa mutual fund, whose portfolio of SA and other African stocks is recovering after a disastrous last year, when it posted total dollar returns of minus 23% due to the fall of the rand and some unfortunate stock choices.

The new fund will be managed out of NAA's Johannesburg offices by MD Justin Beckett and will be looking to make investments of between $3m and $18m in the consumer products, telecoms, health care, financial services and light manufacturing sectors. Of particular interest are businesses with export potential.

Though a government agency, Opic is not supplying a direct government subsidy to the fund, since it is a self-sustaining entity.

As a North Carolina firm, NAA has the full blessing of the state's senior senator, foreign relations committee chairman Jesse Helms.

Two more Opic-backed funds, with total capitalisations of $650m, are being proposed under President Bill Clinton's new Africa trade and investment initiative.

Ramaphosa lashes SA business over 'charity'

(30)

Patrick Wadula

BD 25/6/97

JOHNNIC chairman Cyril Ramaphosa yesterday criticised some large companies for supporting small businesses as a social responsibility exercise and charity, and not as an investment in the future of SA's economy.

At the Gauteng annual conference of the National African Federated Chamber of Commerce, Ramaphosa said support for small, medium and micro enterprises was an investment in growth and jobs.

He said there were companies adopting strategies to support small businesses. These ranged from outsourcing some functions, to training and skill exchange programmes.

This was good, he said, but the responsibility lay with those black companies which had established themselves as important players within big business.

"As one component of the black economic empowerment effort, these companies need to use whatever capacity they may have to assist another important part of that same effort."

He said that as more black companies and investment groupings became involved in acquiring formerly white assets, the use of the consortium approach would become more prevalent.

"The more black people ... can be brought into the economy as owners, the better for the empowerment effort," he said.

The acquisition by black groups of the "heights of the SA economy" was part of economic empowerment. However, it was at the level of small businesses that black economic empowerment was going to most positively effect the lives of greater numbers of black South Africans. Small and medium-sized businesses offered the best opportunity for black SA to become involved as owners in the economy.

"Black economic empowerment is primarily taking place on the streets of SA, in make shift workshops in Soweto, or small accountancy firms in Mamelodi, in kitchens in Mdantsane."

Suncrush Vaal workers pulling down part of Daniel Majake's spaza shop to create a bigger entrance to the building.
PIC: MBUZENI ZULU

Coke rolls out R1,25-bn project

Plan involves kitting out spaza shops with technical equipment

(30) Sowetan 27/6/97

By Maxwell Pirikisi

SOFT drink giant Coca-Cola has started rolling out its R1,25 billion investment announced last February to begin a programme called Cooler One.

The R600 million programme, aimed at developing a strong business relationship between Coca-Cola and spaza shops in the townships, began this week in the Vaal Triangle.

Several spaza operators in the area were given coolers, vending equipment, ice plants, hawker trolleys and training in the distribution of Coca-Cola products.

Coca-Cola says the programme aims to double its business size over the next five to seven years and is focused on enhancing the availability of Coca-Cola products in emerging consumer markets.

Coca-Cola Southern Africa media relations manager Cindy-Ann Boustead said there was a need to double the business of the company's customers including spaza operators.

The sector, she said, contributed over 20 percent of Coca-Cola's retail business in South Africa while Coca-Cola brands generated over R1 billion for local spaza operators.

The real work

"This is the day we have been looking forward to since we announced our investment in February. The real work has only just begun to double our business and we consider investing in our customers as a key to our success," said Boustead.

Orange Farm, with about 260 000 residents, was a key focus area of the billion rand investment with about 170 coolers going to its spaza operators this year.

This week Orange Farm-based spaza operators Ellen Mazibuko and Daniel Mojake were presented with a free double door cooler by Coca-Cola bottler Suncrush Vaal.

An ecstatic Mazibuko, who runs the spaza with her husband Klaas, said: "I waited so long for this cooler and today I don't know what to say.

I'm happy, my business is growing and I have a big cooler."

Mazibuko and Mojake were among many Orange Farm spaza operators who received coolers and other forms of technical assistance from Coca-Cola through Suncrush, under the company's R600 million Cooler One investment programme.

Majake said he hoped to double his profits from about R7 000 to R14 000 a month soon.

COMPANIES *NEC and Coronation deal creates cash-flush African Harvest, a strategic investment arm*

R1bn empowerment spree

CT (Bz) 27/6/97 (30)

ANN CROTTY

Johannesburg — The National Empowerment Corporation (NEC) and Coronation Holdings said yesterday they had joined forces to form an investment company called African Harvest, which will have a net asset value of R1 billion, including R800 million in cash.

African Harvest would be listed as soon as Coronation had completed the approximate R1,25 billion rights offer it is announcing today of new "N" shares.

The rights offer is fully underwritten and sub-underwritten. Some R250 million of the proceeds would be retained in cash by Coronation and the remainder would be invested in African Harvest. African Harvest will use this cash to fund strategic acquisitions in the financial services sector and consumer goods industry.

Mashudu Ramano, NEC's chairman, said the new investment company would also look at privatisation-related opportunities as well as opportunities to replace existing, highly leveraged black empowerment deals with cash or equity.

Approximately R200 million of the funds would be invested in Coronation Investment Trust, a hedge fund.

ALL FOR ONE *Fred Robertson and Mashudu Ramano, both members of NEC, and David Barnes, the managing director of Coronation, celebrate the innovative African Harvest deal* PHOTO JOHN WOODROOF

Investment analysts said last night the deal was structured in a very innovative manner, as it allowed the NEC, which is a key partner, to secure a 50 percent voting stake in a holding company that controlled R1 billion of assets for an initial outlay of just R50 million.

African Harvest Holdings (AHH), which will hold 70 percent of African Harvest, will have R100 million worth of voting shares, to be held equally by the NEC and Coronation.

In addition, AHH will have R600 million in non-voting, participating shares. Initially these will be held entirely by Coronation, which will also have a direct 30 percent stake in African Harvest.

Ramano said R100 million worth of shares in the soon-to-be-listed African Harvest would be placed with black investors. "Of this, no less than R50 million will be made available to private investors, and the balance will go to union retirement funds and the newly launched South African Empowerment Fund."

David Barnes, the managing director of Coronation, said African Harvest would become a strong growth company within the next five years.

He added that African Harvest would be looking for "meaningful, strategic stakes of about 15 percent — 25 percent in companies, as we will not have the management skills to take controlling stakes".

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Gear to pivot on small businesses

(30)

Plan to create jobs in Cape

ARG 27/6/97

BUSINESS EDITOR

Small business is to play a key role in the Western Cape version of the Government's economic strategy, according to draft policy documents released by the provincial Government yesterday.

In a discussion paper on the application of the Government's Growth, Employment and Redistribution (Gear) strategy in the Western Cape, the province's Economic Affairs Ministry says small business has been identified as an engine of employment and income equalisation.

At present, the document says, there are 100 000 informal businesses, 55 000 micro businesses and 30 000 small businesses in the province. Small and micro businesses contribute between 20% and 25% of the Western Cape's gross regional product, big businesses between 40% and 50% and micro and informal businesses between 5% and 10%.

Rationalisations in the corporate world, the arrival on the labour market of new entrants, policies that favour capital intensive methods of production, competition from cheap imports, low economic growth and the lack of a big business culture of training and staff development have all contributed to the growing importance of the small business sector as a solution to unemployment.

The department has committed itself to helping small businesses in co-operation with the Department of Trade and Industry and with non-governmental organisations, and will co-ordinate support to small business, training, the mobilisation of funds for small business incubators and hives and the strengthening of small businesses as contenders in public sector contracts.

In the medium term, the document says, economic growth should come from eight sectors: fruit, fruit juices and wine; tourism; financial and business services; food processing; film-making and advertising; arts and crafts; electricity and water distribution and maintenance and repairs.

Beleaguered Salta executive resigns

(30) Sowetan 20/6/97

Nafcoc refuses to take sides but promises to resolve the dispute

By Isaac Moledi

ALMOST the entire leadership of the South African Liquor Traders Association resigned last week, apparently because of pressure from its rival branches, particularly the one in Soweto.

Sowetan Business was reliably informed that Salta president David Mokoena, his deputy Miles Dibakwane and general secretary Phil Moatshe stepped down from their respective posts last Wednesday as disputes with its branches over the boycott of South African Breweries' products intensified.

Nafcoc, to which Salta is affiliated, declined to comment, saying it preferred to comment "when the time is ripe".

Mokoena is also deputy president of Nafcoc.

The squabbles between Salta national leadership and its affiliate, "the Gauteng executive", led by Soweto Salta branch chairman Churchill Mrasi, became public last month when the branch – in open defiance of Salta – demonstrated against the giant brewer.

The squabbles, sources within Salta claim, created serious divisions that nearly broke up Salta's affiliation to Nafcoc.

In an interview with *Sowetan Business* at the weekend, Mrasi said they were happy that the trio had resigned as their term of office had expired "a long time ago".

He said this would not, however, stop them from fighting what they deemed a "legitimate struggle" against SAB which has threatened to shut down taverns that were not paying their debts "fast enough".

Churchill Mrasi

Mrasi said his executive, however, "decided to call off the SAB boycott at the weekend in order for them to come up with new strategies".

"This does not mean we are abandoning the fight against SAB. It means the demonstration will start once we have come up with new strategies against the beer giant," said Mrasi.

The rift between Salta national executive and its Gauteng branch, mainly taverners and bottle store owners from Soweto, started last month when the branch demonstrated against the SAB despite the national executive warning them not to do so.

The demonstrators demanded that the brewery start fresh negotiations with offending taverners to establish a credit forum to deal with payment problems.

Mrasi claimed that the SAB was sequestrating taverners and forcing owners to close because of payment default on liquor purchases. This is despite Mrasi's claim that the blame for taverners exceeding their credit limits lay squarely with the brewery's credit managers who, he said, "pumped the taverners with liquor even when they could not pay for stock".

But Salta national executive is known to have disassociated itself from its branch's demonstrations, saying Soweto branch's criticisms of the brewery were "unfounded and unjustified".

"We acknowledge the SAB's right to collect debt and further acknowledge the SAB's bona fides in endeavouring to rehabilitate defaulters where possible," Salta said in a statement last month.

Nafcoc at the weekend conceded that squabbles within Salta were a difficult issue it but was determined to resolve the situation.

"We prefer not to issue any media statement at this moment because we are resolving the matter internally," says Nafcoc chief executive Philip Machaba.

He added that the chamber would not comment "at this stage" until their "closed shop arrangements" to resolve the issue has been completed.

Govt will support small business

Sowetan 30/6/99

By Shadrack Mashalaba

FINANCIAL and technical resources need to be efficiently mobilised to assist small businesses in their endeavour to survive, Trade and Industry deputy minister Phumzile Mlambo-Ngcuka said at the weekend.

Launching the Gauteng Provincial Small Business Council (PSBC) in Johannesburg on Friday, Mlambo-Ngcuka said although the Government did not have the capacity to create entrepreneurs in the country, it will, however, continue to support the small business sector to meet the challenges that lie ahead by nurturing entrepreneurial talent.

The Gauteng PSBC, together with other similar provincial bodies, was established after the coming into being of the National Small Business Council in 1995.

Mlambo-Ngcuka said central to mobilisation of resources was the willingness to demonstrate commitment to the role played by women.

The PSBC's key task, she cautioned, was the development of small industries rather than trade. "There is a need for people to recognise that success goes hand-in-hand with productivity," she said.

The PSBC functions, added Mlambo-Ngcuka, was to represent and promote the development of small business and, in association with provincial Government and other related bodies, advice on socio-economic policy. The council's duties will be performed by a group of councillors who have already being appointed.

Africa's stagnation

Addressing the launch, Zambian Chamber of Commerce chief executive Gideon Phiri said African economies were experiencing stagnation which was unknown 25 years ago.

Phiri said the scenario was getting worse and "corruption continues to eat into the fabric of our societies and this is aided by the poor management of resources".

"Africans need a strong leadership which needs to be complemented by cooperation. Free market is the way to success and the continent needs to open its economic doors and shed its protectionist tendencies," said Phiri.

Programme examines needs of small firms

(30)

Patrick Wadula

BD 30/6/97

NTSIKA Enterprise Promotion Agency would soon launch a manufacturing advisory centre programme to look at the problems and needs of small and medium-sized manufacturers, Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka said at the weekend.

The programme would run in partnership with the Council for Scientific and Industrial Research and the National Productivity Institute at national level. The promotion agency was originally set up in 1995 after a mandate was passed through the Small Business Act under the department's small business promotion strategy.

Through the new programme, Ntsika would develop and implement a range of nonfinancial support measures, including training, advice, information provision, export promotion and market access.

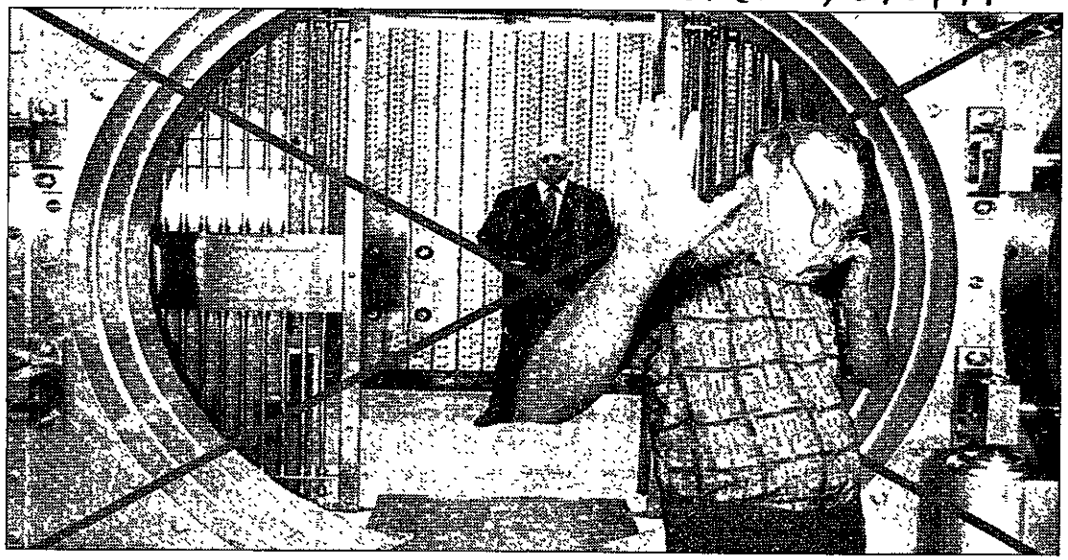
The project had worked well elsewhere in addressing the needs of medium-sized manufacturers, she said.

KHULA ENTERPRISE FINANCE

Small success for small business

CT (BR) 3/7/97 (30)

DUMA GQUBULE



Nine months after the government launched Khula Enterprise Finance, an ambitious initiative to boost the supply of small businesses loans, senior government sources are so disappointed with the banking sector's response to the scheme that they are considering compulsory measures such as "quotas" to unlock billions of rands for black entrepreneurs.

Khula was the government's response to a "market failure" in the banking sector: the major banks were to advance billions of rands for consumers to buy houses and cars. But none have been in a rush to lend money to start-up businesses, despite the important role the sector can play in growing the economy and creating jobs.

Bankers say it is extremely difficult to make money in this market, even under the best conditions. "More than half of new business start-ups fail within the first three years. And high interest rates impact on small business profitability. This is a high-risk market," says Allen Mukoki, the general manager of NedEnterprise, Nedbank's small business division.

Enter Khula with a R270 million grant from government. It took over the Small Business Development Corporation's R70 million credit guarantee scheme and offered to subsidise most of the banks' lending risks through insurance-type products.

Khula said it would build the capacity of provincial development corporations and non-government organisations (NGOs) active in the market with a range of financial and other training products. Nine months later Sizwe Tati, Khula's chief executive, says the organisation has covered 270 new loans worth R31,9 million in addition to those in the former SBDC scheme. Khula has advanced R90 million to help 13 NGOs increase their capacity to on-lend to entrepreneurs.

"But the participation level of the banks is not high. Banks, with their vast networks, are still concentrating on the top end of the market, processing loans for above R1 million where there is ample security."

Tati says they have tried to get banks to relay more information about applications. Some have refused, others say their systems cannot capture this data.

"Maybe the banks are not interested in this market. But we need more research and information from the banks to find out how many entrepreneurs are getting loans and how many are being turned down," he says.

A recent report by a group of parliamentarians led by Rob Davies, an ANC MP, said: "It appears that bank managers routinely refuse loans. We saw no visible commitment from the banks to extend their lending operations even with Khula guarantees," the report said.

Some bankers say they are approving loans, but having them rejected by Khula. "It appears Khula is more conservative than the banks. We would prefer a portfolio guarantee rather than the cumbersome individual guarantee system we have now," a banker says.

But Tati says the banks are still sending Khula applications from white entrepreneurs. "Our mandate is to increase access to finance for black entrepreneurs. And Khula does have a portfolio guarantee product, but the banks have not used it," he says.

"Maybe information about Khula is not getting through to the frontline, the branch managers. Small business lending tends to be a head office function. We also hear there is a scarcity of viable projects.

"This could mean entrepreneurs are getting their applications rejected because of poor business plans. It is also possible bank personnel cannot relate to township entrepreneurs, that their plans are not viable in the eyes of (mostly) white managers," says Tati.

But Absa and Standard Bank say they have decided to empower branches to process small business loans after experimenting with centralised operations for years. Abbey Mahlalela, a strategic analyst at Standard Bank, says an entrepreneur can find a manager at any branch who deals with small business local applications.

Nedbank's Mukoki says: "Naturally, some bankers could be using subjective criteria. This is always possible in an environment where thousands of decisions are made. We have to ... see if we project a can-do attitude to prospective entrepreneurs."

Some analysts believe banks are not suitable institutions for small business lending — that it is an area for NGOs and other organisations with the specialised skills. But Tati says NGOs, while they are important, have limited reach.

A market-based solution is to encourage the growth of a venture capital industry. According to the Wall Street Journal, the recent dynamism of the US economy has a lot to do with a "free-wheeling capital market".

"Anybody can raise money in this country. Our venture capital market is unchallenged. In America, there are all kinds of second, third and fourth chances to raise money. Even bankruptcy does not have a stigma if it is not because of poor management or poor ethics," a banker told the journal.

But government sources are considering interventionist alternatives: they could force banks to disclose their small business lending levels, and the race of each client, to the Reserve Bank. The next step would be targets for small business lending which were used by some Asian countries. "Quotas would be the final resort," a source says.

Workshop targets local SMMEs (30)

Sowetan 7/7/97

TOMORROW'S joint workshop between Eskom and Electricite de France (EDF) will be a forum to link up local small, medium and micro enterprises (SMMEs) with their French counterparts.

The workshop coincides with the five-day French industrial and commercial France Technologies '97 which starts at Gallagher Estate tomorrow.

Eskom's economic and social development manager, Nomonde Mapetla, said the workshop would focus on creating tie-up opportunities for local SMMEs with the French companies.

Eskom and EDF are state-owned utilities and jointly run a company called Phambili Nom'bane in Western Cape. The company provides electricity for the disadvantaged in the province.

EDF director in Southern Africa Corinne Block said the workshop would focus on how to develop the SMMEs, particularly those in manufacturing.

Block said the workshop was the beginning of a long-term future ties.

"Our endeavour is to encourage French companies to come into South Africa and look at possibilities of forming joint ventures. In October EDF office in South Africa will also be hosting another SMME delegation."

Forum to grow small business

(30) BD 9/7/97

Patrick Wadula

THE Corporate Small, Medium and Micro Enterprise Development Forum was launched by large companies and parastatals as a vehicle for the development and support of emerging businesses yesterday.

Forum chairman Wellington Mnikati said yesterday there was a lack of a coherent strategy and support mechanism for small businesses.

"We believe that it is the corporate sector's interest to support a vibrant, expanding small business sector to underpin sustainable economic growth," he said.

"Corporate SA has the skills and market opportunities to accelerate the growth of job and wealth creating small businesses," he said.

Industrial Development Corporation MD Khaya Ngqula said opportunities for small businesses existed through the outsourcing of noncore business activities. This could be achieved through breaking tenders into smaller portions that small businesses could handle, and helping small businesses tendering for the first time.

Mnikati said the forum would complement the trade and industry department in creating an enabling environment for small businesses.

New organisation to help SMMEs get contracts

Sowetan 9/7/97 (30)

By Shadrack Mashalaba

A NEW organisation aimed at assisting small and medium enterprises to access work from the private sector was officially launched by big business and non-governmental organisations yesterday.

Corporate SMMEs Development Forum (CSDF), as the organisation will be called, will promote interaction between member companies in order to enhance their efforts in utilising affirmative procurement as a vehicle for the development and support of small, medium, and micro enterprises (SMMEs).

The CSDF chairman Wellington Mnikati said it was in the corporate sector's interest to support a vibrant, expanding SMMEs sector to underpin sustainable economic growth.

The CSDF, said Mnikati, would continue to engage in discussions with different parties including the SMMEs over its projects. The campaign will take a form of presenting the organisation's programmes, formal exchange of information and procurement needs, and networking with SMMEs.

Transfer of skills

Mnikati said CSDF's immediate focus would include developing an SMME database and transfer of skills to SMMEs through shared programmes.

Membership of the CSDF is limited to companies and parastatals who actively support or wish to support SMMEs through affirmative procurement and outsourcing opportunities and those who have an annual turnover in excess of R250 million.

The current members of the Forum are: Anglovaal, Council for Scientific and Industrial Research, Denel, EMSA, Eskom, Gencor, Mondi Paper, Nedcor, South African Breweries (Beer Division), Samancor, Transnet, FutureBank, Sasol and Coca-Cola.

Accordingly, if mandated by its members, the CSDF will lobby Government and other stakeholders as and when required.

According to Mnikati, the Forum has also made significant progress in the establishment of a national database of SMMEs that meets the quality requirements of members. The future development of this database into an electronic trading vehicle and the formal accreditation of SMMEs are envisaged as future CSDF projects.

Mixed reaction to proposed new Liquor Bill

Star 14/7/97 (30)

By Elliott Sylvester

Shebeens could soon be legally competing with licensed liquor stores in terms of a Trade and Industry department draft Liquor Bill published in the Government Gazette on Friday.

The bill, designed to lift liquor restrictions, opens the market to the smaller black entrepreneurs previously denied licences. There are an estimated 200 000 shebeens.

Supermarkets will be allowed to convert existing liquor licences allowing them to sell beer and spirits. Pick 'n Pay managing director Sean Summers says the bill will help legislation to be more in line with current norms.

The bill says that liquor is not to be sold to intoxicated people. Warnings of the effects of alcohol could soon be placed on containers, as they are with cigarettes.

In a snap survey of Sunday shoppers yesterday, The Star was told by mother-of-two, Debbie Smit of Johannesburg, that the sale of liquor to persons under 18 had to be prohibited and should be closely watched.

Graham Mackay of South African Breweries (SAB) beer division says the bill is naive in its aims and would not be passed by parliament.

SAB, which holds 98% of the local malt beer market, will no longer have a firm grip on the industry with more legal competition entering the market and, according to Alistair Ruiters, a chief director at Trade and Industry, "the new policy will give everyone a chance to have a bite of the apple".

The burning public issue of the sale of liquor on Sundays will be regulated by local authorities if the bill is passed.

Grandfather of two, Eddie Mgeva, said he attached much value to Sundays and feared the bill would breed more alcoholics. "Drunkards are not our future," said Elmarie Jonker, who has two children, adding that she believed the legislation would increase alcohol abuse among the youth.

Public opinion of the bill is mixed and there is concern as to its impact on drunken driving. According to Dr Charles Parry of the SA Medical Research Council, South Africans were already amongst the world's heaviest drinkers.

CAPE TIMES
MONDAY, JULY 14, 1997 ★

SHEBEENERS 'OVERJOYED'

Draft bill a bitter brew for SA's liquor giants

~~187~~ (30)

CT 14/7/97

THE COUNTRY'S liquor giants are having difficulty swallowing the concept of a more open trading system which gives smaller traders "a chance to bite the apple". **CHRIS BATEMAN** reports.

FIERCE last-ditch lobbying is expected from the country's liquor giants as they attempt to dilute draft legislation which aims to open South Africa's liquor industry to all comers.

Economic Affairs MEC for the Western Cape, Mr Chris Nissen, yesterday stood squarely behind the government's intention to broaden access to the liquor market — and cheekily announced that he would approach the potential losers for major cash grants to promote alcohol abuse awareness.

Nissen said he had budgeted "hundreds of thousands of rands" to highlight domestic violence and other social evils associated with alcohol in advance of the more liberal liquor dispensation.

He would be asking the liquor giants to match his campaign budget "cent for cent", and claimed they had already viewed favourably his outline for tentative talks.

The draft Liquor Bill — published on Friday for debate, lobbying and possible amendment — proposes changing the face of the liquor industry by automatically converting all existing liquor licences exclusively into either manufacturing, wholesale, retail or "special events sales".

This will force giants like SA Breweries, Rembrandt and KWV — which have interests in all four areas — to shed their assets to comply with the "single registration" law.

The draft gives them three years in which to comply.

Illegal shebeeners, who outnumber licensed retailers or "bottle stores" by 20 to one, are overjoyed at the prospect of easier access to the formal market. Many will benefit as a huge market slice is cut free.

The giant liquor companies have traditionally enjoyed a monopoly of the market, stunting the growth of smaller black traders.

Black areas also have 15 times fewer legal liquor outlets than their white counterparts — and the legislation is aimed at redressing this.

Nissen warned, however, that the new law would not "open the floodgates for shebeeners", and emphasised they would have to secure community, police and local authority approval before applying for a licence.

The bill also opens the doors for sale of alcohol on Sundays, but leaves it up to city and town councillors to decide during which hours liquor may be sold.

According to Mr Alistair Ruiters, a chief director in the Trade and Industry Department, the proposed legislation "gives everybody a chance to have a bite of the apple".

But Mr Graham Mackay, chairman of SAB's brewery division, said he doubted the proposed bill would survive in its present form.

Mackay said the draft was based on "assumptions and a naive view" that the market should be cut up to spread economic activity.

The South African Liquor Store Association has predicted "chaos and job losses" in the industry.

Nissen said he expected the new local and national bills to be passed within three months.

Liquor bill will end monopolies, license shebeens

(30) BD 14/7/97

Ingrid Salgado

SA's liquor industry is poised for a major shake-up, with government giving notice on Friday that it intends eradicating monopolisation of the industry by SA Breweries (SAB), Rembrandt and wine co-operative KWV.

Big business indicated at the weekend it would oppose several proposals outlined in the trade and industry department's liquor policy document and bill. However, shebeen owners gave portions of the legislation the thumbs up yesterday for its efforts to promote involvement in the industry by the previously disadvantaged.

The bill was open for public comment until August 8, a trade and industry spokesman said. The legislation could be passed at Parliament's next session although it could be delayed until early next year, he said.

The proposed new laws would allow trade in liquor on Sundays and would extend the rights of supermarkets to sell beer and spirits as well as wine. This comes just two years after the owner of a V&A Waterfront liquor store, Vaughan Johnson, was arrested for trading illegally on a Sunday.

A key change to the law included a provision for only four categories of liquor registration — manufacture, wholesale, retail and special events — with no overlap allowed.

This would force wine producers Rembrandt and KWV to divest of their 60% interest in wine and spirits wholesalers Distillers and Stellenbosch Farmers Winery, which in turn play a role in the retail sector through ownership of Western Province Cellars. SAB would also be forced to sell its 30% stake in the two companies.

Offending parties would be given three years to dispose of overlapping interests.

The Competition Board is conducting an inquiry into the monopolised liquor industry which will include investigation of KWV and SAB.

The policy document gave greater emphasis to controlling the economic and social costs of excessive alcohol consumption. It proposed slapping a levy on manufacturers and importers of liquor to fund education programmes, the rehabilitation of alcoholics and the proposed national liquor advisory committee. Alternatively, this could be funded via an on-line budget direct from the fiscus.

Harsh penalties were set for parties contravening the legislation, which would be enforced by an inspectorate with designated peace officer status.

The policy document said registration procedures would be simple, speedy and affordable. Greater powers would be devolved to local authorities to make decisions on siting liquor outlets and granting registrations.

Anyone except those convicted of serious crimes or those who had contravened the conditions of a licence could apply for registration.

SA Taverners' Association president Sam Buthelezi yesterday welcomed the move to bring shebeens into the licensing net and the simplification of registration procedures for shebeen and tavern owners. The new categories of liquor registration would benefit consumers as unlicensed shebeen owners were unable to buy directly from wholesalers.

However, Buthelezi said the association was opposed to legalising the sale of liquor by supermarkets and questioned the ability to effectively control sales in this manner.

The policy document said the new regulatory environment would involve lower costs than the current system.

DEVELOPMENT (30)

UN programme supports smaller sectors

The United Nations Development Programme (UNDP) launched a small and medium enterprise programme last week to help empower South Africa's small, micro and medium enterprises (SMME) sector, Furhana Wehelie, the programme co-ordinator, said.

The programme would receive about R12 million from the UNDP and more was expected to be generated from the private sector, Wehelie said. "The main objective is to ... enable the SMME sector to generate reasonably remunerated long-term jobs." She said the programme aimed to enhance the management skills of government and non-governmental agencies in their delivery of services to entrepreneurs. It would also engage in student training in universities and technikons.

The UNDP is also supporting studies for the establishment of industrial parks in pilot areas such as Welkom in the Free State, Emonti in the Eastern Cape and Gugulethu in the Western Cape. — *Ncaba Hlophe, Johannesburg*

ET (BR) 15/7/97

SAB says law will curb its distribution activities

BD 15/7/97 (30)

Ingrid Salgado

SA BREWERIES (SAB) has rejected key aspects of government's Liquor Bill as "inappropriate and impractical", and has sought a meeting with Trade and Industry Minister Alec Erwin.

SAB beer division MD Norman Adami said yesterday the bill, published last week, would curb SAB's distribution activities. This was unacceptable as all fast-moving consumer goods' companies should be entitled to distribute products in a manner they believed to be optimal.

The draft law had also failed to recognise the role that SAB's depot system played in ensuring the availability of strategic stocks downstream.

While SAB welcomed the "overdue" legitimisation of shebeens, the group did not believe the legislation would lead to empowerment of disadvantaged communities at the wholesale level. In addition, if the brewery was not free to design an effective distribution system, it was likely that extra costs would be passed on to consumers, Adami said.

The bill, which is open to public comment until August 8, has proposed four categories of liquor registration — manufacture, wholesale, retail and special events — and has barred any overlap between functions.

This could force SAB to divest of a 30% stake in wine and spirits wholesalers Distillers and Stellenbosch Farmers' Winery (SFW), which also have interests in the retail sector through Western Province Cellars.

Wine co-operative KWV and Rembrandt could similarly be forced to sell their combined 60% stake in Distillers and SFW.

KWV would not comment yesterday since it had not seen the bill.

The market shrugged off news of the proposed laws yesterday, and SAB's share price picked up 75c to close at R141 on the Johannesburg Stock Exchange.

One analyst said the bill was unlikely to dent SAB's performance, since quantities of beer sold would not be affected. It was "not serious" that the brewer could be forced to sell its stake in Distillers and SFW — which he valued at about R1,2bn — since SAB had no board control over the two companies, and several international parties would "leap" at the chance to acquire the stake.

Meanwhile, Competition Board chairman Pierre Brooks said yesterday the board would continue its probe into the KWV and SAB's distribution activities. The investigation, announced earlier this month, would "take cognisance" of the bill. However, Brooks said the law was in a draft form and could not be interpreted as decisive.

Analysts said the bill had positive implications for supermarket chains, as it allowed them to sell beer and spirits as well as wine. Supermarkets stood to gain by picking up even a small portion of the R11bn beer market.

Although this could close the lid on several retail outlets in traditionally white areas, which hold about 15% of the market, most township operators would not be jeopardised.

Soweto foundation welcomed

BD 16/7/97 (30)

Nomavenda Mathiane

THE launch of the Soweto Development Foundation (SDF) has been welcomed as a positive step which could offer residents business opportunities and economic self-reliance.

The SDF is a community initiative which has drawn together government, residents and business in a partnership that will address issues such as safety and security, housing, social affirmation and business opportunities in the region. It was facilitated by the SA Research Development Trust.

Deputy President Thabo Mbeki said at the launch that the time had come for people to be given opportunities to contribute to their own development and not to expect handouts from the government. He hoped the concept of social affirmation would address the re-establishment of a proper value system among "our people".

Mbeki said the youth, women and children were treated as disabled groups, and challenged the SDF by saying the organisation's success would be measured by its impact on these groups.

Gauteng premier Tokyo Sexwale said the people of Soweto believed in the central business district and the business community and he was hopeful that the coming together of business and local communities would go a long way to the rebuilding of Johannesburg.

He said government was doing its share by rebuilding schools, providing health care and investing in infrastructure in Soweto.

NEWS

BUSINESS *The government will tackle restrictive legislation within a year*

152 laws 'plague' micro sector

CT (PR) 17/7/97 ~~(30)~~ ~~(55)~~ (30)

Ncaba Hlophe

Johannesburg — The combined effect of at least 152 laws, policies and regulations — either existing or proposed — would continue to plague the development of the small, micro and medium sector, Keith Herrmann, a researcher at the Small Business Project (SBP), said yesterday.

The SBP, which is Johannesburg-based and sponsored from the US, is an independent research unit that helps formulate policy and legislation to promote small business development.

Herrmann said the SBP was engaged in identifying "key elements of key laws" that were burdensome to small business to advise government to repeal or amend restrictive legislation.

Alistair Ruiters, the head of the trade and industry department's small business unit, said the government was aware of the existence of restrictive laws that hindered growth and was planning to tackle the problem.

"Certainly what they say is true, and the government is working on the problem. A task team has been given the green light to investigate the most stringent laws that affect the small and medium sector, which should be complete in one year and would be accountable to parliament," he said.

"We will soon be advertising for nominations from both private and public sectors to drive the process."

The government will turn its attention to legislative aspects next year after setting up support institutions for the sector.

Herrmann said the government's growth, employment and redistribution strategy (Gear) had not been clear on how to integrate the sector into the macro-economic strategy.

"The promotion of the small, micro and medium sector must be implemented as a conscious part of an integrated strategy, not as a separate initiative," he said.

The National Small Business Act was "not as robust as anticipated" and would be cumbersome when applied together with the employment standards statutes.

Sowetan
BUSINESS

Real power is economic

Sowetan 18/7/97

Divisions rule out unified business

(30)

By Maxwell Pirikisi

Mistrust along racial lines is still a stumbling block towards unity

THE UNIFICATION of business organisations, divided along language and racial lines during apartheid, seems unlikely in the foreseeable future amid conflicting signals from the various chambers.

Different voices continue to surface ahead of the National African Federated Chamber of Commerce and Industry's (Nafcoc) crucial national conference scheduled for next month, which is expected to revamp the chamber's efforts towards unity with its counterparts.

Today, at its annual general meeting, Nafcoc's Mpumalanga branch is seeking common ground from which to work towards unity with Afrikaanse Handelinstituut (AHI) and the South African Chamber of Business (Sacob). The Mpumalanga branch is expected to ensure that Nafcoc's AGM next month reaches finality on the merger debate.

Insiders say that a growing lack of trust within various organisations remains a stumbling block. While big business tries to help the merging business sector, their actions are either seen as "a symbol of charity" or as predatory.

The absence of a unified business chamber has for long been blamed for the lack of progress towards shared meaningful participation between emerging and established business in South Africa's mainstream economy.

Still too early

While the majority of chambers in the emerging business sector want a common body soon, some of their established counterparts maintain that "it is still too early to even talk about a unified business chamber".

Nafcoc is optimistically pushing for unity with its established counterparts like the AHI but it still maintains that it does not want to be "swallowed".

Nafcoc chief executive officer Phillip Machaba says: "A unified business chamber is an ideal, but we need re-alignment first. Black business must be empowered to operate at the same level with big business. Our relationship with AHI is a small step towards a unified chamber of business."

He says Nafcoc is also talking to Business South Africa (BSA) on the need to share resources and complement each other.

AHI's director of marketing Manuel da Silva says although his organisation has formed a section 21 company together with Nafcoc, AHI is not yet "thinking in terms of a unified business body".

Da Silva says: "Eventually, that's a possibility, but we're not looking at that right now..."

Small business strategy launched in style

(30)

By Ruth Bhengu

WHETHER one was a music lover, politician or a community development agent, the launch of the small and medium business strategy by the South African Government and United Nations at the Sophiatown Jazz Restaurant in Pretoria this week was a swinging affair.

The entertainment, food and company blended so well that it was difficult to remember that this was a serious function to introduce small, macro and medium-sized enterprises to the UN office for project services in support of the Ministry of Trade and Industry.

Deputy Minister of Trade and Industry Ms Phumzile Mlambo-Ngcuka said her ministry, through its small business strategy, was committed to helping enterprising individuals from disadvantaged communities to establish viable business ventures.

Sowetan 18/7/97

Social upliftment

She said the Government needed partners such as the UN for its social upliftment programmes. "We are forming effective partnerships to help small and medium-sized businesses in capacity building in all its ramifications.

"With the support of institutions such as the Centre for Small Business and Ntsika, Khula Enterprises, the National Small Business Council and other non-governmental organisations, we will act as service providers to help small and medium business."

Mlambo-Ngcuka said her ministry was conducting feasibility studies to see which monitoring and evaluation systems needed to be put in place and how to map out progress.

UN representatives Mr Hans Bruyntjies of the office for project services and deputy resident representative Mr Dan Temu pledged support for the Government's programmes to help small and medium business people establish sustainable enterprises.

Transnet contracts go to 'black empowerment fronts'

M+G (PMM) 18-24/7/97 30

Black security companies have won contracts amid claims of being fronts for white firms, reports Ann Eveleth

RAILWAYS parastatal Spoornet is handing a huge slice of lucrative security work to a company linked to contracts currently under investigation by the Office for Serious Economic Offences (Oseo).

Spoornet, a subsidiary of Transnet, said this week that a new company, Bayete Security, was winning much of the work it is giving black-owned firms in its drive to favour previously disadvantaged entrepreneurs.

Bayete was formed seven months ago after a management buyout of SSH Security Services, with funding provided by a listed black empowerment group, Umbono Investments.

Oseo is investigating past contracts that Spoornet awarded to SSH and several other private security companies after an internal probe suggested fraud running to at least R100-million. SSH guards were also involved in the stampede at Tembisa station on the East Rand last year, in which 16 people died. An independent inquiry found that the guards' decision to use cattle prods on the crowd helped to spark the tragedy.

Bayete director and legal adviser Coenie Fick declined this week to say whether the company could be held liable for any findings against SSH. "Bayete is not SSH," he said. "Bayete bought out SSH and SSH no longer exists." He added that SSH management had told Bayete at the time of the deal that it had "nothing to hide".

Spoornet security officials said this week they had not seen the internal fraud inquiry, and so did not take its findings into account when allocating work. "We have never seen the report, so the dilemma is not ours," said Spoornet's deputy security chief, Alfred Woodington.

"The dilemma is with the people who commissioned the report."

The report, by forensic auditors Steve Ochse & Partners, was commissioned by Transnet's chair, Louise Tager, in May 1995. Its findings were reported by the *Mail & Guardian* earlier this year, just as Oseo was called in.

Tager also refused to comment this week, saying that the report — which boils down to the alleged misuse of taxpayers' money — is a "private, internal investigation. When the litigation and the whole process is complete, I assure you everybody will know about it."

Bayete's new position in the market emerged amid allegations from other black-owned security companies that white companies are using black empowerment "fronts" to win contracts.

The money at stake is large. In the last six months, Spoornet has handed out new security contracts worth more than R56-million. Sister company Metrorail has handed out work worth R136-million in the same period.

Transnet's figures show the black-owned companies and black empowerment joint ventures now enjoy the lion's share of the work, with white security companies suffering harsh cuts in their allocations.

But the South African Black Security Employers Association broke off talks with Transnet last month over the failure of its members to secure contracts.

The association said successful tenderers are "nothing but fronts or window-dressing of the old companies that have been rendering services to Transnet for years".

The association handed a 10-page dossier to Transnet executives, alleging that Spoornet officials cited in the Ochse report were favouring certain companies, and that seven companies claiming to be black-owned to win work were actually white.

"You can't get a contract with Transnet unless you link up with these white companies," the association chair, Steven Dube, said this week.

The association plans to march against Transnet's tender policies this month, and is demanding Transnet fire its group security manager Gert Britz, audit chief Nigel Payne, and Spoornet security head Brigadier David Moore. Britz and Moore were cited by the Ochse report for various alleged conflicts of interest.

Both men denied the allegations and rejected the association's claims. They conceded, however, that the lack of clarity around the report may have fuelled the association's fears that its members had been sidelined.

On guard: Big money is at stake in the battle for security contracts PHOTO: DANNY HOFFMAN

Forum wants to make the difference with active support

A new organisation hopes to put small businesses on the map in SA, writes THABO KOBOKOANE

(30) ST(BT) 20/7/97

THE small and medium business sector has enjoyed much attention in the past few ears with numerous efforts eing undertaken to stimulate nd boost the sector.

The latest, the Corporate MME Development Forum CSDF), brings together priate and public sector corpoations engaged in the sector an effort to promote effecve affirmative procurement.

ne forum, formalised in Deember, is open only to parastals and private sector comnies which actively support wish to support small and edium businesses (SMMEs) rough affirmative procureent and outsourcing and ave an annual turnover of ore than R250-million.

CSDF chairman Wellington nikathi says the organisation ants to complement existing forts through leveraging the rporate and parastatal secrs structures. Its mission is promote interaction beeen member companies in der to enhance their efforts utilising affirmative procureent as a vehicle for the delopment and support of susinable small and medium isinesses.

"We believe that it is in the rporate sector's interest to pport a vibrant, expanding IME sector to underpin susinable economic growth. Corporate SA has the skills and market opportunities to accelerate the growth of jobs and wealth-creating SMMEs," says Mnikathi.

In 1993 the new government put in place the enabling environment for the development of the small business sector through the form of the National Strategy for the Development of Small Business in SA. This legislation outlined government's vision for transforming the small business into a driving force behind job creation via the creation of the small business development unit within the Trade and Industry Department.

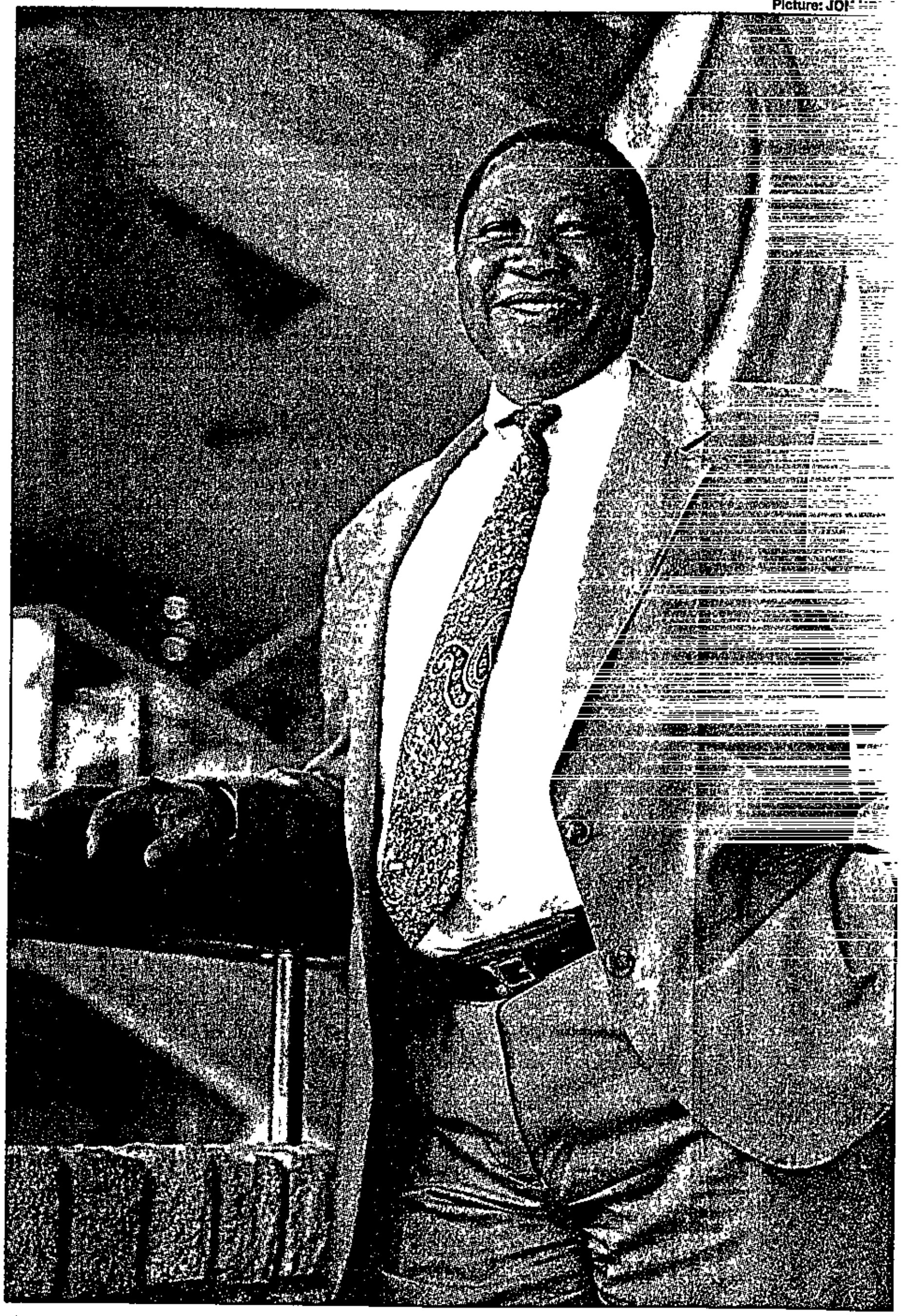
The CSDF, according to Mnikathi, will focus on:

□ Development of a database which will enable members to identify and locate emerging entrepreneurs. The data will contain such information as products, equity ownership and reach and could be available on the Internet.

□ Small and medium business skills transfer programmes to enable member companies to speedily identify potential sources and providers of specific training to address skills gaps.

Preventing the abuse of SMME programmes as purely alternative marketing channels by business without long-term benefits for the entrepreneur. The CSDF will accredit companies to determine the extent of black equity.

Mnikathi says there are benefits for member companies, who pay an annual membership fee of R10 000, such as opportunities to discuss success and failures, interaction with decsion-makers in government, access to the database and access to the latest development information.



OPENING DOORS ... Wellington Mnikathi, chairman of Corporate SMME Development Forum

In the long run, Mi says the organisation wi at jointly setting up busi and development programmes for people starting small or medium business will speed up unbundlings and free the former conglomerates to focus on their core competence.

This process will accelerate when exchange control is lifted and local businesses are free to expand abroad. And, by providing capital for smaller businesses, they will help dilute major conglomerates' control in the economy.

Institutions have been reluctant to put funds into unlisted companies because of the illiquidity of the market, the lack of proven professional equity fund managers, and because it is difficult to measure the performance of an unlisted company.

"Unlike their US or UK counterparts who are now routinely allocating 1%-7% of the total assets to this asset class, the major SA institutions still only have negligible proportions of their assets in private equity," says Maxwell.


Arnold Pronto

Andre Roux . . . FirstCorp Capital Investors one of the most active

In some cases, they are not permitted by the fund rules to invest more. Overseas, however, as markets have matured, private equity has become a small part of institutional portfolios.

There are rules to the game. "Investors have to realise that this is a long-term investment, of at least five years, and not the place to be if you want quick returns," says FirstCorp Capital's Andre Roux.

"What the investee companies must bear in mind is that they are forming a partnership with an outside investor. Relationships must be structured on an arm's-length basis Investor groups and investee companies with a lifestyle or strong private philosophy are unlikely to be suitable for private equity placement." ■

Black empowerment transactions are on the increase

(30)

Forging the link

FM 25/7/97

Black empowerment is one area targeted by DLJ Pleiade Southern Africa Investors I, a R1bn private equity fund set up in December 1996.

"We are going to see more black empowerment transactions," says director Zenzo Lusengo. "Not along the lines of the Johnnic transaction but smaller companies with a value of R20m-R100m."

Since 1994, he says, many established, white-owned companies have realised the need to acquire a black partner to expand. This has created a demand for private equity funds to finance and help structure black-white partnerships.

The fund was launched in December last year when R400m was pledged by a partnership which included Sanlam, Anglo American Pension Fund, De Beers Pension Fund, Metropolitan Life, Southern Life, SA Eagle, Genbel Securities, DLJ African Merchant Bank and Iscor Pension Fund

The institutions invested between R20m and R100m each.

"This is supplemented by senior debt funding," says Lusengo. "And it is also supported by private equity funds managed by affiliates of US investment bank Donaldson, Lufkin & Jenrette — which holds over $54bn in assets.

The fund is managed by DLJ African Merchant Bank which, says Lusengo, "is 27,5% owned by Nafhold. This, in turn, is 67% owned by Nail; 31,25% by African Bank; and 41,25% by Donaldson, Lufkin & Jenrette."

The fund also looks at regional investment opportunities and is currently considering investment proposals in Zimbabwe and Zambia, where the privatisation process is gathering momentum, says Lusengo.

The fund is run by an investment committee made up of Lusengo, Rob Dow, Matt Davis, Carel van der Merwe and Andrew Sprague.

Apart from empowerment transactions, the fund targets the acquisition and restructuring of government-owned enterprises; asset transfers to black empowerment groups; joint ventures between local and international corporations; parastatal outsourcing; noncore asset disposals; and management buyouts and buy-ins.

It will focus on the manufacturing, processing, distribution, communication and service sectors.

The fund is looking for companies with "excellent growth prospects, predictable cash flow and strong management teams," says Lusengo.

A deal, recently concluded by DLJ Pleiade Southern Africa Investors I, was the acquisition of a 33,3% stake in Fedics (valued at R125m) by a black investor grouping comprising Siphumele Investments (of the Western Cape Investment Progress Group) and the geographically spread women's grouping, Nozala Investments.

"A major motivation for this deal was the need to have a substantial and broadly based black shareholding, to assist in securing public sector catering work and other growth opportunities in the catering and hospitality industries," says Lusengo.

Investments will be made over a three-to five-year period on a draw-down basis — investors will be asked for funds as investments are made. ■


Selwyn Tait

Zenzo Lusengo . . . looking for companies with growth

Real power is economic

Soekor boost for black oil firms

(30)

Sowetan 25/7/97

Seminar to entice international players to form joint ventures

By Isaac Moledi

BLACK economic empowerment will receive a major boost when state-owned oil exploration and production company Soekor engages black oil companies in a top-level seminar with the view to giving them a stake in the industry.

Soekor, which, together with its international partner Energy Africa Bredasdorp, which started oil production from the Oribi Oilfields off the southern Cape coast in May this year, says it will hold this seminar with all the black oil companies and other stakeholders on August 14 in Cape Town, to explore ways to effectively engage the groups in the exploration and production of oil and gas in the country. The seminar will also include the industry's international players with a view to enticing them to form joint ventures with local black partners.

'The aim of the seminar is to entice international players to form joint ventures with local black partners'

Newly appointed Soekor communications manager Mzolisi Banga said it was important that the Government should be in the forefront of the campaign to attract previously excluded groups into the industry.

"This will be an information seminar. But at the end we need to give all the black consortiums that are presently penetrating the oil industry a wider scope to chose whether they want to be involved in the oil exploration and production," said Banga.

There are presently four significant black-owned and managed oil companies in the country with a market share of between two and three percent, according to the South African Petroleum Industry Association.

These companies are, however, involved in the selling and marketing of petrol without having a stake in the refinery. The government said this week that it was also exploring ways of facilitating the establishment of a new oil refinery by the turn of the century to accommodate black people as new players in the industry.

Boost for emerging business

Patrick Wadula

BD 25/7/97

NEDCOR division for small business development NedEnterprise has entered into a collaboration agreement with the Northern Cape economic affairs and tourism department in a pilot project to assist small, medium and micro-enterprises (SMMEs).

The two parties plan to work together on the development, training and financing of SMMEs awarded tenders from the emerging sector.

Northern Province MEC Goolam Akharwaray said yesterday the pilot project's aim was to enable an entrepreneur to access finance with NedEnterprise once he won a tender.

Akharwaray said although government had an important role to play in ensuring a conducive environment for growth of SMMEs, the private sector had an equally important contribution to make.

However, he said the biggest constraints still faced by emerging entrepreneurs was access to finance.

In this venture, Nedcor would be the financier, the Northern Cape providing contracts and technikons, technical colleges, universities and other institutions would be responsible for training and development.

"The period and type of training would depend upon the level of experience and the needs of entrepreneurs," he said.

He said the SMMEs' needs analysis would be done at the initial stage and thereafter a development plan would be drawn up for each SMME after application for finance had been granted.

Akharwaray said the government acknowledged the important role that SMMEs could play in achieving the objectives of economic growth.

"The role of SMMEs could also lead to a better life for all, a more equitable distribution of income, economic empowerment and job creation," he said.

Small black consortium wins R5,6-m electrical contract

ARGT 26/7/97

(30)

Cape businesses clinch Saldanha Steel deal

THABO MABASO
Business Reporter

Four independent black-owned electrical companies have been awarded a R5,6-million contract for electrical work at the multi-million rand Saldanha Steel project.

The contract was awarded by SEC Joint-Venture to PEMD Electrical Contractors, a consortium of black-owned electrical companies which merged to bid for the contract.

The contractors are Jeppie's Electrical, Western Cape Electrical, Des Jansen Electrical Enterprises and MSI Electrical. SEC Joint-Venture is an alliance of large companies such as Siemens and LTA-Autocon.

The contract is effective for six months, and it is possible that the value of the work may increase to R7,6 million.

The two groups officially signed the contract at a Cape Town hotel yesterday.

SEC spokesman Beau van Wyk said the awarding of the contract signified a commitment by his group to provide economic opportunities to historically disadvantaged entrepreneurs, and it was SEC's contribution to economic growth and the levelling of the playing fields.

"We are particularly pleased to have found four such entrepreneurs with appropriate management skills, capacity, experience and understanding of the requirements of the contracting industry," Mr Van Wyk said.

PEMD spokeswoman Mercia Isaacs said the contract was a major breakthrough for black-owned electrical companies.

HANNES THIART

Finally got it: Phaldie Jeppie celebrates winning a R5,6-million contract with partners Mercia Isaacs, Des Jansen and Ruby Brand

The negotiations between the two groups had not been easy and had threatened to break down at one point.

"At one stage we walked away from the contract as we felt very strongly that the success of these empowerment contracts in the final analysis lay in profitability and increasing our capacity as emerging businesses to grow and compete with bigger companies," Ms Isaacs said.

"However, the matter has been amicably settled and we are already on site," she said.

The Saldanha Steel Project, in the last few months, has been among the leaders in the province who have contracted small black-owned firms to work on the project.

The project awarded a R15-million contract to a black consortium two months ago to paint the steel manufacturing plant. It has 80 000 sq m of walling.

Saldanha Steel project director Ben Nel said the task at hand was to complete the project on time, at the right price and quality.

"Although the actual contract is between the SEC Joint-Venture and PEMD Electrical Contractors, we are an integral role player and are keen to see the empowerment process implemented," he said.

SA 'should learn from microenterprises'

BD 31/7/97 (30)

Patrick Wadula

THERE were 3-million microenterprises in SA and they had taken their place in the economy despite adverse regulatory frameworks and inadequate support mechanisms, Alliance of Microenterprise Development Practitioners executive director Sharda Naidoo said in Pretoria yesterday.

What SA needed to do was to observe and learn from the estimated 3-million existing microenterprises, instead of inventing or adapting a model for enterprise development.

Addressing a one-day entrepreneurship workshop at the Human Sciences Research Council, Naidoo said initiators of microenterprises had been quicker than service providers or governments to identify and exploit chances.

University of Stellenbosch Entrepreneurship Centre head Johan Venter said traditionally service providers for small and medium microenterprise training had asserted themselves on start-up training.

Venter said the true challenges in training microentrepreneurs included addressing variance in experience skills, the extent of exposure to business literature, and language barriers.

Venter said research in SA among small manufacturers had shown a decided lack in managerial training.

"Existing small and medium-sized microenterprises, including family businesses, are motivated by survival, not growth," he said.

What was more disconcerting, he said, was that such enterprises in general did not believe that a lack of training served as a barrier to performance.

"The intended growth of existing small firms could have a positive impact on unemployment," said Venter.

Small firms bid for relief from costs of labour bill

(30)

CT(BR) 1/8/97

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — Small businesses might escape some of the worst cost-increasing conditions of the disputed Basic Conditions of Employment Bill once it is passed by parliament.

This would be as a result of a proposal by the Small Business Project, an independent policy and research think-tank, sources said yesterday. The Small Business Project has suggested enterprises with fewer than 50 workers be exempted from implementing some cost-increasing conditions that may be written into the final bill.

The co-author of the special relief idea, Keith Herman, a researcher with the Small Business Project, is confident the proposal will be written into the bill.

Gerrie Bezuidenhout of Sacob said the proposal was fair and should be contained in the bill.

The proposal was distributed widely earlier this month to political parties, state departments, ministries, trade unions and business organisations. It suggests the following relief measures for businesses with fewer than 50 workers:

- ☐ That they be allowed to phase in payment of time-and-a-half for overtime work;
- ☐ Partial exemption from the requirements for night work;
- ☐ Administrative burden and record-keeping rules be softened;
- ☐ Flexibility in applying the provisions on annual leave, sick leave and maternity leave; and
- ☐ Procedures for exemption from the cost-increasing conditions be made simple to avoid the usual stifling bureaucracy.

"Many of these provisions are high-cost items for small businesses. Small businesses should comply with these conditions, but should be given time to do so," said Herman.

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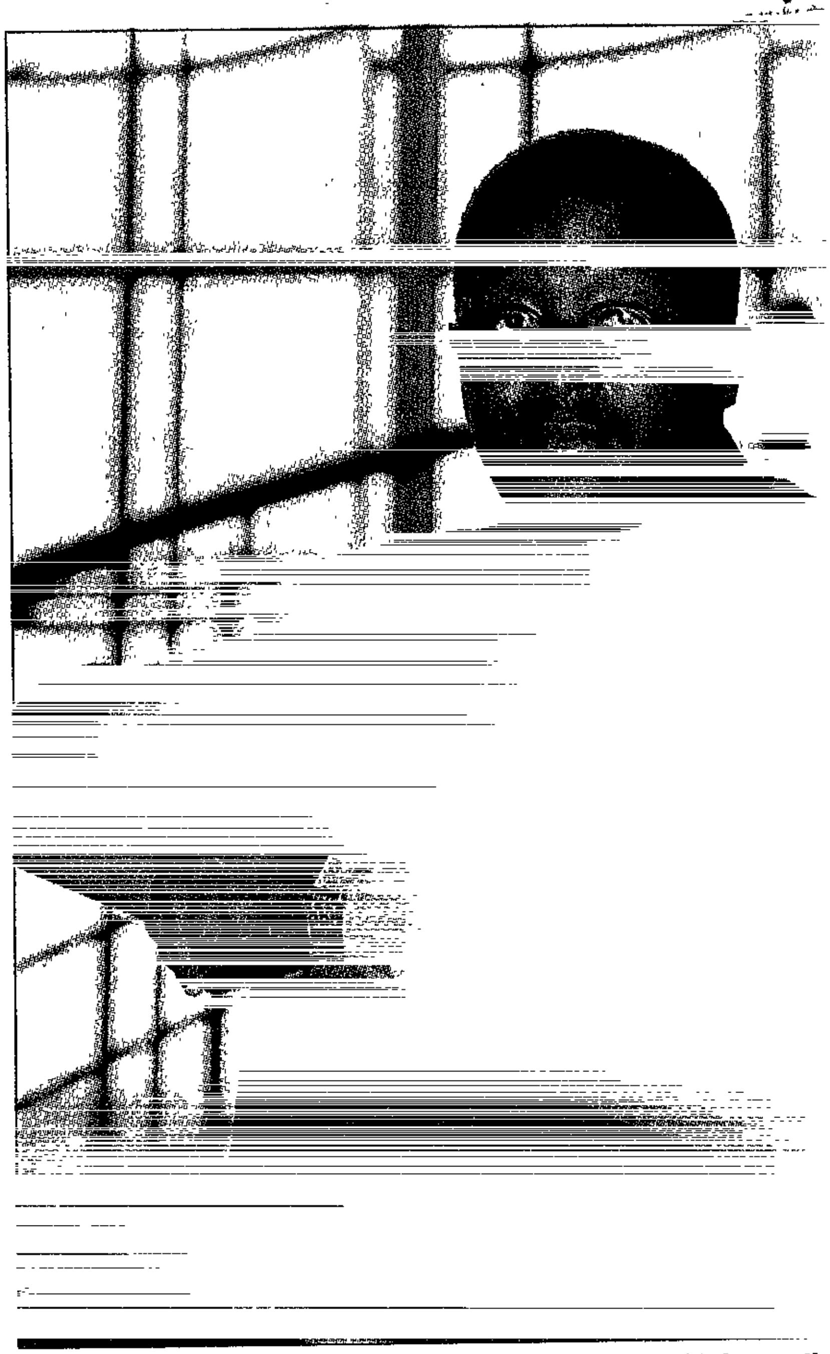
Finding a way forward to growth and prosperity

ST(BT)3/8/97 (30)

The country's small business sector is looking for ways to make a difference, writes THABO KOBOKOANE



LOOKING FOR ALTERNATIVES ... Monde Tabata, chief exe...

THE National Small Business Council will soon unveil a set of measures aimed at consolidating the interests of the small business sector.

The NSBC was set in 1995 as a statutory body to represent the interests of the small business sector and advise the government on small business development.

While the past two years have been spent setting up national and provincial infrastructures, the next few years will be critical in determining whether the strategic plans to be undertaken by the NSBC have any visible impact.

"We are not going to be lapdogs of government, but will represent the interests of our members. In the long run the measure of the success of the NSBC will be reflected in the positions we take and what effect those have on the enabling environment in which small business operates.

"Although in the end we play only a facilitating role for our members, we can intervene in identifying opportunities and policy deterrents to small business development," says NSBC chairman David Moshapalo.

Essentially a lobby institution representing the interests of its small business members, its most critical challenge remains how to address the question of access to funding for SMMEs, in particular black-owned businesses.

Government intervention via the Khula Enterprise Fund (providing wholesale finance to retail institutions), the Khula-administered Credit Guarantee Scheme, are seen as insufficient. There is growing dissatisfaction within NSBC and Khula ranks that the CGS is not working because commercial banks are still "reluctant" to lend to the SMMEs.

"There is increasing pressure for an alternative institution geared towards the funding of the SMMEs given that commercial banks are not geared towards SMME funding," says NSBC chief executive Monde Tabata.

This question is bound to come up often as provincial members meet to discuss blueprints ahead of a national NSBC summit in October. These provincial strategies will guide and form the basis of a national strategy to be adopted by the NSBC.

"The process has been a bottom-up approach guided by what provincial priorities there are," says Tabata.

In October, the NSBC will start an Enterprise Development for Growth and Equity (Edge) campaign in an effort to boost the competitive edge of the sector through entrepreneurial development.

Tabata says the key elements of the strategy will be building up capacity at small business chambers so they can participate in the development of the local economy.

"International experience shows there is a strong correlation between business development and strong small business chambers. To this effect we have raised funding to strengthen our chambers, which have suffered from unequal development. The strategy will also seek to strengthen our advocacy roles and this will be driven by mandates from the provincial summits to the national summits."

The NSBC has thrown its weight behind efforts to push for a rethinking of the Basic Conditions of Employment Bill, given input into the Green Paper on Procurement, the Liquor Act and the legal and regulatory framework.

The NSBC believes the sector could be best served by having a small business cabinet minister appointed. "This will ensure that the interests of the small business sector are treated with all the attention it needs as an important component of the SA economy," says Moshapalo.

● See Newsmaker, Page 10

COMPETITION

Small is not beautiful but weak

CT(PR) 5/8/97

(30)

NCABA HLOPHE

In spite of its best intentions the government continues to hamstring the development of the small and medium-sized industrial sector.

That small and medium-sized enterprises are the sparkplugs of the economic engine is well acknowledged.

The government has tried to introduce more institutional support to the sector with the creation of Khula Finance Corporation, Ntsika Enterprise Promotion Agency, Small Business Council, and the National Small Business Act in a short space of time.

However, a heap of over 152 laws, ordinances, regulations and policies have been identified by the Small Business Project (SBP) as preventing the growth of the sector.

According to the SBP, the government is still among the principal culprits which stultifies the growth of the sector through the macroeconomic growth strategy (Gear), Basic Conditions of Employment Bill and the so-called Ten Point Procurement Plan and many others.

The debate on the full empowerment of the sector rages unabated. At the centre is the issue of a fair competition authority and environment, and whether the state should use competition law to break up the conglomerate control of the economy.

Keith Herrman, a legal and economic researcher for SBP, says: "To date the current statutory framework has proved inadequate. The lack of enforcement of the law is illustrated by the fact there have been no legal prosecutions under the Competition Act and the special court of appeal has not even functioned."

Herrman believes the efforts of the government to support the small and medium sector will "come to naught in a market that is saturated by large corporate entities which have substantial control over production, distribution and retail sectors through vertical integration and cross-shareholdings".

The SBP holds the view that the legislative framework is inadequate because of the limited powers of the board under the Maintenance and Promotion of Competition Act of 1979, as it may only recommend remedial and preventative action against anti-competitive business practices.

This view holds true in spite of the government's commitment, as spelled out in the Reconstruction and Development Programme white paper, to "introduce strict antitrust legislation to create a more competitive and dynamic environment that would discourage the system of pyramids where they lead to overconcentration of economic power and interlocking directorships".

The RDP tended to peddle the notion that unbundling such deep-seated structural pyramids would involve a small, if not rigorous, intervention by the state through a new competition policy according to a model based on practice in the US.

However, Alec Erwin, the trade and industry minister, appears to have thrown out the trust-busting model for European versions which advocate the view that artificial intervention should be considered with caution.

This stance is endorsed by the SBP, which advocates that the promotion of the small business sector would tumble if market considerations were abandoned for political convenience.

"Promotion of the small business sector must be implemented as a conscious part of an integrated strategy to grow the economy on a sustainable basis. In fact, forceful measures by the government may weaken our existing industrial base, further deter foreign investment and stifle any chance of meeting the growth targets outlined in Gear," Herrman says.

The SBP argues it would not be prudent to regard competition policy as the sole or preferred instrument to redress the shortcomings of the economy. Some of the key components of the integrated strategy would rather include relaxing exchange controls, reducing tariffs, introducing special tax incentives, restructuring state assets, expanding basic infrastructure and implementing structured flexibility in labour markets, Herrman says.

However, a study by the Industrial Strategy Project in 1995 cautioned that the removal of trade barriers should be handled carefully to avoid the destruction of domestic capacities.

The Free Market Foundation believes concentration may have come as a result of efficiency-induced production methods, which caused these companies to expand into secondary and tertiary sectors.

Closely linked to this is the view that any policy which would direct attention to small and medium business, as a principal objective, should not feature in the competition regime as an isolated entity.

The Competition Board should be encouraged to prevent restrictive practices vis-a-vis small enterprises and make the board more accessible to the sector.

The board should also be able to prohibit horizontal and conglomerate mergers and acquisitions that hamper effective competition.

"Outlawing this type of uncompetitive conduct and abuse is crucial. It is these restrictive practices that hit small firms the hardest.

It is proposed that the board must have competency to strike down and take some sort of action where small enterprises are unduly affected," according to Herrman.

"However, it is not our view that special privileges be granted to the small and medium business sector," he says.

Woolworths strike may end

(30) (152)

Renee Grawitzky

BD 11/8/97

The 10-day old strike by thousands of SA Commercial, Catering and Allied Workers' Union members at Woolworths could end today after a proposal was drawn up by the two parties late last week.

Woolworths said an agreement was brokered under the auspices of Commission for Conciliation, Mediation and Arbitration commissioner Kaizer Thibede. The union said it would report back to its members and was expected to respond today.

The company said the potential settlement includes an across-the-board increase of R260 a month, coupled with the union's commitment to address flexibility.

If the strike continued during the report-back period, Woolworths would withdraw its offer.

Safto gets 207 new members

(30) (74)

Sowetan 7/8/97

By Sowetan Business Reporter

A TOTAL of 207 companies have joined the South African Foreign Trade Organisation (Safto) since its relaunch last September.

Of this number, about 140 are small and medium enterprises (SMEs), mainly emerging black businesses, Safto's chief executive Johan Scheepers told *Sowetan Business* yesterday.

Scheepers said the foreign trade organisation underwent a major transformation last year.

The organisation shifted its focus from being an export promotion agency to providing services to individual companies.

These services include the provision of research information, consultancy and helping the SMEs to access export markets.

"We have not reached the SMEs as we would like to. However, we embarked on moves to bring more black business to join the organisation. The problem is that there is a large number of black representative business organisations," said Scheepers.

Black business

He said Safto would, in the next few months, be looking at engaging black business organisations with the aim of assisting them to enter the export industry.

According to Scheepers, the move to assist small enterprises was enhanced by a meeting between the organisation and the National Federated Chamber of Commerce (Nafcoc) about two weeks ago.

Education and training form part of Safto's strategy, he said.

"We are training 30 trainers who in turn will train other trainers from their respective organisations," he said.

Safto, together with the Geneva-based International Trade Centre (ITC), also developed a training programme early this year to help personnel from developing countries in export and other trade issues.

Scheepers said 25 people chosen from South Africa, Lesotho, Namibia, Swaziland and Botswana – all member-states of the Southern African Customs Union – have already benefited from the training programme.

"Our role now is to concentrate on providing services to individual companies and also encouraging joint venture initiatives," Scheepers said.

Small business may be sacrificed in labour bill

(30)

CHRISTO VOLSCHENK
ECONOMICS EDITOR

CT (BR) 14/8/97

Cape Town — The chances were dwindling for small businesses to get temporary relief from some cost-increasing measures included in the Basic Conditions of Employment Bill, industry sources said yesterday.

With only days left for Tito Mboweni, the labour minister, to squeeze "sufficient consensus" out of labour and business on outstanding issues in the bill, and a week to table the final bill to cabinet for approval, Mboweni had apparently decided not to complicate matters by introducing new issues, the sources said.

The Small Business Project, the private sector think-thank, had suggested a new clause be added to the bill that gives businesses with fewer than 50 workers special relief from cost-increasing measures such as time-and-a-half payment for overtime work. However, on Friday Mboweni said the suggestion was not being considered for inclusion at this late stage.

Once the cabinet approves the bill, it will go to the portfolio committee on labour for debate before it is tabled in the National Assembly on September 15.

Mboweni said recently he would rather investigate the possible harmful effects of the bill on small business after it had become law. "If there are problems for small businesses, we can address them with exemptions already allowed in the bill."

The bill empowers the labour minister to exclude small businesses from some of the provisions of the bill "if there is good reason to do so".

Mboweni said he would be able to exclude a basic condition after he got advice from the Employment Conditions Commission and comment from the public. Employers could ask the minister to replace or exclude any basic condition in the bill.

SMALL BUSINESS FOCUS

ARG 14/8/97

Unravel the nightmare of red tape for small business operators, says new study

(30)

BUSINESS EDITOR

Small businesses still face daily problems dealing with a complex and tangled web of red tape, say the authors of a new study.

The Johannesburg-based Small Business Project has examined a list of more than 152 laws, from the Abattoir Hygiene Act to the Gambling Bill, the Merchandise Mark Act to the Wage Act which, the authors say, restrict the entry and curb the growth of the small and medium business sector.

Publishing the first set of findings in their monthly review *SMME Alert*, the Small Business Project notes that access to justice for small business could be considerably improved.

"For thousands of small business people, the ability to obtain justice in a civil dispute such as in the case of non-fulfilment of a contract, is extremely costly and time-consuming.

"While it may be said that our courts are open to all, the cost of litigation is so high that one single day in court, even the magistrate's court, can tot up costs of at least R1 000, and one day in the High Court can cost R3 000 or more."

The small claims courts have been successful for private persons, but offer little help to small businesses, the project says.

The authors of the study urge the Government to make the justice system more accessible to small business owners by raising the monetary limit for cases brought before the small claims court from R3 000 to R10 000 and by opening up the court to businesses – juristic persons – as well as to individuals.

To ease the extra burden on the small claims courts if this system were implemented, the authors recommend the use of assistants to help business people prepare their cases before appearing before the presiding officers. These assistants could be drawn from the ranks of final law students or recent law graduates, they suggest.

In addition, the small claims courts should be empowered to issue interdicts in cases falling within their jurisdiction.

WORKING CONDITIONS

Nafcoc asks for exemptions for small firms

CT(BR) 15/8/97 (30)

The National African Federated Chamber of Commerce and Industry (Nafcoc) made an appeal to the government to allow small businesses to be excluded from the Basic Conditions of Employment Bill. "It is in the interest of the nation and also the economy and its growth that these businesses be strongly supported," the chamber said in a statement yesterday.

It said a separate set of laws should be established for small business. These laws should be reviewed after five years and the status of individual companies assessed, Nafcoc said. It also appealed to the government to allow Sunday to be treated as a normal day as this was "in line with our new constitution, which has not identified this country as a Christian country". Nafcoc suggested that on the issue of night work, employers and employees be allowed to negotiate a flexible working agreement. — *Staff Reporter, Johannesburg* an and Pakistan ... in 1947; ... leaders of India and Pakistan both ... trial tiger," Mr

Push to alter small business laws

ARG 15/8/97 (30)

Johannesburg – The Department of Trade and Industry will work with small business and local governments to improve legislation regarding setting up micro enterprises, Alistair Ruiters, chief director of the Centre for Small Business Promotion said yesterday.

Speaking at the opening of the Eskom Small Business Opportunities Exhibition at Nasrec, Dr Ruiters appealed to the small business community to assist the Government in changing laws governing the establishment of new companies.

Streamlining legislation and lowering costs for the small business sector was a top priority over the next 12 months, Dr Ruiters said.

The DTI would invite representatives from local government to attend a President's Conference in November to educate officials on the procedures for setting up new micro-enterprises.

The Small Business Opportunities Exhibition has attracted more than 50 budding entrepreneurs, who are marketing their ideas at the Nasrec exhibition centre until Saturday. – Sapa

Nafcoc, Fabcos fail to define role in economy

(30) Sowetan 21/8/97

By Isaac Moledi

MORE than three years after South Africa gained democracy, black business organisations are yet to define a clear direction in which their role should move in the mainstream economy.

The National Federated Chamber of Commerce and Industry (Nafcoc) and the Foundation of African Business and Consumer Services (Fabcos) have been spearheading the direction which black business development should take in economic empowerment and major black business issues affecting the country.

But both Nafcoc and Fabcos have not developed into organised forces with clearly set and defined targets.

As Nafcoc begins its 33rd annual conference this weekend at the Wild Coast Sun in the Eastern Cape, under the theme Business in Transition Towards an Integrated Economy – Managing Change – the question remains whether the organisation is able to lead members in managing the economic changes taking place in South Africa.

What is clear, however, is that at the moment there are discerning voices within black business surfacing before this crucial national conference.

Eskom chairman Reuel Khoza will address the 33rd Nafcoc conference at the Wild Coast Sun in the Eastern Cape.

Squabbles within Salta

Recent squabbles within the South African Liquor Traders Association (Salta), one of Nafcoc's largest affiliates, and the gradually surfacing disputes among black business organisations and trade unions regarding Government tender systems, are a clear indication that all is not well.

In many East Rand townships, mistrust emerged among Nafcoc's affiliates, the chambers of commerce, which accused the organisation's investment holding company of not consulting them when it entered into a partnership with Southern Sun Gaming and other groups to form Tsogo Sun, bidding for licences in Randburg and Pretoria.

In open defiance, the chambers teamed up with rival gaming and hotel group Global Resort to bid for licences at the World Trade Centre in Kempton Park.

Nafcoc insiders said that the more measures taken around the issues of black business unity, the more the divisions continue to widen.

Nafcoc leadership has conceded that the organisation does have problems and that they are in the process of addressing them.

"Problems in Salta are becoming more complex every day," said Nafcoc chief executive Phillip Machaba, adding that a decision how to approach some of these problems would be taken at the conference.

According to Machaba, one of the topical issues to be debated at the conference will be empowerment and affirmative action.

"There are concerns among our members and these revolve around issues of black economic empowerment and access to finance. The main question is how deals cut by consortiums can benefit the man in the street," said Machaba.

The conference will have three break-away sessions to provide in-depth discussions on the National Empowerment Fund and access to capital, public procurement policy and black economic empowerment.

A number of political and business leaders, including Public Works Minister Jeff Radebe, will also help to address these issues, Machaba said.

Spark interest

"One of the issues that is expected to spark a lot of interest and discussion is the future of retailing in the townships. The move by big chains into and around townships is spelling the demise of township outlets," he said.

Nafcoc president Joe Hlongwane said this year's theme "suggests that we take stock of economic progress realised since the political transformation".

"The conference aims to look at how economic transformation is managed, our experience of business integration and to what extent black economic empowerment is part of this process," he said.

Machaba said he was confident that this year's conference will be different from previous conferences in many respects.

"Our focus will be on ensuring that blacks participate in a number of business opportunities that are unfolding today. We need to come up with definitive plans on how this is going to happen."

Ramaphosa will be there

Leading opinion makers in black business and corporate South Africa at the conference will include Johnnic chairman Cyril Ramaphosa and Eskom chairman Reuel Khoza.

Nafcoc Women's Forum, aimed at facilitating the empowerment of businesswomen into the economic mainstream, will be launched at the conference.

SBDC boosts manufacturing financing

BD 21/8/97 (30)

Shareen Singh

THE Small Business Development Corporation's (SBDC) move from a loan financing company to equity financing resulted in a 62% drop in the number of projects approved, but an increase in the value of each project and in job creation potential, the company said yesterday.

SBDC chairman Johann Rupert said in the company's annual report that approximately 9 451 jobs were created in the financial year through more than 1 000 business activities made possible by the company. Investment capital of R243m was passed in the year to March 1997 and a total of 65 equity projects amounting to R33,6m had been approved since the introduction of new financing products over the past year.

The company planned to increase investment capital approvals to R770m a year within five years.

As the manufacturing sector in SA needed to be developed, the company planned to increase business financing in this sector to 46% from 43%. Loan approvals to black entrepreneurs would increase from the current 27% to 50% a year by 2002. The company's net income increased 21,5% to R70,7m. Headline earning a share surged 91% to 33,5c.

The SBDC currently owned and managed 283 properties valued at R767,1m. Of these, 112 properties valued at R357,8m were identified as security for the debenture issued to the trade and industry department and may be sold at the state's request.

The department of trade and industry, which had held 50% equity in SBDC, has reduced its stake to 20% effective from July last year. Government sources said the department might consider disinvesting completely in time.

Unification of SA's businesses all a dream

(30)

Sowetan 22/8/97

By Maxwell Pirikisi

THE unification of South African businesses remains a dream as most business chambers say such a relationship is "premature".

Yesterday some clubs said they were not ready to "group" with others.

The National African Federated Chamber of Commerce and Industry's (Nafcoc) failure to unite with other black business clubs such as the Foundation for African Business and Consumer Services (Fabcos) casts doubt over its claims of growing ties with other chambers.

In fact the Afrikaanse Handelinstituut, with which Nafcoc claims strong ties, does not view its relationship with Nafcoc as a step towards unity with black business.

AHI's director of marketing Manuel da Silva says although his organisation has formed a Section 21 company together with Nafcoc, AHI is not yet "thinking in terms of a unified business body".

Nafcoc, which is holding a crucial national conference in the Eastern Cape, starting this weekend, maintains that it does not want to be "swallowed".

Its chief executive officer Phillip Machaba says: "A unified business chamber is an ideal, but we need realignment first."

AHI's Jacob de Villiers says his club has more important issues to think about than the unification of businesses.

"One might say it would be a luxury to debate that right now because there are more pressing needs at hand."

Black empowerment deals 'standard'

(30) BD 25/8/97

Belinda Beresford

THE rising involvement of black-dominated ventures in the business world has meant that funding of black empowerment deals was increasingly regarded as a standard business transaction, finance experts said last week.

However, there was debate as to what latitude financing of such deals was being given by financial institutions. And the definition of a black empowerment deal was open to argument, they said.

One financial analyst said that banks sometimes took unusual risks to enable black empowerment.

Although some institutions had been burnt, other black empowerment deals had been incredibly lucrative. The original financiers of Capital Alliance, for example, should still be smiling, he said.

He said there was confusion over what deals should be classified as black empowerment. For instance, he had heard reports of complaints by black empowerment groups that Capital Alliance, the fast-growing financial services group headed by Mzi Khumalo, did not fit this category.

Although the economic environment meant banks had become tougher in making loans, including for black empowerment deals, he still thought such transactions were "looked at in a slightly different way".

SCMB deputy MD Myles Ruck said that the Standard Bank group had always been upfront about its involvement in black empowerment business which went "right across the spectrum" in terms of levels of funding.

"Much of the initial impetus and thrust given to black economic empowerment came from the sellers, as opposed to the banks. The banks facilitated it, but it was obviously easier to facilitate when the price was not always top dollar.

"These days one looks solely at the commercial viability. If you look at the Johnnics and the JCI deal, there are a lot of banks involved," Ruck said.

Assessing the amount of bank debt involved in empowerment deals depended on the definition of black empowerment, he said.

In the case of the Standard Bank group, it was a "meaningful number, a big number and it is going to grow as more opportunity comes, provided the deals offer us a normal commercial return. As a big banking group we have to play that game."

A senior corporate banker said the first black empowerment deals had involved some "special transactions", but since then they had become more commercially orientated. Empowerment deals often involved a sharing arrangement between the financier and its partner, with the former accepting equity in place of debt to provide funding.

"As those positions they (black empowerment businesses) have built in the past generate a capital base, they won't have to give away the equity upside. They will place themselves in the position where they can do a totally commercial deal," he said.

The time needed for an institution to get to this situation varied, he said.

Nafcoc seeks clarity on Gear

27/8/97 Sowetan (30)

By Maxwell Pirikisi

THE National Federated Chamber of Commerce and Industry (Nafcoc) has extended an urgent plea to Finance Minister Trevor Manuel to re-examine and strengthen the detail of the Growth Employment and Redistribution strategy to accommodate the needs of emerging business.

Nafcoc president Joe Hlongwane told his organisation's 33rd convention in the Eastern Cape that the small business sector was the springboard of economic growth and job creation, and therefore Gear needed to "more specifically provide guidelines for the manner in which its main objectives, which are related to small business, should take place".

Said Hlongwane: "Government, in Gear, should develop a sense of focus and priorities which specifically stimulate the expansion of SMMEs to the extent that job targets and growth targets will be met."

He also called on Manuel to reconsider his decision to omit protection of SMMEs from legislation on Basic Conditions of Employment.

"We are concerned because if they are promulgated, it will be virtually impossible to reverse the stranglehold trade unions will have on fragile new small enterprises," he said.

Hlongwane said in the coming year Nafcoc would seek, among other things, the financing of entrepreneurial activity, training and education of its members, the creation of job creation ventures and the need to shift the emphasis of business endeavour from consumption enterprises to production activities such as manufacturing, agriculture and growth sectors such as tourism and construction.

MAIL & GUARDIAN
August 29 to September 4 1997

Nafcoc seeks greater role

M+G 29/8-4/9/97 (30)

Sechaba ka'Nkosi

The National African Federated Chamber of Commerce and Industry (Nafcoc) has called for a national stakeholders conference between the government, established business and small enterprises before the year-end. Nafcoc wants the summit to formulate a programme that will ensure full participation of emerging business in economic reform.

The call forms the core of the main resolutions adopted by Nafcoc's 33rd annual convention in the Eastern Cape this week. It also stems from the organisation's apparent displeasure at being left out of major economic discussions and from calls by black leaders for Nafcoc to articulate a clear programme for its members during the transitional period.

At the convention, Nafcoc leaders argued that the proposed conference must result in clear undertakings from the government and the established sector that special preference be given to businesses from disadvantaged communities on tenders, privatising assets and unbundling companies as a means to integrate them into the mainstream. For its part, Nafcoc would organise and educate its members on how to use these opportunities to empower themselves and their communities

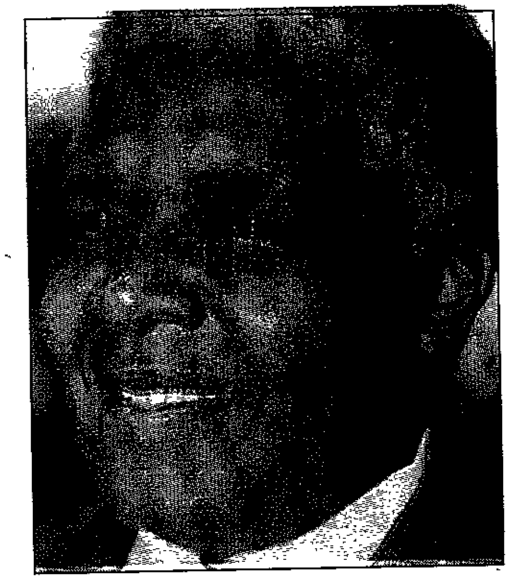
Nafcoc insists it has no doubts about the government's commitment to black economic empowerment, but says strategies adopted in recent times signal the opposite. The organisation says this suggests that the government does not see small businesses as a vehicle for job creation.

For example, charges Nafcoc, the growth, employment and redistribution (Gear) strategy is not specific on how small and medium enterprises could beencouraged. The Basic Conditions of Employment Bill also leaves small businesses with no protection from the powerful trade union movement. Nafcoc president Joe Hlongwane says if such concerns can be addressed, emerging businesses can play an important role in creating employment and thus alleviate poverty.

Says Hlongwane: "We can no longer afford to sit and shout from the outside. We want the government to give us a sense of focus and priorities which can stimulate the expansion of small and medium enterprises to the extent that job targets will be met."

Nafcoc also reiterated its call for the establishment of a national ministry dedicated to the promotion and advancement of small businesses, and the restructuring of state financial institutions to meet their financial needs. Through these, says Nafcoc, marginalised regions can benefit from economic growth.

"We cannot allow redistribution to benefit only a few individuals and well-off cities. It must be felt throughout the country. The government can achieve more by working closely with mass-based organisations like Nafcoc because we know what the needs of our communities are much better than anyone else," says Hlongwane.



Hlongwane: 'Sense of focus'.
PHOTO: DANNY HOFFMAN

The conference — held under the theme "Business in Transition towards an Integrated Economy" — also set itself a goal: that the executive committee identifies the best financial and corporate structures to achieve meaningful black ownership and control in empowerment transactions before the next summit.

SMALL BUSINESS FOCUS

More help for small business on the cards

New centre planned for W Cape

(30) ARG 2/9/97

BUSINESS EDITOR

The provincial department of Economic Affairs is considering setting up a new service centre for small furniture manufacturers as part of its support system to small business.

The initiative would form part of the Local Business Service Centre programme.

Thirteen local centres have already been set up by the department in collaboration with bigger business, in a bid to provide services to small business in the Western Cape.

Centres which are up and running include the R90 000 Clotex centre, the Atlantis information centre and the agribusiness centre in Stellenbosch.

Deputy director-general Tony Ruiters told the Cape Argus that a service centre for small furniture manufacturers could be next on the cards. It would probably be located near George, he said.

Centre for small furniture manufacturers is a possibility, and will probably be located near George

The centres form part of four programmes provided by the department to supplement central government support to small business in the province.

The other programmes include the Small, Medium and Micro Enterprise (SMME) Training Support Programme, which will pay up to 90% of the costs of entrepreneur training at an approved institution to help small businesses get up to speed in obtaining contracts; the SMME Network and Procurement Linkage Programme, which subsidises chambers of commerce, service organisations and consultants who successfully make links between small and big business; and the Micro First Generation Support Programme, which targets first-time entrepreneurs who need help paying for training or for the drawing up of a business plan.

Mr Ruiters said the network programme had been particularly successful.

Big companies which had participated included Macdonalds, which had agreed to buy all its supplies from black businesses; Woolworths, which had contracted cleaning out to a small black business, and Saldanha Steel, which had allocated part of the steel works' contract to black builders.

Frontier retailing hits Maputo and the crowd goes wild

30

The opening of Shoprite Checkers in Maputo — the first of 10 branches planned for Mozambique — nearly ended in a riot, writes DAVID BULLARD

ST (BT) 7/9/97

IN MAPUTO, the opening of a new supermarket generates a similar sort of excitement among the local population as a film premier would elsewhere in the world.

When Shoprite Checkers opened the first of its Mozambican branches on August 28th, those of us wearing a Shoprite shirt or badge enjoyed instant celebrity status.

Thanks to the advanced publicity, the word "shoprite" had insidiously worked its way into the Portuguese language as the definition of all that is great and good about western style consumerism.

Maputo has much to be excited about. The new development in the Parque da Paz offers the only level paving for miles around. Apart from the 3 500 square metres of Shoprite supermarket as the anchor tenant, the centre will eventually house another 35 retailers including Pepkor clothing subsidiaries Pep Stores, Smart Centre and Ackermans, as well as Benetton and Woolworths and a couple of fast food outlets.

Shoprite Checkers' management have stated their intention to bring world-class merchandising and retail services to the rest of Africa. They have invested about R3-million in this project and intend opening another nine branches eventually throughout Mozambique. In a country with a population of 18-million, where the average monthly wage is a meagre R120 (approximately equivalent to one Benetton shirt sleeve), this is frontier retailing at its rawest.

The pre-launch cocktail party was held on the evening of August 27th in a large marquee erected in the car park outside the new store. It gave Maputo's socialites a welcome opportunity to bring out their best crimplene and even members of the diplomatic community were tempted out of their high security consulates for what promised to be this year's foremost social event.

As 500 invited guests enthusiastically made the most of the bar facilities, filled their plates with fishy things and chatted happily away during the official speeches, the not-so-fortunate peered disbelievingly through the wire of the security fence.

Next morning the bank analysts were whisked off to meet the finance minister at some unearthly hour while the press corps were allowed to sleep off their hangovers. Then, at about ten, we boarded a bus to visit the now open supermarket.

On arrival at the site the crowds made it impossible to drive into the car park so the bus parked on the yet to be developed wasteland in front.

Fortunately, the shopping centre is surrounded by a fairly high perimeter fence so the 2 000 or more people waiting patiently inside to buy a bag of mealie meal at a third of the normal price enjoyed a relatively comfortable shopping experience. Apart, that is, from a three-hour wait in the sun and the occasional crack across the head from an overzealous security guard.

The 5 000 outside the gate, in search of loaves, fishes and toothpaste on special were not so lucky. There was only one entrance to the shopping compound and once we had identified it we pushed our way into the crowd, naïvely believing our press badges would afford us safe passage.

As the security gate opened, the crowd surged forwar, lifting us off our feet and carrying us in a human tide, some to finally make it to the other side and others to be left pressed gasping against the fencing. In the fray, cameras were snatched and strange fingers probed our pockets looking for wallets and other easily removables.

Once inside the compound only one problem remained; how to get back out again.

Cars and bakkies loaded with Shoprite Checkers carrier bags had by now formed a long queue at the only functioning entrance to the car park. However, if the security men opened the gate wide enough to let a vehicle out, they risked letting in a frenzied mob who now seemed desperate to buy anything, just as long as it was reduced in price. The security men conferred and decided on the safest course of action; they would let nobody in and nobody out.

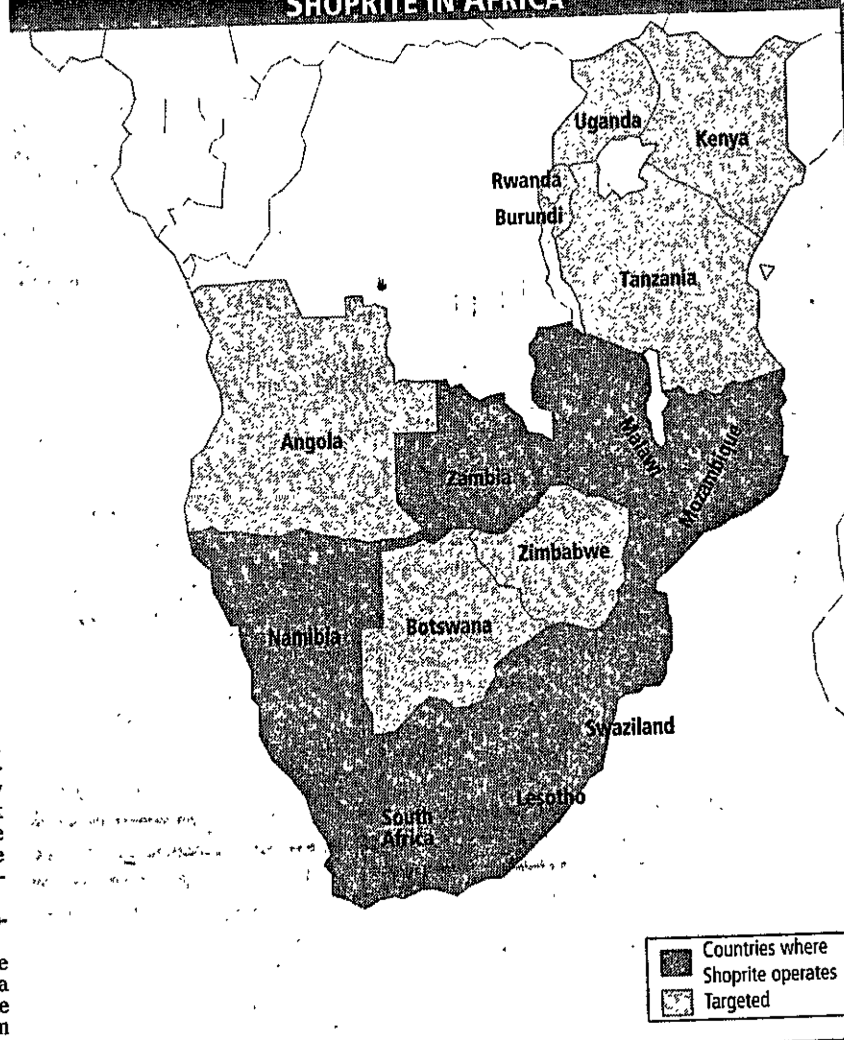
This proved highly frustrating to the now trapped car drivers who probably wondered whether the savings they had just made on bulk purchases of toilet paper would compensate for being held hostage for the foreseeable future in a car park.

Unfortunately I did not have time to hang around and witness the final denouement because I had to find a way out and back to the safety of the bar at the Polana Hotel. I considered digging an escape tunnel under the perimeter fence, but somebody tipped me off that I could probably get out through the goods entrance at the back.

Staff and Shoprite senior management seemed delighted at the reaction to their new store; apparently the Zambian opening was quite low key in comparison.

I don't think I have ever see so many people try to go shopping at the same time but, impressive as this tribute to consumerism no doubt was, one thought kept going through my mind: where else could you find three hundred virgin supermarket trolleys with all the wheels going in the right direction? I wonder how many were left at the end of the day.

SHOPRITE IN AFRICA



Graphic: FIONA KRISCH

In The Boardroom

Sunday Times Business Times
September 7 1997

(30)

Black firms teeter on the edge of a new mythology

SVEN LUNSCHE

Looks at the success and failure of black empowerment

ALMOST exactly to the day a year ago, Cyril Ramaphosa and Nicky Oppenheimer concluded the historic deal that handed control of Johnnic from Anglo American to the National Empowerment Consortium (NEC), an alliance of black trade unions and businesses.

With a price tag of R2.7-billion, it remains the biggest black empowerment venture to date and handed the NEC control over some of SA's prime industrial assets — including SA Breweries, the Premier Group and the newspaper and magazine interests held by Times Media Ltd.

Since then black empowerment has become the norm in the dealings of corporate SA. With a few exceptions, every merger, acquisition, privatisation, and such, has to end up with a percentage of the shares held by a black consortium.

The release of Johnnic's full year financials this week is an appropriate occasion to assess the way these businesses have been run, and the effect black business leaders have had on the bottom line.

More importantly, though — has black empowerment achieved its political agenda, namely empowering the country's economically disadvantaged majority, or has it merely turned a select group of former political and labour activists into instant millionaires?

The business résumé first. At first glance Johnnic's results are pleasing. Attributable income rose by 57% to R767-million in the year to end-June. However, while black hands may hold the reins at Johnnic, over 70% of earnings come from SAB and Premier, which they do not control. Johnnic's management control extends only to the property interests and TML.

Mining group JCI, sold late last year by Anglo to Mzi Khumalo's African Mining Consortium for about R2.4-billion, is set to fare worse than its former sister company. Hit by the weak gold price, it is expected that JCI's headline profits will plunge by about 15% on the R350-million reported in 1995/96 when it reports its results this week.

Don Ncube might not enjoy Ramaphosa's or Khumalo's high media profile, but his Real Africa Investments Ltd (Rail) enjoys a high market status. The share price has performed well and earnings are growing steadily, rising R30-million to R71-million in the year to end-March.

Other deals involved more hands-on black management, such as Vusi Khanyile's Thebe, but even in those cases the verdict is by and large not yet out on their success or failure.

Gone are the days when black business was almost equivalent to instant failure; the National Sorghum Breweries, New Age Beverages and New Nations are a reminder of the black apprenticeship of the economy, but they are the exception rather than the norm. The New Africa Investments Ltds (Nails), Rails, Thebes and Capital Alliances are here to stay and will make an impact. But are they fulfilling the ideal of broader black ownership of the economy and not just the mandate of their privileged shareholders?

(30) ST (BT) 7/9/97

At its simplest, the debate on black empowerment centres on the empowerment versus enrichment argument.

There is clearly an element of enrichment in that the black executives of today are earning salaries on par with their white counterparts, if not a bit more.

In a recent book, *Comrades in Business*, consultant Frederik van Zyl Slabbert and academics Heribert Adam and Kogila Moodley put the debate in a historical context. "The ANC has undoubtedly turned its back on a history of struggle that once had racial capitalism as its main target. In that distant past activists romanticised the simple, modest life with survival wages for unionists," they write.

"At the most, Toyotas, not German luxury cars, were to be the signature of successful revolutionaries. The fact that Ramaphosa could move from head of a militant mineworkers' union and secretary-general of the ruling party to chief executive of Johnnic and director of Anglo American indicates an atmosphere of non-ideological expediency," the authors write.

Many analysts rightly argue that high salaries and lucrative share options are a normal and accepted practice of "non-racial capitalism." But the transformation of the boardroom to "new sites of struggles" — as stated by Ramaphosa when he took the helm of Johnnic — is very hard to swallow even for sympathisers of the empowerment lobby.

The creation of thousands of new black shareholders in Nail, Rail and Johnnic — the latter through the Ikageng scheme — has undoubtedly raised the savings levels of those shareholders, but that on its own does not add value to the business or to its staff and customers.

The most obvious area for value-adding was in labour relations, but the hopes by workers that black managers would be more sympathetic to their needs were dashed when Khumalo cut more than 3 000 jobs at JCI's struggling Randfontein mine.

The most convincing attack on the current structure of empowerment has been launched by Reuel Khoza, chairman of Eskom. In a recent speech, Khoza severely criticised his fellow black businessmen.

"Our empowerment agenda is driven by the corporations that seek to do business with us, along with the assorted advisers and financiers who in fact stand to benefit more from these initiatives than ourselves.

"Many of our decisions and activities are characterised more by short-sightedness, expediency, greed and vanity."

At the heart of Khoza's argument is a view shared privately by many white businessmen. "Often we bring to the table nothing more than the pedigree of blackness and expect this to do the magic for us. We bring little by way of strategy, a plan, capital, expertise or skills to the deals we get involved in."

By doing so, Khoza argues, black businesses simply follow the dictates and agendas of others. In fact, he argues that black executives have taken businesses backwards: "We are recreating the conglomeration as a business model, where worldwide, even in SA, conglomerates are unbundling, restructuring, delayering the pyramid structures, and focusing on core competencies and industries."

Very few black-controlled companies can escape that accusation. Some executives at Johnnic's operations are complaining that the NEC executives spend more time exploiting new ventures — Gold Fields of SA in the case of Nail — than adding value and strategy to the existing operations.

In the same light, JCI's Khumalo is devoting a lot of time to his bid for Lonrho while, argue critics, his company is facing a serious financial crisis.

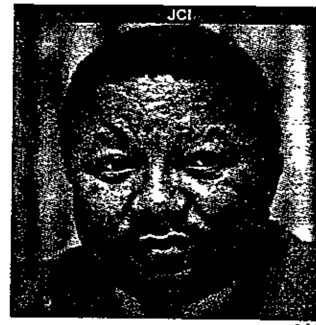
Khoza also bemoans the lack of individuality among black corporations: "We spend a lot of time watching each other and chasing the same deals, or doing our damnedest to emulate what other empowerment groups have put together."

Khoza calls for an investment in the development "of the real thing — of blacks as unquestionable principals of their own ventures, through the development of our only true asset, black intellectual capital".

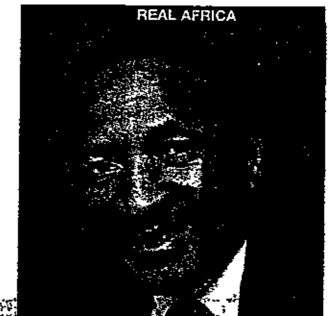
Otherwise, he warns: "In the future, when we look in the mirror, we will probably see splendid imperial robes, called black companies, but we will not be able to detect any visible body which these robes adorn … at least not black!

"We shall have created our own new mythology — clothes without emperors."

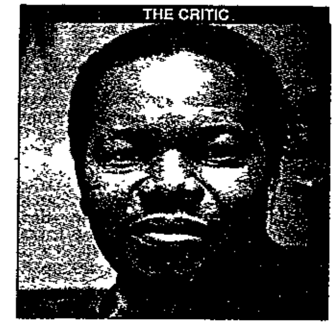
POWERFUL … Cyril Ramaphosa



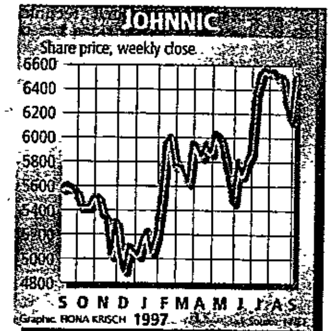
TROUBLED … JCI's Mzi Khumalo

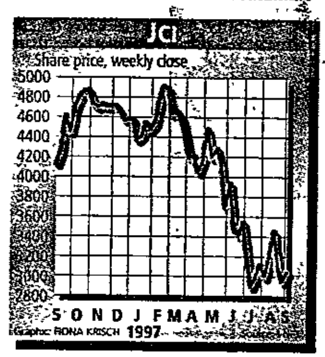


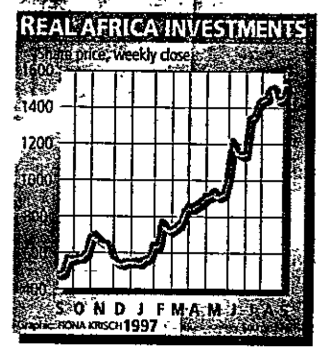
STATUS … Rail's Don Ncube



CRITICAL … Reuel Khoza of Eskom







'Often we bring to the table nothing more than the pedigree of blackness and expect this to do the magic for us'

'Women more keen than men to set up own business'

Patrick Wadula

THE small and medium-sized enterprise sector in Mpumalanga is dominated by women in garment manufacturing who, through their own initiative, have set up their own businesses.

Felani Mahlangu, business consultant of the National African Federated Chamber of Commerce (Nafcoc) affiliate Midveld Industrial Chamber, said yesterday that unlike men, women had come to the chamber "in droves" to seek ways of employing themselves. Men had sought jobs.

"We have to move away from the need to be employed and rather employ ourselves by setting up our own businesses," he said.

Areas of business undertaken by the chamber include steelwork, woodwork and confectionery. About 80% of men who approached the chamber were involved in repair services of various types.

Mahlangu said 70% of the women in the chamber were involved in home-based garment manufacturing. The chamber had formed 18 groups, seven of which were owned by women.

Three years ago there were more than 22 groups.

He urged small businesses to develop their business skills to avoid bankruptcy. However, there was a lack of funds for technical and business courses. The chamber was also lobbying government for an industrial site for small businesses, he said.

The chamber was instructing its members on how to tender for provincial contracts.

A spokesman at the provincial government's small and medium-sized enterprises desk said government was developing a comprehensive business database for Mpumalanga.

She said the business desk was involved in establishing three small business support institutions.

"This would be done by identifying suitable organisations which might be interested in setting up in the province."

The official said increased funding and greater support for small firms in the province were important to improve the sector's chances of participating in emerging opportunities.

Business chambers, associations and the provincial small business council had to be strengthened to contribute meaningfully to help develop the smaller firms.

(30) BD 8/9/97

Sacob warns of lower growth

(30)

Sowetan 9/9/97

By Maxwell Pikisi

SOUTH Africa needs to lay a foundation for increased economic growth to avoid lower growth predictions for 1998, warned South African Chamber of Business (Sacob) director of economic policy Dr Ben van Rensburg.

Sacob, which predicted that the economy was headed for a "soft landing" of around two percent growth during the release of its Business Confidence Index (BCI) yesterday, said if a solid foundation for increased growth was not laid, next year's economic growth predictions might be lower.

Sacob's BCI, which fell by 0,3 percent after decreasing by 0,2 percent in July, was evaluated in the context of further evidence of a slow-down in the economy and possible implications for economic policy.

Van Rensburg said: "Economic data for the first six months of the year shows that the economy is growing at a slower rate than last year, and slower than originally anticipated.

"Although a soft-landing is still expected for the economy, the outlook for the real economy suggests that the Reserve Bank runs the risk of delaying the Bank rate cut too long."

He said the downward adjustment in the business mood was also in keeping with the slowdown in the economy, attributable to, among others, disappointment at the realisation that an interest rate cut was likely to be later rather than sooner, and perceptions that the Government "may be forced to compromise on the principles of Gear".

The slower growth comes at a time when pressure applied by those advocating for the Growth, Employment and Redistribution (Gear) strategy to be abandoned is increasing, and the local and provincial tiers of government are failing to comply with fiscal budget targets.

Sacob also warned that commitment to implementing all the aspects of Gear could not be compromised if Government wanted to achieve higher growth rates in the future, and that stiffer controls on local and provincial financial authorities had to be put in place soon.

"Crucial to the success of Gear strategy is the perception that Government is committed to its own fiscal targets.

However, a number of factors compound the difficulty of achieving what was always a challenging fiscal target for 1997/98, including over borrowing and over spending by local authorities," Van Rensburg said.

Black builders battled to win Bid contracts – Nabcat

'55% of tenders went to black contractors'

ARG 9/9/97 (30)

ALIDE DASNOIS
BUSINESS EDITOR

Black builders and contractors have had to battle for a share of the R40 million spent on major projects during Cape Town's Olympic Bid, claims the National Association of Black Contractors and Allied Trades (Nabcat).

"There are lessons to be learned from the mistakes made during the bid," Nabcat president Darawees Gasant told the Cape Argus yesterday. "If we are to bid again – or even if we don't – we must do better next time."

Bid Company project manager Ruben Reddy said last week that about 55% of the R40 million in tenders awarded for the seven major projects had gone to black contractors.

This topped the 40% affirmative action quota set by the Bid Company, he said.

The projects were the R10-million softball centre in Athlone, the R18,25-million Belhar hall, the R5-million hall for boxing in Langa, the R18-million hall in Philippi East, the R16,7-million hall in Khayelitsha, the R2-million hall earmarked for boxing in Scottsdene and the R2-million outdoor training centre in Grassy Park.

But Mr Gasant, who sat on the Built Environment Advisory Committee (Biac) and who was in Lausanne last week with the Bid Company, said members of his association had battled to win a slice of the contracts.

He claimed that neither the Bid Company nor the provincial government nor big business – with some exceptions – had "wholeheartedly embraced the concept of empowerment".

"Far too much time was spent defining the concept of small business or of emerging contractors.

"Weeks were spent stonewalling," he said.

Nabcat, which claims 10 000 members countrywide, 700 of them in the Western Cape, would convene a meeting of professionals such as consulting engineers, business and provincial authorities to discuss the lessons to be learned from the Olympic bid, he said.

"It's not just a matter of percentages. If we sincerely embrace the principle of empowerment we won't even need percentage quotas," he said.

"And it's not just a matter of the Olympics. Whether or not we bid again, we have to get this right."

ABASA CONVENTION

Reports by Thabo Mabaso

Enrichment of a few not bad, says Montsi

(30)

'Businessman will be a role model'

ARG 10/9/97

Black Economic Empowerment (BEE) that was enriching a few individuals was not wrong and should be encouraged, BEE proponent and high-flying entrepreneur Sam Montsi said yesterday.

Mr Montsi told the annual convention of the Association for the Advancement of Black Accountants of Southern Africa (Abasa) that the bigger aim of empowerment should be to reform the business sector to include previously marginalised communities.

"I believe that if one black person succeeds, it is good for blacks generally. That person becomes a role model for other would-be entrepreneurs. And one finds frequently that a successful individual will draw in other black talents," Mr Montsi said.

BEE has been put in the spotlight over the past few months with prominent leaders in the black community publicly questioning its goals and who it is supposed to benefit. Some leaders have alleged that only a few strategically placed black business people were reaping the awards of BEE.

Black communities have gained little from the huge profits that BEE companies have accumulated, these leaders say.

Earlier this year, the Johnnic group issued a share offer to black communities. The offer allowed these communities to lay-bye shares for as little as R300, with the balance being paid after three years.

Eskom chairman Reuel Khoza has also added his voice to the debate and recently criticised his black business colleagues.

"Many of our decisions and activities are characterised more by short-sightedness, expediency, greed and vanity," he said recently.

Mr Montsi told the convention that his comments should not be taken out of context, and did not mean he was not in favour of broadening participation in the economy by more black people. Such a move should be voluntary and not forced on companies.

"Any imposition may lead to resentment and avoidance schemes. Unfortunately, some conglomerates and parastatals have begun demanding that groups they link up with or support should be broadly based," Mr Montsi said.

"This type of demand must be resisted – participation cannot and should not be imposed from outside."

Mr Montsi attributed the cries of enrichment to jealous business people who had been sidelined by their partners.

"To achieve meaningful empowerment, there has to be a transfer of ownership of significant enough a stake to allow blacks to become effective participants in policy making and direction of the business. Without this, there has not been true empowerment."

Galvanising businesses

Sowetan 11/9/97 (30)

Summit to spur small businesses to develop

By Shadrack Mashalaba

NEXT MONTH'S summit of the National Small Business Council (NSBC) is expected to galvanise local entrepreneurs to hone their business acumen and help South Africa become an economic powerhouse.

Although the organisation is believed to be in disarray, organisers say the gathering will be geared at setting up a future agenda for the development of small businesses.

The small business summit is to be held at the World Trade Centre in Kempton Park from October 21 to 23. The theme will be: Providing the Competitive Edge.

The national summit will be preceded by provincial meetings, and some of these gatherings have already been held in Northern Province, North West and Northern Cape.

Common issues

Other provinces are expected to hold their meetings this month and early next month.

NSBC development programme manager Michael Overmeyer said through the provincial summits the council wanted to establish a bottom up approach to deal with matters that affect small, medium and micro enterprises (SMMEs)

Common issues affecting various provincial councils, such as access to finance, have already been identified and would be discussed at the summit, said Overmeyer

"We need to unlock access to finance in order to enhance small business growth."

"We are also looking at alternative ways to finance small businesses in areas where there are no institutions and which are not participating in the Khula scheme," said Overmeyer.

Lack of training is another problem that will be tackled Overmeyer said the other problem which had beset SMMEs across the spectrum is the lack of experience in identifying opportunities

"By identifying opportunities we will enable the sector to access opportunities in areas such as mining and eco-tourism and move away from the highly concentrated retail sector," he said.

Leadership problems are likely to be discussed at the summit

The problems follow allegations that "axed" NSBC chairman David Moshapalo continued to act on behalf of the organisation illegally. However, Moshapalo has denied the allegations.

Tendering, which is another critical issue for small business, will also be on the agenda.

"A number of procurement opportunities exist and these require joint initiatives to be exploited," said Overmeyer.

NSBC's chief executive Monde Tabata said the summit's uniqueness would be characterised by a lack of longwinded speeches.

"After the summit, SMMEs should influence policy-making in a coherent manner at the highest level," said Tabata.

Launch of programme

Coinciding with the summit will be the launch by the NSBC of Enterprise Development for Growth and Equity (Edge).

This is a programme which seeks to promote the development of small business in a manner which increases economic and employment opportunities while improving the quality of life for all provinces in South Africa.

The launch will be conducted in a collaborative effort in all provinces across the country.

National Small Business Council CEO Mr Monde Tabata

Edge was announced two months ago as a two-year strategic programme for the stimulation of small businesses.

The NSBC was established as a statutory body in 1996 to represent the interests of small business organisations and advise Government on SMMEs' state of affairs.

Chambers to be involved at the summit include Foundation for African Business Council and Services, Afrikaans Handelsinstituut, National African Federated Chamber of Commerce and South African Chamber of Business.

Keynote speakers at the summit will include Deputy President Thabo Mbeki and Trade and Industry Deputy Minister Phumzile Mlambo-Ngcuka.

Axing sparks row in small business

Sowetan 11/9/97 (30)

Moshapalo defies expulsion and continues to act 'illegally'

By Maxwell Pirikisi

A STORM is brewing in the National Small Business Council (NSBC) amid allegations that "axed" NSBC chairman David Moshapalo has defied his expulsion and continues to act on behalf of the council allegedly without authorisation.

Moshapalo was axed as chairman of the Gauteng Provincial Small Business Council (GPSBC) in June this year after a vote of no confidence in him.

According to the NSBC constitution, Moshapalo ceased to be NSBC chairman the day he was sacked as head of the GPSBC.

NSBC lawyers are investigating claims that Moshapalo had allegedly acted as chairman of both the GPSBC and of the NSBC.

Sello Mahlo, head of the NSBC's legal sub committee, confirmed his department was handling the matter.

NSBC chairman David Moshapalo.

Disregard

"We're already advising organisations which he may have had dealings with – purportedly representing the NSBC – to disregard such correspondence," said Mahlo.

Moshapalo was seconded to the GPSBC by the Foundation for African Business and Consumer Services (Fabcos) and subsequently became NSBC chairman.

He is accused, among other things, of failing to attend a number of meetings.

According to Mahlo, the NSBC constitution provides for the removal of a councillor from office on the grounds of absence from three consecutive council meetings.

"We will uphold the decision by the GPSBC to relieve him of his duties because he has shown no interest in talking about his shortcomings."

There appeared to be confusion with NSBC over finances, including R1,6 million of the organisation's initial R4,5 million budget.

Moshapalo said NSBC chief executive officer Monde Tabata sent the R1,6-million back to Government because it had not been used.

On the brink

Tabata also is said to be on the brink of expulsion from the GPSBC.

Tabata could not be reached for comment as he was in Angola yesterday.

Mahlo said the NSBC was "in the red".

Salary arrears and rental debts for all nine PSBCs are believed to be over R300 000 for the last three months.

In a letter sent to the NSBC's legal sub-committee last month, newly-appointed GPSBC chairwoman Barbara Wood said her organisation was about to be evicted for owing rent, and could soon be blacklisted after several of its cheques had bounced.

Moshapalo claimed innocence and charged that disgruntled members of the NSBC – who, because of bureaucracy, had gone without funding for over five months – had turned him into a scapegoat.

The Ministry of Trade and Industry's Small Business Council said yesterday that Moshapalo's chairmanship would be decided at a meeting of the NSBC's national council in Pietersburg later this year.

100 spazas for Soweto project

(30) Sowetan 18/9/97

By Isaac Moledi

ABOUT 100 fully-stocked containers are to be distributed throughout Soweto by the beginning of next month, in a first phase of a franchise project called Pick a Spaza.

The Pick a Spaza project is aimed at distributing more than 1 000 containers in Soweto and Tembisa by October next year.

Pick a Spaza, which is the company behind the lucrative project, have planned to increase the number of container spaza shops to 5 500 within four years.

The ambitious business would have been launched in June this year but had to be postponed.

Apparently financial institutions, which initially backed the project, began to show less enthusiasm.

It is understood that container owners are owed hundreds of thousands of rands by container managers.

This is the reason why banks are no longer willing to finance the project.

Pick a Spaza managing director Johan Pothas said, however, that the project was on track for the opening of 100 stores in Soweto by October 1.

From January next year 100 new stores a month will be rolled out to total 1 000 by October next year.

This type of business, which is regarded as an easy way to access the largely untapped black market, has been criticised by established township business owners who say operating a business from a container is unfair competition to existing businesses.

Pick a Spazas, sited in six-metre shipping containers, fully fitted out with shelving and fridges, will be supplied with all types of groceries.

They will be priced (with the agreement of manufacturers) at a 20 percent discount to existing township outlets.

But Pothas said existing township business owners would also benefit through a programme called Spaza Wise. This method offers shopowners groceries at a discount.

According to Pothas, Pick a Spaza franchisees are selected from current spaza shop owners.

"Our first batch of 100 franchisees are still being trained and will be ready by the time we launch the project at the beginning of next month," Pothas said yesterday.

Compete

His company's objectives, he said, were to ensure that container operators competed effectively with the major retailers.

Chillers Group Limited, one of South Africa's largest food distributors to processors and retail chains, was awarded a contract as the sole national distributors of Pick a Spaza businesses.

Group chairman Sean Curran said the development would contribute about six percent of invoiced sales to the group's bottom-line as the roll-out of Pick a Spaza expansion unfolded.

IN BRIEF

(30)

Convenience stores show 250% increase in business

BD 12/9/97

CONVENIENCE stores had developed into an industry worth R21bn a year, an increase of 250% since 1995, despite being newcomers in the SA retail market, BP Southern Africa said yesterday.

BP Southern Africa was pushing for a convenience store association in the country to increase professionalism in the industry, improve customer focus, community relations and security.

Retail merchandise development manager Rob Mahoney said the industry would still remain highly competitive after the formation of the association. Seven companies operating in the convenience store industry had already shown interest in the formation of the association.

Empowerment games

Sowetan 16/9/97 (30)

Black economic empowerment means different things to different people in South Africa. Phinda Madi explains how this is so...

IN BOARDROOMS, company retreats, corporation bungalows at the Kruger National Park and Sabi Sabi, the cigar smoke rose to the ceilings and heads nodded – yes, this black economic empowerment is happening.

After all, Ernst and Young's annual merger and acquisition survey found that in 1996 alone 45 black empowerment deals valued at R7 billion were concluded compared with "only" 23 deals in 1995.

In townships and community halls, in village imbizos and at ancestral functions, in stokvels, the begging bowls were passed around and heads nodded – what is this thing called black economic empowerment?

The latest figures from the Central Statistical Services show that instead of more than 200 000 jobs being created, as the Government had predicted in terms of its Gear strategy, close to 100 000 jobs have been lost.

What these scenarios show is that in South Africa today, black economic empowerment is beginning to be like the concept of love, all talk about it (and some even sing about it!). Yet there is no common understanding of what it means and when it truly exists.

Deputy President Thabo Mbeki cried out for a national consensus early this year when he delivered his budget speech in Parliament.

He was lamenting the fact that on virtually all socio-political and economic issues around transformation, there seemed to be a lack of consensus.

This has led to a situation in which the stratification of South Africa along racial lines is intensifying.

This is indeed true. Mbeki could have gone further. He could have alluded to the fact that even within the black community today, there seems to be a disturbing lack of consensus around the meaning of black economic empowerment.

Still battling

This concept has become extremely important, given the fact that three years into the new South Africa, many blacks are still battling to get food, shelter and clothing.

The United Nations Economic Development Agency (UNEDA) released its latest study on June 12 which states that in South Africa 70 percent of blacks live in poverty.

There is now a serious risk that black economic empowerment will be understood in two different ways in South Africa – the Diagonal Street understanding of it (where most of the cigar and brandy brigade hobnobs), and the Mkhwanazi Street understanding (the Soweto neighbourhood I hail from).

Mkhwanazi Street residents have a very simple understanding of black economic empowerment. They believe that every time a black person acquires means of earning a living, thereby being empowered to afford food, shelter, clothing, healthcare and education, then black economic empowerment in its truest sense has happened.

Phinda Madi ... black economic empowerment, like love, is a mystery.

However, it would appear that the Diagonal Street understanding of this concept, which has been bought by large sections of the black upper middle class, is different from the Mkhwanazi Street understanding.

The Diagonal Street understanding is that every time a group of black shareholders have their name reflected on a share certificate, black economic empowerment has occurred.

Whether a single extra job, other than that of the chairman and his six deputies is created or not, becomes irrelevant. Whether a few thousand long-term jobs for black employees have to be "sacrificed" to service the debt that results from the transaction becomes irrelevant.

While doing research for my book, I discovered staggering anomalies: For instance, recently I was told by a top executive in a parastatal about four white directors of some company who kept insisting that they were a black organisation and therefore deserve a piece of that parastatal's "empowerment slice".

An investigation of its shareholding revealed that five percent of their equity was indeed owned by some black organisation, which had its entire investment fund provided by a wealthy white businessmen.

Again it becomes important to note that my concern does not simply stem from an obsession with race, but rather with the reality that the arena of black economic empowerment remains an open frontier with certain characteristics of "land-grabbing" and chicanery.

And this situation is not just interesting from an academic point of view.

It could have serious consequences in real life.

Imagine, for instance, a situation where a Mr Mhlongo from Soshanguve is bidding for a carpet cleaning contract with Eskom. He loses the bid to Amanda Carpet Cleaners which claims to be a black company because three percent of its equity is owned by a certain wealthy black.

Has the awarding of this contract to Amanda led to genuine empowerment or not? Judge for yourself.

Another issue arising out of this dilemma is the formation of black front companies, in other words, companies that probably have an African name and some black official or officials at the top who have share options, but who do not even work there.

There is also a practice now whereby some white companies have reserved scores of black names with the Registrar of Companies.

These names are played like cards and used as and when necessary.

To other opportunities

In this situation all that organisation requires is a black executive to just show up at the presentation for the contract as a senior official of that empowerment company, collect his commission upon the awarding of the contract and move on to other opportunities.

What is clear from all this is the dire need for some kind of government regulation of these deals as well as clearly established criteria to determine at which point black empowerment actually occurs.

(This is an excerpt from Phinda Madi's book: Transformation and Empowerment in the new SA: Beyond the Headlines *scheduled for release later this month.)*

Nafcoc is struggling to find its rightful role

After the recent Nafcoc conference, **Patrick Wadula** asks in which direction the organisation is heading

BD 16/9/97 (30)

THERE is room for doubt about the success of the National African Federated Chamber of Commerce (Nafcoc) in lobbying government on issues vital to emerging black entrepreneurs — even after 33 years of existence.

Nafcoc president Joe Hlongwane recently said the organisation, started in 1964 by a group of black businessmen led by Richard Maponya, had a different role to play in the 60s. That was a time when black people were primarily labourers and had no opportunity to compete with white businesses.

Under the new government, opportunities for blacks to emerge as successful entrepreneurs are theoretically opening up — with the introduction of affirmative action and black economic empowerment policies. But now, after three years of the new dispensation, the organisation is struggling to find its rightful role.

What should be done to accelerate the pace of integration so that black business contributes more significantly to the mainstream of the economy?

Addressing this year's Nafcoc conference, Eskom chairman Reuel Khoza said 10 years ago, when he was asked to speak at Nafcoc's conference, there was doubt about whether there was any black business to talk about, let alone assess its future challenges.

"We argued then that black business's (impact on the economy) was miniscule by whatever index it was measured. It was estimated at less than 1% of the Johannesburg Stock Exchange.

"After 10 years black business is still relatively small, regardless of how it is measured — either by its contribution to the gross domestic product (GDP) total turnover, asset base or the percentage of black business (represented) on the JSE."

Khoza says the best estimates today, no doubt somewhat optimistic, put black control at between 3% and 5% of the JSE.

Black business, he asserts, measures itself and the deals it concludes by the size of turnover or asset base and rarely by the quality of these revenues and assets and even less by the size and quality of the returns of our businesses or the deals it concludes.

Today the economic success of black business is insignificant relative to the political successes, he says.

Does this explain why, despite its efforts to facilitate black economic empowerment and affirmative action, government was not well represented at this year's Nafcoc conference?

Could this be an indication of how government looks on the role of the oldest black business organisation in the country. Is Nafcoc taken seriously by government or is its bark seen to be bigger than its bite? When journalists quizzed the Nafcoc leadership on the insignificant number of government ministers present at the conference when compared to last year, they could not explain the development.

Last year's conference in Durban was attended by several ministers who not only attended but also presented papers. These included Trade and Industry Minister Alec Erwin, Safety and Security Minister Sydney Mufamadi, Labour Minister Tito Mboweni and Housing Minister Sankie Mthembi-Mahanyele.

According to this year's programme, the first day's keynote speaker was supposed to be Finance Minister Trevor Manuel who did not arrive and was replaced by Pan African Congress (PAC) president Stanley Mogoba.

Public Enterprise Minister Stella Sigcau, who was supposed to be a guest speaker at a conference dinner, sent special advisor Kennedy Memani to address the delegates on her behalf. Perhaps Manuel could have done the same. There were a host of issues Nafcoc members needed to raise with the minister, not least of which were income tax concessions.

The Nafcoc president said government's strategy document on growth, employment and redistribution (Gear) did not fully address the needs of small, medium and micro enterprises.

Just like every other year, Nafcoc delegates failed to be on time for speeches. Throughout, the conference ran an hour or two late.

Johnnic chairman Ramaphosa, who was scheduled to speak on Monday August 25 between 8.30 and 9pm, only spoke around 11pm after he was given a welcome with song and dance which was more than the reception Public Works Minister Jeff Radebe received when he spoke earlier the same day.

SBDC enters world markets (30)

Sowetan 16/9/97

By Isaac Moledi

NEW opportunities in the world markets have prompted Small Business Development Corporation Limited to introduce a programme to facilitate international business linkages among small and medium enterprises.

Global Partners, as the innovative programme is called, will be used by the organisation to explore areas where there are possibilities for cooperation, which once identified, will be matched to local SMEs.

SBDC chief executive Jo' Schwenke says the fact that world markets are opening up and providing new opportunities for local SMEs prompted the establishment of Global Partners.

"Foreign SMEs are keen to expand into Southern Africa and we are well positioned to facilitate business links. We have decided to extend further service to our customers through the programme," he says.

Schwenke says many foreign companies are contacting his organisation with the purpose of investing, structuring joint ventures, extending licence and franchise agreements.

"Through this programme, SBDC will explore areas of possible cooperation and once identified, will be matched to local SMEs," says Schwenke.

He believes that the programme will succeed because of the organisation's strengths, extensive client base and experience in the SME's sector.

Schwenke says countries such as Australia, Belgium, Canada, China, France, Germany Britain, the United States, among others, have already been adopted for possible business linkages.

SBDC, according to Schwenke, will investigate existing governmental and private sector structures to determine what the specific requirements of these organisations are.

The organisation also intends obtaining particulars of foreign country's representatives in South Africa, obtain particulars of possible SME partners and establish a database of local and foreign SMEs capable of forging foreign links.

'Blacks must move in from periphery of economy'

(30)

BD 17/9/97

Samantha Sharpe

CAPE TOWN — SA's black population should refuse to be confined to the periphery of the country's economy but concentrate on becoming a part of its centre without apologising for the fact, Mineral and Energy Minister Penuell Maduna said yesterday.

Maduna told guests at the official launch of energy group Engen's Black Development Forum, established to promote skills among Engen's black employees, that SA's future depended on a universal economic transformation.

He said black economic empowerment was limited to seven sectors of the economy, which had as many as six times that number — an unsatisfactory situation.

"We need to place human beings at the centre of our growth strategy, with growth for growth's sake insufficient.... We cannot leave things to the market ... where is the proof that the market is reallocating wealth and resources?"

Central Energy Fund chairman Don Mkhwanazi said black economic empowerment was an imperative if SA was to achieve stability.

"It's part and parcel of economic transformation and that is not about exchange control abolition or reducing corporate taxes.... it's about a redefinition of the haves and have nots."

Mkhwanazi said he was troubled by the flood of appointments of black nonexecutive directors but only a few black executive directors.

He said black empowerment meant a transfer of factors of production to blacks.

Ultimately, control lay with management and appointing nonexecutive directors was a bid to manipulate that control, he said.

Competition law 'to curb privileges'

John Dludlu BD 18/9/97

SMALL and medium-sized firms in SA should not be granted special privileges by a revamped competition law, a small business policy think-tank has recommended.

However, the Small Business Project has called for far-reaching powers to be given to a reshaped competition policy watchdog, including the power "to strike down, or take some sort of action where small enterprises are unduly affected by government regulation which has reduced the levels of competition in any market".

These thoughts are contained in a policy paper prepared by the project with the support of the Friedrich Naumann Foundation.

Trade and Industry Minister Alec Erwin is widely expected to make known his ideas next month. A high-level policy session with him is due to be held late next month at the National Economic, Development and Labour Council (Nedlac).

In the paper, the call for an interventionist role by the competition policy authority is based on the fact that the present small business law "does not provide immediate relief to aggrieved parties". This relief should also be available to other firms.

The document stresses competition policy goes beyond dealing with anticompetitive behaviour by firms. The paper's approach is expected to generate hot debate in small business circles where the feeling is that the sector needs nurturing, including exemptions from laws, sources say.

Trade and industry department director-general Zavareh Rustomjee said that government would also review the more than 50 other laws which had competition elements.

Business has warned that the competition policy review process should not seek to use competition law to achieve sociopolitical goals, while labour — which has yet to make its views known — has set up a task team ahead of the official debate at Nedlac.

Small Business Council chairman and CEO face axe

Sowetan (Bus)

23/9/97

(30)

Tabata accused of 'mismanagement, boasting about his political contacts'

By Maxwell Pirikisi

TROUBLED National Small Business Council (NSBC) chairman David Moshapalo and chief executive Monde Tabata are expected to face the NSBC management committee to discuss their fate today.

The duo are said to be at the centre of a deepening crisis sparked off by the Government's delay in releasing the NSBC budget which was due five months ago. The crisis is now believed to be threatening to split the NSBC.

The NSBC is said to be "in the red". Debts for all the nine Provincial Small Business Councils (PSBCs) are believed to be over R300 000 for the last three months. Some PSBCs are believed to be on the brink of being evicted for owing rent, while others could soon be black-listed after several of their cheques bounced.

While PSBC chairpersons were sympathetic towards Moshapalo, most of them were critical of Tabata, whom they accused of "mismanagement" and of boasting about his "political connections" and wanted him "out of the NSBC".

NSBC chief executive officer Monde Tabata's management style is being questioned at today's NSBC management committee meeting.

Vote of no confidence

Moshapalo was "axed" last June after the adoption of a vote of no confidence in him by the Gauteng PSBC.

The move, according to the NSBC constitution, affected his headship of the NSBC. He had been seconded to the GPSBC by the Foundation for African Business and Consumer Services (Fabcos) about two years ago. He was accused of, among other things, failing to attend council meetings.

Moshapalo said he had communicated his unavailability for meetings to the NSBC because of his commitment to the Semenya Commission which was investigating the activities of the Bophuthatswana government. He said disgruntled members of the NSBC who, because of government bureaucracy, had gone for five months without funding, had turned him into a scapegoat, ahead of the planned transformation of the NSBC.

Last week Sello Mahlo, head of the NSBC legal subcommittee, said Moshapalo had defied his expulsion and continued to act on behalf of the council and that his department was investigating Moshapalo's actions.

It is believed that after today's meeting management committee members will be given seven days in which they may ratify Moshapalo's expulsion from the NSBC.

The NSBC management committee is also said to be holding an axe over Tabata's head. Tabata reportedly sent R1,6 million from the NSBC's initial budget of R4,5 million back to the Government at the end of the 1996-97 financial year in April without discussing the matter with the committee.

According to a well-placed source, Tabata allegedly obtained several thousands of rands in personal loans from NSBC coffers without authorisation. Last week Tabata would neither deny nor confirm the allegations but said "everybody runs into financial problems and seeks assistance from his or her employer".

Microenterprises hampered by lack of financial access

Patrick Wadula

(30)
BD 23/9/97

THE microenterprise sector's growth and contribution to the economic mainstream was hampered by conflicting intentions of government and financial institutions, and capacity constraints.

The Alliance of Micro Enterprise Development Practitioners said yesterday that although government had made efforts to increase access to finance through the establishment of Khula Enterprise — government's wholesale vehicle for small business — and the National Housing Finance Corporation, there were still many constraints.

Khula CEO Sizwe Tati said these included the Banks Act and the Usury Act, aimed at limiting the charges on financial transactions. It allows higher charges for loans of less than R6 000.

Tati said an exemption for micro lending was necessary to allow finance for housing, enterprise and education to continue.

He said that granting the exemption to development lending was complicated by the growth of commercially driven microlenders who charge 30% interest each month.

Since the trade and industry department was responsible for consumer protection and small business development, the granting of exemption could be seen as irresponsible to consumers.

Spokesman Sharda Naidoo said while a number of nongovernmental organisations offering credit to microenterprises had grown in response to the lack of financial services, they did not always have the institutional capacity to grow into banks for the poor.

Naidoo said government's response to the problem was to establish wholesale facilities, but this was insufficient.

Capitalism at work for the people

(30)

M+G 26/9–2/10/97

Cosatu's business arm aims to seize economic power for the majority, writes **Sechaba ka'Nkosi**

From richer for poorer: Motsisi hopes to bridge the wealth gap.
PHOTOGRAPH: DANNY HOFFMAN

Tumelo Motsisi passionately dismisses any notion that he is a capitalist in a socialist movement. He sees no contradiction between the Congress of South African Trade Unions' confessed ideology of socialism and his role as head of the federation's business arm, Kopano ke Matla Investment Company.

"The driving objective within Cosatu is the ultimate seizure of economic power from a few powerhouses to the majority. This we share in common. But what Kopano does differently is to use a different avenue to ensure that there is significantly more capital circulating in the underprivileged areas of our country," states Motsisi. *Kopano ke matla* means "unity is strength" in Sotho. It is this strength that Motsisi hopes to harness to bridge the gaps between Cosatu's richer and poorer affiliates. When the company was launched at the end of last year, the idea was to bring uniformity to the affiliates' investment strategies, and more importantly, to conduct investment in a socially responsible manner that would benefit Cosatu members, their families and communities.

Only nine months after Kopano was formally registered, the company has already made investments in "strategic" areas such as financial services, health, manufacturing, construction, tourism and media and communications to the value of more than R160-million. Motsisi says they hope to double that by next year.

The ventures include a R150-million stake in the health sector through Netcare, which will be boosted by another R100-million in the next few weeks. There is also a 40% stake in Tshepo Development Company, which will focus on housing, and a R21-million stake in an information technology company.

The latest move is Vuyo Hampers, a joint venture valued at tens of millions of rands with international food hamper giant Park Food Group. Vuyo is expected to become one of the biggest food hamper suppliers during the Christmas period to Cosatu's 1,7-million members in particular and the public in general. Next on the cards is a bid for a slice of Aventura, the state-owned resort company that is being sold to the private sector.

"The underlying mandate I have is to identify investment areas that can give value to our members. If you take housing and health care, they are not only critical for our members but for the communities that our members live in as well. So whatever we do will have to be in line with the government's social development programme.

"For example, on health care we want to align ourselves with [Minister of Health] Dr Nkosazana Zuma's policy. We want to bring value to public hospitals so that they are able to offer our members a service similar to the one that is being offered in private clinics," says Motsisi.

Kopano ke Matla is a wholly owned investment company of a trust whose sole beneficiary is Cosatu. Apart from the three trustees who come from outside the union movement, the company has four senior union officials as trustees to ensure that the investment strategy and philosophy do not contradict Cosatu's ideology. Motsisi says Cosatu sees a need to broaden the scope of black economic empowerment to include direct participation of the working class. This means workers controlling the means of production in a way that will benefit them.

Motsisi says in all their ventures, they have been careful not to use their members' retirement funds as these represent the only savings of blue-collar workers. "Investment in itself is a risky business," warns Motsisi, "there is no guarantee that if we use the retirement funds the workers will be able to get them back. So although I cannot say we will never use such funds for investments, we will try as much as we can to avoid that."

The 35-year-old father of two is well placed to understand investment risks. As a postgraduate law student in Australia, Motsisi went on to do a masters' degree in business administration after completing his law degree. On his return, he joined the auditing company Alexander Forbes as an adviser to labour on retirement funds. Through this interaction and encouragement from Alexander Forbes's joint deputy managing director and Kopano chair Maxwell Maisela, he ended up taking on the position as chief executive of the investment company.

But investment is not his only concern. He says with a smile: "What I would really like to see is a day when blue-collar workers are able to take their families for a holiday."

College to train small business sector opens

Nicola Jenvey (30)

BD 29/9/97

DURBAN — The Community Business College, a "one-stop shop" offering advice, training, finance and support for small- and micro-entrepreneurs, has opened its doors in downtown Durban.

Director Riyad Hansa said the objective was to provide support to small- and micro-enterprise business development. There was a strong link between unemployment and crime, and micro-enterprise development offered a key to ensuring economic and social stability.

Hansa said the One-up Business training course taught people, usually those with no hope of employment in the formal sector, the essentials of operating a small business. The training was coupled with financing through the Start-up Fund which backed people usually deemed "untouchable" by other financial institutions.

The college was founded as part of the Natal Technikon Entrepreneurial Studies Unit outreach programme . It has close associations with the International Labour Organisation, Coopers & Lybrand, the Informal Business Training Trust, Ameba, the labour department, and other government and nongovernment organisations.

COMPANY NEWS

SMALL BUSINESS *Ministry to step in as mediator in council's row*

State takes on Tabata wrangle

CT (PR) 29/9/97 (30)

NCABA HLOPHE

Johannesburg — Phumzile Mlambo-Ngcuka, the deputy minister of trade and industry, said at the weekend her ministry would step in to mediate in the wrangle that has rocked the National Small Business Council in recent weeks.

The council was created through the Small Business Act of 1996 to represent and promote the interests of small, micro and medium-size enterprises, a sector which government has identified as one of the means it will use to address its economic growth targets. Though independent of government, the council receives funding through the trade and industry department.

In recent weeks a struggle broke out between Monde Tabata, the council's chief executive officer, and the council's management committee, which accused

GO-BETWEEN *Deputy Minister Phumzile Mlambo-Ngcuka*

Tabata of financial mismanagement and insubordination. Tabata resigned last Tuesday but quickly withdrew his resignation.

Mlambo-Ngcuka said her department had found the allegations against Tabata were untrue. The director-general would meet the council's secretariat today to address the matter.

"We have checked some of the allegations with the council's financial officer and found that there was nothing improper with the loans Tabata had obtained as he had followed the official procedures," she said.

With reference to the council's Enterprise Development for Growth and Equity initiative, Mlambo-Ngcuka said the flare-up dented the efforts of the council in putting together a "brilliant two-year programme of action which was acceptable".

She said that in an organisation like the council the tensions were to be expected, but they were not necessary. "But we will make sure we will not be derailed from the noble goal of empowering the small business sector."

The council's management committee, led by Sello Mahlo, had accused Tabata of a string of alleged offences including failure to keep proper financial records, rolling back R1 million to the state coffers without approval, depriving provincial councils of funds and obtaining a R310 000 overdraft with a bank without their approval.

"Tabata had become too powerful and we operated according to his plans, and at the same time he began to do all these things. This would be a big blow to the empowerment programme for black and small businesses but we must do the cleansing to start on a new footing with more determination," Mahlo said.

Tabata said his conscience was clear, and he was hoping for an independent process to vindicate him from all the allegations.

"I am calm and relaxed now, and I am looking forward to a process that would prove my innocence. Meanwhile, I am fighting to keep our programmes going."

SMALL BUSINESS

Egos rock the empowerment boat

CT(POR) 1/10/97 (30)

NCABA HLOPHE

The internecine brawl rocking the National Small Business Council (NSBC) in recent weeks is a symptom of the divisive attitudes that continue to permeate the structures for the empowerment of small and medium businesses.

This divisiveness hampers the efforts of the trade and industry department to consolidate disparate and often adversarial black businesses into engines for economic growth.

The tussle came to the fore recently between the management committee of the NSBC and Monde Tabata, the chief executive officer, who was accused of a string of alleged offences including financial mismanagement and insubordination. Tabata resigned last Tuesday but quickly withdrew his resignation after "regaining his cool".

The trade and industry department has indicated it planned to mediate between Tabata and the NSBC. Tabata said last week he hoped for an independent process to vindicate him from all allegations.

The black business community has just recovered from another embarrassing, and still unresolved, brawl between the National African Federated Chamber of Commerce and Industry and its affiliate, the South African Liquor Traders Association.

Phumzile Mlambo-Ngcuka, the deputy trade and industry minister and the champion of small and medium businesses in the country, ought to be the most perturbed by these events. But she is not.

"We expected such things, though we think they are unnecessary," she said. "We would do everything to make sure that it does not derail the programme of action that we are preparing, which will launch black businesses on a new plane and draw them from the periphery into the centre stage of economic activities."

Mlambo-Ngcuka deplores the fact that the NSBC flare-up could dent the NSBC's Enterprise Development for Growth and Equity initiative.

The NSBC was created through the Small Business Act of 1996 to represent and promote the interests of small, micro and medium-sized enterprises, a sector the government had identified as one way to pursue economic growth targets. Though independent of the government, the council still receives funding through the department of trade and industry.

It is part of a broad ramification programme that has seen the creation of the Khula Enterprise Finance (KEF) and Ntsika Enterprise Promotion Agency (Nepa). The KEF is responsible for all funding issues, while Nepa is the sector's investment, promotion and marketing wing.

The National Empowerment Fund, which should shape up this month, is another vehicle for empowering the sector.

While each of these programmes can be assessed independently on their respective performances, they leave the general impression that even such good-intentioned efforts do not translate into tangible benefits for most small and micro businesses. Complaints about barriers to funding continue to surface, casting doubt on the enterprise finance programme.

It is not surprising, therefore, that the trade and industry department should take the initiative to mediate in the wrangle that could devastate the little amount of organisation that has been achieved so far in this arena.

The deputy minister's veneer of intrepidity cloaks a deep-seated concern about the wrong signals sent by the internal tiff at NSBC.

Her department deals with business elements which were regarded as "informal and unregulated" under the apartheid regime — leading to the driving of the black market by selfish interests which resulted in the overconcentration of power. Such interests spawned the fatal taxi wars.

The small black market could be described almost literally as a businessman-eat-businessman world.

The trade and industry department's herculean task is to convince black businessmen of the virtues of the new formal structures and the need for unity, order and fair competition. Mlambo-Ngcuka's challenge is to broker a national cohesion, enabling small and medium businesses to speak with one voice and be heard.

It is laudable that her department has taken the initiative to mediate in the power struggle at the NSBC. However, she still has to prove to small businesses that empowerment exists and is possible. Otherwise, she faces a groundswell of revolt from small- and medium-businessmen.

Perhaps the deputy minister's full attention should be focused on this broad task, instead of wasting her time in personal ego spats.

Govt wants banks to help develop SMMEs

(30) Sowetan 2/10/97

Banks say it will be difficult for them to play a significant role in training and development

By Isaac Moledi

THE involvement of the banking sector in small business development and training appears to be a major concern to the Government.

According to Trade and Industry Minister Alec Erwin, the fiscal and macroeconomic constraints faced by Government necessitate that the private sector plays a significant role in the development and training of the small, medium and micro enterprise (SMME) sector.

The banking sector in particular, which has resources to enhance this development and training, appears not to be playing this role.

Erwin told a workshop in Pretoria at the weekend that large-scale interest subsidies were not tenable in the current South African context given the macroeconomic challenges.

He said the focus should be on creating efficiencies in the system.

Although the banks agreed with the minister that there was a need for the SMMEs' support, they argued that it would be difficult for the banking sector to make significant inroads into this market unless a way to share the cost of training and support was found.

The Congress of South African Banks (Cosab) argued at the workshop that training and support for the small business sector constituted a major portion (about 34 percent) of the total costs to banks of making loans to the SMME sector.

Representatives of the banks pointed out that there was pressure within their ranks to cut costs in order to prepare for increased international competition.

Cosab admitted, however, that there was a need for banks to understand the SMME market better and committed itself to assisting in establishing training programmes for banking staff that would enable them to establish closer working relationships with SMME clients.

What was significant about this workshop, according to DTI deputy minister Phumzile Mlambo-Ngcuka, was that it was the first to bring together different role players to address the bottlenecks currently experienced in increasing access to finance for the small business sector.

Those who were present at the conference included representatives from banks, non-governmental organisations, parastatals, the Johannesburg Stock Exchange, equity financiers and organisations representing small business.

Participants, Mlambo-Ngcuka said, acknowledged access to finance as one of the major constraints faced by small businesses, both in starting up and in expansion.

Participants agreed that while early stage investment yielded lower returns than were generally expected by equity financiers, there was a need for fund managers to realise that while these investments could be sustainable, lower returns might have to be accepted.

Specialised funds

Government was called upon to assist in the establishment of specialised funds yielding lower financial returns.

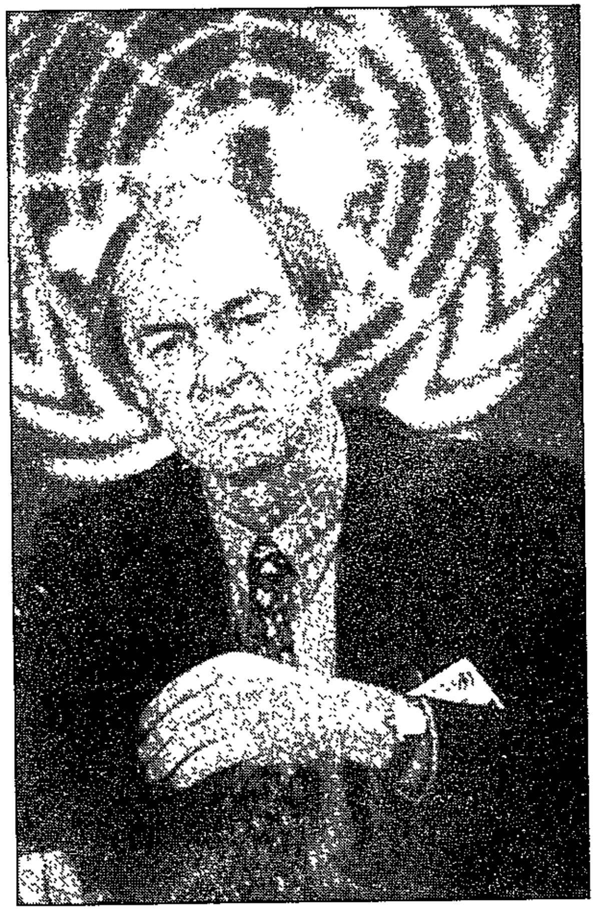
One of the key issues that emerged from the workshop was the management of risk in SMME lending and investment.

A consensus was reached that the involvement of the insurance industry was required in finding solutions to the issue of risk.

In the area of rural finance and the lack of institutional infrastructure, which the workshop identified as among key constraints, it was agreed that the role of Provincial Development Corporations as well as the Post Bank, needed to be investigated to address the issue of increased access to finance in the rural areas.

Mlambo-Ngcuka agreed to take the issues personally through discussions at the Intergovernmental Committee and with respective ministers.

NGOs called upon the DTI to investigate and finalise regulatory frameworks which included the Usury Act, the Banks Act, the Insurance Act and the Deposit-taking Act.



Trade and Industry Minister Alec Erwin ... his ministry is concerned that there is minimal involvement of the banking industry in SMME development and training.

The workshop generated much discussions around the topics of partnerships between the private sector, Government and SMMEs.

A comprehensive and integrated policy and implementation framework would be developed jointly by the DTI, private sector and SMMEs.

Industry says changes are 'superficial'

New uproar over revised Liquor Bill

CT (BR) 3/10/97 (30)

Christo Volschenk
Economics Editor

Cape Town — Indications that the department of trade and industry may only be effecting superficial amendments to the draft Liquor Bill after it had been heavily criticised caused much anguish and confusion in the industry yesterday.

Interest groups in the liquor industry wanted the department to discard the first draft, which many labelled as "unworkable" and "not implementable".

Yesterday sources in the wine and hospitality industries expressed concern that they might not be able to comment on the revised draft bill before it went to parliament. They also complained that the department did not seem to take note of their objections to the first draft and suggestions for improvement.

Agay Sooklal, the official in the trade and industry department responsible for revising the draft Liquor Bill, said yesterday he had "almost completed the revision of the draft".

The revised draft would be presented to Alec Erwin, the trade and industry minister, and the cabinet before it would be tabled in parliament.

Sooklal said this was "where the private sector would get another opportunity to influence the final legislation".

Sources in the private sector said the speed with which the second draft of the bill had been finalised seemed to suggest that only superficial changes had been effected.

Most industry officials found material shortcomings in the first draft and suggested the government shelve it and start afresh with a new draft.

Leon Louw, the chairman of the Liquor Initiative, which represents leading interest groups in the industry, confirmed yesterday the department would listen to the industry's gripes next Thursday.

He said this would be the last time interest groups got a chance to present their suggestions. "To date the department has not agreed to a major re-think of the first draft," he said.

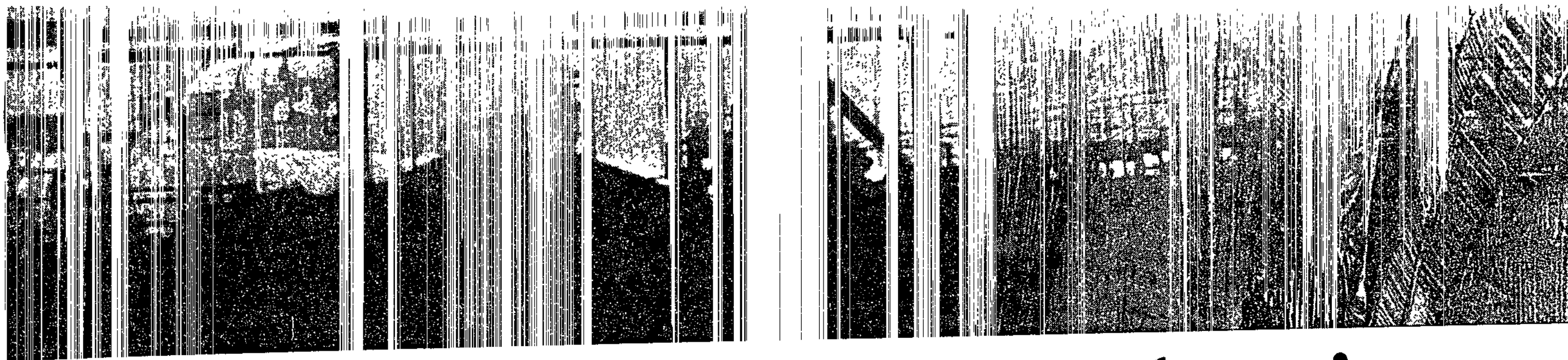
The Federated Hospitality Association of South Africa (Fedhasa) expressed confusion and disappointment yesterday at the news that the draft would be taken straight to cabinet.

Fedhasa was under the impression that a working group would be established with all industry players represented to help the department re-write the first draft.

The Cape Wine and Spirits Institute said it would be disappointed if a draft which had only been amended superficially would go to cabinet.

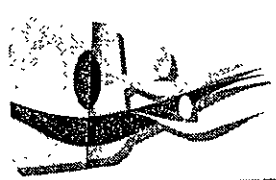
Deon Viljoen, an executive director of Fedhasa, said the speed with which the draft had been revised "seemed to suggest only superficial changes were made to the first draft.

"Should the first draft make its way to parliament in a slightly amended form, industry players would revolt. It is quite possible that redress could be sought in the Constitutional court."



Getting down to business

Star 3/10/97 (30)



TRC REPORT

Most commercial institutions asked by the TRC to take part in a special hearing are coming to the table

By Robert Brand

The overwhelming majority of business institutions approached by the Truth and Reconciliation Commission to participate in a special hearing in November have responded positively, TRC member Dr Fazel Randera said this week.

After its hearings into the role of the media and the health profession during apartheid, the commission called on the business and labour sectors to make submissions for a hearing from November 11 to 13.

The hearing will have three broad themes, TRC deputy chairman Dr Alex Boraine has said: the relationship between apartheid and the economy; business, government and trade unions; and the response of business to the total onslaught theory and reform.

"The hearing is not a witch-hunt. It is not a forum for details of individual human rights abuses; these have been aired at other hearings. It is an attempt to understand past conflicts, to prevent a recurrence of human rights violations, to contribute towards the documentation of South Africa's history and to look ahead."

The commission has approached dozens of business groupings, labour unions and individuals and most have agreed to participate, said Randera.

The only institution which refused point blank to participate was the conservative, mainly white Mineworkers Union (MWU), Randera said.

The MWU said it saw the TRC as a one-sided body, biased in favour of the ANC, and out to discredit the Afrikaner.

The MWU found it ironic the same people who were upset about apartheid now enthusiastically supported reverse apartheid in the form of affirmative action, said MWU chief secretary Flip Buys.

"This brings their commitment to equality into doubt because their actions can only lead to a new category of disadvantaged people."

Not so, said Randera. "We had a long meeting with the MWU. We tried to explain it is part of our mandate to appeal for submissions from a wide range of bodies. It is about perspectives: they should bring theirs to the hearing."

The SA Agricultural Union (SAAU) said it would not make a submission, but was prepared to answer specific questions. The body was too diverse for it to make a single submission, Randera said.

Deadline for submissions is October 10. The Afrikaanse Handelsinstituut (AHI), the Chamber of Mines, Tongaat-Hulett, Anglo-American, Armscor, the Johannesburg Chamber of Commerce, Cosatu, Nactu and several other unions had agreed to make submissions, Randera said.

Individuals such as Stellenbosch economics Professor Sampie Terreblanche, labour law expert Professor Nic Wiehann and economist Professor Charles Simkins, have also agreed to deliver papers.

"What we're asking for is a forward view. These two groupings (business and labour) between them can do more for reconciliation than most others who have appeared before the commission," Randera said.

Institutions will also be asked for views on how they can become involved in reconciliation and reparations.

"Individuals from the business sector have made an input in the think-tanks of the reparations committee, in the planning of reparations policy. But clearly, there has been little input from business to the President's Fund (the fund set up for reparations for apartheid victims)," Randera said.

"We want these two groups (business and labour) to think about reconciliation, about the role they see for themselves."

The success of the hearing, Randera said, would depend on whether institutions were prepared to acknowledge the roles they played.

"I hope the attitudes which do not come out are: 'there were laws, we had to function within those laws; and, business is pragmatic, we have to do business and we needed a stable environment to do business'. One would hope more comes out of the hearing, more honesty."

Keeping you informed

Every Friday, The Star will produce a news feature to keep you up to date with the Truth and Reconciliation Commission. The feature, produced by our team of specialist TRC reporters, will provide all the background, the news and the insights you need to keep you in the picture as the dramatic story of our past unfolds.

Small business given R5,4m

(30) CT(BR) 7/10/97

THABO LESHILO

Johannesburg — The trade and industry department has made a R5,4 million grant to the troubled National Small Business Council as part of the government's national strategy to develop small business, Monde Tabata, the chief executive of the council, said last week.

The council has been rocked by allegations of financial mismanagement and insubordination against Tabata by the management committee.

Tabata resigned his position last week but quickly withdrew his decision, calling for an independent inquiry. The department said it would mediate in the matter.

David Moshapalo, the chairman of the council, was fired for failing to attend meetings and four members of the Gauteng Provincial Small Business Council resigned recently.

"Despite the resignations, the council will ... ensure that the provincial summits continue uninterrupted. We are going ahead ... because of the unprecedented interest in the Enterprise Development for Growth and Equity campaign," said Tabata.

Salta toasts ruling on Liquor Act

MPHO MANTJIU

Johannesburg — The Constitutional Court's decision to uphold the Liquor Act, thus preventing supermarkets from selling liquor after 8pm and on Sundays, was a victory for informal traders, Churchill Mrasi, the Gauteng chairman of the South African Liquor Traders' Association (Salta), said yesterday.

"The Constitutional Court has taken the right decision," Mrasi said.

"As far as we are concerned, there is no point in these people selling liquor in the supermarkets at all. It would knock the taverners and shebeeners out of business."

The Constitutional Court ruled yesterday that the Liquor Act was constitutional, rejecting an appeal by three employees of the Cape-based Seven Eleven supermarket chain who were charged for contravening the Liquor Act. (30)

They had claimed that the act infringed on their right to participate freely in economic activity.

CT(BR) 7/10/97

Sowetan
BUSINESS
Real power is economic

Small business wants more say

sowetan 9/10/97 (30)

By Shadrack Mashalaba

Representation for more small organisations to be top of agenda

REPRESENTATION for more small business organisations on the Gauteng Provincial Small Business Council (GPSBC) is among the central issues to be discussed when the organisation hosts a conference this weekend.

Addressing a media briefing yesterday, newly appointed acting chairman Churchill Mrasi said strengthening ties with chambers of commerce and the private sector, and access to finance for small business would also constitute the agenda of the Saturday conference.

Mrasi said that deliberations at the conference would ensure that small businesses were empowered.

The provincial conferences, some of which have been held in other provinces, will precede the national small business conference which will be held at the end of the month at the World Trade Centre in Kempton Park.

The GPSBC was recently hit by resignations by its three councillors.

The chief executive of the National Small Business Council (NSBC) also resigned and has since withdrawn his resignation.

This followed allegations of mismanagement.

But Mrasi had denied allegations that mismanagement led to the resignation of three councillors.

He also stressed that the resignations and the disqualification of the chairman would not affect this weekend's congress at the Johannesburg Civic Centre.

Boost small business

He said the response to the conference, which aims to boost small business, had been "enormous".

"We do not know why the three councillors resigned. As far as I know there has never been mismanagement in Gauteng and everything is in order despite the resignations.

"Our relationship with NSBC is cordial. We will continue to ask for the assistance of the chief executive when the need arises," Mrasi said.

He said a new chairman and councillors would be appointed after the conference on Saturday.

Spokesman for the NSBC Mokone Molete said the aim of the national conference at the end of October was to come out with a policy strategy where small business could take the initiative in policy decisions rather than wait for Government to make decisions.

Meanwhile, two representatives from each province are also expected to meet the director general in the Ministry of Trade and Industry tomorrow.

On the agenda will be the state of affairs in the NSBC and its structures.

Banks can do more to help SMMEs

Sowetan 9/10/97

(30)

BANKS can do more to encourage a culture of entrepreneurship and create new role models for the micro business sector, chairman of Boland Bank Christo Wiese said yesterday.

Wiese was addressing guests at the bank's Prestige Economic Seminar in Stellenbosch.

"One of the greatest needs is for banking staff to be trained to be more flexible and more accessible in dealing with loan requests from small, micro and medium enterprises (SMMEs)," said Wiese.

He argued that to complain about lack of entrepreneurial education in South Africa is to take too one-sided a view, for this shortcoming is evident on the part of the banks as well.

"Historically banks have had very limited interaction with the micro sector and so don't fully recognise the needs of their micro clients.

"To develop a more sympathetic culture in which entrepreneurs can evolve, the banking sector must respond to their often imaginative proposals with imaginative proposals of our own.

"We must look closely at international experience which has enabled small business to make a greater contribution to job creation than in South Africa."

Wiese said there was a need for banks to look beyond the traditional collateral route when negotiating with micro borrowers, using, for example, evidence of a job contract as a means of security.

However, the banking sector had begun to recognise the underlying profit potentials embedded in the SMME market, which would serve as a further impetus to respond innovatively to the need for finance, he said.

"The challenge is to upgrade the whole of the SMME sector so it can produce competitive products and services, contribute effectively to the country's output and make inroads into export markets."

Wiese called for the establishment of SMME "incubation agencies" that would use their resources, contacts and skills to bring together opportunities, entrepreneurs and finances.

"In South Africa many companies have already made it their policy to procure products and services from black-owned SMMEs in an effort to make them sustainable.

"It is this type of initiative which should be encouraged, along with the imparting of management and business skills, for the failure rate of small business is very high."

He said another major hurdle for SMMEs was their lack of access to debt capital via credit guarantee schemes.

However, this problem was being addressed in part by the Western Cape Business Opportunity Forum. The forum is planning a debt-equity fund with an American company South North Development Initiative, which would provide seed capital.

Wiese said a similar fund had also been established in Mpumalanga.

BLACK EMPOWERMENT

Is there really more to it than equity?

(30) CT (BR) 10/10/97

MIRANDA STRYDOM

After months of debating the issue of black economic empowerment, the very preachers and pioneers of the concept have finally arrived at a rethink.

The term must be dropped and replaced by a new one, according to the country's leading black economic empowerment engineer, Johnnic's chairman Cyril Ramaphosa. He has decided that the new term "black business development" gives a better description of the challenges the country faces.

The definition of black economic empowerment, says Ramaphosa, can be found in the original RDP document, where it speaks of meeting the needs of black people, resource development, building the economy, developing the state and society, and implementing the RDP.

But for many the term was fast becoming meaningless because it was being used loosely by groups and individuals who wanted to get into business without feeling guilty or accused of being overly capitalistic.

After Ramaphosa exited politics to enter the business arena he went on a huge black economic empowerment campaign. But maybe he did not get his message across clearly enough because, as empowerment businesses started to mushroom, the issues surrounding empowerment itself became confusing.

"We have taken a very parochial view of black economic empowerment and we are falling into a trap," he said. He admitted that many of the deals signed under the empowerment umbrella would not be able to deliver to the disadvantaged communities they were supposedly intended to assist.

"All those deals, ultimately, have a minuscule effect on empowerment. They by themselves could never have an impact on empowerment," Ramaphosa said. That statement was long overdue, because his followers were going off in all directions.

But somehow not every one was convinced by his speech. One businessman commented that Ramaphosa was a bit of an extremist. "One moment he is a full-time unionist toyi-toying with the masses, next thing you know he is plunging into business, preaching black economic empowerment, and then when the pack follows his lead, he turns around and says it is ineffective."

Ramaphosa, however, seemed to be doing some introspection: "There is too much focus on equity. I call on business — and the call extends to myself — to focus on a range of other things as well."

Looking at black companies listed on the JSE, there has been a growing number of them with influential stakes. BusinessMap, a consulting company that compiles data on investments in the country, points out in its black economic empowerment report that an "influential stake" is distinguished from black ownership, in that these firms have black investors who are in a position to influence a company's policies, without having a controlling interest.

It is impressive to note that there are about 18 black-owned companies listed, but these do not necessarily have majority black ownership where control can be exercised. These firms are now capitalised at R38 billion.

In terms of deals not listed on the stock exchange, there were more than 150 deals significant enough to be reported in the media, and indeed they were. But many more smaller deals were not reported.

There is a lot of truth in what Eskom's chairman Reuel Khoza had to say recently at the Nafcoc conference. "Often we bring no more to the table than the pedigree of our blackness and expect this to do the magic for us. We bring little by way of strategy, a plan, capital, expertise or skills to the deals we get involved in. Quite simply, we believe we should be able to turn our blackness into gold."

Ramaphosa now prefers the term "development of black business". Will the change of terminology really bring about the desired results and, more importantly, do these deals necessarily need to be labelled?

"Business cannot be run on politically correct principles, you have to stay on the right side of the cash flow," said one commentator.

Another said "the problem with most of these is that they are nothing but paper transactions. Corporations use a handful of black faces to gain access to the new government and often pay them (the blacks) in the form of shares in their companies ... so at the end of the day, it is only a handful of black people being enriched and therefore empowerment does not feature."

Can social delivery really be found in business deals? Why can those black people who want to get into business enter without feeling guilty and made to feel like they have to promise to return something back to the community? Should the whole concept be laid to rest, and those black businessmen be left to make money? After all, that is why they got into business in the first place.

The issue of social delivery has to be dealt with separately.

Instead of Ramaphosa calling on the media, business and other parties to move away from the use of the term "black economic empowerment" and to start talking of the "development of black business", one wonders if business deals, where making money is by definition the bottom line, need such labels at all.

The challenge should really be how to strike the balance between making money and social delivery.

Wiese berates banks 'not doing enough'

(30) BD 10/10/97

Shareen Singh

BANKS were not doing enough to promote entrepreneurship and develop the small business sector, Orion Selections Holdings chairman Christo Wiese said yesterday.

However, he conceded a change in attitude and approach was needed in dealing with loan requests from small businesses.

"Banks can do much more to encourage a culture of entrepreneurship and to create a new role model." That process had to include "looking beyond the traditional collateral route when negotiating with borrowers".

Apart from group lending schemes, there were other ways of securing loans such as evidence of a job contract as a means of security, he said.

"To develop a more sympathetic culture in which entrepreneurs can evolve, we must respond to their often imaginative proposals with imaginative proposals of our own," said Wiese.

Banking staff needed to be trained to be more flexible and more accessible in dealing with loan requests from small, medium and micro enterprises (SMMEs).

"To complain about the lack of entrepreneurial education in this country is to take a one-sided view; for the lack is evident on the part of the banks as well."

Traditionally commercial banks shied away from the microloan market because of the risks attached to microlending and because of the high administrative costs relative to the amounts being borrowed.

At present the commercial banking sector in general provided loans for businesses with capital needs of R50 000 or more, leaving a major gap in the market.

Some nongovernmental organisations such as The Start-up Fund had created innovative microloan financing strategies. Boland Bank, owned by Orion Selections, was the first commercial bank to grant a loan to the Start-up Fund, Wiese said.

There were underlying profit potentials embedded in the micromarket and banking institutions should recognise this and respond innovatively to the finance need.

The credit guarantee scheme established by Khula Enterprise Finance was an important bridging mechanism through which commercial banks could secure wholesale loan finance for SMMEs.

He said Boland Bank had developed innovative and cost effective ways of microlending, but he would not elaborate on details because it was "confidential trade information".

The bank had spent a substantial sum on training staff to handle microloans, he said.

"We are currently developing a system to take banking to the businesses of our microclients. Most of them are unable to take time off to come to us."

This measure, with the extension of banking hours to coincide with normal shopping hours, was part of Boland's aim to make the bank more accessible. It had made some headway in the microlending market but there was a lot still to be done, he said.

Big business opportunities for SMMEs

(60) Sowetan 14/10/97

By Shadrack Mashalaba

THE Eastern Cape government says small, medium and micro enterprises (SMMEs) should prepare themselves to exploit opportunities that may arise from the proposed spatial development initiatives (SDIs) in the province.

The Fish River and Wild Coast SDI programmes have been identified by the provincial government for development with an investors' conference to launch the two projects officially scheduled for November 7 in East London.

President Nelson Mandela is expected to open the conference which will be attended by investors and several Cabinet ministers including Trade and Industry Minister Alec Erwin and Transport Minister Mac Maharaj.

'They cannot allow grass to grow under their feet'

Coinciding with the launch of SDIs will be an exhibition where SMMEs are invited to showcase their products and services.

Government's small business unit, Ntsika, and the Provincial Economic Affairs, Environment and Tourism department, will facilitate a working relationship between SMMEs and potential investors.

"SMMEs will be some of the main beneficiaries of the inflow of investment into the SDI areas, but they cannot allow grass to grow under their feet in establishing working relationships with potential investors," Eastern Cape MEC for economic affairs, environment and tourism Enoch Godongwana says.

He adds that the exhibition will be an ideal opportunity for small entrepreneurs to introduce themselves, their products and services to potential investors who will attend the conference.

SMMEs stand to benefit through the attraction of large development or "anchor" projects such as port development, road construction and industrial initiatives.

"By bringing in an anchor project, which itself employs many people, a large number of opportunities are created for small companies to provide services and goods to the developer of the anchor project, says Godongwana.

The investors' conference, he argues, is intended to be a vehicle for the province to market itself to the international and South African investment community, thereby securing investment into the Eastern Cape.

But the SDI programme's commitment to SMMEs extends beyond their involvement in anchor projects, he says.

Specific attention is also given to encouraging the development and growth of SMMEs independently of anchor projects. To this end, a call has been made to SMMEs to also come forward with project proposals requiring financial or other assistance.

For more information on exhibition contact Jos te Braaker Thembeka Dunywa at (0401) 95-2187 or Fish River SDI project manager at (011) 313-3600.

Small business 'must unite to be heard'

Patrick Wadula

(30)

BD 14/10/97

SMALL businesses and their organisations were called upon to work together with the provincial and national small business councils to promote and develop small business.

National Small Business Council CEO Monde Tabata said at the Gauteng Small Business Council meeting in Johannesburg over the weekend, it was critical for small business to speak with one voice if their demands were to be heard by those in authority.

The meeting was held ahead of the National Small Business Council conference to be held on October 21 to 23 at the World Trade Centre.

Tabata said the provincial councils were not there to compete with existing chambers of business, but had to work together with the chambers in the provinces. The council's role was to introduce the small business sector into "proximity of policy development".

"Until now small business has been reacting to policy decisions because they had always been made on their behalf." The aim of the meeting was to create an enabling environment "to break free from the shackles that were stifling small business growth".

SMEs could help create jobs for women

BD 15/10/97 (30)

Samantha Sharpe

CAPE TOWN — Small and medium enterprises (SMEs) could play a significant role in creating jobs for SA's women, with close to 38% of the female population unemployed, Eskom economic and social development manager Nomonde Mapetla said yesterday.

Speaking at the Absa world businesswomen's summit, Mapetla said SMEs in SA accounted for about 60% of total employment — an indication of their capability for generating economic growth and new jobs.

With the capacity of the economy to create new jobs in the formal sector declining, individuals had to start creating their own jobs.

"Women-operated businesses usually fall into the SME category and world statistics show that these are the most efficiently and effectively run businesses. They may not become monstrously big and cumbersome, but they deliver," Mapetla said.

Meanwhile, Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka said that while government was supportive of SMEs, "there is a lot of room for more players, especially from the private sector".

Private/public sector partnerships could help address obstacles for many entrepreneurs, which included limited skills capacity.

BLACK EMPOWERMENT *Survey discloses 'low level' of interest*

European investor surprise

(30) CT(BR) 15/10/97

POSITIVE *Anahid Harrison, project manager for EuroChamber survey* PHOTO JOHN WOODROOF

MIRANDA STRYDOM

Johannesburg — European investors, who account for 52 percent of direct foreign investment in South Africa, have a "surprisingly low level of interest in black economic empowerment opportunities", a EuroChamber survey shows.

About 37 percent of respondents were not considering black empowerment, 35 percent were still considering it, 13 percent had already implemented it and 15 percent were still in the process.

"European firms are moderately committed to affirmative action, but to our surprise there is very little interest in black empowerment," said EuroChamber consultant Anahid Harrison. It was difficult to explain this, she added.

Although general confidence had declined, more than 80 percent of European investors were positive about South Africa's economic situation and its prospects.

The survey showed that respondents were generally positive about the political framework and the context for economic policies in South Africa. They believed the government was showing consistency and commitment in its economic policies, the survey said.

"Our support for a survey among European investors in South Africa stems from a desire to better quantify perceptions and feelings of foreign companies in the country.

"South Africans have been bombarded by negative comments about the country's political and economic situation ... often it is from hearsay," said Erwan Fouere, the European Union ambassador to South Africa.

The survey was circulated to 600 companies of European majority shareholding or origin operating in South Africa.

Small Business Project argues for VAT reforms in micro sector

LT (BR) 15/10/97 (30)

NCABA HLOPHE

Johannesburg — The Small Business Project (SBP), an independent campaigner for fair legislation for the small and medium sector, has called for reforms to simplify the tax system, including increasing the value-added tax (VAT) exemption threshold.

Keith Herrman, a legal and economic researcher at SBP, said small, medium and micro enterprises were unfairly tasked to act as unpaid tax collection agents. He said the simplification of tax rules should include a shift from the traditional accrual taxation method to cash accounting.

The accrual method taxes the amount of sales instead of actual cash received, while the cash accounting method would tax only cash received.

"This difference could be put back into the business, paying off creditors, reducing the overdraft at the bank or purchasing new equipment and generally improving the cash flow of the business," he said.

Herrman also took a swipe at the regional service councils, which generate R2,1 billion countrywide, as an administrative burden to the sector. He deplored the fact that the exemption threshold for VAT has tended to induce larger firms to split their businesses to qualify for the R150 000 annual turnover threshold, and called for it to be raised to R500 000. This is above the R300 000 recommended by the Katz Commission.

"The loss to the fiscus by lifting the VAT threshold might be negligible given that some 90 percent of the total revenue collected from companies is collected from 8 percent of the total number of companies, which would exclude those with less than R7,5 million in annual turnover."

Restructured Clicks bucks retail trend

BD 16/10/97 (30)

Samantha Sharpe

CAPE TOWN — Retail group New Clicks Holdings lifted share earnings an annualised 27,1% to 27,2c in the year to August compared with the 10 months to August 1996 — bucking the negative trend in the retail industry.

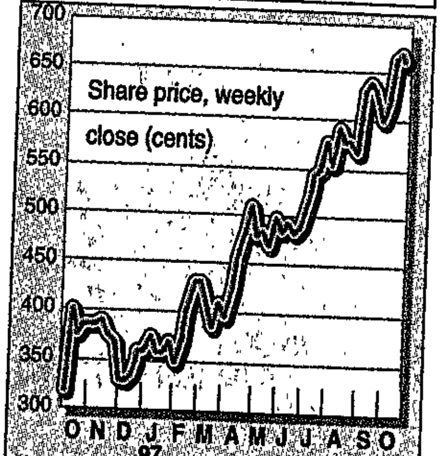
The group's robust earnings growth, which reflected activities of its first full financial year since restructuring, was accompanied by a final dividend of 9c against 6c previously.

Group CE Trevor Honeysett said the results indicated that the group was well on track to doubling its earnings in the next four years.

"If we look at our core businesses of Clicks, Diskom and Musica, all reported strong real growth in both sales and profits, resulting in increased market share for each chain," Honeysett said.

New Clicks' group turnover rose an annualised 18,9% to R1,85bn, reflecting a 68% contribution from Clicks — 70% at the same time last year — a 23% contribution from Diskom and a 9% contribution from Musica. Both

New Clicks Holdings



Graphic: KAREN MOOLMAN. Source: I-NET

Diskom and Musica had raised their contribution by one point each.

"On a like-for-like basis, existing

Continued on Page 2

Clicks

(30) BD 16/10/97

Continued from Page 1

turnover growth is up 15%, comparing favourably with an inflation rate of 9% ... and indicating substantial real growth," he said.

Operating income grew an annualised 28,5% to R100,5m, with a continued improvement in the group's margins. These were expected to strengthen by about 0,5% a year, with an eventual target of 8%.

Honeysett said re-engineering the supply chain remained an important focus, with information technology and central distribution leading to improvements in margin and stockturn.

A marginal decrease in the group's effective tax rate brought after-tax income to R68m — an annualised 32,6% increase — with attributable income at R67,8m from R43,9m.

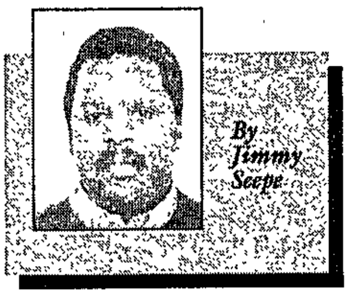
New Clicks, with about R113m in the bank compared with R69m last year, would concentrate on an aggressive store expansion programme and on growing core businesses.

A Volkstaat is not our thing

CP 19|10|97 (30)

Afrikaner business says it does not see Volkstaat as viable

HOPING FOR BUSINESS SUPPORT... Freedom Front leader Constand Viljoen.



THE ORGANISED Afrikaner business grouping, the Afrikaanse Handelsinstituut, which earlier this week suggested that R9 billion be donated to the Truth and Reconciliation Commission from a special political unrest insurance fund, has dropped a further bombshell on those who may have been hoping for its support for an Afrikaner Volkstaat.

President of the AHI, Theo van Wyk, in an interview after his organisation had submitted its report to the TRC, told City Press that the AHI would find it difficult to support the establishment of a separate Afrikaner homeland.

This could represent a severe blow to Freedom Front leader, Constand Viljoen, and other Afrikaner groupings such as the Conservative Party (CP) and the Afrikaner Weerstandsbeweging (AWB), who hoped that Afrikaner business would rally behind them in creating a Volkstaat.

It also came at the time when the grouping suggested the release of the R9 billion to the TRC accrued from the SA Special Risk Insurance Agency fund which was set up during apartheid to cover costs incurred during political unrest.

The fund was formed by an Act of Parliament in the '80s to cover the riot losses of contributors, mainly business enterprises.

Van Wyk said the AHI, which now supports affirmative action and black empowerment, would find it difficult to support a Volkstaat unless there were convincing arguments to indicate the country would benefit more from a Volkstaat than it was currently doing.

"If aspirations in that regard were a means to creating social stability in the country, then there would be an argument," he said, adding that SA needed to build social bridges and break artificial barriers.

"We have to move away from a position held by 10 percent of the population against the view of the majority."

The AHI is said to represent about 150 local chambers with approximately 5 000 members in the urban and rural areas; about 250 direct business members, some of whom hold corporate membership, and close to 30 affiliated organisations representing a further 35 000 members.

The AHI's submission received a strong response from Afrikaner groupings, especially the Conservative Party.

CP spokesperson Hannes Scholtz said the fund had not served its purpose, because more political unrest was in the offing unless the government granted Afrikaners self-determination.

"Billions of rands in insurance claims can be expected should the government continue to ignore Afrikaner nationalism. Much political rioting lies ahead unless the government heeds the desire of people to govern themselves in their own territory," Scholtz said.

> **CP spokesman Hannes Scholtz**
>
> **On the Volkstaat idea**
>
> **"Much political rioting lies ahead unless the government heeds the desire of people to govern themselves in their own territory"**

Van Wyk rejected the CP's assertions, saying there was no justification for continuing with the fund.

"The political risk that called for the fund to be established has fallen away".

He echoed his organisation's belief that the fund could best be used for reparation and for human development through skills training. "Special emphasis should be assigned to the reclamation of the lost generation," he said.

Van Wyk said his organisation regretted its support of separate development which had done harm to the country's economy and population groups.

"The AHI supported separate development in the belief that it would bring about acceptable results for all in the country," he said. "It did not."

The AHI accepted moral responsibility for its insensitivity and admitted that its actions wronged fellow South Africans.

It admitted that while at its conferences throughout the years, it paid lip-service to good labour relations, training, proper wages and productivity, there was an absence of proper labour relations within the organisation that made provision for worker rights.

Clarifying its role during apartheid years, the organisation said it was aware of the perception that business, in particular Afrikaans business, benefited from apartheid.

It accepted that apartheid disadvantaged black business.

He said the AHI supported affirmative action and the black empowerment policies many businesses had adopted to help people realise their full potential.

"Special efforts are warranted for the disadvantaged," he said, but care should be taken to prevent such measures from evolving into a new form of discrimination.

To achieve these objectives, Van Wyk said AHI has engaged the National African Federated Chamber of Commerce (Nafcoc) in developing ideas and establishing structures for cooperation.

As a departure from past practices, the AHI started several initiatives where members were encouraged to help poor communities and support Masakhane.

But when asked about the Minister of Labour Tito Mboweni's Training and Development Bill which would require companies to pay a tax levy for training, Van Wyk said: "The AHI agrees with the principle of providing training but does not believe in the method of funding".

NSBC summit brings new hope

(30) Sowetan 21/10/97

By Shadrack Mashalaba

Nagging problems remain in the small and micro business sector

THE NATIONAL SMALL Business Council (NSBC) holds its two-day conference from tomorrow and hopes are high among small businesses that the gathering will bring new solutions to the cash-strapped industry.

Despite the fact that the NSBC was formed two years ago to find ways of solving problems faced by small, medium and micro enterprises (SMMEs), small businesses are still grappling with lack of finance and lack of support service.

The inaugural conference, entitled Providing the Competitive Edge, will be held at the World Trade Centre in Kempton Park starting at 8am.

Mpumalanga small business provincial chairman Steve Skhosana said he hoped the conference would consolidate the collective views of small business.

Skhosana said while he appreciated the existence of structures such as Khula and Ntsika, both of whom provide financial and non-financial services, "their services have not filtered down to small businesses in the province. It appears as if the organisations are run by remote control."

The national summit was preceded by provincial summits, held across the country.

Tendering, which is another burning issue for small businesses, will also take centre stage.

Gauteng provincial small business council acting chairperson Churchill Mrasi said the provincial councils hoped to come out of the conference with a unifying programme.

Mrasi said: "Organisational representation, funding and training are some of the impediments faced by small business and these are core issues to achieve the success of small business."

With regard to Khula and Ntsika, Mrasi said these institutions appeared to lack proper channels to work hand in hand with the provincial small business councils.

"Small businesses have also called for the establishment of a structure that will ensure that people are financed whenever they want funds.

"Big business should also start to practically empower this sector."

Northern Cape chairperson Jacob Babuseng said there was a need to make small business development structures more effective.

Coinciding with the summit will be the launch by NSBC of Enterprise Development for Growth and Equity (Edge) – a programme which seeks to promote the development of small business in a manner which increases economic and employment opportunities.

Trade and Industry deputy minister Phumzile Mlambo-Ngcuka is expected to be a keynote speaker.

Big bank fees hamper small businessmen

(BB) (30) ST (BR) 22/10/97

ESANN DE KOCK

Bank charges may come as an unpleasant surprise when you register a Close Corporation (CC) or apply to your bank for a separate account for your small business.

Charges on business accounts are not necessarily the same as those on ordinary accounts.

In some cases they can be lower, in other cases they may be higher.

Since the banks should be competing for your business, search for the bank that offers you the best deal in terms of services and charges.

You may find there could be a charge just to open the account and that service fees on your business account may be higher than on your personal account.

Although not all banks offer special accounts for small and medium business entrepreneurs, some do and you should look at what special services, if any, they offer with these accounts and how much they charge you for them.

Some small business entrepreneurs were caught unawares recently when certain banks put up their monthly service fees as well as service charges for cash deposits.

A service station owner says from the middle of July this year his bank has charged him 127 percent more for cash deposits – the 22c per R100 fee was increased to 50c per R100.

The bank told him that it had increased the fees to discourage cash deposits and decrease its cash holdings in order to discourage criminals.

Another reader said her bank manager informed her that from August 1 the minimum monthly service fee on her Small Business Account would increase from R30 to R101,25.

The bank told her the increase was necessary to ensure that all cheque accounts were profitable or would at least break even.

Banks that offer special services for businesses usually charge fees that differ from those charged on regular cheque accounts. For example:

☐ Standard Bank: Offers a Small Medium Enterprise (SME) PlusPlan Account for small and micro-enterprises that are just starting out and don't require a cheque account.

There is no monthly service fee on this account; R2,50 is levied for each cash withdrawal; you pay 0,605 percent for cash deposits; R4,22 for certified cheques and R2,50 is levied for every account payment.

SME customers can also get a full cheque account which can be linked to an SME AutoBank Card which allows access to the full range of electronic banking facilities.

☐ Absa Bank offers a cheque account to all its business clients that comes with a different fee structure from ordinary cheque accounts.

The product is not offered as part of a branded package, but you have access to all the bank's other products and services and those offered by other divisions within the group.

Products and services available include credit cards, garage cards, international banking, home and building loans, investment services, vehicle finance and electronic banking.

Service fees are determined by the size of the account, but the minimum monthly fee is R17,10.

Allied Bank charges 55 cents per R100 for cash deposits on amounts up to R500; TrustBank charges 0,75 percent on amounts under R10 000 and 0,2 percent on amounts over R10 000; United Bank charges 63 cents per R100 for amounts under R500 and Volkskas charges 0,376 percent on amounts under R10 000 and 0,188 percent on amounts over R10 000.

☐ Nedbank offers a small business cheque account that comes with a range of special services including the NedTel/NedTex range of financial services via the telephone.

A reader complained that the bank recently put up its business banking handling fee for cash deposits to 68 cents per R100 or part thereof.

Charges on the Nedbank small-business cheque account can be negotiated with the branch manager.

Interest on an overdraft is based on the prime lending rate and can be negotiated with branch managers who will consider your credit record, security and the nature of the loan.

☐ Mercantile Lisbon Bank offers small- and medium-business cheque account facilities.

The account is no different from ordinary cheque accounts, although different benefits apply in the case of corporate clients and fees are often negotiable.

Mercantile's standard fee for cash deposits in business cheque accounts (60 cents per R100) is the same as for personal cheque accounts. So are service fees for cheques at 80 cents per R100 or part thereof to a maximum fee of R17.

☐ Boland Bank has no specific product for small businesses, but says it accommodates small business people by making individual assessments of their needs and recommending appropriate products. Fee structures are determined by the client's risk to the bank.

☐ First National Bank also does not have any products or packages directed at small businesses.

It says the small business client enjoys the same services as any other business or professional entity where fee structures and costs are associated with the risk of the business venture.

☐ NBS has a Small Business Unit within the NBS Corporate Division and serves clients in both the small and medium sectors with loans from R30 000 to R2 million. It does not offer cheque account facilities.

NEWS

'SBC should be in parliament'

CT (BR) 23/10/97 (30)

MPHO MANTJIU

Johannesburg — Phumzile Mlambo-Ngcuka, the deputy minister of trade and industry, said yesterday the Small Business Council (SBC) should be represented in parliament to lobby for its members.

Phumzile Mlambo-Ngcuka

Mlambo-Ngcuka was speaking at the National Small Business Summit which aims to map out a strategy for small business development in South Africa.

Mlambo-Ngcuka said the focus by the SBC on using provincial structures in strengthening small business tied in with the government's strategy and the coming presidential summit.

She said the government was aware of the importance of creating industrial parks and the development of the economy at a local level.

Mlambo-Ngcuka said every local authority should work with business to engineer local economic development. She cited the following as the core ingredients to achieving this objective: a comprehensive business plan for the town or area; the monitoring by local government and other interested parties of the plan's implementation; the marketing of the area; and an audit on the infrastructure required by small business.

Mlambo-Ngcuka said interested parties would present a programme of action for adoption at the November summit. The programme included: the review of legislation; a strategy to reduce the cost of finance; an outreach programme to get service to remote areas; and improving the banking climate.

She stressed the importance of the SBC's responsibilities, according to the Small Business Act, to influence local economic policy.

Thursday, October 23 1997 SOWETAN

Call to support growth of SMMEs

Sowetan 23/10/97

(30)

Sowetan Reporter

SOUTH Africa is likely to fail in its macro economic policy if its empowerment efforts are concentrated on major industries, said Trade International Research (Tinrac) chairman Bobby Fourie.

He said for small, medium and micro enterprises (SMMEs) to become highly competitive in the international market, it was important that their development was supported.

A comprehensive research conducted by his company in the past four months with government departments, manufacturing industries and non governmental organisations showed that although there was willingness to assist small businesses, this was however, not accompanied by practical programmes.

Fourie said the survey found that big business continues to take care of itself to the neglect of SMMEs. "The macro sector should get involved through sub-contracting some of its work to the SMME sector because it will be naive to say that the government should not be involved in the development of the sector while the private sector is unwilling to participate."

The survey has found that parastatals such as Eskom, Telkom and Transnet were making good progress in the empowerment of SMMEs through their tender and empowerment programmes.

Tinrac, an international trade market research company with offices in Pretoria and Barcelona, also engages in initiatives to attract opportunities for local companies overseas.

"We need to develop piggyback initiatives," said Fourie.

Small business to apply for credit amnesty

(30)

MPHO MANTJIU

Johannesburg — The National Small Business Council (NSBC) would take up the blacklisting of small businesses by credit bureaus to the Truth and Reconciliation Commission (TRC), Monde Tabata, the chief executive officer of the council, said yesterday.

Tabata said the council had been mandated by the small business sector to approach the TRC for amnesty. He said many South Africans had been unjustly blacklisted. "We need to correct this, a lot of people cannot participate in meaningful economic activity because of their unfavourable credit record."

The NSBC would also investigate the possibility of an alternative structure to serve as a retail-finance institution to replace conventional banks. Zwelakhe Mkhasibe of the NSBC said proposals to change the Usury Act would be taken up through this concept.

CT (BR) 24/10/97

Khula Enterprise, the agency set up by the trade and industry department to facilitate the financing of small business, also raised concerns about the Usury Act, as well as the Bank Act and Insurance Act, for hampering the development of small business.

Sizwe Tati, Khula's chief executive officer, complained about the lack of infrastructure to support lending to small business in rural areas as well as the lack of government support in terms of guarantees for loans.

The council would also have to have representation in parliament to monitor legislation, Tabata said.

Small firms want changes to Khula finance scheme

ARG 27/10/97 (30)

THABO MABASO
BUSINESS REPORTER

The Khula Enterprise Finance scheme was choking the growth of small businesses and the Government should review it with immediate effect, the National Small Business Council (NSBC) said.

The NSBC resolved at a summit in Johannesburg last week that it would lobby the Government to change the way the scheme worked.

The scheme is an ambitious initiative aimed at boosting the supply of loans to small businesses. The Government granted Khula an amount of R270-million enabling it to cover loans made by small businesses at financial institutions.

Chairperson of the NSBC's Western Cape branch Edgar Adams told the Cape Argus that the scheme did not help Small, Micro and Medium Enterprises (SMME), but placed added burdens on them.

"When we make loans at banks Khula only covers us for 60% of what we have borrowed and we are supposed to cover ourselves for the remaining 40%," Mr Adams said.

"Most black business people have a 99-year lease on their properties or are credit-listed through no fault of their own, so you tell me where and how we are going to cover ourselves," he added.

The NSBC summit had unanimously agreed to call on the Government to review the application of the Khula scheme.

"The Government should take a look at implementing other methods of providing finance," Mr Adams said.

He said this included the establishment of provincial stock exchanges throughout the country so that SMMEs could raise funds on them.

Other methods were for the Government to assist small entrepreneurs to acquire not only loans but equity stakes and for the Government to address problems faced by these businesses with the credit bureau.

"Two years ago the Government promised us that they would do something about these problems and now it's two years down the road and nothing has been done," Mr Adams said.

The summit suggested that the TRC, which is now indemnifying perpetrators of human rights abuses who fully confess to their crimes, should be roped in to look at the issue of small businesses that had been blacklisted for non-payment of debts.

Some of these debts had been incurred in the 1980s by small businesses heeding calls by anti-apartheid activists for the non-payment of services and other items, Mr Adams said.

Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka, whose job entails co-ordinating policy on small businesses, was not available for comment.

ANALYSIS

Local business has profited from the apartheid years

(30)

Business played a central role in racial oppression in SA, says deputy general secretary of the SACP **Jeremy Cronin**

BD 29/10/97

IN A recent editorial (Striking the right note, October 20), Business Day suggested Sacob could have been less complacent in its truth commission submission on business and apartheid. Business Day is being exceedingly generous.

Over the past few years, complacency about the past has been the hallmark of many business circles. On occasion, this borders on the grotesque.

Last year, for instance, the Financial Mail, had the following "joke" in its Did You Hear? column: "Scheduled SABC2 coverage of the truth commission was dropped on Sunday and was replaced with a programme called Circus on TV. Did anyone notice the difference?"

Not every business person in SA can be held responsible for the previous FM editor's moral lapses. However, I suspect this little "joke" is not entirely unrepresentative. Apartheid had complex social origins; it would be wrong to blame it all on capitalism. However, the contrary perspective, that capitalism was organically inimical to racial oppression in SA, is absolutely fanciful. The mining houses played a central role in laying the foundations of systematic racial oppression in the context of an industrial society.

In 1912 the president of the Chamber of Mines complained that "the tendency of the native is to be an agriculturalist ... he cares nothing if industries pine for want of labour when his crops and home-brewed drink are plentiful". He had a remedy: "What is wanted is surely a policy that would establish once and for all that outside special reserves, the ownership of land must be in the hands of the white race."

The next year, the notorious 1913 Land Act was passed. It was the mining houses who pioneered the prison-like compound system. The world class innovator was De Beers in Kimberley, where the company first experimented with convict labour. In 1885, the inspector of diamond mines enthused: "In these convict barracks ... the perfection of the compound system may be said to have been reached."

It was also mining houses that pioneered the racialised, contract labour system, and that pressed for the refinement, extension and tightening up of the pass laws.

I know I will be told that this was all "very long ago". But this past oppression garnered huge profits that continue to be the basis of the vastly unequal distribution of power, privilege and wealth in our society today. Past coercion goes on earning compound interest. However, the complicity of business in racial oppression is not just a distant historical fact with present-day consequences. The AHI submission to the commission, admittedly a more sensitive document than Sacob's, is outrageous in its claim that Afrikaner businesses did not benefit from the NP regime. It was Sanlam's AD Wassenaar who noted how the NP government had used the state-owned IDC and other parastatals "to strengthen Afrikaner participation in the industrial progress of the country".

White-owned small and medium-businesses, many of them owned by Afrikaners, moved smartly into the trading vacuum created by the group areas removals in the 1950s and 60s. White-owned commercial farms acquired an extra 106 303ha of farming land between 1960 and 1978, as a result of the dispossession of black farmers from black and mission-owned land outside the reserves. In close co-operation with the apartheid regime, white farmers used convict labour extensively.

The Theron commission in 1976 estimated that about 13% of farmers used prison labour. The number of prisoners on farms in the 1970s and early 1980s was around 100 000 at any one time. Many of these press-ganged labourers were simply technical pass law "offenders".

But it was not just Afrikaans capital, or farming capital, that was heavily implicated in the apartheid system. A large part of the private sector was deeply complicit in the militarisation of our society under PW Botha's Total Strategy. In 1987 the Armscor CE told this newspaper that 975 companies were directly supplying Armscor. This figure does not include subcontractors.

A US researcher in 1988 estimated that there were about 3 000 private sector subcontractors to Armscor.

Many of these companies did little more than act as willing conduits for the SADF to smuggle in international arms and technology, bypassing the UN arms embargo. Leading business people were willing participants in the national security management system and in the defence manpower liaison committee. Far from objecting to the apartheid regime and its destabilisation of our region, business reaped huge profits from it.

No doubt this helped to motivate the aiding and abetting of the process as well. In 1988 it was estimated that "most private companies" were making up the difference in the salaries of conscripted white males. As many as one-fifth continued to pay full salaries to conscripts, although there was no legal obligation to do this.

Yes, there were points of difference between the apartheid regime and its private sector accessories. Very often these had little to do with morality. As Harry Oppenheimer put it in 1985: "Nationalist policies have made it impossible to make proper use of black labour".

Some leading business people in the 1980s fundamentally shared the NP's repressive reform agenda. Gavin Relly said he was "not in favour of one-man, one-vote in SA" because it "would simply be a formula for unadulterated chaos".

Anton Rupert agreed: "We have to find a solution that won't end up giving us one man, one vote."

Leading business people expressed support for the states of emergency. Relly, in 1987, said "the imposition of the state of emergency, and its recent renewal, though regrettable, were necessary". Trust Bank, the next year, echoed these views: "The damper put on sociopolitical instability by the security forces has definitely played a role in the recently improved performance of the economy."

Private sector "developmental" projects often had a very cynical agenda. Fred du Plessis of Sanlam spoke in 1988 of the need to deliver economic benefits to an emerging black elite in order to blunt political aspirations. He envisaged "a situation where people 10 years from now feel things are going so much better for them that they do not feel anxious about political power."

FW de Klerk's sense of humour sometimes betrays more than it realises. Last year, at a breakfast meeting of the American Chamber of Commerce in Johannesburg, De Klerk referred proudly to SA's financial sector, with its five large conglomerates. In its level of sophistication it was unequalled in Africa. "People talk a lot about a third force," De Klerk quipped, "but the real third force is the private sector."

CRONIN

Black empowerment ventures fall short of success

(30) BD 30/10/97

Reports by Lesley Stones

JOINT ventures which bring together black and white-owned information technology companies have been marred by a disappointing lack of success.

Often white managers are not committed to the idea, black partners do not live up to their promises, and the customers they deal with see the venture as tokenism, says Simon White, joint MD of research company Forge Ahead/BMI-T.

White was speaking at the release of a survey of developments and trends in black information technology and telecommunications companies.

Forge Ahead/BMI-T is itself a joint venture between white-dominated research company BMI-TechKnowledge and black-owned conference organisers Forge Ahead.

"Black and white joint ventures are becoming the smartest way to do business in SA, but in most instances they are not working," said White. "Top white management often isn't supportive, and black companies don't always bring to the table what they said they would bring."

White also believed that some companies voicing support for black empowerment were simply trying to sound politically correct. "There are lots of good black companies and some traditional white suppliers say they don't know where to find them. Others who say they are looking are not really looking."

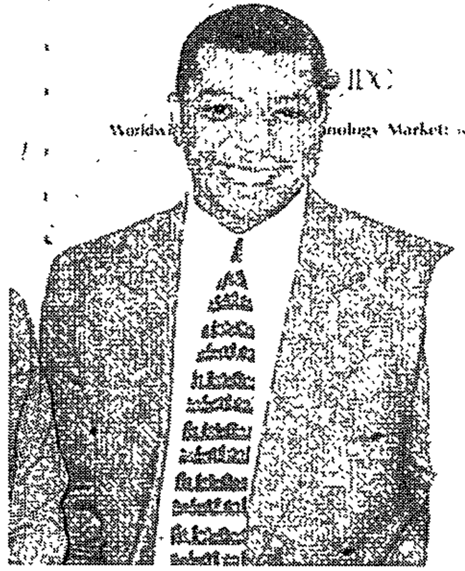
A great motivation behind the partnerships is the increasing difficulty for all-white companies to win government tenders, with government being SA's biggest spender on information technology.

But the temptation to "adopt a black" purely as window dressing had led the government to be wary, said White.

Officials charged with awarding the tenders were suspicious that black partners were purely a front, and were equally suspicious that black companies acting alone were too small to fulfil their promises, he said. This was resulting in mutual dependency between black and white-owned companies.

The survey found that black businessmen favoured joint ventures and outsourcing deals as the most effective form of partnership, because they involved commitment and skills transfer. Bringing black partners on board through unit trust schemes and tax incentives was less popular, as the black company did not get the opportunity to develop.

Motswedi Technology MD Tebo Matsoso said he knew how it felt to be treated as a face, not a real business partner. He has formed joint ventures with both local and international companies, and said some local firms had dubious agendas.



WHITE

"We thought we were partners to conduct business together, but they thought they could roll us out when necessary, and then put us away again.

"We won projects, then they wanted to do most of the work themselves. That is still the reality of some joint ventures."

In general, partnerships with international companies proved far more successful for black SA companies, said Matsoso.

"International companies who don't have clients here are more motivated to get market share, whereas local companies with existing contracts are not hard pressed to enter these deals."

Another major difference was that international partners had the resources and the willingness to help their black partners financially, said Matsoso. Motswedi is a local partner for the US-based systems integrator TRW. The deal gives TRW insight into the local market and staff to carry out its projects. In return TRW has trained Motswedi staff in information development skills, accounting and business development.

"Providing funds is common for international partners, and another company we know has set aside R1m for its black partner to use for marketing," he said.

"To join with a local company you have to come up with the money, so it is financially feasible."

One of the largest black-owned IT businesses is Cein, the Consolidated Empowerment Initiative, which was acquired by Persetel in July. Cein still acts autonomously, and is believed to be close to finalising a deal to take a stake in the newly-merged Persetel Q-Data Africa.

"Success really depends on the sincerity of both sides," said Cein executive director Alan Roper. "Initiatives which are not particularly successful are those where companies get together for a certain project to bring a black partner to a specific deal. The partnerships should have long-term visions to bring skills into an organisation."

Roper said black businesses had not been particularly successful in the information technology market because until recently there had not been an opportunity to develop appropriate skills. "We have to get involved in programmes like joint ventures which will assist black companies to acquire these skills."

But the lack of capital available to black entrepreneurs was a major stumbling block. The government and financial institutes were doing far too little to support start-up operations, said Roper.

Even when financial backers were willing to support black businesses, there were often strings attached, said Matsoso. Motswedi rejected potential backing from two financial institutions as the contracts stipulated that Motswedi would have to seek their permission to carry out certain activities. One prohibitive clause said Motswedi could not transfer technical or managerial skills to previously disadvantaged communities without their specific approval, said Matsoso.

Competition body says OK to Shoprite

(30)

ACQUISITIONS

By MARCIA KLEIN

COMPETITION Board clearance should pave the way for a speedy conclusion to Shoprite Checkers' acquisition of OK Bazaars in its entirety, quashing earlier speculation that it will handpick about 50 stores.

On Friday Competition Board chairman Pierre Brooks said he had given his blessing for a takeover of all OK's stores. "We believe they have not finalised negotiations on financial issues but we have indicated we will not oppose the deal", he said.

OK has 144 stores and 20 Hyperamas which collectively brought in R6.4-billion in sales in the year to March. But the company's bottom line losses mounted to R74-million from a R1-million loss in the previous year.

The OK's net asset value was R950-million at end-March, and there is speculation that the asking price for OK was R400-million, less R100-million of debt.

Six years ago Shoprite, then a relatively small, Cape-based retail chain, bought 169-store Checkers for a song, and has turned it around to such an extent that its operating profit is now around R200-million.

ST(BT) 2/11/97

It is estimated that Shoprite Checkers holds between 23% and 24% of the food retail market, while the OK Bazaars has 17% to 18%, giving them a combined market share of more than 40%.

But the board has indicated that a merger will not be uncompetitive.

Brooks said that an analysis of the proposed merger, which followed an approach to the board by the parties involved, indicated there was no cause for concern.

He said the decision was based partly on the fact that OK Bazaars "is an ailing company, and people have known for a long time that they are going out of business in any event."

The transaction could benefit the trade unions that are involved, and contribute to black economic empowerment.

"We looked purely and simply at competition issues and looked at various categories including where consumers are and where they buy," Brooks said.

"We usually look at concentration ratios, and while they can never be decisive, they are at levels which do not warrant intervention."

Manufacturers of products sold in supermarkets were canvassed on the situation.

Brooks said it was important to establish whether the company's combined purchasing power would enable it to "be coercive in its dealings with suppliers".

It had been established that this was not the case.

Brooks said he was aware that other parties were also interested in the whole or part of OK Bazaars.

A spokesman for Shoprite's managing director, Whitey Basson, said he would not comment on the deal as a cautionary notice was still in place.

It is not clear when the deal will be announced.

'Amnesty' for black debtors!

CP 2/11/97 ~~26~~ (30)

By Ali Mphaki

Business Editor

'CANCEL DEBTS'... *Of economic victims, says NSBC CEO Monde Tabata.*

REPRESENTATIONS should be made to the Truth and Reconciliation Commission to grant amnesty to black business people who are listed in the credit bureau.

This is one of the resolutions adopted at the first National Small Business Council (NSBC) summit held at the World Trade Centre in Kempton Park last week.

The three-day summit had as its objective the adoption of a programme to develop the economy through developing small business at local level, and getting input for the small business conference scheduled for Durban in two weeks.

Two major impediments to the growth of small business in South Africa were identified:

- The lack of access to finance;
- The listing of business people with the credit bureau.

CEO of NSBC Monde Tabata says the level of frustration among small black business people was threatening the entire small business strategy.

He said the listing of black business people by the credit bureau was tantamount to economic opression, and only the TRC could help salvage the situation.

Tabata said that if the TRC could grant Dirk Coetzee amnesty, "surely they can also look at deserving cases among black business people who, through no fault of their own, had to be listed."

He added that he was not referring to habitual non-payers, but to genuine businesses which were destroyed during apartheid.

The summit also acknowledged the fact that the government-created credit guarantee scheme, Ntsika Enterprise, was being hamstrung by its delivery structures, the banks, who have not changed their attitude in line with the Khula and Ntsika ideology.

Mention was made of the harsh legal environment under which these bodies operate, and of the lack of infrastructure to support lending, especially to the rural areas.

The summit resolved that what is needed is a retail small business bank, something akin to the one in Korea.

Attempts should also be made to make the rural economy viable by developing the infrastructure and creating farmers' support centres.

Tabata said they were also toying with the idea of setting up provincial stock exchanges, which could be used to create a new entrepreneurial class at a local level.

The summit adopted a new programme, called the 'Competitive Edge', which seeks to promote the development of small business in a manner which increases economic and employment opportunites whilst improving the quality of life for all provinces and local communities in South Africa.

Tabata says this initiative aims to have small business moved from the fringes to the centre stage of the economy.

"Small business needs to have a legal environment, policies and practises to support it," he said.

Central to the project is the establishment of coalitions towards the formation of one town, one chamber, of which the government has set aside R4-million for this move.

The summit also heard that the European Union was intending to give the NSBC R3 million towards chamber development.

Small business wants changes in employment bill

ARG 3/11/97 (30)

Parliament could be asked early next year to approve amendments to the Basic Conditions of Employment Bill to make it friendlier to small business.

But this, said deputy director general of labour Les Kettledas, would depend on the outcome of a proposed investigation into the effects of the bill on the sector.

He told Parliament's portfolio committee on labour on Friday that he was aware of potential problems the bill could create for small business, and that the department was seeking the committee's support for the investigation.

The Department of Trade and Industry's centre for small business promotion had already said it was prepared to conduct the probe jointly with the labour department.

This should be completed before the bill was promulgated, which is expected in the first half of 1998.

Mr Kettledas presented the committee with a list of proposed amendments to the bill, drawn up by the department after two days of public hearings. The amendments also follow the deal reached between the African National Congress and the Congress of SA Trade Unions, which had been threatening strikes over the legislation.

Representatives of organised business told the committee at the public hearings that small business would be particularly hard hit by the bill.

However, Mr Kettledas rejected a call by the National African Federated Chambers of Commerce for a blanket exemption for micro-enterprises and a five-year exemption for all small business on the grounds that this would require a definition of who was to be excluded.

Excluding employers who employed fewer than a certain number had in the past led to abuses, such as dividing one company into two smaller companies owned by a husband and wife.

Mr Kettledas said the department also accepted proposals by Cosatu that maximum hours of work – set at 45 hours in the bill – should be listed as a core, or non-negotiable, right, and that the working week for security guards be cut from 60 to 55 as soon as the bill became law.

It proposed, in line with submissions by organised labour, that the maximums set for fines payable by employers for contraventions be scrapped, and that the minister determine maternity benefits payable by the Unemployment Insurance Fund.

A spokesman for Business South Africa (BSA), Adrian du Plessis, said that, in balance, the proposed amendments did not meet business' underlying concerns with the bill.

BSA was particularly opposed to the proposed entrenchment of the 45-hour week as a core right, which would have a critical effect on the flexibility necessary in regulation of employment.

However, he welcomed the proposed probe into small business as a "constructive" development.

The committee will meet today to consider the department's amendments, as well as changes proposed by the Democratic Party and the National Party.

The DP has proposed that small businesses be exempted from the bill, except the provisions on forced and child labour. It wants an 18-month phasing in period for all sectors, and a multiparty parliamentary oversight committee to review regulations made by the minister under the bill.

DP leader and labour spokesman Tony Leon said his party would flood the parliamentary order paper with dozens of amendments if its suggestions were not taken up.

This could delay passage of the bill, due to be debated on Wednesday.

NP labour spokesman Adriaan Blaas said the NP also wanted exemption for small business, and tabled amendments to keep overtime at time-and-a-third rather than time-and-a-half. It also wanted to scrap all reference to a long-term goal of a 40-hour week, and limit the minister's discretionary powers by allowing him to vary basic conditions of employment only in agreement with the Employment Conditions Commission. – Sapa

Shoprite scoops ailing OK Bazaars

ARG 3/11/97 (30)

Deal sure to please unions

LLEWELLYN JONES
BUSINESS REPORTER

Shoprite announced today that it had bought struggling competitor OK Bazaars from South African Breweries for what it described as a nominal sum of money.

As part of the deal, a black empowerment group consisting of Uhuru and Saccawu Investments has obtained the right to buy a large chunk of Shoprite's shares for R100 million.

The deal will see Shoprite assume full control of all 139 OK stores and 18 Hyperamas, making the Shoprite group without doubt the largest retailer in the country.

The deal is also likely to please the unions, with Shoprite managing director Whitey Basson promising that the move would "secure most existing jobs and potentially create many new ones".

Mr Basson said some of the OK Bazaars stores would be converted into Shoprite or Checkers stores, and the remaining stores would most likely be franchised with the OK Bazaars brand name the franchise brand for the Shoprite Checkers group.

Mr Basson pointed out that the OK Bazaars name was the most widely recognised retail brand in South Africa and Africa.

"For this reason, and as the group expands into the franchise market, the brand is ideally suited to be used in this market without competing directly with the Shoprite brands," Mr Basson said.

Mr Basson emphasised that the franchise focus would be on black economic empowerment, taking into consideration redundant employees as well as entrepreneurs from disadvantaged groups.

BRENTON GEACH

Sold: Shoprite Holdings has bought the OK Bazaars group from South African Breweries in a R540-million deal

This is last time the ailing retailer will have to be carried

SAB's sale of OK will be good news for investors

(30)

ANN CROTTY

Johannesburg — The highlight of South African Breweries' (SAB) results for the six months to September 30, due out within a week, is likely to be details about the impact of the disposal of OK Bazaars. This deal is expected to be finalised by the end of the week.

Investors will be unhappy with the size of the losses of the ailing retailer but should be encouraged by the fact that this is the last time SAB will have to carry it.

Local and international beer operations will again be the mainstay of the group's earnings. Indications are that in volume terms local beer consumption is marginally higher but, say analysts, "the increase is unexciting". Overseas beer interests are expected to show good volume growth, helped by the recent spate of acquisitions in Africa and eastern Europe.

SAB announced on Friday that it had acquired a 51 percent controlling stake in Ghana's Accra Brewery (ABL). No price was given, but ABL is capitalised at $9 million, according to Ghana stock exchange data. Most recently, the group announced moves into Kenya and Ethiopia, while plans for a R100 million brewery in Namibia are still on track.

A FINE BREW *Asaph Mola at the SAB Centenary Centre with Hofbrau, the latest addition to SAB's range* PHOTO: JOHN WOODROOF

CT (BR) 3/11/97

Although SAB denies it has plans for a broad-ranging disposal of its non-beverage and non-hotel interests, analysts continue to speculate that this is the group's long-term programme. The growing view is that in the medium and longer term, SAB will have enough challenges in the domestic beer market to encourage head office to dispose of assets that do not significantly boost the bottom line.

SAB's main challenges relate to proposed changes in the liquor bill and the possibility of a competitor setting up a manufacturing base in South Africa. One of SAB's best competitive advantages is its efficient distribution network. The bill's proposal to split these functions would make it easier for a competitor to make inroads into the local market.

Anheuser Busch, which brews Budweiser, is known to be looking at setting up a brewery in South Africa to complement its distribution efforts.

Shoprite buys ailing OK Bazaars for R1

Major revamp on the cards

(30)
AKG 4/11/97

LLEWELLYN JONES
BUSINESS REPORTER

South Africa's biggest and best known retail brand has been sold for a rand.

Shoprite picked up the struggling OK Bazaars for a song at the weekend in the firm belief that it can restore OK's fortunes, much the same as it did with Checkers in the early 1990s.

South African Breweries appears only too happy to be free of OK which has been draining its profits for a number of years.

Shoppers will see a major reorganisation at OK Bazaars, with just over 90 of the 139 OK Bazaars stores converted into either Shoprite or Checkers stores, and a smaller number of Shoprite and Checkers stores converted into OK Bazaars stores.

All the OK Bazaars stores will most likely be franchised, with the OK Bazaars becoming the franchise brand for the Shoprite group.

Shoprite MD Whitey Basson would not elaborate on the fate of Cape Town's stores, including the flagship Adderley Street store, saying it was too early to comment as no decision had been taken yet.

He also expected a few OK Bazaars stores would be closed down.

Some stores, like the Plein Street branch, have been running at a loss for years, but OK has been locked in by very long leases.

"We will assess every store individually," Mr Basson said.

"Clearly it will be a question of the relative productivity of each store."

Hyperama and the furniture division would continue operate more or less as is as separate divisions.

There could also be a number of job losses, most of them at head office level as centralised functions at OK Bazaars are absorbed into Shoprite's existing infrastructure, he said.

Once again it was too early to say how many jobs could be lost, but Mr Basson said Shoprite had met with both the unions and management to state its position.

"OK Bazaars has been losing R20 million a month, and that clearly cannot continue," Mr Basson said.

In spite of these losses, Mr Basson remained convinced that Shoprite could turn OK Bazaars back to profitability and advance under new management.

He expected to have 400 OK Bazaars franchise stores up and running by the turn of the century.

Shoprite nets OK for a nominal R1

BD 4/11/97 (30)

Samantha Sharpe

CAPE TOWN — Retail group Shoprite has relieved SA Breweries (SAB) of troubled supermarket chain OK Bazaars for a nominal R1.

The deal, effective from November 1, ends months of speculation about the sale based on estimates that the loss-making group had cost SAB R1bn in capital injection since it was delisted in 1994.

Shoprite Holdings MD Whitey Basson said the OK group presented an ideal opportunity for Shoprite to expand its influence in the supermarket trade through its 139 OK Bazaars stores and 18 Hyperamas.

Shoprite planned to emulate its successful turnaround of the Checkers group, acquired six years ago as an ailing operation. "Despite OK Bazaars' losses in the past few years, Shoprite management has the experience in turning around similar operations in a relatively short period," Basson said.

"Returning the OK Bazaars to profitability will be achieved through management focus, cost savings due to an enlarged distribution network of branches and the absorption of the centralised functions into Shoprite's existing infrastructure."

He said the nominal purchase price of R1 included R540m in guaranteed assets and loan accounts reflected in the OK's consolidated ordinary shareholders' funds, while taking into consideration projected losses. "In terms of net present value and current estimates of future losses it would take us 40 odd months to meet the R540m and turn the group around."

SAB MD Graham Mackay said the decision to sell OK Bazaars was taken in the light of its continued losses, and after evaluating alternatives. The disposal would relieve the group of a loss-making investment that had required substantial cash resources and management commitment over a number of years, and represented the most "cost-effective option".

The estimated carrying value of the

Continued on Page 2

Shoprite

(30)

Continued from Page 1

BD 4/11/97

SAB group's investment in the OK at the end of October was about R600m, Mackay said, an amount written off in the first six months of the current financial year. "Headline earnings will, however, be affected only by the OK's R39m trading loss in the first quarter."

On organisational restructuring, Basson said the OK's Hyperama and furniture divisions would be managed separately by current OK MD Mervyn Serebro, but under the Shoprite umbrella. This did not exclude the possibility of future partnerships or a stock exchange listing.

About two-thirds of the existing OK Bazaars stores would be converted to either Shoprite or Checkers outlets, depending on their target market, with the remainder likely to become franchise operations. "There are no major plans to close existing stores, with the idea to look at a portfolio for the group as a whole," Basson said. In terms of possible franchising, a decision would be taken early next year on which stores would be franchised.

RETAIL

(30)

CT (PM) 4/11/97

R540m comfort cushion is OK

ANN CROTTY

Three years and R1,6 billion later South African Breweries reached the same conclusion that most South African retailers, outside the OK Bazaars, had reached much earlier — it was likely that even if it spent a fortune on a restructuring, SAB would never get the OK on to a profitable footing.

The deal announced yesterday had all the hallmarks of a seller in desperate straits — Shoprite Holdings paid R1 for a retail group which has 139 OK stores and 18 Hyperamas with an annual turnover of over R6,5 billion. Even more significant is that SAB has guaranteed to Shoprite that, as of the date of the transaction — November 1 — OK will have a net asset value of at least R540 million.

This means that, no matter what liabilities crop up over the next few months, relating to pre-November activities, Shoprite is protected. Given the legendary weak management control systems at the OK, this was probably essential to the completion of any deal.

Even analysts who were expecting Shoprite's Whitey Basson to strike a tough deal with SAB were a little taken aback at the thought that Basson had secured such a sizeable cushion of comfort. As Basson himself said yesterday: "For R1 we have bought a company with a net asset value of R540 million, which means if I liquidate OK tomorrow I will get back R540 million."

Not entirely, say analysts, who point out that from this money he would have to sort out retrenchment costs as well as penalty payments for early termination of leases.

From SAB's perspective, the R540 million it was prepared to guarantee to Basson must have borne some relation to the costs which it reckoned it would incur in the sort of extensive rationalisation that was needed to make the OK profitable.

While details of the inevitable disposal of OK must be an embarrassment to SAB, group managing director Graham Mackay does deserve some credit for not wasting too much time to do the necessary. It was the sort of tough action that needed a "new boy on the block". Mackay took over the SAB helm in May when former chief executive Meyer Kahn moved over to the South African Police Service. That appointment only became official in August.

But by end May, according to Mackay, a decision had been taken to dispose of OK: "From the end of May we have accounted for OK, in the SAB figures, a discontinued operation." This is why SAB's headline earnings for the six months to September 30, to be released next week, will only include OK's trading losses for the first three months. Trading losses in this period were R13 million a month. Industry sources estimate that, if finance costs are included, monthly losses could be in the region of R20 million.

Mackay stated that if a deal had not been done with Shoprite, SAB had two options — to sell to someone else or, if there was no other taker, to hold on to a severely rationalised operation. With regard to the latter, Mackay hints that this action would have been much tougher than anything that might be in Shoprite's plans. This prospect probably helped to sway the Competition Board in its decision to give approval to the acquisition by Shoprite.

The rationalisation Mackay had in mind would possibly have notched up the sort of costs that would have made the R540 million guarantee seem not so generous. And that's without allowing for the political fall-out from the massive job losses. Even then, profits weren't guaranteed.

How good a deal Basson has struck will only become evident in 12 to 18 months. To be expected, right now he exudes confidence. If he can even generate a 1 percent margin on turnover in the medium to long term, it will be a magnificent deal.

R1bn will be available for small business

(BO) BD 5/11/97

Nicola Jenvey

DURBAN — The National Empowerment Fund aimed to raise more than R4bn over the next few years for the promotion and growth of small and medium businesses, with the first R1bn becoming available next year, Trade and Industry Minister Alec Erwin said yesterday.

The capital would be raised predominantly via trusts set up from the proceeds of privatisation sales, with the 5% from the Telkom deal expected to boost the coffers by R1,8bn. Erwin guaranteed that the finances being used and the expected funding from international and national donor organisations would limit government's fiscal exposure and risk.

One of the fund's functions would be investor education to ensure entrepreneurs were aware of the economic environment and had "a basic economic literacy".

Deputy Trade and Industry Minister Phumzile Mlambo-Mgenkea said the fund would operate on three levels, initially targeting low-income individual earners and progressing towards savings clubs and equity finance agreements for small and medium enterprises.

She said savings clubs would be encouraged to access the fund to set up targeted new businesses. Government would discourage groups from "becoming empowered" through "broad and undefined" ventures and encourage them to consider individual sectors.

Considering the latest SA-European Union (EU) negotiations, Erwin said SA had tabled a comprehensive tariff guideline for more than 8 400 line items in anticipation of the free trade agreement between the two regions. SA has previously indicated a willingness for complete free trade within 12 years of the agreement being finalised.

Erwin said the EU submission had not indicated how the union expected to reduce its tariff structures for SA, but he was optimistic that a free trade draft agreement would be released early next year for implementation by 1999. This would mean SA and the EU would have free trade by 2012.

Commenting on the second national small business conference which opened in Durban yesterday afternoon, Erwin said the job losses inherent in the move towards a more open economy appeared to have stabilised.

He said although specific industries, including textiles and clothing and the motor vehicle and components sectors, had suffered dramatic job losses over the past few years, SA had experienced a net growth in job creation during that period.

This resulted mainly from the growth in small and medium businesses, particularly in the manufacturing sector.

The growth was most evident in exports, which had grown 41% in 1995, 21% last year and by an expected 15% to 20% this year.

Danish support for SA's small business sector

Nicola Jenvey

BD 6/11/97 (30)

DURBAN — Direct Danish support for SA small and medium-sized businesses had amounted to more than R100m over the past two years, while Denmark had also given SA significant policy formulation support to promote growth in this sector, Royal Danish Minister-Counsellor Lars Faaborg-Andersen said yesterday.

He told delegates at the second national small business development conference opening ceremony the business-to-business programme — initiated at a conference two years ago — had been tailor-made for local small businesses, and to contribute towards black economic empowerment.

This included training and improving skills, access to finance, modern technology, and partnership agreements between SA and Danish small and medium-sized businesses.

Programme funds were tied to new partnerships. Feasibility studies, market research, loan guarantees and training grants were made to established joint business ventures.

Constitutional Development and Provincial Affairs Minister Valli Moosa said the three-day conference would highlight the role local authorities had to play in small business development.

He said the constitution mandated local government to promote economic and social development. SA's 850 local authorities were "critical" for the success of this economic sector.

Erwin warns against a small-business ministry

CT(OR) 5/11/97 (30)

Ravin Maharaj

Durban — A separate ministry of small business ran the risk of sidelining the small business sector from mainstream issues like cluster development, export promotion and the transfer of technology, Alec Erwin, the trade and industry minister, said yesterday.

Erwin told the national conference on small business that requests by business chambers, black economic empowerment business associations and the National African Federated Chamber of Commerce to create a separate national ministry were also likely to sideline the beneficiation of raw materials, competition policy and tariff liberalisation.

Small business sensitivities and consensus had been pushed on to the table of all the relevant ministries, he said.

An example was in the area of industrial and export incentives, in which the trade and industry department had incorporated small, micro and medium-sized enterprises (SMMEs) into the target groups of all incentives. This meant that greater benefits could accrue to SMMEs, he said.

Erwin said SMMEs were not "weak appendages to the mainstream economy of big business and parastatals" but were increasingly making a breakthrough in a competitive business environment.

It's no longer OK for stores to be in the red

CT 5/11/97

(30)

TROYE LUND

IN 1929 Isaac Fataar spent his first salary cheque there. In 1947 Manie Isaacs found his first bicycle there. A Cinderella coach and pumpkin — the first toy Rose Marie Crocker received after World War II — came from its shelves. In January 1974, I bought my first back-to-school kit there.

And in 1997, the country's first mega-chainstore with its familiar red sign held its last sale.

For a paltry R1 the 157-store OK Bazaars chain — the place where one went for everything — has been sold to Shoprite Holdings. Some OKs will remain, but the Adderley Street store's doors have closed for the last time — although it may be replaced with another store.

Half a century ago, Cape Town's post office was demolished and the first skyscraper built for the new OK Bazaars.

It was the ultimate shopping adventure. Children fought to ride up and down on the "moving stairs" while Mum shopped between levels for groceries and hardware to the latest crockery. Not to mention the bargains!

But, as time passed, so more red ink appeared on OK's balance sheets. Newspapers documented the slide. "OK moves to stop the rot. OK far from all right. OK plunges R40 million into red," read news clippings.

bottom line

"The tough go shopping. Shoprite buys OK for R1," newspapers announced this week.

Ever since Manie Isaacs can remember — that's "plenty of years" — he has been selling fruit outside Adderley Street's OK.

"I've bought my chicken lunch there every day since my father ran the business. OK customers have been our customers," he said.

But 74-year old Fataar, an OK shopper since 1929 and a "regular" at the Adderley Street store, knows the reasons for its demise.

"It was a place of pride but then it got expensive. A tin of condensed milk at the OK went up to R5,09.

"Why must I carry on buying it there when I can get it for R3,99 at other shops?" he asked.

And so, the OK chain — and the shop that took the place of the old post office — has been sold for the price of a postage stamp: R1.

Mboweni rules out exemptions

Star 6/11/97 (30)

Cape Town – Labour Minister Tito Mboweni has ruled out the possibility of small businesses being granted a blanket exemption from the provisions of the Basic Conditions of Employment Bill.

The controversial draft legislation, which has been more than two years in the making, was debated in the National Assembly yesterday, but will only be put to the vote today following the DP's flooding of yesterday's order paper with last-minute amendments.

The National Assembly's labour committee would discuss the DP proposals this morning, committee chairman Godfrey Oliphant said.

It is considered unlikely to accept any of them.

Several organisations had voiced complaints that the provisions of the bill were too onerous for small businesses to comply with.

But Mboweni said many workers in small businesses desperately needed protection from the legislation.

"Blanket exemptions are often open to abuse, with companies dividing into smaller companies to avoid their labour law responsibilities and obligations."

Mboweni said he had instead agreed to an investigation into the potential problems the bill could create for small businesses.

He defended the fact that the public sector would be given until 18 months after the bill was promulgated to implement its provisions – a concession not granted to the private sector.

"This should give the Government as an employer and the unions in the public service adequate time to reorganise themselves and renegotiate conditions in line with the bill."

The bill will cover all workers except members of the army and intelligence services, and non-paid workers at charitable institutions.

Among other things it provides for a maximum 45-hour working week, and includes a schedule detailing procedures to reduce this to 40 hours.

The NP, DP and Freedom Front lambasted the bill. – Sapa

Small business 'will be crushed'

BUSINESS REPORTER (Arg) (30) ARG 6/11/97

The Basic Conditions of Employment Bill will crush small business, says entrepreneur Ndyebo Makapula.

Mr Makapula owns a fisheries business and is the spokesman for a group of small business associations in the Western Cape which demonstrated outside Parliament yesterday.

"Small businesses will be hit by massive compliance costs and the new labour bill's net effect will be to kill them off.

"Negotiations on the bill included only the Government, labour, Nedlac and big business – the small guys were pushed aside," he said.

FOOD RETAILING

Shoprite's Basson is clear on how to meet the OK challenge

CT(BE) 7/11/97 (30)

ANN CROTTY

Shoprite chief executive Whitey Basson makes it all sound so simple. So simple that you'd be inclined to think that maybe he doesn't have a realistic grasp of the magnitude of the problem that is OK Bazaars.

You'd be inclined to think it until you stop to consider a few key details of Basson's amazing career in food retailing and then realise that the appearance of casualness is in fact an unwavering belief in his understanding of what it takes to make food retailing profitable. The clarity of mind with which he discusses the issues — cutting out the clutter and focusing on core points — gives the misleading impression that it is all rather simple.

A brief outline of the significant stages in Shoprite's 18-year history does make it look rather easy — Pepkor's initial R2 million acquisition of six-store Shoprite in 1979; the R18 million acquisition of Grand Bazaars' 36 stores in 1990; then the high-profile share-based takeover of Sanlam's retail group Tradegro which included the high-profile disaster, Checkers; and now the R1 purchase of another retail disaster, OK Bazaars.

Significantly, Basson recalls that one of the reasons Shoprite grew through acquisitions was because it was so difficult for a little-known small player to get good shop sites. The institutional property owners were seemingly only interested in dealing with the large, established retail chains.

Basson isn't particularly interested in being the biggest food retail group in the country, but he is certainly keen for the enlarged Shoprite Holdings to resume as quickly as possible its position as the most profitable food group in the country. Indeed, he reckons size can be a disadvantage, which is why he puts so much reliance on divisionalisation and getting responsibility and decision-making as close as possible to operating level.

While Basson may make the OK challenge seem straightforward, his comments on speculation that US retail powerhouse Wal-Mart walked away from the deal are revealing.

"Wal-Mart did not have a structure on to which it could graft the OK assets and liabilities. Without such a structure it would have been mad to take over the group," he said. "Because of our structure we will be able to effect almost immediate savings in such areas as advertising, warehousing and head office expenses."

The lack of workable computerised systems at OK head office will be resolved relatively quickly, easily and cheaply by adapting and developing the mainframe systems at Checkers. Longer-term savings and profit growth will depend on the degree of success in plans to slot the OK stores into the existing Checkers and Shoprite portfolio.

OK's management information systems were reputedly so bad that it is impossible to know which of the individual OK stores is making profits. This means that Basson will have to tread warily to avoid allocating so many loss-making assets to an existing profitable structure that management becomes swamped and demotivated.

Basson is aware of the danger and points out that his management team has bought into the OK challenge, which includes being aware of what assets cannot be turned to account and leaving them with head office — including unattractive leases.

Interestingly, Basson has more respect for the OK assets and management than most retail analysts have. While analysts are understandably disparaging about OK management, Basson believes most of them will be able to perform well and will work harder in a winning organisation.

He reckons that about two-thirds of OK stores can be converted to Checkers or Shoprite. The remainder is expected to be developed into franchise operations under the OK name.

While Basson says there is some overstaffing at OK, the bloodletting that everyone was expecting will probably be more in the nature of a trickle. It is worth remembering that back in 1991 only a limited number of Checkers branch employees were retrenched. After a freeze on employment for a few years, improved sales growth meant there was soon an increase in demand for staff.

There's been some surprise about the decision to use the Shoprite name and not OK for the lower end of the market given the acknowledged extensive awareness of the OK name in the mass market. Analysts suspect it's a matter of pride with Shoprite.

But Basson points out that while there is customer awareness, the OK has not been price competitive for the past five years, and that this is critical to growth in the mass market. "Shoprite has a much cleaner market image in terms of being the cheapest retailer." Apparently the lack of price competitiveness at the OK was used in representations to the Competition Board.

Once the store reallocation has been settled, it's down to the basics of food retailing which as, Basson tells it, is to boost sales, improve stock turn and lift labour productivity — all of which are interrelated.

"Gross margins in this business are more or less fixed, as companies with R2 billion-plus annual sales get the same deal from the suppliers, and our selling price is set by the consumers; so it's a matter of getting your operating costs as tight as possible," he explains.

Part of this will involve bringing the stockholdings in line with industry norms. According to Basson, OK stockholdings are twice the level of creditors: "In food retailing, stocks should be financed by creditors; if they're not it's because stock turn is not fast enough."

Strangely enough, food suppliers did not attempt to cause difficulties with the Competition Board although they are now faced with one player controlling 35 percent of the formal market — and 21 percent of the total, which includes the informal sector.

Basson points out that even the enlarged Shoprite is more dependent on a supplier such as Tiger Foods than Tiger is on it. He refers to possibilities of Shoprite developing suppliers.

But what of the Hyperama and OK's extensive furniture interests? The ability not to be distracted from what it knows and does best is a trait of management throughout the Pepkor group and has been instrumental in building the group's asset base and bottom line for the past 17 years.

Management realises its skills are in mass retailing to the lower end of the market, and for that reason make sure it does not drift too far from this. After Pepkor acquired Sanlam's retail interests in 1991, the absorption of middle-market Ackermans appeared to have created more difficulties for the group than Checkers.

Not surprisingly, at this stage Basson is not committing the group to long-term plans for OK's Hyperama and furniture stores: "As we understand it, these two operations are making profit, so we will see how things develop. But we've got to be sure we don't take our eye off the ball," explained Basson.

He expects to be busy with the OK until next June, "and then our expansion into Africa must be resumed", he says without stopping for breath.

Affirmative action scams exposed

Star 7/11/97 (30)

By Edwin Naidu

Study claims white businesses are using front companies to win black empowerment contracts

A study on the implementation of affirmative action and black empowerment has found that corporations use black front companies and hire "ghost" black directors and managers to win contracts.

According to Phinda Madi, one of the contributors to the University of Cape Town's Breakwater Monitor study on employment equity, this practice has become commonplace.

Madi said scores of white companies had reserved shell companies with African names with the registrar of companies, to be taken out "like a pack of cards" and used when needed. These were used especially when an empowerment contract came up.

Some businesses hire freelance black executives to show up at a bid, posing as senior managers. After the contract has been awarded, the executives move on to other freelance opportunities.

Madi said that despite multi-billion-rand black-empowerment deals being finalised, at least 100 000 jobs had been lost this year according to the Central Statistical Service.

Black Management Forum president Lot Ndlovu has warned that the Department of Labour's failure to pass an employment-equity bill before the end of the year will result in the private sector getting its affirmative-action policies into gear only by 2001.

He said the legislation, expected to be passed in June, would give businesses 18 months to start implementing the policies.

The study, which polled 99 companies and represented 651 896 employees throughout the country, revealed that transformation in the workplace was moving slowly because of the delay in passing legislation through the Cabinet.

At least 170 companies in various sectors – including banking, building, construction, media, mining, retail, transport and professional – took part in the survey.

The report, due for release next week, shows most companies use the Paterson system of grading. Employees are graded according to duties and responsibilities in bands A to F, with the A-band starting salaries around R1 700 a month and F-band from R25 000.

The survey found 92% of whites in top management held F-bands, as opposed to 6% of Africans, 0,36% of coloureds and 0,90% of Indians.

The percentages were constant from upper C to upper E-bands, but showed a shift in the lower C-bands, which had 66% whites, 18% Africans, 8% coloureds and 6% Indians.

Black employees made up 88% of the A-band, compared with 2% whites, 8% coloureds and 1% Indians.

South African Chamber of Business president Humphrey Khoza said the economy would not sustain itself unless the Government or businesses radically changed the situation.

"Business must begin to take it seriously that the future is not an extension of the past."

Angus Bowmarker-Falconer and Gordon Day, who compiled the Breakwater report, said policies and legislation aimed at employment equity were needed, since income distribution in South Africa was among the most unequal in the world.

Small business growth 'vital'

BD 7/11/97 (80)

DURBAN — Small business development was crucial to the long-term stability of the economy, Trade and Industry Minister Alec Erwin said yesterday.

"If we don't succeed in ensuring the growth of small, medium and micro-enterprises then we will probably have failed in ensuring that this economy is stable, viable and creating employment for years to come," Erwin said.

Erwin said at the end of a second biennial small-business conference that his department would focus on rural areas and on getting women into business.

During the report back by eight teams, these areas were highlighted as obstacles to small business growth, as well as difficulties experienced in accessing finance from banks.

Project helps SMMEs in manufacturing sector

CT(BE) 7/11/97 (30)

RAVIN MAHARAJ

Durban — The manufacturing sector, which contributed over 33 percent to KwaZulu Natal's gross domestic product (GDP), was the "bread and butter" of the province's economy, Jacob Zuma, the province's economic affairs MEC, said yesterday at the launch of the Durban Manufacturing Advisory Centre (Dumac).

Dumac is one of two pilot projects in Durban and Port Elizabeth that have been initiated by the Danish government, the Ntsika Development Agency, the National Productivity Institute and the CSIR.

The aim is to provide technical support for small, medium and micro enterprises (SMMEs) in business management, quality and design improvement, technology upgrading, human resource development and training.

Zuma said more emphasis would have to be placed on adding value to goods for export, especially at coastal cities.

"In this age of fierce global competition, time and service are becoming more and more central to success," he said.

Zuma said while Dumac would have to help black entrepreneurs to become manufacturers, it would also have to help them become globally competitive.

Poul Nielsen, the Danish minister for development co-operation, said manufacturing SMMEs were of crucial importance to wealth creation and international competitiveness, as the Danish experience had indicated.

Dumac would encourage clustering and co-operation among companies, and would foster business linkages with regard to outsourcing and subcontracting, he said.

R4-bn kickstart to small business

Privatisations to swell coffers (30)

ARG 8/11/97

LESLEY VAN DUFFELEN

Durban - The National Empowerment Fund to be set up next year by Government to help small business will have resources of up to R4-billion within a few years, according to Deputy Minister of Trade and Industry Phumzile Mlambo-Ngcuka.

Speaking during the second national small business conference in Durban this week, Ms Mlambo-Ngcuka said the fund would phase in from 1998 with R1,8 billion in seed money.

It would operate in the same way as the successful Ikageng and Phutma funds.

The seed money would come from the money Government gained from the privatisation of Telkom. Further privatisations would swell its coffers to up to R4-billion in three or four years.

"The Airports Company, Eskom, South African Airways and so on, as they all become privatised a small percentage will be put aside for the fund, and we will try and raise more capital to dilute what we have," said Ms Mlambo-Ngcuka.

Government was negotiating with the private sector for funds to match the initial seed money. She said private sector and foreign money would limit Government's fiscal exposure.

The fund would target low income earners so they learnt economic literacy and understood investment. It would also assist savings clubs, groups and partnerships through affordable shares to set up focused businesses that linked savings to economic activity and created viable high-performing black manufacturing businesses.

Phumzile Mlambo-Ngcuka: boosting small business

Part of the Empowerment Fund's function would be to operate like the Industrial Development Corporation helping small black business to expand and get into joint ventures.

Ms Mlambo-Ngcuka warned that banks and their attitude to lending to small business would come under scrutiny as would the procurement policies of local government.

The Department of Trade and Industry would be sending all those at the conference, about 2 100 people, including officials from some 850 local authorities, criteria by which to judge the performance of their banks. Government wanted these assessments back.

The DTI also had its eye on the multi-billion rand procurement budgets of all parastatals and Government departments. Government departments alone have a budget totalling R60-billion.

"That's money Government goes shopping with, and most of its needs are of the simple kind that can be supplied by small business."

The R13-billion Transnet procurement budget would be one of the first to come under scrutiny.

"The Government is looking for quantifiable results. We want to be able to say who got what and for how much," Ms Mlambo-Ngcuka said.

Transnet had been chosen because its needs were standard, had high local content and because as an organisation it had the capacity to "hand hold" small businesses.

Among the ideas being mooted was a range of Transnet industrial parks across the country where entrepreneurs would be trained to produce products solely for Transnet.

The Department was already in discussion with Sakumzi Macozoma, managing director of Transnet and Minister of Public works Stella Sigcau.

SMMEs get advice on right focus

(38) ST (BR) 7/11/97

RAVIN MAHARAJ

Durban — Local authorities had to identify core industries in specific geographic locations which had the potential to create job opportunities for small, medium and micro enterprises (SMMEs), department of trade and industry representatives said here yesterday.

They told the national conference on small business that a targeted focus was required, which could result in human and natural resources being properly utilised. Viable industries, which created jobs and were globally competitive could be created in this way, they added.

One of the working groups suggested there were thousands of job opportunities in the fishing industry.

They would recommend to government that inshore fishing should employ 75 percent of SMMEs and 25 percent of traditional industry operations while deep-sea fishing should employ 25 percent of SMMEs and 75 percent of larger fishing operations.

They said the country's agriculture, textiles and crafts industries could benefit from a focused approach.

In addition, representatives from business associations and local authorities stressed at the end of the three-day conference that the role of local government and the provision of infrastructure for SMMEs were the keys to success.

They also proposed that unused government buildings could be turned into business hives and said that more funding could be made available, through local authorities, for training and skills development.

Sunday Times Business Time
November 9 199

Shoprite plays role of knight in armour to struggling OK

MARCIA KLEIN

Looks at the sale of the one-time supermarket giant for a mere R1

ST (PT) 9/11/97 (30)

THE story goes that Sam Cohen, the man who co-founded the OK Bazaars in 1927, wore a handkerchief in his top pocket with the embroidered initial letters of his home-grown philosophy — you can't do business sitting on your arse.

And for the OK, which seems to have ignored this philosophy in the past 15 years or so, the results have been nothing short of tragic. The R6.4-billion company, the owner of one of SA's biggest brand names, is a financial and operational mess and was sold to competitor Shoprite last week for a mere R1 with a guarantee of a minimum net asset value of R540-million — not to mention a huge assessed tax loss. Talk about a bargain basement sale!

Whitey Basson, the managing director of Shoprite, is a man carved in the Cohen mould. Hands on can hardly describe him. In his first week at the helm of the OK, Basson was clearly in charge at its head office in Johannesburg and appears to have already done more to initiate change than OK's previous owner, SA Breweries, has done in the past decade.

To Basson, the challenges he faces at the OK are old hat. He has in the past few years, bought and turned around another two retail chains — Grand Bazaars and Checkers.

Last Saturday Basson and his Shoprite management team took operational control of OK, which has 139 OK stores, 18 Hyperamas and 21 House & Homes, and immediately set to work to stem the losses. Basson has estimated the company is heading for a loss of R250-million in the year to March 1998.

In the year to this March, OK's losses had deepened to R74-million from R1-million in the previous year. And in the first quarter since year-end, losses of almost R40-million had already been incurred. SAB said that the OK had, over years, incurred significant losses on the back of difficult economic and trading conditions and "despite ongoing operational and financial steps to improve matters".

It said the disposal relieved it of a loss-making investment "that has required substantial cash resources and management commitment over a number of years".

Between 1994, when SAB delisted the OK and the end of financial 1997, SAB pumped about R1-billion into recapitalising it, and it anticipated further cash demands. SAB will write off R600-million, representing the estimated carrying value of its investment, and said its 1998 earnings will only be affected by the first-quarter loss.

But the questions of how things went so wrong, what steps SAB had taken and if it had done enough have never been adequately answered. In fact, SAB management has always been defensive and even evasive when criticised about the OK.

If retailing is not SAB's forte and if it cannot effect change in its smaller investments, there is a strong argument for it to divest from all of its non-core businesses and let the experts take charge. Its expertise in beverages is unquestioned.

Some analysts say the trouble started soon after SAB paid R136-million to take 69% control of the OK in 1973. Meyer Kahn became CE in 1977, and when he moved to SAB head office in 1983, he was replaced by architect and property developer Gordon Hood.

They say Hood was clearly the wrong person for the job, and Kahn was reluctant to effect changes at the OK because of his emotional ties to the company.

In January 1993, Mervyn Serebro succeeded Hood and announced wide-ranging changes including management and financial restructuring, cutting down on head office and refocusing of product ranges.

In the year to March of that year, OK reported a attributable loss of R45-million, down from a profit of R9.4-million in the previous year. By November, SAB announced it would delist the OK after 60 years on the JSE. In the interim to end-September, the operating margin had dropped to a meagre 0.3%, the attributable loss was R39.9-million and gearing was at 250%. Not a pretty sight.

Three years down the line things have only got worse. In the year to this March, group turnover was 4% up at R6.4-billion "despite rightsizing actions and several store closures". Margins were severely eroded and bottom line losses were R74-million. Shrinkage, just one in a chain of woes, is believed to be double the industry average.

Checkers was in a similar sorry state when Shoprite bought it and Stuttafords/Greatermans for R55-million in 1992, but Basson seems to have succeeded admirably in the very areas the OK has not. He went about the business of cutting costs, improving disciplines, focusing on lowest prices and closing unprofitable stores.

In the year to June 1997, Shoprite posted a 26% rise in earnings to 32.3c a share on a 19.4% rise in turnover to R9.4-billion. Checkers is now a major contributor.

The deal will see Shoprite emerge as SA's largest food retailer, with a market share of more than 40%, with 400 stores and turnover of R16-billion.

Basson says Shoprite sees the acquisition "as an opportunity to expand its influence in the supermarket industry", and it has the management experience of turning these things around.

His projections are that the company will make a R250-million loss for the year. The debt position is manageable. "The R540-million in loans and shareholders equity which is ceded to us can cover us and leaves us 25 months to turn it around."

OLD HAND AT THE JOB ... Whitey Basson turned Checkers and Grand Bazaars around. Can he do it at OK?

He says the OK's stockturn situation "is rather sad", and improvements in this area should see at least R400-million released out of excess stocks. "This should leave us with over R900-million to play with."

Basson says that at the March year-end there was a negative ratio between stocks and creditors. In this kind of business, stocks should at least be financed by creditors, and in most companies, creditors are double the value of stocks. In the OK's case, they are half.

"By March our systems should be operational, so stockturn and cash flow management should substantially increase. We only took business control on Saturday and are giving initial attention to major elements including curtailing head office, administration and advertising," he says.

There are six divisional directors working on numerous aspects. The buying structures are being collapsed and distribution is moving to a decentralised basis, says Basson.

Hyperamas, furniture and House & Homes will be run as in the past, but run on their own costs. "We will fund them properly and they must give a return. They will be focused with financial parameters."

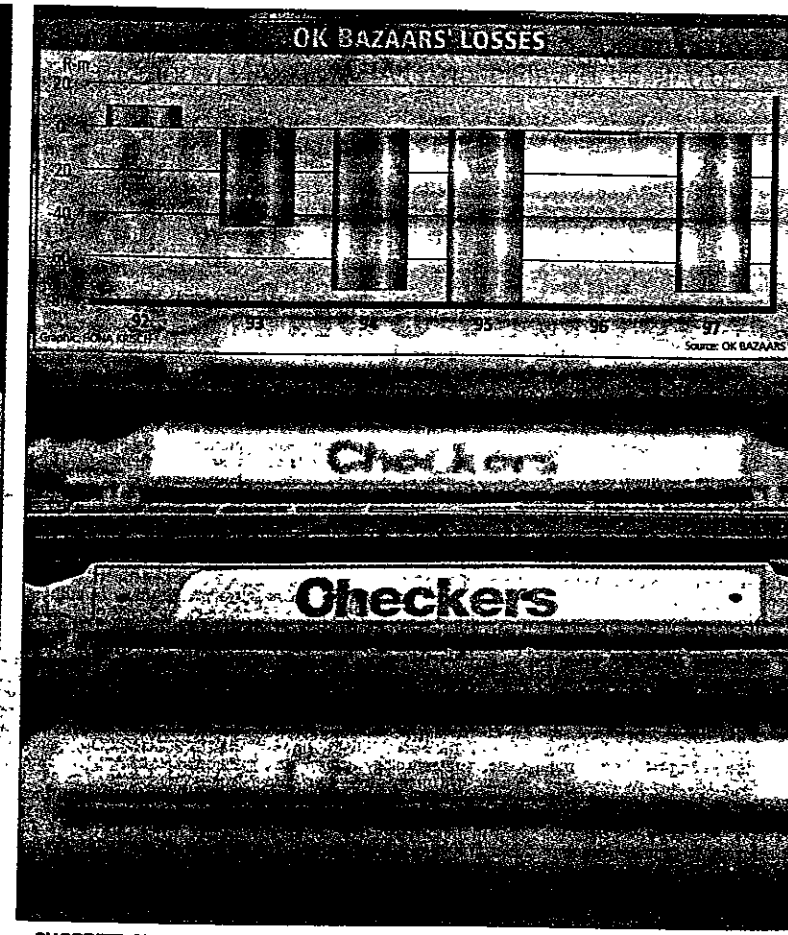
OK stores which are loss-making will be fully integrated with the Shoprite group by the end of December. It is early days, but Basson's gut feel is that about two thirds of OK stores will change to Shoprite and Checkers. The OK will become predominantly a franchised business, he says.

Analysts were surprised Shoprite bought the whole of the OK, particularly the furniture interests. But Basson says he will wait and see if he can be successful with furniture.

"We bought the whole company. Furniture does fit in with our cash resource as we can invest in our own book. I say let's give it a shot of a year or two and after that we may decide to expand, bring in a partner or even buy another company if furniture proves to be a good fit."

Asked why he was interested while other major retailers, including Pick 'n Pay, were not, Basson says: "Some of us prefer blondes and some brunettes. It is all a matter of a company's cycle. We have achieved a 2% operating margin, our stores are up and running, streamlined. We have additional capacity. Africa is not going as fast as we would like and there are not millions of new sites available. To get to a growth phase we have to find stores and sign up new brands. We are trying to do whatever we can in food.

"OK is a company that has been bankrupt for numerous years. It is like a man with a Ferrari who cannot get it serviced. It has also been like a big pot of blame, shuffling between management, SAB and the various divisions. But there is nothing to indicate it is not a good buy."



SHOPRITE-CHECKERS ... hopes to trolley OK Bazaars out of the red aisle into the black

Companies use black front men

(30) (~~58~~)

Sowetan 10/11/97

FAILURE by the Ministry of Labour to pass an Employment Equity Bill before the end of this year would result in the private sector delaying the implementation of affirmative action.

This is according to Black Management Forum president Lot Ndlovu, who was responding to a study on the implementation of affirmative action and black empowerment due for release this week.

The study, conducted by Cape Town's Breakwater Monitor and published in a daily newspaper last Friday, claims that white businesses are using black front companies to win empowerment contracts from Government.

The employment equity survey, which was conducted among 99 companies and 651 896 employees throughout the country, also says white corporations hire "ghost" black directors and managers to win these contracts.

The study adds that some corporations hire freelance black executives to pose as senior managers when the company bid for the contract.

The executives would then move to other freelance opportunities after the contract had been awarded.

Ndlovu warns that the failure on the part of the ministry to move faster in passing the Bill before the end of this year will encourage the private sector to get its affirmative action policies into gear only by 2001.

Phinda Madi, one of the contributors to the study, painted a gloomy picture, saying the practice of white corporations using black front companies has become commonplace.

He claims that scores of white companies register companies with African names with the Registrar of Companies "to be taken out like a pack of cards" and used when needed.

These companies are used when an empowerment contract comes up.

Companies involved in various sectors, including building, banking, media and mining retailing, took part in the survey.

Cape bank plans growth

BD 13/11/97

Samantha Sharpe

CAPE TOWN — Nedcor subsidiary Cape of Good Hope Bank could soon stretch its wings beyond the borders of the Western Cape as part of its future growth strategy, MD Mike Thompson said yesterday.

Thompson said its current niche position as a strong regional player would not sustain the bank through to the next century.

"There is no clear growth path, but we know we might have to move beyond our traditional Western Cape base ... and we are currently preparing for that."

Increasing competition from foreign banks had resulted in local players traditionally operating an the top end of the corporate market moving into the Cape of Good Hope Bank's own market segment, Thompson said.

Increasing information technology-related efficiency was also compensating for otherwise poor service, eroding the bank's traditional advantage in the area of good service provision.

The Cape of Good Hope Bank had decided to enhance its position in the Western Cape and beyond, and together with alliance partners, to exploit new market niches in a totally unique way, Thompson said.

He said market talk that the bank had already entered into a deal with Portuguese banking group BCP was unfounded. "We have spoken to them, but we have been talking to a lot of people, although none of these talks have come to anything."

But it was likely that tie-ups with a number of parties could come to fruition in the new financial year. "We continue to tap into products offered by other people, which we can bring to our clients."

In preparation for future growth, the bank was in the process of beefing up its technology platform, with information technology spend at between 15% and 16% of total expenditure compared with 10% previously.

Enhanced delivery processes and operational systems would serve to maintain a competitive position in the market place.

Empowerment fund debut is uneventful

(30)

Business Day Reporter

BD 13/11/97

SA EMPOWERMENT Fund made an uneventful debut yesterday on a Johannesburg Stock Exchange, knocked by renewed weakness in Asian markets, with just more than 1,6-million of the 211-million shares in issue changing hands.

The share price edged up by 15c to 116c from the 100c issue price as shares valued at R1,9m changed hands in 143 deals.

Reuter reports that a trader said the share was unlikely to stage a significant run until the general mood improved.

On Tuesday the fund said its 5-million-share public offer was oversubscribed 2,85 times. The fund is a joint venture between the National Empowerment Corp, Coronation Asset Management and certain trade unions. It aims to benefit a broad base of historically disadvantaged people.

MANAGEMENT

Achieving empowerment takes some pot-stirring

BD 13/11/97 (30)

PIETERSE

Samantha Sharpe

CAPE TOWN — Black Management Forum regional president Gavin Pieterse is not afraid of stirring the pot if the agenda for this weekend's annual meeting of the association is anything to go by.

The BMF, which enjoys a corporate membership of about 135 companies (75 of which are among SA's top 100) and about 3 000 individual members, aims to develop managerial capacity among black employees through training and a consultancy service. It also seeks to transform SA's socioeconomic environment in the workplace through interaction with government, business and labour.

As hosts for this year's national conference, Pieterse's Western Cape branch will highlight the problem of "creative accounting" and alleged mismanagement and corruption among senior black officials in the public sector, parastatals and business.

Pieterse says this is a real and serious problem, especially given the high level of media attention incidents of corruption draw. "Its simply too pervasive to ignore. Its not a matter you can write off to the white liberal media looking for someone or something to bash."

He says the disturbing pattern of greed and entitlement among some senior black managers needs to be stopped.

"We need to discipline ourselves and ascertain where corruption is orchestrated. There can be no African renaissance with corruption and clearly the BMF has a role to play."

Pieterse says this role should involve counselling and educating members about the dangers and pitfalls of corruption. Whether this extends to self-regulation or expulsion from the organisation, only the upcoming conference will show.

While the BMF is making inroads in its attempt to improve managerial capacity among black people, he feels the greatest problem rests in white management's refusal to give their black counterparts real responsibility and the power to make decisions.

"There's a perception among white managers that blacks will never really understand the nuances of business, which places them in a position of perpetual traineeship. It's akin to the historic situation when black workers could crawl into the belly of a mine to dig for diamonds, but would not be allowed to become jewellers.

"White management is keen to draw on black skills in terms of understanding the new emerging market that they so eagerly want to exploit. But there is still no recognition at board level that this implies a mutual transfer of skills in order to really elevate what it is their black managers can bring to the table."

Pieterse says the other major obstacle to developing black management capacity in SA is still cultural — a problem that could be addressed only through black "change managers". To this end the BMF's goal of developing black management capacity — within the organisation on a consultancy basis at board level, and through the legislative environment — was making some headway.

Pieterse says that, ultimately, effective black empowerment is reflected in a company's bottom line.

Turning to the shortlist of companies for this year's BMF Progressive Company of the Year award, which includes Nedcor, Otis Elevators, Arthur Andersen and SA Breweries beer division, Pieterse says there is clear evidence of the positive effect effective black empowerment in management has on profit. "Look at Nedcor's recent set of successful financial results and then compare what they are doing internally with other similar organisations and one sees very clearly the economic benefits."

SMALL BUSINESS FOCUS

R1-m Mowbray centre set to boost small businesses

ARG 14/11/97 (30)

Triple Trust, IDT and province join forces

THABO MABASO
Business Reporter

A state-of-the-art centre catering for small business will open in Mowbray after the signing of an agreement involving the Triple Trust Organisation, the Independent Development Trust (IDT) and the Western Cape Ministry of Economic Affairs.

The centre, which is being sponsored to the tune of R1-million by the three parties, will boast computers with Internet access to a national small business service, a database of small businesses, space where training workshops would be held, a resource centre and an exhibition area for small business and corporate sector procurement opportunities.

It will also help local businesses to link with small entrepreneurs in other parts of the world. Efforts to link the centre with another in Italy are at an advanced stage.

The facility will be known as the Cape Town Small Business Centre. It will open its doors for business at the beginning of December.

Triple Trust managing director James Thomas said the organisation was hoping to provide as many services as possible at the centre.

"We will also have a comprehensive network to which we can refer entrepreneurs for further or more specialised assistance," Mr Thomas said at the signing ceremony.

He said it was the first time the Triple Trust, the IDT and the province's Economic Affairs Ministry had co-operated on a project.

The ministry had provided R460 000 to get the centre going, Minister of Economic Affairs Chris Nissen said.

"The centre will work to promote our booming small business sector," he added.

"It will be a resource to the people of the Western Cape."

There are 13 small business service centres in the Western Cape, which are co-ordinated by the national Department of Trade and Industry.

The Cape Town Small Business Centre will be the newest and the most up-to-date.

For further information, contact Faith Lawrence at the Triple Trust Organisation on 448-7341.

INTELLECTUAL ... Wiseman Nkuhlu, the first black chartered accountant in S A, attempted to define black economic empowerment.

Who's really in charge?

CP 16/11/97 (30)

Forum debates real black empowerment

By ALI MPHAKI

LACK of consensus about exactly what black economic empowerment is saw the 17th Black Management Forum annual general meeting resolving to set up a commission to research this thorny issue.

Divergent views dominated the conference, with speaker after speaker trying to ascertain the pitfalls, successes and processes which facilitate black economic empowerment in the mainstream economy.

With the recent multi-million rand deals secured by a cross-section of black consortia, the relative lack of management expertise to manage the acquired assets made delegates ask "are black people really in charge?"

What was perhaps more interesting, was how delegates tried to unravel the real difference between the enrichment of a few and the empowerment of many.

How do we maximise participation in the wealth creation process of ordinary black communities, given the real constraints of access to income?

Are we merely creating a new elite, or is this process natural during a period of transition?

Are we not perhaps perpetuating the old paradigm of the rich get richer?

These were some of the issues debated.

Professor Wiseman Nkuhlu, the first African to qualify as a chartered accountant in South Africa, attempted to define black economic empowerment as "a process that deals with the unequal sharing of resources."

This view drew some consensus from the delegates.

"The question as to who is being empowered is an issue that has to be debated all the time," Nkuhlu said.

Mashudu Ramano, the General Secretary of NAFCOC, stressed that for any meaningful empowerment to come about, four elements have to be in place – ownership, control, participation and equity.

Sadly, the conference heard, black economic empowerment deals mostly happen on an ad hoc basis and are incoherent.

Another sad reminder was that while black economic empowerment lacks a formal policy framework, black professionals and black business were not well organised, compared, for instance, to the labour movement.

Significantly, the conference seemed to favour a mode of capitalism that embraces Ubuntu; a system that calls for a whole new business environment.

The current business environment, the conference heard, was hostile to black managers and will remain so in the foreseeable future.

BMF President Lot Ndlovu put it succinctly: "If there is no fairness in the workplace, it does not matter how skilled black managers or employees are."

Ndlovu put the spanner in the works when he added that job hopping by black professionals had to stop as this was eroding the skill base.

"Black managers need to stay longer in their organisations. The environment in most of these companies is the same."

Delivering the keynote address, Dumisa Ntsebeza, head of the TRC investigative unit, said that in the past and for the foreseeable future, the economy would be in white hands.

White business has yet to understand that racist corporate culture is the chief impediment to the successful implementation of affirmative action, which is long overdue.

"The outcry from white business and the denials that white business was ever a beneficiary of apartheid, were astonishing. The denials were almost hysterical and disconcerting to those who had thought the road to reconciliation was becoming clearer," said Ntsebeza. He said creative proposals such as that from Afrikaner Handelsinstituut that some of the money in the nine billion SASRIA fund should be allocated for reparation were most welcomed.

ANALYSIS

SA and the move towards harmony in corporate law

SA corporate law will undergo far-reaching changes in the next few years under the influence of international standardisation. Senior assistant editor **Michael Acott** reports

(30) BD 17/11/97

MERVYN King sees national differences in company law and governance eroding rapidly under the influences of internationalisation and global competition.

"It is a world trend and we cannot escape it," says the chairman of the King committee on corporate governance whose 1994 report added SA to the number of countries introducing guidelines on how companies should be run.

But ask him how his committee's guidelines are likely to develop, and his focus is international: SA is part of a world move towards harmonising corporate governance.

The same will happen with corporate law, he says. SA business faces a restructuring of company laws designed to bring its practice, regulations and terminology more into line with those of the nation's major trading partners.

Other countries are facing similar pressures as businessmen around the world come to expect a familiar trading environment regardless of the legal jurisdiction in which they are operating.

This includes a move for greater harmonisation of commercial law within the Southern African Development Community, a regional trade grouping of countries based on the British, Portuguese and French legal systems.

Also forcing change are the financial institutions, increasingly using their large shareholdings to demand value for money, and activism by other shareholders demanding transparency and accountability.

Although the Companies Act is being revised — the first substantial revision in 24 years — government is considering a complete restructuring of SA's corporative law.

The standing advisory committee on company law, headed by Judge Richard Goldstone, has recommended that there should be five principal statutes:

- The Companies Act, excluding provisions on securities and bankruptcies;
- A Securities Act, embracing matters such as mergers and take-overs, the raising of capital and the question of insider trading;
- A new Bankruptcy Act incorporating provisions currently contained in a number of laws relating to the winding up of individuals, companies, banks, pension funds, building societies, medical aid funds, insurance companies and co-operatives;
- The Close Corporation Act; and
- A new Business Enterprises Act, whose provisions will include the law relating to partnerships.

King, who is vice-chairman of the committee, said many provisions in SA company law were outdated. Others needed to be changed to bring SA into line with the rest of the business world, or to provide for paperless trading.

"The Johannesburg Stock Exchange will soon be totally electronic. There will be no share certificates, no transfer secretaries and no transfer forms," he says.

The law will have to make provision for virtual shareholdings, and for international electronic trading. A manufacturer in the Philippines selling goods on the Internet to a company in SA will not expect to be deemed to know the internal regulations of the company as governed by its articles.

Changes that King sees coming in the next three or four years include:

- Companies being allowed to buy their own shares on the stock market. SA is moving to follow countries like the US, where companies can reduce their capital by purchasing their own shares;
- The disclosure by nominee companies of their beneficial holding of shares in public companies;
- Companies being allowed to insure their directors for negligence, default or breach of trust. Some shareholders object to this expense, King says, but the reality is that when a claim is made against a director there must be an assurance of recovery otherwise the remedy is a hollow one;
- Increasing standardisation of terminology between countries — what is known as receivables in one jurisdiction may be debt in another;
- Standardisation of the rules on proxy votes at annual meetings, including when proxies must be lodged and possibly even provision for shareholders to vote electronically from another city or country;
- Ending the "ultra vires" provision which prevents a company doing business outside its defined function. King says a company should have the same rights as an individual, and be able to do any business it likes; and
- Modernisation of SA's partnership law; for example, based on Roman Dutch Law, it stipulates that, on the resignation or death of a partner, the partnership is dissolved.

Another international debate coming to SA is that concerning non-voting or N shares. King says the world trend is towards one share one vote, but his personal opinion is that this is not a matter for regulation but for the shareholders to decide.

"Shareholders must exercise their rights. If they pass a resolution with a 75% majority, so be it."

The advisory committee has targeted also the common law situation that a director must exercise care and skill or face legal action from shareholders. King says the law is based on a 1925 decision by Britain's House of Lords, is not only outdated in an era of professional management, but hampers small businesses.

Experienced businessmen do not want to go on to the boards of emerging companies because of their risk of personal liability.

"The question of care and skill needs to be revisited," King says.

"We have suggested that directors should ask themselves three questions:

"Firstly, have I as a reasonable person satisfied myself objectively that all the facts we need to make a decision are before the board?

"Secondly, have I any personal interest or conflict of interest?

"And thirdly, is the decision a rational business one today?"

A process has started to internationalise certain basic corporate governance guidelines, and at the same time company law provisions will become increasingly similar in many countries.

"Our laws will become more user friendly, and more in line with those of other jurisdictions. They will have to be, otherwise we will not be able to deal internationally," King says.

King committee chairman Mervyn King

Black empowerment gets huge boost in R2-bn deal

(30) ARG 18/11/97

Johannesburg – Persetel Q Data (PQ) Holdings Ltd said here it would sell off a majority stake in its African operations to a black consortium, heralding a big boost for black empowerment.

The R2-billion deal will see a black consortium led by Don Ncube's Real Africa Holdings Ltd (RAH) buy more than 50% of Persetel Q Data Africa (PQ Africa) and receive a helping hand from PQ Holdings in funding the purchase.

"For us, this deal is the most significant black empowerment deal to date. It is by far the largest," said Mr Ncube, executive chairman of RAH, an investment firm with interests in sectors including food, financial services and telecommunications.

PQ Holdings will sell 50% plus one share of its ordinary shares in its R4,3-billion PQ Africa unit to the National Information Technology Acquisition Consortium (NITAC). Other members of the consortium, which is now being formed, will include black companies, trade union investment firms and church and women's groups.

Mr Ncube said that RAH would fund R1-billion of the purchase, payable in three tranches. The first R300-million is payable by November 30 and the last R600-million by May 31 1998.

PQ Holdings' chairman Roux Marnitz said the deal came after increasing pressure from its public service and private investor clients that the firm form a black partnership.

He also said that as the hived-off stake was so large, his firm would help partners fund the acquisition by giving them options to buy preference shares in PQ Africa which PQ Holdings would pay for. – Reuters

BMF takes a tough stand at conference

(30)

THABO MBASO
BUSINESS REPORTER
ARG 18/11/97

The Black Management Forum (BMF) is to set up a commission to probe the skills and needs of black entrepreneurs.

The BMF decided at its national conference at the weekend in Stellenbosch that the terms of reference of the commission would be defined by the regions before the year end.

The two-day conference also took a tough stand against black managers who job-hopped.

"It is important that black managers should develop a staying power in jobs for them to learn new skills and credibility," BMF national president Lot Ndlovu said.

He added that job hopping earned black managers a bad reputation. The conference called on companies who constantly poached black managers to contribute 10% of their turnover towards the training of black entrepreneurs.

Corruption in business was also addressed by conference delegates.

Transnet boss Louise Tager told the conference that fraud was pervading the country's economy.

"The very system in this country has been eroded because we had a political system in the past that undermined the needs of the majority of our people," she said.

She blamed corruption on a lack of control by business managers. "At the same time too much control can promote corruption."

The conference resolved that the BMF should draft a charter of ethics and business principles for black managers.

Mr Ndlovu said the BMF's regional structures would discuss the charter in more depth before it was adopted by the body. He hailed the conference as one of the most successful in the organisation's history.

"But because of time constraints we did not discuss some of the issues on the table in greater depth."

R60-m spent on empowerment

(30)

Sowetan 19/11/97

By Shadrack Mashalaba

TELKOM has spent R60 million on black empowerment, company chairman Dikgang Moseneke told a business conference in Johannesburg yesterday.

He said the move was part of Telkom's empowerment drive to establish more black suppliers. The previous year R58 million was spent.

"The Government is committed to transformation of Telkom. Our next plan is to list on the Johannesburg Stock Exchange which will see our organisation playing a vibrant role in the telecommunications sector.

"Telkom is deeply committed to competition. The hysteria over the issue of Internet exclusivity has confused issues. The Government passed a Telecommunications Act which allows the organisation a limited period of exclusivity to roll out its services," Moseneke said.

He said Telkom would make a capital expenditure of over R6 billion to benefit its suppliers.

The conference was organised by Huysamer Stals in association with ABN Amro Bank and Kagiso Financial Services.

"Telkom will be building two more earth stations. We have committed a total of R53 billion to beef-up infrastructure for the coming years," Moseneke said.

"There has been an increase in telecommunications tarrifs and we are looking at expanding our satellite systems. The effort will put South Africa at the centre stage as a global player and make the country a gateway to the sub-Saharan region."

Huysamer Stals chief economist Johan Rossouw said South Africa was experiencing an economic slowdown because of the global trends.

This was putting pressure on local markets.

Rossouw said he did not foresee any interest rate cuts, particularly in the first quarter of next year.

While the inflation rate was on its way down it may hit a target of five percent in the first quarter next year and later increase, he said.

The gross domestic product (GDP) will accelerate in the third quarter of next year. "With the recent improvement of the Balance of Payments the long-term scenario points out that the situation will deteriorate," Rossouw said.

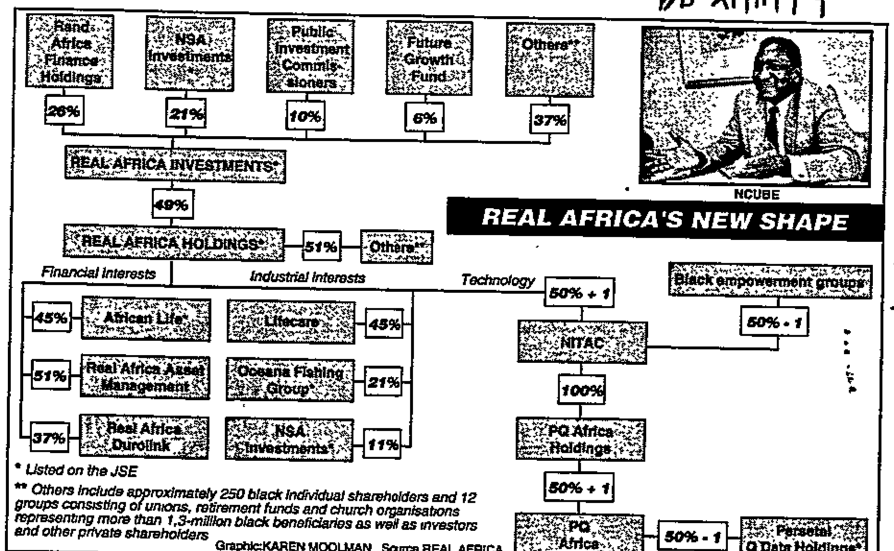
COMMENT & ANALYSIS

Ncube dreams of 'just a good business'

After clinching one of SA's largest black empowerment deals, Real Africa's Don Ncube spoke to Hilary Joffe about the way he does business

BD 21/11/97

(30)



REAL Africa Holdings (RAH) chairman Don Ncube is hoping that one day the company will be seen as "just a good business" — rather than merely a black empowerment group.

But whatever the tag, Ncube and his small team in RAH's Killarney offices clearly have an understanding of the SA business environment as well as a set of skills which have added substantial value to the companies with which they are involved. And they plan to do the same with their latest acquisition — R4,3bn information technology (IT) group Persetel Q Data Africa (PQ Africa).

The deal, in which a consortium led by RAH is to buy just over 50% of PQ Africa, is one of the largest black empowerment transactions so far, coming just a few hundred million behind the Johnnic and JCI acquisitions, and is the first large buy into the highly rated IT sector. PQ Africa holds the established SA and African operations of PQ Holdings, the product of a R12bn merger between Persetel and Q Data to create the Johannesburg Stock Exchange's (JSE's) largest listed IT group.

This week's transaction bears many of the hallmarks of the approach Ncube has taken to building up RAH, shares of which now trade at R11,30 each — nearly six times the R2 at which they were listed on the JSE early in 1995.

Real Africa has gone about making a limited number of purchases fairly slowly, focused in a handful of high growth sectors — financial services, food , health care and now IT. In contrast to some of the other black empowerment groups, it has generally bought into operating, rather than investment holding companies. It insists on stakes large enough to give it a "meaningful strategic role", according to Ncube. It avoids high risk start-ups, targeting companies with good track records and proven management.

Ncube seeks broad participation in his ventures — with the acquisition of African Life in 1994, he pioneered bringing trade unions and their related pension and provident funds, as well as stokvels and church groups into the acquiring consortium.

He is committed to doing the same at PQ Africa. But he is not one to enter negotiations dragging tens of consortium members with him. His approach is to clinch the deal — then sell it to as many partners as possible. "You don't bring the nation to the deal, you bring the deal to the nation," he says.

RAH will have just over 50% of the National Information Technology Acquisition Consortium (Nitac) and it has until the end of May to finalise the rest of the membership. It aims to ensure this is national and represents a variety of interest groups (trade unions, churches, as well as individuals, who will be offered shares via a scheme modelled on M-Net's Phutuma and Johnnic's Ikageng). A priority is to sign up players who can add value to PQ Africa — for example, by bringing scarce skills into the group. RAH has invited black-owned companies already in IT and telecommunications to join — including Manyano Investments, led by ex-Telkom executive Mike Nkosi and Choice One, as well as Consolidated Empowerment Initiative (CEIN), which was already linked to Persetel, and Kunene Brothers, with which Q Data had been negotiating prior to the PQ merger.

The acquisition of PQ Africa has been over a year in the making. Ncube first met Persetel chairman Roux Marnitz at the Atlanta Olympics, where Telkom chairman Dikgang Moseneke introduced him to a group of SA's IT chiefs. Discussions started there — but they were interrupted later when Persetel went off to forge the merger with Q Data.

Ncube points out that, from the start, RAH had identified IT and communications as core business focus areas. It originally had a 2% stake in cellular network operator MTN, but sold this because it was too small for RAH to play a meaningful role in the company.

PQ Africa is, Ncube believes, at the cutting edge of IT, with an excellent track record and entrepreneurial management. Its size was also important — as was the opportunity to take a controlling stake, at what RAH estimates was a 20%-30% discount.

There are other important sweeteners. Nitac has the option, exercisable in 2002, to exchange some or all of its holding in PQ Africa for a stake in top company PQ Holdings, at today's PQH share price — potentially an extremely valuable option, and one which could protect RAH against the possibility that it gets the lesser business in SA while PQ Holdings, which has substantial operations in Europe, builds up the good stuff offshore.

One of the major risks for Nitac is that it is buying into a very new merger — and there are sure to be teething troubles. However, the deal includes a warranty, in terms of which, if PQ Africa does not make profit after tax of R140m in the eight months to May, the purchase price will be reduced by R25 for every R1 it falls short.

It also has an option to buy two SA-based start-up businesses — electronic commerce provider EC Net and the SA Certification Agency — for R250m, whenever they become profitable. Eight other businesses were excluded from PQ Africa because they are essentially in research and development — Ncube says PQ Africa will have the rights to resell technology developed in PQ without taking on any of the risks.

RAH is to pay its R1bn or so of the purchase price in three tranches, with the final option exercisable in May. It had R277m in cash resources at end-March and is looking at alternatives (such as asset disposals, a rights issue, or debt) for the rest.

Ncube says his group has already identified several opportunities for PQ Africa. He sees several areas in which RAH can add value — starting with human resources, Ncube's original discipline. "We can help to identify people to train and secure the business the group is foregoing because the demand for technical skills is greater than the supply."

And he points to the convergence between IT and financial services — it is no coincidence, says Ncube, that RAH is in both.

Several JSE analysts have stressed the importance of the Nitac deal to PQ given that a substantial chunk of its business (particularly in what was Q Data) comes from public sector contracts — the recent Green Paper on procurement of government services indicates those with black equity participation will be preferred.

This factor was highlighted in this week's announcement by PQ Holdings, which noted that many private sector companies had "begun to set stringent transformation and black empowerment requirements for their suppliers".

The trend could lead to some SA companies bringing in black shareholders for contract reasons alone. But the "value added" issue is not as crude as this — certainly not for black empowerment players who are serious about business. RAH is one company which can point to doing more for its subsidiaries than simply giving them a black face.

RAH helped African Life refocus its marketing strategy, with an emphasis on group benefits — and the life assurer's premium income has grown rapidly.

In Oceana Fishing (Ocfish), Ncube and his team navigated the tortuous politics of the Western Cape to organise communities and bring in a range of black shareholders. To provide employment out of season for the fishermen of Lamberts Bay, on the west coast, Ocfish invested R8m in a potato chip plant, which got the contract to supply MacDonalds' SA outlets.

And in Real Africa Asset Management, a joint venture with Sanlam, the group is providing training for black dealers, analysts and fund managers.

The group's investment record is impressive — African Life, bought at R4,10 a share, is now at R36,50; Oceana Fishing, bought at R2, is now almost R6; and RAH interest in Real Africa Durolink, bought for R60m last year, is now valued at R325m.

An analyst estimates the RAH share is trading on a premium to net asset value of 17% (the premium had gone as high as 40%), still slightly ahead of the 14% premium to net asset value at which the market puts the shares of the other pre-eminent black empowerment group, New Africa.

At some point, RAH is likely to unlock more value by listing some of its unlisted subsidiaries — when they are ready, and when market conditions are favourable. "We want to harness our investments," says Ncube. "We don't grow just by acquiring companies — we put them in an incubator and we grow them."

SMALL BUSINESS FOCUS

Plan to train 1 000 small entrepreneurs a month

ARGT 28/11/97 (30)

Trust seeks funds to set up new centres

BUSINESS EDITOR

The Cape Town-based Informal Business Training Trust (IBBT), which has trained 35 000 small entrepreneurs throughout the country in the last seven years, is aiming to double the number of people being trained from 500 a month to 1 000 next year.

The IBTT is seeking funds to establish new centres in the Eastern Cape and in the Free State.

The IBTT already has a centre in Port Elizabeth as well as centres in Khayelitsha and Philippi and, after merging with the AMEBA project, also boasts seven centres in Gauteng and one in Durban.

Trustee Cedric Buffler said the trust was now looking for money from the corporate sector and the Government to set up a centre in East London or King William's Town. Start-up costs were estimated at R170 000, he said. In time the centre, like the others, would become self-supporting, funded mostly through training fees.

So far 35 000 people, about 70% of them women, have completed the "township MBA" offered by the IBTT and its associated institutions. The course costs R450 and takes five days.

Recently the trust also introduced a shorter course aimed at people who already run small businesses and cannot afford to take much time off to study.

They pay R100 for a one-day seminar which introduces them to the basics of business and they can then apply for a small loan from the Start-Up Fund.

Mr Buffler said about 45% of those trained by the IBTT were now running trading businesses, 30% were producers and 25% were providing services of one sort or another.

Darkening the corporate pigment

(30) M+G 28/11-4/12/97

Thebe Investment Company pioneered a new South African corporate culture but black business still has far to go, writes
Charlene Smith

Businessmen's club: Vusi Khanyile and Eric Molobi

Black Companies on the JSE

Company	Market capitalisation (R)
African Harvest	1 848 000 000
African Life Assurance	3 867 469 814
Botswana Rst	4 494 820
Capital Alliance Holdings	3 284 101 143
Carson Holdings	1 187 700 749
FBC Holdings	477 048 343
Hosken Consolidated Investments	1 177 066 683
JCI	2 523 065 577
Johnnies Industrial Corp	8 420 415 534
Kilimanjaro Investments	78 484 224
Mathomo Group	221 882 079
Metropolitan Life	7 218 244 610
New Africa Investments Ltd	412 673 066
Northern Bakeries	68 640 000
Real Africa Holdings	2 971 439 975
Real Africa Investments	1 281 467 747
SA Empowerment Fund	230 910 128
Umbono Investment Corp "N"	59 140 276
Umbono Investment Corp Ordinary	1 170 520
Umbono Investment Corp. Part Pref	4 960 020
Yabeng Investment Holding Co	209 443 098

Seven years ago there were no black companies listed on the Johannesburg Stock Exchange; indeed there was not a single black corporation. Pondering this, Vusi Khanyile, then finance head of the African National Congress, developed an itch. It was an itch with ramifications, a little like the old story of a butterfly's wings in China causing a tornado in Florida.

After talks with his ANC comrades and a few businessmen in November 1990, nine months after the unbanning of the ANC, Khanyile began the slow process that would lead to the opening of Thebe Investment Company in July 1992 with R100 000 from the Batho Batho Trust (whose trustees included Nelson Mandela, Walter Sisulu and Tokyo Sexwale), a donated desk, a chair and a telephone.

The birth of a new generation of African entrepreneurial expertise was not greeted with applause — although its birth influenced the development of what is now an avalanche of new black-owned businesses. Instead, the media lambasted it for its ANC links, white businessmen were cool and some in political quarters — most notably black politicians — criticised it and many of its first deals.

The early fuss has quietened down. Thebe is by no means the largest of the black corporates, although with assets of about R500-million its growth has been phenomenal. It still has not listed. And it no longer has ANC Cabinet ministers on its board of trustees; they resigned before the 1994 elections. But it is one of the most stable of the emerging companies, and an examination of Thebe and its growth paints a surer picture of corporate black empowerment than a study of almost any other vehicle.

Khanyile, the publicity-shy chair, has also become one of the major philosophers and strategists of black economic empowerment. Thebe has tracked every change in the new economic directions the country is taking. Some are simple — black empowerment companies now prefer to call themselves emerging companies; white corporations are better known as traditional companies. Race is out of the equation, but it has also never been more important.

Sitting in his simple office decorated with African beadwork and family pictures, Khanyile says: "When we started out we did not have a very clear business strategy, nor adequate experience. We could not create a clear vision and mission. We looked at the future through historic eyes and our vision was one of blackness. It took us about three years to intellectually work through that. Our primary agenda is to move business to black entrepreneurship and create supportive structures for the majority of our people, black people, to play a role.

"But it is not only black people who can do that. We are a country made up of different heritages, whether European, African, Asian or others. For those who recognise the struggle of the majority of people of our country there must be room to play a role.

"We are creating a new South African corporate culture from our own vantage point.

"At the end of the day it is not blackness that adds value in a company, it is the expertise you bring."

Beyond that too, Thebe has decided to reposition itself as a southern African company and not just a South African corporate.

Eric Molobi, a compatriot of Khanyile's in "struggle" education issues of the 1980s and head of Kagiso Trust, says there is another problem: "We are not managing the assets we are buying. We need to soil our hands in the management of the companies we have bought into; only then will we be able to change direction and reposition companies.

"We must mature to the reality of competitiveness. As we move into the future, it may not only be black companies that are given contracts and brought into partnerships; it will have to do with the quality of what we bring to the table."

There has also been a clubbishness about black companies that has prevented competitiveness. Molobi says this has to change too: "We feel uncomfortable if we compete against each other. If we bid for a company we feel we should have done it together. We must realise it won't always be like that, some time it will be the value people bring to the table that will qualify them for being partners in business.

"We must also realise that we are not going to add value if we are a jack of all trades. People are unbundling, companies are focussing globally, we need to think strategically and in internationally competitive terms."

While traditional (code: white) companies are battling to find adequately skilled personnel with adequate amounts of melanin in their pigmentation, and at highly inflated pay packages, the black companies have had less of a problem, in particular Thebe.

Khanyile is candid that not all their new employees have had the right qualifications for the job — Moss Mashishi, who heads the huge Moribo division with interests in sports, leisure, broadcasting and gaming, was barely 30 and had not completed his articles as a lawyer when recruited to head Moribo. He had no business acumen, and yet he has proved to be one of the shrewdest businessmen in his field.

Khanyile sees it as a strength that they have recruited energetic young people, regardless of gender, given them opportunities and turned them loose.

The average age of Thebe top executives is under 40 — that includes Msele Financial Holdings head, Litha Nyhonyha, and Khaya's dynamic boss, Pat Dambe.

Molobi says a lack of career pathing and training at management level and in the boardroom — where he complains of undue homage being paid to a central bureaucratic figure — are hindering the development of companies and ultimately the economy. "We need five-year employment plans to not only adequately introduce, manage and implement affirmative action but to boost the skills capacity of the workforce."

'More than 90% of the JSE is still controlled by traditional business. How do we lift that figure up to 50% black control?'

Molobi and others in emerging companies have become increasingly vociferous about the need for a joint business/government view of the economy and joint strategies to develop it. The ANC has made some progress in recognising the need for public/private sector partnerships but that is a vision born more out of a need to allay chronic bankruptcy at local and provincial government level than a definite economic strategy.

Deputy President Thabo Mbeki has five weekly meetings with selected businesspeople from the black and white business communities, but that is more a closed-door scenario where he taps the brains of selected confidantes and hardly amounts to a strategy. Indeed, some businesspeople complain that it leads to him interfering in their business sectors.

The National Economic Development and Labour Council, with its focus on labour and a penchant for bickering, also falls short of this. Khanyile believes that joint strategies to benchmark growth over five-year periods are essential for adequate growth. "And we need to involve the Central Statistical Services in this too. None of us knows what percentage of gross domestic product comes from businesses managed by the emergent companies. We need to find out and track that. If figures are low we need to investigate why.

"If we look at the total market capitalisation of the JSE, the percentage of black business is still insignificant [see table] — more than 90% of the JSE is still controlled by traditional business. How do we lift that figure up to 50% black control?"

Khanyile is concerned that black companies are still playing a marginal role in job creation. Thebe has a handful of black companies involved in greenfield development, the remainder are paperchasing in the ethereal environments of cyberspace.

"I go home to my village in KwaZulu-Natal and meet people I went to school with who were much brighter than me and they are unemployed. Our neighbours are unemployed. Such a disparity in lifestyles is a challenge that faces us all."

Khanyile says that despite criticisms about paper chasing Thebe has found the financial services sector, through Futurebank, is a major job creator, with R400-million a year available to small and medium new entrepreneurs.

The growth of Thebe has not been without its stresses; at one stage Nyhonyha had large bald patches where hair fell out because of stress. It has since grown back. Khanyile joins the top echelon of black business at a northern suburbs health club at 5am every day to work out — and swap business strategy.

Thebe has not shown the most spectacular growth of the black empowerment companies, but then again Capital Alliance, which soared ahead rapidly, has seen its shares in JCI plunge from R54 to R16.

There is still a strong learning curve for the emerging companies, but there is no doubt they represent the most important economic growth indicator of this century in South Africa.

Thebe consolidates

Thebe is moving to consolidate its position by:

- **Restructuring of Thebe into six divisions from its present four. The two new divisions will be Thebe Communications, which will include its broadcasting and telecommunication interests (these include Khaya FM radio station, its television bid company Station for the Nation among others) and Thebe Travel and Tourism.**
- **Rebranding some of its divisions and companies so they reflect the Thebe name. Therefore Vuna will become Thebe Industrial Holdings and Msele will become Thebe Financial Holdings. However, Moribo Leisure, which holds Opus, will retain its name.**
- **Thebe Travel and Tourism, which will focus on resorts, ecotourism, cultural tourism, casinos and gaming, has acquired a controlling interest in five Sun International casinos, including the Amatola and Venda Suns.**
- **Thebe Travel and Tourism had relinquished its controlling shareholding in regional airline South African Express to South African Airways and now holds only 23,9% of the company.**
- **Thebe's little known petroleum company, Bambanani Petroleum, has grown rapidly in the past year and will head into the petroleum retail market next year.**
- **Khaya FM is looking to expand its broadcast base into Zambia, Botswana and Swaziland.**
- **As part of Thebe's strategic initiative to expand into southern Africa, Thebe Health Logistics has recently concluded a major deal in Mozambique.**

Black-owned shipper fulfils first contract

Nicola Jenvey (30) 30/12/97

DURBAN — A black-owned shipping company delivered its maiden agency contract last weekend when it landed 2-million barrels of oil at Durban's offshore single buoy mooring.

Dudula Shipping Company was launched in July by former Portnet container terminal GM Sithembiso Mthethwa, after long research.

The oil contract was placed by an SA-based multinational and Dudula assumed full responsibility for logistics and discharge of the 280 000-ton crude carrier at the mooring.

Mthethwa said Dudula aimed to become a fully fledged ship-owning venture within the next few months, chartering at least two vessels on the SA-India line. It was currently operating as a ship's agent until agreements could be reached. The company was negotiating with an international partner, expected to supply the ships and financial backing in exchange for the opportunity to establish roots in this country. Agreement would be reached once Dudula had secured cargo for the line, Mthethwa said.

Dudula operations director Keren Giladi acknowledged that there were risks but said the issue had been discussed by the directors. One course was to approach the transport department for incentives to promote SA-registered ships, which would be crewed locally. Administrative staff appointments were already "demographically considered".

Mthethwa said trade with India was a key area of expansion and Dudula's next major contract involved moving grain products and dry bulk exports between SA and several trading partners.

Giladi said the company preferred to secure the cargo before securing vessels, since trade followed goods. Operating on this premise provided the potential partner with a lower-risk investment.

Dudula's southern African coverage includes KwaZulu-Natal, the eastern and western Cape, Gauteng and Maputo. A full-service Johannesburg office would open in January and first-line agency representation was planned for the Persian Gulf, Karachi and Mumbai.

Sister company Marinet concentrates on port development, international trade, maritime industry and stimulating black investment in the sector. A high-level conference has been planned for early next year to look at black empowerment in the maritime sector.

NSBC must declare its loyalty

(30) Sowetan 2/12/97

Small business sector is very important to growth of SA economy

By Kathryn Sturman

MONDE TABATA, chief executive officer of the National Small Business Council (NSBC), hits the nail on the head when he rates "the development of a strong small business culture" as the most effective way to address South Africa's unemployment crisis (*Sowetan*, November 24).

But his council's strategy to assist this vibrant sector of the economy is hampered by a relationship with Government that is far too cosy.

A survey of unemployment released by the South African Institute of Race Relations recently showed that while jobs are being lost at a frightening pace in most sectors, the small business sector alone has managed to create new jobs.

This success in job creation is no thanks to the Government. Despite the vital contribution small, medium and micro-enterprises (SMMEs) make to the economy, they have always faced an uphill struggle in South Africa.

Legacy of domination

Tabata identifies "the legacy of big business domination, restrained competition and unequal distribution of income and wealth" as restraining factors on the small business sector.

He leaves out the biggest factor, though – literally thousands of Government laws, ordinances, by-laws and regulations which restrict the abilities of small businesses to get started and to grow.

The cost of complying with all this legislation is high for the small business owner. It is wrong to assume that these laws affect all businesses equally: they do not.

Small business owners have to do everything themselves. They cannot hand their compliance burden over to expert – and filling in scores of VAT, oyees tax, company tax and other returns is just one onerous task.

Many productive hours are lost by the small business owner, while larger enterprises can spread their costs of compliance with the law over a larger volume of production.

The National Small Business Act, that established the NSBC in 1996, makes provision to identify and challenge laws that are disabling to small business.

This is part of the strategy to build a favourable environment for the growth of this sector. A flaw of the Act is that it gives discretion to the Minister of Trade and Industry to decide which laws and policies should be investigated.

But assessing new legislation's potentially damaging effect on small business should form part of the NSBC's representative role.

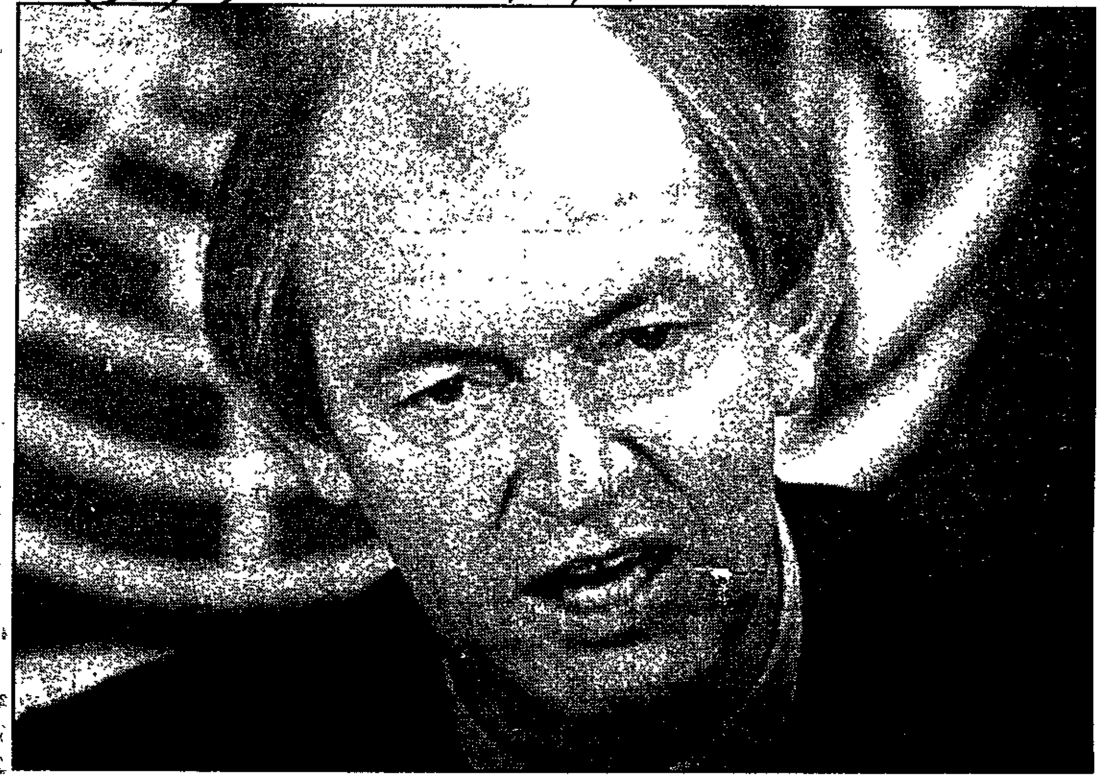
The NSBC cannot leave the monitoring of Government legislation up to the Department of Trade and Industry (DTI), another government department. It must take an independent stand if it is really to represent the small business sector.

Tabata blames the problems facing SMMEs on past Government policy. Not all the laws restricting small business can be blamed on the old regime, though. Some of them – such as the Basic Conditions of Employment Bill – are passing through Parliament right now, but the NSBC has been noticeably quiet about this.

Could this be due to the conception the NSBC has of itself? Tabata defines its role as being to "advise Government on issues related to small business policy, programmes, legislation and administration".

He is also concerned to unite the voice of the small business sector, to avoid its being "relegated to spectator status" in the economic negotiations between government, organised labour and big business.

Let's not fool ourselves – the corporate relationship between the above is about power, with each corner of the triangle pulling equally hard against the others for its own interests.



Trade and Industry Minister Alec Erwin decides which laws and policies on small business should be investigated.

Small business will be relegated to spectator status if it allies itself too closely to one of the "big three", if it sees itself only as an "adviser" to Government or if it stands next to big business squealing "me too".

The Congress of South African Trade Unions (Cosatu) does not "advise" Government policy-makers; it makes demands on them. In fact, it often holds them to ransom. It can do this because it has a broad, independent constituency.

Small business is a powerful force in the economy – the statistics quoted by Tabata prove this. Small business also has its own interests, that compete with the interests of the other players.

What small business does not have is unified representation. This puts it at a disadvantage to the "big three". It is this unity of small business interests which the NSBC aims to achieve.

But the NSBC can only do this if it establishes its legitimacy in the eyes of small business owners.

Promoting projects

The NSBC's attempts to unite representation of the SMME sector, and in promoting projects to assist small business ventures, are laudable. But the council is too squeamish about criticising any new African National Congress-produced legislation that will adversely affect small business.

Where was the NSBC recently when the Democratic Party (DP) was fighting for concessions for SMMEs to be built into the Basic Conditions of Employment Bill?

If the NSBC is to lead the small business sector on to the economic negotiating plain currently dominated by the "big three" then it must take a tough, vocal stand on macro-economic issues like taxation policy or labour laws.

The NSBC must decide where its loyalty lies: with the Government that set it up and pays for it with grants from the DTI, or with the owners of small businesses?

Only when it asserts its independence from the Government will the NSBC be able to speak for the small business sector. Until then, Tabata's plans will remain just the good intentions of another bureaucrat.

(The writer is a DP researcher.)

Drive to improve SMME standards

Sowetan 2/12/97

(30)

Missing Link programme to offer courses in many technical fields

By Shadrack Mashalaba

IN a drive to help improve the manufacturing standards of small, medium and micro enterprises (SMMEs), the South African Bureau of Standards (SABS) has introduced a new programme called the Missing Link.

The programme started last month with a focus on the clothing sector.

It has since expanded to offer courses in various technical fields which are tailormade to improve SMMEs and equip them with the knowledge to manufacture high-quality products that conform to acceptable manufacturing practices.

Missing Link is geared to assist in solving problems experienced with specifications and standards.

The SABS is an organisation acclaimed for approving specification standards in South Africa.

Training programmes which will be offered by SABS's business development unit will, in addition to clothing, also focus on industrial chemicals, painting and welding, and the civil engineering sectors.

These programmes will help SMMEs in respect of specifications and the manufacturing of products of high quality and the SABS mark will therefore enable them to tender for government work.

SABS head of business development for SMMEs Aaron Ngema said that since its inception the programme had proved valuable for SMMEs.

"With the technical expertise at its disposal, the SABS has lined up a number of its own technicians to assist in the success of the programme. The Missing Link initiative will be characterised by a reach-out approach to small business across the country," Ngema said.

He said a number of training centres and organisations engaged in the elevation of small business have been contacted to assist in coordinating the programme. Some of the organisations include: the Local Small Business Service Centres, Transitional Local Councils and Provincial Small Business Councils.

For more information on the course contact Ngema at (012) 428-7911.

Black empowerment company suffers rampant theft of scrap metal

Xisaka on verge of collapse

ET(BR) 5/12/97 (30)

NCABA HLOPHE

Johannesburg — The rampant theft of scrap metal from parastatals Transnet and Eskom was threatening the viability of Xisaka Investment and Trading, a black empowerment company contracted to source scrap metal from Transnet, the company said yesterday.

Xisaka said it was on the verge of collapse because of the theft.

Peter Rabali, a director of Xisaka, said: "As a result of this theft, the volume of stock for onward sale and delivery has been a mere trickle. If this situation is not reversed in the near future it could well result in drastic reduction of profits."

Roy Robertson, the branch commander of the police transportation theft unit in Gauteng, estimated the total value of the stolen scrap material from Telkom, Eskom and Transnet to be in excess of R500 million.

He said there was a total of 120 scrap metal theft cases pending in his department.

Scrap metal includes aluminium, copper, alloys, lead, electrical cable and conductors.

Set up last year as a procurement and marketing company, Xisaka secured an exclusive contract to buy non-ferrous scrap metal as an empowerment tool and as a means by Transnet to control the rampant theft of its scrap material.

"It was further hoped that by limiting the sale of non-ferrous scrap metal, and particularly all overhead traction copper wire, to a single approved contractor who would be obliged to comply to stringent security requirements, the level of theft would be curtailed," Rabali said.

He said the theft was organised by sophisticated syndicates who managed to move large quantities of stolen material to overseas markets.

"The value of stolen Transnet copper wiring alone and the cost to Transnet is conservatively estimated as being in excess of R45 million. The consequential loss runs into hundreds of millions of rands," Rabali said.

He said the company's plans to set up a joint benefication plant with foreign partners would be seriously hindered by the reduction of quantities of scrap reaching the depots.

Xisaka reported an after-tax operating profit of R1,1 million to July 1997. It employs between 120 and 180 people.

FULL METAL HEADACHES *Peter Rabali, a director of Xisaka Investment and Trading, a black empowerment company contracted to source scrap metal from Transnet* PHOTO JOHN WOODROOF

Small business council goes for growth points

(70)

Sowetan 9/12/97

By Shadrack Mashalaba

NSBC conceives new strategy to kickstart small business growth

THE National Small Business Council (NSBC) said yesterday that it would announce the names of four towns in KwaZulu-Natal on Thursday which have been targeted for strategic economic development.

The development will be driven by NSBC's Enterprise Development for Growth and Equity (Edge) strategy. The official launch takes place at the Pietermaritzburg City Hall at 5pm on Thursday.

The four towns targeted as Edge centres are Port Shepstone, Newcastle, Ulundi and Pietermaritzburg.

Edge was officially launched at the inaugural NSBC conference held at the World Trade Centre in Kempton Park from October 21 to 23.

The strategy seeks to identify 30 towns countrywide, to assist local small business initiatives and unlock business opportunities.

Edge also seeks to promote the development of small business in a manner which increases economic and employment opportunities.

The four towns will be used in KwaZulu-Natal as role-models for the advancement of local small business development.

This week's launch makes the province the second to introduce the programme after Eastern Cape.

In the Eastern Cape, the programme was established in Queenstown, King William's Town, Humansdorp and Port St John's.

The launch will be attended by the Premier of the province Ben Ngubane, MEC for economic affairs Jacob Zuma and the mayors of the respective towns where the strategic goal centres are to be launched.

According to the NSBC, it also seeks to consolidate the role of local business chambers and organisations in local economic development.

NSBC chief executive Monde Tabata said: "Competitive Edge towns are just one aspect of transforming the economic landscape and kickstarting small business activity to the benefit of entrepreneurs, local authorities and surrounding communities."

'Local authorities will be approached to relax laws that restrict small businesses'

Other provinces are expected to announce an Edge strategy during the first quarter of 1998.

A key element of the strategy is to embark on campaigns to encourage big business to subcontract to small business in their areas to open opportunities to them.

This includes encouraging local authorities to relax laws that restrict free economic participation and small business entrepreneurship.

"We are trying to establish local economic development partnerships so that small business can start to stimulate local economies and create work for surrounding communities," Tabata said.

IT company launches small business database on Net

ARG 9/12/97 (30)

Free service lists information on 3 500 firms

LLEWELLYN JONES
Business Reporter

Information technology services company EDS Africa has launched a database of small and medium enterprises which it believes will bridge the communication gap between large corporations and small businesses.

The EDS Small Business Database is a free service accessible via the Internet consisting of some 3 500 companies and containing their contact details, product and service offerings and ownership details.

"The incredible thing is that it is such a simple idea," said EDS communications manager Tony Rattey.

He said the biggest problem in the past had been collecting the information and keeping it current. The rapid rise and expansion of the Internet had largely solved these problems, and increased the reach of such a database.

'The database will help large corporations looking for info on products and services'

"The people most likely to gain the most use from it are large corporations who are either looking to source products and services from small black-owned businesses or looking for joint venture partners."

Speaking at the launch of the Small Business Database, EDS managing director James Fitzgerald said many corporations were keen to throw their weight behind the Government's policy of affirmative procurement.

"The trouble is that the two sectors have been isolated for so long that corporate buyers have tremendous difficulty finding new suppliers, and then evaluating their expertise," Mr Fitzgerald said.

"The Small Business Database should go a long way toward overcoming this problem, and drawing more and more black businesses into the commercial mainstream."

Mr Rattey said EDS had worked hard at building the database.

"We went to every small business exhibition this year, talking to stallholders and handing out application forms," he said.

EDS had also joined the Corporate SMME Foundation - a body of 15 companies committed to helping small and medium businesses - and persuaded them to share their database of small businesses.

A third major source of information came from research done by Integrated Market Research which was still polling South Africa's largest townships, creating its own database of community, church and business organisations.

■ Companies and individuals can access the database on the Internet at **http://www.smme.co.za**

Women's league taking no chances over Winnie

BD 9/12/97

Pule Molebeledi

THE African National Congress Women's League has decided not to nominate candidates for the ANC's top six positions at the party conference in Mafikeng next week, apparently to avoid a split in its ranks.

This means that the league's earlier nominations list, which named its president, Winnie Madikizela-Mandela, as a candidate for the ANC deputy presidency, has not been officially ratified.

The decision not to nominate was taken at a weekend meeting of the league's national executive committee after suggestions by certain senior league members that Madikizela-Mandela's nomination would be withdrawn. The league is split between opponents and supporters of its controversial president.

However, there is a strong likelihood that Madikizela-Mandela will be nominated from the floor at the conference to contend for the position against the favoured candidate of the ANC's national leadership, KwaZulu-Natal leader Jacob Zuma.

A proposal that the proportion of voting delegates required to nominate from the floor be raised from its current 10% to 25% is likely to be adopted at the conference. Madikizela-Mandela's nomination would therefore require the support of 750 delegates — which many believe she would secure without difficulty.

The final vote is by secret ballot, raising the possibility that delegates may defy provincial mandates. Zuma has been nominated by all nine regions, but scraped home against strong support for Madikizela-Mandela in certain provinces, including North West and Northern Province.

Apparently the ANC constitution is silent on whether the nominations vote is by secret ballot. If it is by show of hands, delegates might be reluctant to show support for Madikizela-Mandela in front of the national leadership.

League spokesman Mavivi Myakaya-Manzini refused to comment on the weekend meeting and had not issued a statement by the time Business Day went to press last night despite promises to do so.

No statement was released after a special meeting of the national working committee yesterday.

Madikizela-Mandela sparked a strong counterblast from the ANC's Steve Tshwete after a recent interview in The Star, in which she attacked government for failure to deliver.

Although the league's working committee distanced itself from the contents of the interview, it said the issue should be dealt with by the ANC and not by the league alone.

Four Natal towns to promote development

BD 9/12/97

DURBAN — Port Shepstone, Maritzburg, Newcastle and Ulundi would become KwaZulu-Natal's four "competitive-edge towns" to promote small business development in the province, the National Small Business Council said yesterday.

The council said: "KwaZulu-Natal is the second province after the Eastern Cape to launch its competitive-edge towns. The rest of the provinces will announce their's early next year to bring the total number ... to 30."

The towns and cities would be strategic goal centres for local economic development, council CEO Monde Tabata said.

The project is also aimed at strengthening the role of the local business chambers and organisations in local economic development..

"Another facet of the strategy includes campaigns to encourage big business to subcontract to small local players and identify local economic opportunities," the council said.

Tabata said: "We are trying to establish local economic development partnerships so small business can now start to stimulate local economies and create work opportunities for surrounding communities." — Sapa.

Share reached this year. Low: Lowest level ...

Programme will create 30 000 jobs

(30)

By Shadrack Mashalaba

GET Ahead Financial Services (Gafs), the micro loan financier for stokvels, will embark on an expansion programme expected to create 30 000 jobs. Sowetan

The initiative will be a joint effort with the support of long-standing partners, USAid and Swedish International Development Agency (Sida) as well as the Belgian government and the recently formed Khula Enterprise Finance. 12/12/97

Addressing Gafs' strategic presentation in Johannesburg this week, the organisation's managing director Mpumzi Pupuma said the expansion programme would start in April next year.

"With the help of the local and international agencies and institutions our organisation has managed to grow its stokvel lending programme.

"Our aim is to reach at least 20 000 individual borrowers by March next year.

"The programme has already reached 17 000 individual borrowers this year," said Pupuma.

He said Gafs was represented in all provinces in South Africa except in Northern Cape, where they plan offices in Kimberley and Upington.

SABS courses for small business

ARG 12/1/98 (30)

BUSINESS EDITOR

12/12/97

South African Bureau of Standards (SABS) courses are open to those with a small business who need to know about quality standards.

The courses are on standards for small, medium and micro businesses in the bureau's Missing Link programme. They are designed to help small businesses match their products to acceptable levels, meet minimum tender requirements and open the way to competition on international markets.

Courses are available for those involved in clothing, industrial chemicals, welding, paints and sealants and building.

The building course focuses on specifications, materials and quality control.

Courses are for a minimum of 15 people, in co-operation with training organisations. Tel: Aaron Ngema, (012) 428 7911

Innovation index for SA firms launched

BD 12/12/97 (30) ~~180~~

Linda Ensor

CAPE TOWN — To help companies achieve corporate entrepreneurship, the University of Cape Town's graduate school of business has launched an initiative — the first of its kind in the world — to measure the innovativeness and entrepreneurship of SA companies.

Already about 56 companies, or units within companies, are participating in the project — the entrepreneurial performance index.

The purpose of the index is to provide the companies with a tool for monitoring and benchmarking their levels of entrepreneurship over time.

"Companies are also able to see how their performance compares to other companies within the overall sample, as well as within their own industry or sector," project leader and visiting US professor of entrepreneurship, Michael Morris said this week.

Furthermore, the index could be used to formulate strategies for entrepreneurship within a company and for the ongoing development of corporate structures, systems and policies.

The index, the culmination of 10 years research on entrepreneurship in established companies, kicked off in August last year with the first data being collected between March and June. The participating companies were evaluated on key business dimensions which reflected how they approached and managed opportunity, resources, management structure and reward policies.

"A profile is then generated which captures the extent to which the company's overall approach is more administrative/bureaucratic or more entrepreneurial," Morris said. The degree of entrepreneurship was measured in terms of the extent to which management decision-making was innovative, proactive and reflective of calculated risk-taking.

Morris said there were six key characteristics of entrepreneurial management, one of which was that entrepreneurial managers focused on the pursuit of opportunity, instead of concentrating on the efficient management of existing resources. Aggressive growth was more important as a goal than short-term profit measures and entrepreneurial managers placed more emphasis on leveraging resources than owning or controlling them. The orientation of these managers was towards action and decisions throughout the firm were market-driven. All employees were also expected to be innovative.

"In the entrepreneurial company, vision comes from the top, but the real entrepreneurial behaviour comes from the middle and the bottom. It is employees who most directly deal with customers, technologies, suppliers and production that represent the rich reservoir of entrepreneurial potential."

Local companies still dragging feet on King proposals

(30) CT 15/12/97

MATT GETZ

Johannesburg — The degree of adherence to the recommendations of the King Committee on corporate governance varies widely among local companies, a recent survey has found.

FSA-Contact, a human resources consultant, found in its survey of non-executive directors' compensation that a mere 11 percent of local companies fully disclosed their directors' remuneration, even though the committee, which recommended full disclosure, was given strong vocal support by the business world.

Kris Crawford, FSA's national sales manager, said companies were generally getting better at revealing details about remuneration: 67 percent said how much directors received in their reports to shareholders, but only 52 percent did so in their annual reports.

Crawford said non-executive directors were a key feature of local business life because of the small pool of directors and the King recommendations regarding board composition.

The committee had said the managing director and chairman should be separate individuals, and the chairman should be non-executive. Those recommendations have been much more closely followed, with 82 percent adhering to the former and 70 percent to the latter. About 60 percent of directors are non-executive. The survey also reviewed how often directors met, and how much time was spent on company business.

Globally, the trend is strongly towards more disclosure. In Australia companies have to show the full pay package for every director and for each of the five highest-paid executives. Many details are also required in Britain.